

# Responsible Investment **2021 Annual Report**





# Contents

- > 2021 in Review .....6
- > Responsible Investment at BMO GAM .....8
- > By the Numbers.....11
- > Stewardship .....15
  - > 2021 Engagement.....16
  - > Voting & Corporate Governance in 2021.....18
  - > SDGs and Engagement.....20
  - > Engagement Case Studies .....22
  - > Policy Advocacy .....24
  - > Investor Initiatives .....26
- > Climate Action.....28
  - > Climate Action Initiatives .....29
  - > Climate action highlights .....31
  - > Climate Action Case Studies .....32
  - > Spotlight: COP26 .....34
- > Social Equality.....35
  - > Social Equality Initiatives .....36
  - > Social Equality highlights .....37
  - > Social Equality Case Studies.....38
  - > Indigenous Reconciliation Spotlight .....40
- > ESG Integration .....41
- > Thought Leadership .....46
- > 2021 Publications.....48
- > Sustainable Products & Solutions:.....50
- > Awards & Recognitions.....52



## Seizing the moment on climate action and social equality



At BMO Global Asset Management (GAM), we invest with purpose to boldly grow the good in business and in life. We take our responsibility seriously and that includes considering the impact of our investments on society and the environment. We believe responsible investment is a mindset, not an asset class – it's simply good investing.

Responsible investment is at the heart of our asset management business. Our dedicated Responsible Investment team alongside portfolio management teams stay at the fore of sustainability developments, integrate Environmental, Social & Governance (ESG) risks and opportunities into the investment decision making process and employ a progressive approach to stewardship activities to improve the sustainability profile of portfolio companies. In 2021, we continued to regularly contribute to market education, including publishing perspectives on the COP26 conference and the evolving Diversity, Equity & Inclusion (DE&I) landscape. We were pleased to receive top honours in the Stewardship and Market Education categories at the Responsible Investment Association's 2021 Leadership Awards for our work to accelerate Canadian diversity and inclusion beyond gender and our newly created MyESG™ analytics tool.\*

The need to invest responsibly has never been greater. Over the next decade, our focus will continue to be on driving real world outcomes from meaningful climate action to advocating for social equality.

In November, world leaders descended on Glasgow to discuss how, collectively we could take meaningful action to address the climate crisis. Financial institutions from across the globe, including BMO GAM, joined forces to create the Glasgow Financial Alliance for Net Zero (GFANZ). More than 450 fund managers, banks, pension plans, asset owners and asset managers promised to mobilize a collective \$130 trillion in private capital to support the transition to net zero. I'm proud that BMO GAM was a founding signatory to the Net Zero Asset Managers Initiative, where we committed to achieving net zero across all of our assets by the year 2050.

Over the past year, it is clear that inequalities continue to persist and have been exacerbated by the pandemic. This includes disproportionate impacts on racialized communities, emerging market countries that still struggle to gain access to vaccines and the increasingly widening income disparity. Now is the time for investors to use their influence to address these issues by rewarding companies that are implementing strategies to mitigate these risks and advocating for better measures to be put in place by those who are not doing enough.

We are encouraged by the positive developments and significant achievements across our sector in 2021, which you can read about in more detail in this report. Our industry has an unparalleled opportunity to be a force for good in the world. There's still much work to do to encourage companies to align their bottom lines with positive ESG changes in their businesses, and to help investors capture the long-term benefits of a more sustainable approach.

In this review, we highlight some of the achievements resulting from our responsible investment activities in 2021. As momentum continues to build around confronting systemic challenges, we look forward to the opportunity we have at BMO to work with Canadian companies we invest in to create positive change. We aim to be our clients' leading partner on advancing progress around all ESG issues; but most importantly, for climate action and social equality.

Kristi Mitchem  
CEO, BMO Global Asset Management

\*For details and methodology for the Responsible Investment Association 2021 Leadership Awards, please see page 52 of this report.

## "Responsible Investment" A fancy name for a sound investment strategy



Sustainability issues garnered a lot of the spotlight in 2021; such as Indigenous protests carried out on controversial energy projects, the catastrophic weather events globally and their explicit link to the climate crisis and the live coverage of how the COP26 conference in Glasgow unfolded.

It is clear that to make the required net-zero transition across global economies, both innovation and investment will be needed. I not only see this as a necessity, but also as an opportunity. Leaning on our depth of climate expertise at BMO, GAM can help deliver positive outcomes that are greatly needed while making such opportunities accessible to investors.

The launch of our 2021 Responsible Investment Annual Report is not only a tradition but an important exercise for our team to undertake. We believe transparency in how we carry out responsible investment activities in our asset management business is a now table stakes.

As part of our investment process, we recognize the importance of leaving no stone unturned when evaluating investment opportunities for our clients and fundamentally believe that positive sustainability practices lead to long-term value creation. We bring that recognition into practice when we integrate ESG considerations across our investment book.

While GAM has been championing the critical role ESG issues play in investments for years, I'm glad to see the wider financial community step up its support and recognize their influence in improving sustainability standards. Meaningful developments like Nasdaq's new rule for board diversity disclosures for listed companies and the successful bid by investors to turn over Exxon's board to push climate action can be credited to the responsible investment community banding together to advocate for change. A detailed account of the extensive stewardship work we have undertaken with our investee companies to improve ESG practices are highlighted within this report. The power we as investors can wield to help solve complex sustainability challenges while helping clients meet their financial goals in the long run is a winning strategy that we stand by.

The stakes are too high with the fragile health of our planet and the costs society continues to pay due to underlying inequalities. We are confident more than ever that our actions can directly contribute to a future we all can look forward to. I hope this report provides some insight in how taking a responsible approach in all activities we carry out for our clients at GAM is the right, and only, way we should be investing.

Sadiq S. Adatia  
CIO, BMO Global Asset Management

# 2021 in Review

2021 was a significant year for the Responsible Investment space. World leaders gathered in Glasgow, sustainability disclosures are set to be standardized with the launch of the International Sustainability Standards Board (ISSB), transparency of sustainability risk took the spotlight with Sustainable Finance Disclosure Regulation (SFDR) provisions, and investor stewardship stole the world’s attention with progress at companies like Exxon Mobil.

## Canada

### Climate Engagement Canada

**Category:** Stewardship  
**Region:** Canada

A coalition of investors announced the launch of Climate Engagement Canada, a finance-led initiative which aims to engage with Canadian corporations to promote a just transition to a net zero economy. BMO GAM is proud to be a founding participant.

### TMX Group

**Category:** Social Equality  
**Region:** Toronto, Ontario, Canada

Shareholders at TMX Group voted in favour of a shareholder proposal for TMX Group to develop policies on diversity, equity and inclusion (DE&I), including those which effect Indigenous communities and current or prospective Indigenous employees.

## United States (US)

### Department of Labor: Prudence and Loyalty Proposed Rule

**Category:** ESG Integration  
**Region:** US

The Department of Labor published a proposed rule which provides fiduciaries the autonomy to consider climate-related and ESG metrics in investment decisions, as well as to exercise their shareholder rights in line with such fiduciary rights.

### Exxon Mobil

**Category:** Stewardship  
**Region:** Texas, US

In a publicly appraised corporate contest, responsible investors ultimately won three board seats at Exxon with the goal of pushing the business to reduce its carbon footprint.

### Oil Sands Pathways to Net Zero

**Category:** Climate Action  
**Region:** Calgary, Alberta, Canada

Representing roughly 95% of Canada’s oil sands production, this alliance of six major oil companies aims to address greenhouse gas emissions in the oil sands by achieving net zero emissions from operations by 2050. Participating companies include Canadian Natural Resources, Cenovus Energy, Imperial, MEG Energy, Suncor Energy and ConocoPhillips Canada.

### General Motors

**Category:** Climate Action  
**Region:** Detroit, Michigan, US

General Motors, the 6th largest auto maker globally, announced plans to be carbon neutral by 2040 in its global products and operations, including the aspiration to eliminate tailpipe emissions from new light-duty vehicles by 2035.

### NASDAQ Board Diversity Rule

**Category:** Social Equality  
**Region:** US

This new rule requires most companies listed on the Nasdaq to publicly disclose board diversity statistics using a standardized format. Companies will be required to have at least one self-identified female director and at least one director who self-identifies as an underrepresented minority. If companies fail to meet those requirements, they must publicly disclose why they did not meet the requirement.



BMO GAM supports the progress made on many fronts in the responsible investment space in 2021, as collectively, they endorse our belief that tackling sustainability issues are necessary and fast becoming table stakes

**Nalini Feuilloley, Head of Responsible Investment, BMO Global Asset Management**

## United Kingdom (UK)

### Royal Dutch Shell

**Category:** Stewardship  
**Region:** London, UK

Together with a lawsuit from seven foundations and over 17,000 plaintiffs, Royal Dutch Shell was ordered by the Court of Hague to reduce CO2 emissions to a net 45% in 2030, compared to 2019 levels. This court order mandates the company to abide by the obligations under the Paris Climate Agreement.

### COP26 Event

**Category:** Climate Action  
**Region:** Glasgow, UK

In a collective effort to limit global temperature rise to 1.5 degrees, leaders from around the world met in Glasgow for the COP26 event, which included stakeholders from the public and private sectors. More than 40 countries agreed to phase out coal. Meanwhile, nations adopted the Glasgow Climate Pact, which sets key outcomes for reporting, financing and market mechanisms in the fight to curb climate change.

### International Sustainability Standards Board (ISSB)

**Category:** ESG Integration  
**Region:** Glasgow, UK

The ISSB was formed in Glasgow in November with the intention to develop standards for ESG disclosures for investors and the financial markets. The standards will start with climate, due to the urgency of a requirement for consistent disclosure standards.

## European Union (EU)

### Sustainable Finance Disclosure Regulation (SFDR)

**Category:** ESG Integration  
**Region:** European Union

Substantive provisions to the SFDR took effect in early 2021, which brings transparency and consideration of sustainability risks and impacts in the investment decision-making process.

## China

### China Petroleum & Chemical Corporation (Sinopec)

**Category:** Climate Action  
**Region:** Beijing, China

Asia’s largest oil refiner announced plans to be carbon neutral by 2050. The Chinese state-owned entity plans to focus on natural gas development in the near-term, with a long-term pivot to hydrogen to produce green energy.


## Global

### Glasgow Financial Alliance for Net Zero (GFANZ)

**Category:** Climate Action  
**Region:** Global

GFANZ brings together over US\$130 trillion of assets to accelerate the transition to net zero emissions by 2050. Members of GFANZ commit to align their operational and attributable emissions to net zero by 2050.

 ESG Integration

 Stewardship

 Climate Action

 Social Equality



# Responsible Investment at BMO GAM

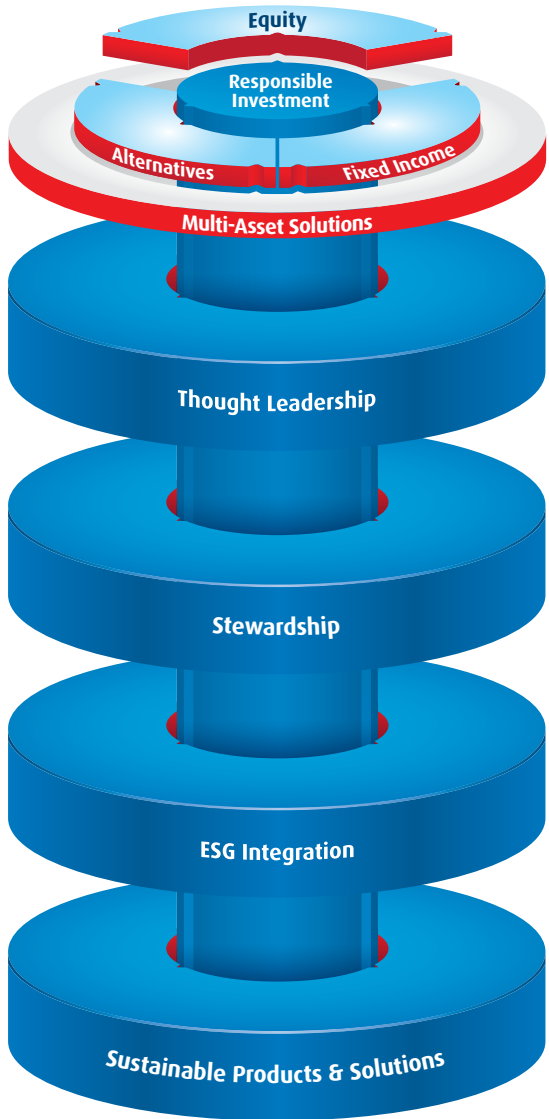


**Nalini Feuilloy**  
Head of Responsible Investment,  
BMO Global Asset Management

BMO GAM’s Responsible Investment team oversees the firm’s ESG initiatives and supports all investment teams in integrating ESG considerations into the investment process. The Responsible Investment team owns and executes on BMO GAM’s firm wide commitments to responsible investment, develops thought leadership on emerging ESG topics and employs a progressive approach to stewardship activities. Led by Nalini Feuilloy, the team boasts a diverse background of experience on a variety of responsible investment topics, ranging from climate change to Indigenous rights, which are utilized across all that we do. Alongside strong stewardship practices, the team focuses on policy advocacy and are active participants in collaborative investor initiatives.

## Our approach to Responsible Investment

-  **Thought Leadership**  
Promote an ESG agenda and share responsible investment approaches, best practice, and actionable insights
-  **Stewardship**  
Thoughtful engagement and proxy voting with investee companies and policymakers
-  **ESG Integration**  
Integrate ESG considerations into investment processes
-  **Sustainable Products & Solutions**  
Offer comprehensive suite of ESG funds and solutions



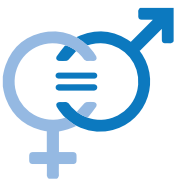
## Key Themes of Focus

Our responsible investment approach includes identifying material ESG issues that impact the long-term performance of the companies in which we invest. Doing so enables us to bring attention to ESG issues through publishing meaningful thought leadership and publicly advocating for best practices and improved policies. Part of how we prioritize ESG issues is by recognizing and managing our clients exposures to systemic risks. As part of our approach to responsible investment beyond common ESG risks, the team focuses on addressing two key systemic issues. 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**.



### Climate Action

Addressing climate change requires a transition to a net zero carbon economy by 2050. Through a dedicated focus on accelerating decarbonization, advancing clean energy, building resiliency, protecting natural capital, and advancing circular supply chains, investors can secure a sustainable future.



### Social Equality

Growing inequality arising from lack of fair wages; inequitable access to products, services and opportunities; and systemic violations of human and Indigenous rights is increasingly threatening social stability and our economic future. Investors can influence the dynamics that fuel inequality by demanding more fair and just business practices and working to ensure assets are invested to enhance social outcomes while also protecting reputational risk.

The Responsible Investment team is proud to present the **2021 Annual Report**. Here, we highlight the responsible investment activity we carried out in 2021 at BMO Global Asset Management, as well as developments we have seen in the Responsible Investment space over the last year.





# By the Numbers

# Stewardship highlights

1,300 number of engagements

275 milestones achieved\*

5,260 company meetings voted

64% of shareholder proposals supported

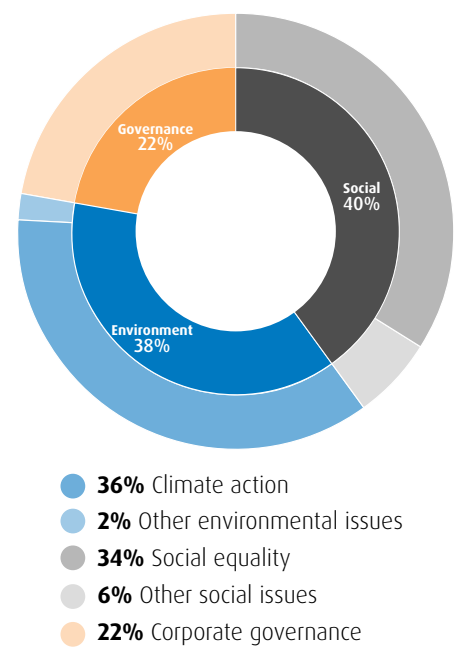
# Market & product highlights

25 Total number of sustainable products

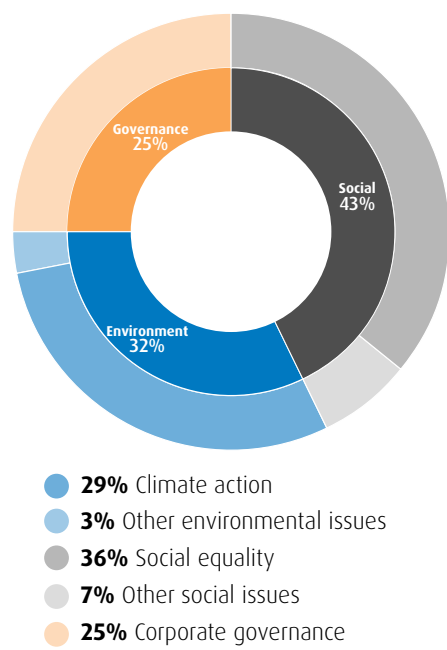
\$3.7B Total sustainable assets under management (AUM)<sup>1</sup>

6 New sustainable product launches in 2021

Global engagements by issue



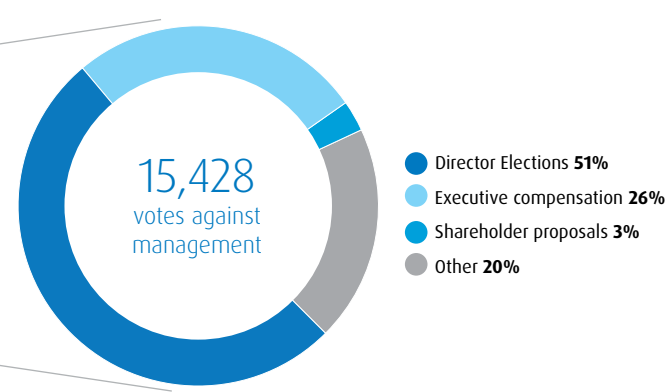
Global milestones\* by issue



How we voted in 2021 globally



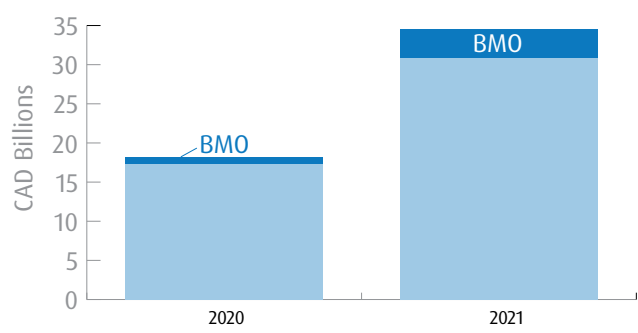
Votes against management by issue



## Market growth and fund flows

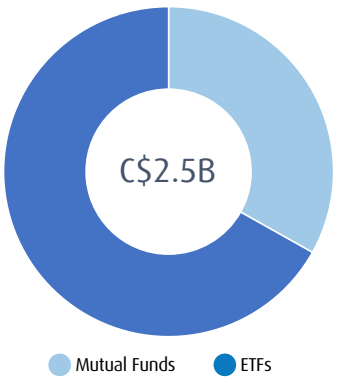
Investments in Canadian sustainable products & solutions doubled in 2021, growing from C\$17.4 billion to C\$34.5 billion<sup>2</sup>, driven by performance and inflows. BMO GAM's sustainable products & solutions attracted C\$2.5 billion in net new money in 2021, bringing our share of the market to over 10% with C\$3.7 billion in sustainable assets under management, up from \$0.8B at the end of 2020.

Year-over-year sustainable assets in Canada



Source: Morningstar Direct, BMO Global Asset Management. Data as of Dec 31, 2021.

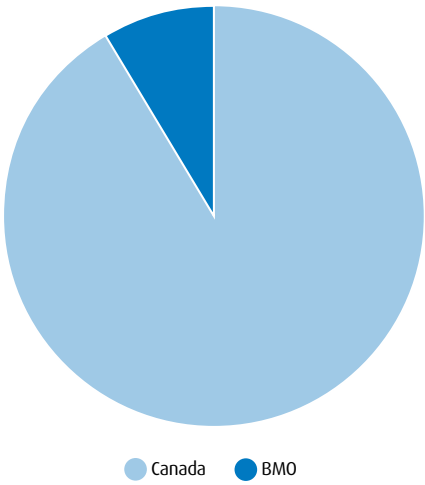
BMO's sustainable products & solutions inflows



Source: BMO Global Asset Management. Data as of Dec 31, 2021.

## Product launches

New products continued to be brought to market throughout the year with BMO GAM responsible for 6 of the estimated 73 sustainable products launched in Canada.



Source: Morningstar Direct, BMO Global Asset Management. Data as of Dec 31, 2021.<sup>1</sup>

\* A milestone is considered when a company makes tangible improvements in its policies and practices that align with our voting and engagement activities.

<sup>1</sup>Source: BMO Global Asset Management, as of Dec 31, 2021. <sup>2</sup>Source: Morningstar Direct, as of Dec 31, 2021. For a list of products considered for these AUM figures, please see list on page 51.



# Stewardship



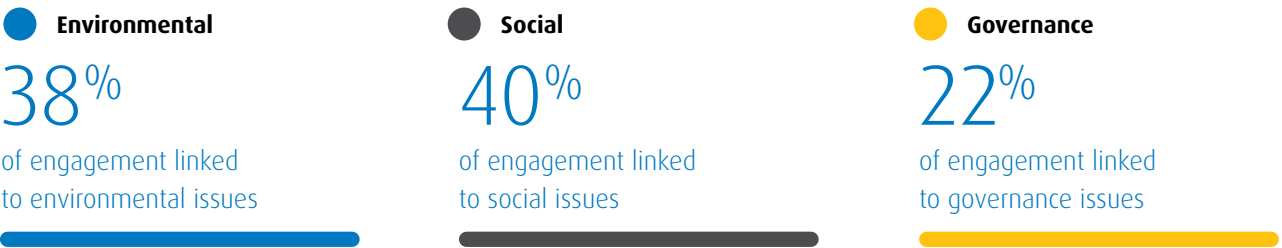
Stewardship is one of the core elements of our responsible investment approach. Through engaging with investee companies, proxy voting, public policy advocacy and industry collaboration, we raise ESG issues on behalf of our investors to reduce ESG risks, enhance long-term returns and create positive change.



# 2021 Engagement

2021 engagement continued to be heavily influenced by COVID-19 and the social impacts of the pandemic. Close to half of all our engagement activities were on social matters, including employee health and safety and supply chain issues. The other big theme was climate action and engaging companies on pathways to reaching net zero by 2050, both through one-on-one dialogues as well as through collaborative investor efforts such as Climate Action 100+.

Engagement is critical to our investment process  
and to fulfilling our fiduciary duty as active stewards of capital



We engaged with **610 companies**<sup>1</sup> across a wide range of environmental, social and governance issues, as follows:

**Environmental:** More than one-third of our total engagement activities this year addressed climate action, including emissions management, energy transition and deforestation. Key environmental projects we focused on included engagement with financial companies on climate finance, and with food companies on the impact that its supply chains may have on biodiversity loss.

**Social:** We continued to engage with companies on managing the social impacts of COVID-19. This includes protecting the health and safety of employees and customers as well as addressing the social inequalities exacerbated by the pandemic. We also encouraged companies to promote diversity, equity and inclusion (DE&I) in the workforce and at board-level.

**Governance:** Nearly a third of our governance-related engagements were on ESG oversight – particularly around climate action and social equality. We continued to engage with companies on traditional governance issues including board refreshment and executive compensation. We shared our expectations on balancing senior management pay with the workforce constraints the pandemic had on company performance.

In 2021, almost half of our engagements were held with board directors and senior executives highlighting the openness from these levels of leadership on discussing material ESG issues with us. Similar to 2020, nearly 40% of our engagement was done in collaboration with other investors and stakeholders. This is aligned with our expectation that collaboration on ESG engagement is on the rise and a trend that we fully embrace. By speaking to companies with a unified voice, investors can more effectively communicate their concerns while gaining power and legitimacy from the perspective of corporate management. In addition to enhancing engagement success, collaborations can enhance companies and investors’ knowledge, which is critical given the growing complexity posed by emerging, intersecting ESG risks and megatrends.

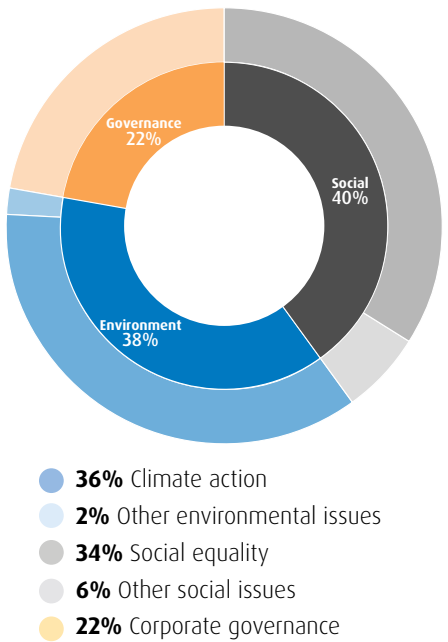
Engagement interactions by leadership level	2020	2021
Investor relations	30%	40%
Senior executives	27%	28%
Board director(s); non-executive(s)	25%	18%
Operational specialists	11%	10%
Other	7%	4%

<sup>1</sup> This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo®) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.

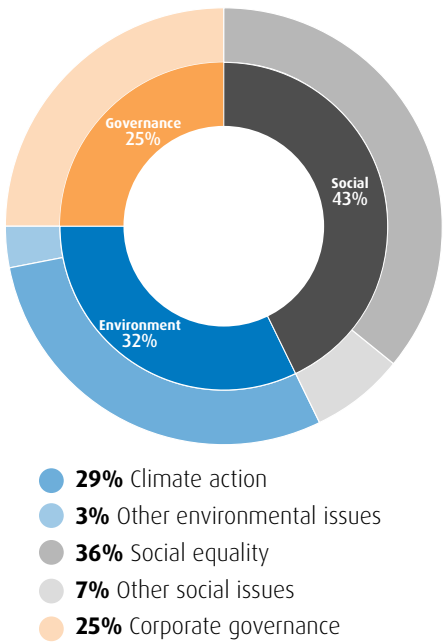
# Engagement highlights<sup>\*</sup>



Global engagements by issue



Global milestones by issue



## 141 engagements in Canada



<sup>\*</sup> This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo®) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.



# Voting & Corporate Governance in 2021

Exercising the right to vote is a key part of our stewardship responsibilities, and an opportunity to influence change. We regularly engage companies before and after voting to explain our expectations and invite comment, and to explain our reasons for any votes against management, including support for ESG shareholder proposals.

Our voting decisions are guided by our Corporate Governance Guidelines<sup>1</sup>. Public details of all our voting activity, including rationale for votes against management, are available on our website<sup>2</sup>. We continued to promote the development of governance best practices through our memberships of, and active participation in, influential bodies such as the International Corporate Governance Network (ICGN), 30% Club, Council of Institutional Investors (CII), and Canadian Coalition for Good Governance (CCGG).

### Ongoing trends

Our ongoing voting and engagement priorities include the promotion of empowered and effective boards and management teams across companies. In Canada, we voted against management on approximately 16% of resolutions. This is less than our votes against management in the global markets at 20%, suggesting better alignment of expectations between shareholders and Canadian companies on board effectiveness and composition (including independence and diversity). Similar to last year, our approach to executive compensation and the impact of COVID-19 was to assess to what extent companies balance payments to senior management with both the experience of investors and a company’s broader workforce. Executive compensation remained a contentious issue across all global markets. Globally, we voted against management at roughly 50% of resolutions related to pay. Our main concerns relate to poor disclosures, compensation packages that reward below median performance and lack of performance-based incentives.

### Board diversity in Canada

We continue to evolve our guidelines on board gender diversity as we believe it can enhance the long-term effectiveness of boards. In 2021, we raised our expectations from requiring two women on the board, to a minimum of 25% female representation which resulted in 91 votes against chairs of nominating committees in Canada – an increase from 34 in 2020. We supported the re-election of 25 nominating committee chairs where board diversity did not meet our expectations of 25% female representation but where the board demonstrated positive momentum in advancing gender diversity. This includes setting a robust, time-based gender diversity target and adding a new female nominee to the board during the year under review.

### Climate voting

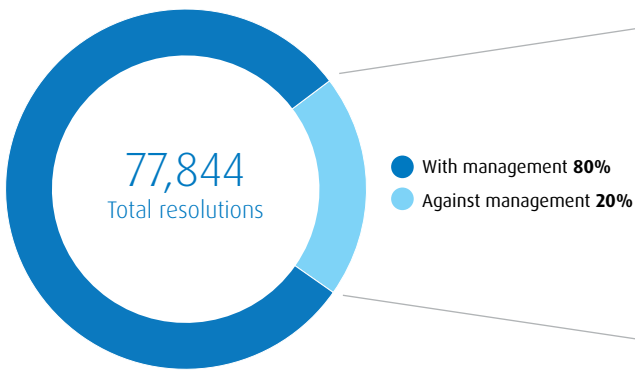
We recognized that climate change and the global transition to a lower carbon economy present both risks and opportunities to businesses. As per our Corporate Governance Guidelines, where companies in high-impact sectors fail to provide investment-relevant climate disclosure or do not have a robust climate change management strategy, we may not support management resolutions, including the report and accounts or the election of directors. Globally, we voted against 34 director nominees in 2021 where the company lacked robust disclosures on its emissions reduction targets and management of climate-related risks. We also voted in support of six out of seven management proposals to approve companies’ climate-related strategy. We voted against Royal Dutch Shell’s proposed climate strategy due to concerns on whether their decarbonization plans would meet its target deadline.

<sup>1</sup> Our Corporate Governance Guidelines establish a consistent philosophy and approach to corporate governance and the exercising of voting rights. The Guidelines are [available here](#).  
<sup>2</sup> Our full voting record is [available here](#).

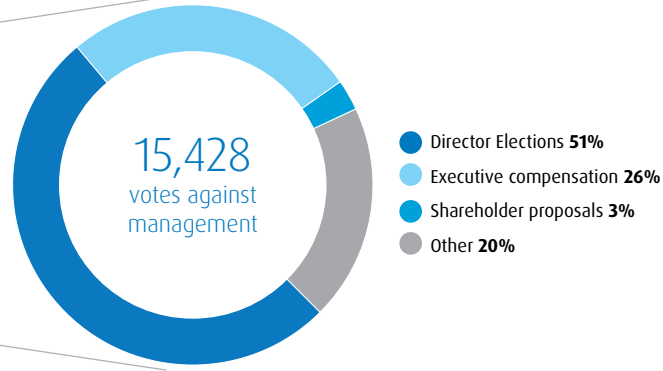
# Corporate governance highlights<sup>\*</sup>



How we voted in 2021 globally



Votes against management by issue



## How we voted in Canada



<sup>\*</sup> This includes voting activity on behalf of BMO GAM by the Responsible Engagement Overlay (reo<sup>®</sup>) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.  
Responsible Investment team actively instructs Canadian market votes. To ensure international market coverage and expertise, they have partnered with the Responsible Engagement Overlay (“reo<sup>®</sup>”) service, offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle. International meetings are instructed as per BMO GAM’s CGG. The RI team monitors all votes instructed by reo<sup>®</sup>, has the ability to override reo<sup>®</sup>’s vote instructions and holds the final say in voting decisions.



# SDGs and Engagement\*

Since the 2030 Agenda for Sustainable Development was adopted by all UN Member States in 2015, much progress has been made to meet the Agenda’s goals. With less than 8 years left to 2030, all stakeholders must focus on decisive action. While many companies now have sustainability strategies aligned with the SDG framework, robust implementation and an acceleration towards meaningful and lasting change is now imperative. We believe our engagement, 79% of which is aligned with the SDGs, can help towards achieving the ambitious global agenda.



My report on Our Common Agenda – which strengthens Agenda 2030 and the Sustainable Development Goals – offers a roadmap to gather the world together, in solidarity, to address these governance challenges and reinvigorate multilateralism for the 21st century.

António Guterres, UN Secretary-General, January 2022

**75%** of Canadian companies have disclosed a sustainability plan<sup>1</sup>

**2021** was tied with 2018 for 6th warmest year on record<sup>2</sup>

**23%** of Canadian board directors are women<sup>3</sup>



**22% of our engagement linked to SDG 12**

We continued to encourage more transparency and better disclosures on ESG issues, which links to target 12.6. Focus areas included company disclosure on its sustainability strategy, waste management and recycling initiatives.



**17% of our engagement linked to SDG 13**

We continued to engage on climate change, primarily linked to target 13.2, on topics including emission reduction targets, biodiversity as well as climate-related lobbying and voting agendas.



**13% of our engagement linked to SDG 5**

We continued to urge companies to advance gender diversity, which links to targets 5.1 and 5.5. We engaged with companies on setting robust, time-based gender diversity targets and commitments.

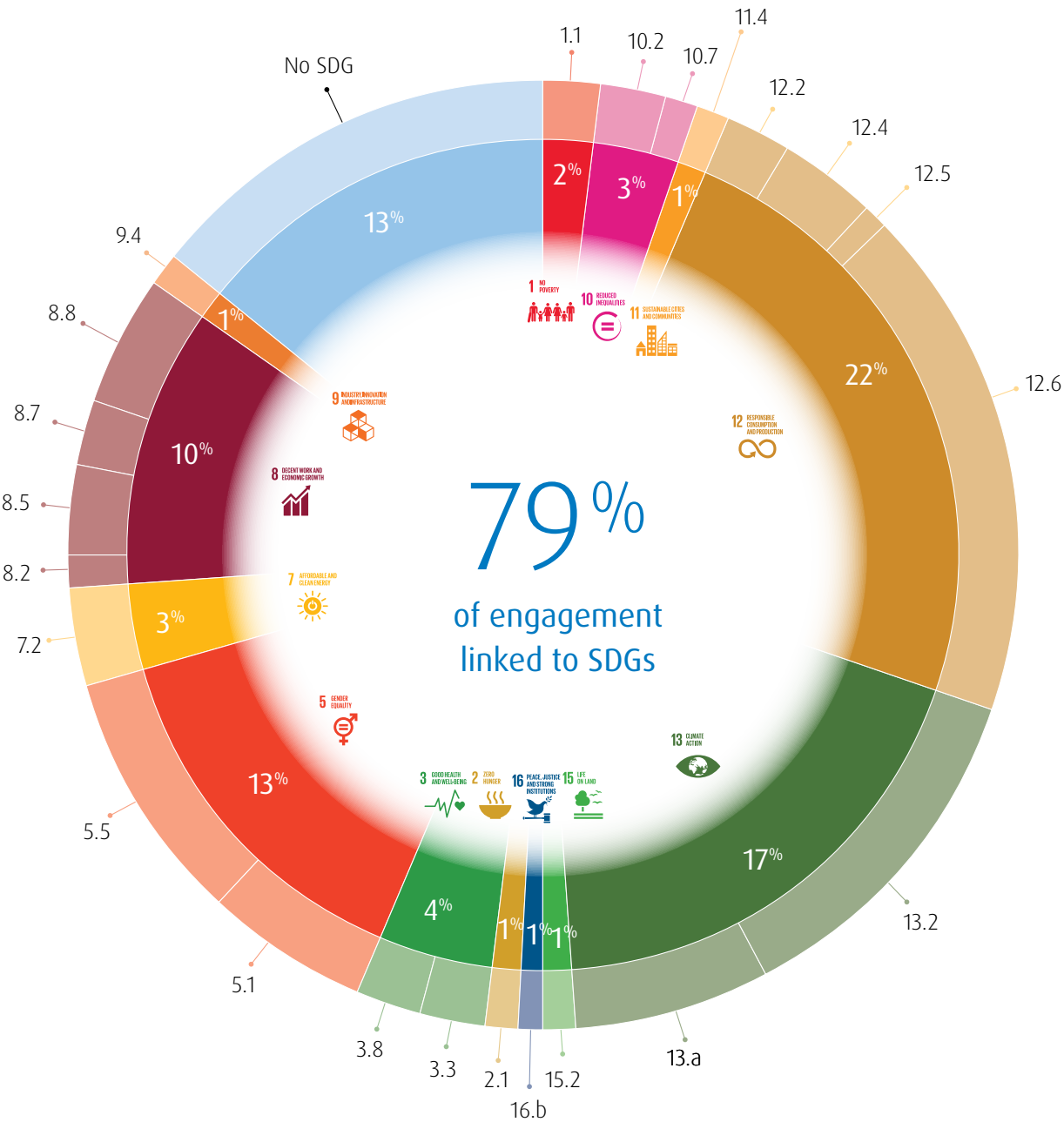
### SDGs: a framework for investors

The SDG framework provides an ambitious roadmap towards a more sustainable world. We believe it is a useful tool for companies and investors to be able to contribute to achieving the objectives of the 2030 Agenda. The framework has created a common language between stakeholders, and we are seeing that having a positive impact within our engagement.

### No SDG link

13% of our engagements did not have a direct link to a specific SDG target. Most of these engagement activities were on corporate governance, an essential building block in creating more sustainable, better run companies. We engaged with companies on ESG oversight which has a broader application in achieving the SDG goals.

## How BMO GAM’s engagement links to SDG goals and targets



**1.1** Eradicate poverty and ensure a living wage for all; **2.1** End hunger and ensure access to safe, nutritious and sufficient food all year round; **3.3** End epidemics of AIDS, tuberculosis, malaria and other diseases, and combat hepatitis and other communicable diseases; **3.8** Access to medicines and health-care; **5.1** End all forms of discrimination against women and girls; **5.5** Ensure full equality of opportunity for women, including at leadership levels; **7.2** Substantially increase the global share of renewable energy; **8.2** Achieve greater productivity through innovation; **8.5** Achieve full and productive employment for all; **8.7** Eradicate forced labour, modern slavery & human trafficking; **8.8** Protect and promote safe working environments for all workers; **9.4** Sustainable infrastructure and industries, with increased resource-use efficiency and adaptation of clean technologies; **10.2** Empower and promote the social, economic and political inclusion of all; **10.7** Facilitate orderly, safe, regular and responsible migration and mobility of people; **11.4** Strengthen efforts to protect and safeguard the world’s cultural and natural heritage **12.2** Sustainably manage and make efficient use of natural resources; **12.4** Manage chemical usage and waste throughout their life cycle; **12.5** Reduce waste through prevention, reduction, recycling and reuse; **12.6** Encourage companies to adopt sustainable practices and enhance ESG reporting; **13.2** Integrate climate change plans into policies and strategies; **13.a** Address climate change mitigation for developing countries; **15.2** Promote the implementation of sustainable management of forests

Source: BMO Global Asset Management, as at Dec 31, 2021.

\* This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo®) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.

<sup>1</sup> <https://www.pwc.com/ca/en/today-s-issues/environmental-social-and-governance/esg-reporting-insights.html>

<sup>2</sup> <https://www.nasa.gov/press-release/2021-tied-for-6th-warmest-year-in-continued-trend-nasa-analysis-shows>

<sup>3</sup> <https://www.osler.com/osler/media/Osler/reports/corporate-governance/Osler-Diversity-Disclosure-Practices-report-2021.pdf>



# Engagement Case Studies

## Royal Dutch Shell

● Environmental



Targets: 13.2



In 2021, Royal Dutch Shell (Shell) was one of the first companies in the energy sector to allow shareholders to vote on its energy transition strategy, which we voted against.

Our main concern was whether the interim targets and instruments reported to achieve the required reductions could sufficiently meet the goal of the Paris Agreement – to limit temperature rise to well below 2 degrees. We were concerned that a majority of decarbonization was scheduled to take place after 2030 as we questioned whether the company could achieve net zero emissions by

2050. We have engaged with Shell on multiple occasions individually as well as collaboratively through the Climate Action 100+ initiative. We also met with the company after the Dutch court ruled that it must reduce net carbon emissions by 45% by 2030 relative to 2019. We encouraged Shell to pursue the reduction target as well as maintain transparency with shareholders on how its energy transition strategy will impact its business. Overall, our experience with Shell has been positive given the company’s openness for dialogue and its tangible improvements. While there still remains significant room for improvement in how management tackles decarbonization, we will continue our active engagement with the company to drive the necessary changes.

## ExxonMobil Corp

● Environmental



Targets: 13.2



ExxonMobil has been notoriously unresponsive to shareholder engagement on climate change, including the Climate Action 100+ initiative, prompting us to vote against certain board directors.

The company publicly announced its support of the Paris Agreement in 2020 acknowledging climate-related risks for the first time in decades. However, one major concern we identified was the inconsistency between this public support and its lobbying activities. We co-filed a shareholder proposal in late 2020 to ask the company to report if, and how, its lobbying activities align with the Paris Agreement. We met with company representatives three times, as part of the group of filers and individually. ExxonMobil subsequently published its first “Lobbying Principles”

which we considered lacked the substance of reporting produced by some of its peers. The company petitioned to get the proposal thrown out at the Securities Exchange Commission who ruled in favour of the filers. While ExxonMobil was willing to discuss the proposal and made certain steps towards the type of lobbying disclosures requested, it was evident that the company disagreed with shareholders on what robust reporting entailed. The proposal went to a vote at its 2021 AGM which received a majority (63.8%) of support. We also supported the change in ExxonMobil’s board after Engine No. 1’s proxy fight. In early 2022, ExxonMobil announced its net zero by 2050 commitment. This outcome, coupled with the voting and engagement activities that occurred in 2021, gives us hope that the company will work with shareholders to improve its climate lobbying reporting.

## Chartwell Retirement Residences

● Social



Targets: 8.2



During the pandemic, nursing home workers have been caring for those most vulnerable to the virus in extremely high-risk environments.

Underfunding, under-staffing, under-regulation and health and safety issues, lead to deaths and scandals in the sector. With UNI Global Union, a global union for skilled and service workers, we developed an investor statement on expectations for the nursing home sector. We asked investee companies to develop and implement standards that not only adapt to but go beyond local regulatory requirements for understaffing, health & safety, wages, collective bargaining and quality of care. We also asked those companies

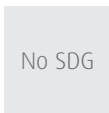
that own real estate used for nursing homes – such as Real Estate Investment Trusts – to support operators in meeting these expectations by overseeing their properties and monitoring processes to ensure our standards are met. BMO GAM contacted 13 nursing home companies and trusts to urge appropriate staffing levels, improved health and safety standards, proper use of PPE, fair wages, pandemic hazard pay, and freedom to unionize. In Canada we had follow-up discussions with Chartwell Retirement Residences, whose board formalized oversight on human capital management and has started more robust data collection of its workforce to understand employee length of service, unionization rates, and diversity data points.

## Canadian National Railway

● Governance



Targets: No SDG



Despite being a prominent member of the main index in Canada, certain aspects of the company’s board structure made it an outlier.

We identified concerns over the company’s board and key committees. Almost 50% of its board were comprised of long-tenured directors which could potentially compromise their independence. Although tenure limits were in place, these did not apply to those long-tenured directors who had been exempt. We have engaged with the company on the topics of board refreshment, director tenure and committee independence for several years. Throughout this time, CN removed long-tenured directors from the compensation committee and reduced the number of committee members from ten to six. We believed

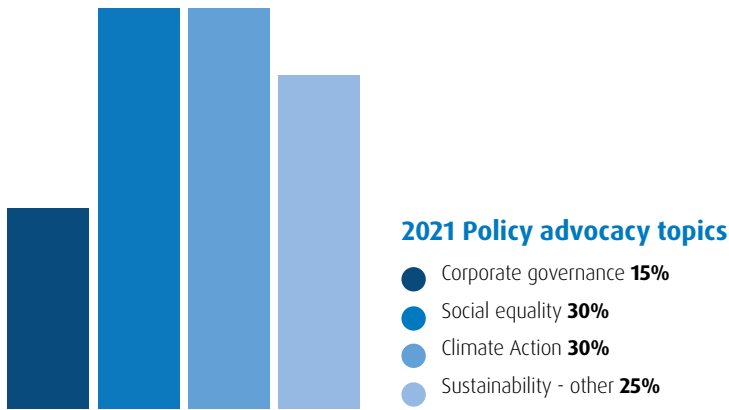
that this improved the compensation committee’s independence and in turn, enhanced its ability to formulate and implement fair executive compensation plans. However, these changes did not address our wider concerns on overall board renewal which led us to withhold support from several directors at the 2018, 2019 and 2020 AGMs. In the first quarter of 2021, the company announced updates to its board governance policies including the removal of a grandfathering provision that would subject all directors to a revised tenure limit of 14 years and a lower retirement age for board members. Removing this provision meant that four of the long-tenured directors we had concerns about stepped down from the board at the 2021 AGM.



# Policy Advocacy

Policy advocacy is a key component of our responsible investment approach. By engaging policymakers and standard-setters we can promote best practice and increase the bar for all companies across sectors, regions, markets and exchanges.

In 2021 BMO GAM made **13 policy submissions** or statements across **5 jurisdictions**. We also noted several positive outcomes from earlier policy submissions, including the recommendations from the Ontario Capital Markets Modernization Taskforce, which included several of our suggestions around mandatory target-setting for board diversity and climate-related disclosure. We also celebrated the SEC’s approval of NASDAQ’s board diversity listing requirements in the US, something we had supported in a 2020 policy submission, and the rollback of the Department of Labour’s proposals restricting ESG investment strategies and shareholder voting rights, which we had advocated against in late 2020.



## Spotlight: Global Governmental Action on Climate Change

Together with 457 other investors representing over US\$41 trillion in assets we signed the Global Investor Statement to Governments on the Climate Crisis. Key to reaching net zero emissions by 2050 is ensuring government leaders support sustainable COVID-19 economic recovery efforts consistent with net-zero emissions. As such, prior to COP26, the statement called on governments to:

- 1. Strengthen their Nationally Determined Contributions (NDCs) for 2030 before COP26, to align with limiting warming to 1.5 degrees Celsius and ensuring a planned transition to net-zero emissions by 2050 or sooner.
- 2. Commit to a domestic mid-century, net-zero emissions target and outline a clear pathway for carbon-intensive sectors.
- 3. Implement domestic policies to deliver these targets, incentivize private investments in zero-emissions solutions and ensure ambitious pre-2030 action such as carbon pricing and the development of just transition plans for affected workers and communities.
- 4. Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience.
- 5. Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures.

2021 Policy Advocacy Activities*		
Country	Issue	Initiative
 Global	Access to Medicine	Global investor statement in support of an effective, fair and equitable global response to COVID-19.
 EU	Climate change and environmental stewardship	Joint letter to the European Commission in support of revisions to the Common Agricultural Policy to address climate change and environmental impact.
 UK	Shareholder rights and market standards	UK Investment Association’s response to Lord Hill’s consultation on reviewing UK’s listing regime.
 UK	Director independence	SEBI: Consultation on Independent Directors.
 Global	Antimicrobial resistance (AMR)	UN General Assembly’s Call to Action on AMR.
 Canada	Modern Slavery legislation	Joint investor letter in support of strong Modern Slavery legislation in Canada.
 Global	Human Rights	Investor Statement on Mandatory Human Rights Due Diligence in the UK.
 EU	Sustainability Reporting	PRI Letter supporting the Corporate Sustainability Reporting Directive.
 EU	EU Mandatory Due Diligence	Investor statement in support of mandatory human rights and environmental due diligence in the EU.
 EU	Alignment of the EU Taxonomy with climate and environmental targets	Investor statement on food systems and EU Taxonomy.
 Global	Global Biodiversity Framework	Investor letter to encourage ambitious Global Biodiversity Framework.
 Global	Biodiversity & Plastics pollution	Investor letter in support of UN Treaty on Plastic Pollution.
 Global	Global Investor Statement to Governments on the Climate Crisis	Investor statement supporting strong government action on climate change.

\* This includes policy advocacy work conducted on behalf of BMO GAM by former colleagues at BMO GAM EMEA.





# Investor Initiatives

Complementary to our own stewardship activities, we often collaborate with other institutional investors, non-governmental organizations (NGOs) and industry groups to collectively affect change. We actively participate in many networks and support commitments made around the world, such as those listed below.

## Memberships

### Industry

- United Nations Principles for Responsible Investment
- Responsible Investment Association (*Sustaining Member*)

### Environmental

- Climate Action 100+
- Climate Engagement Canada (*Founding member*)
- Net Zero Asset Managers Initiative
- Carbon Disclosure Project
- Science Based Targets
- Transition Pathway Initiative
- Task Force on Climate-Related Financial Disclosures

### Social

- 30% Club
- Investor Alliance for Human Rights (*Advisory Council*)
- Human Capital Management Coalition
- Global Network Initiative

### Governance

- International Corporate Governance Network
- Canadian Coalition for Good Governance
- Council of Institutional Investors



## New 2021 signatories & commitments

- Canadian Investor Statement on Climate Change (*Co-Author*)
- Investor Statement on Vaccine Equity & Executive Remuneration (*published Jan 6th 2022, letters sent to companies in December 2021*)
- Investor Statement Calling on Companies to Improve Performance on the Corporate Human Rights Benchmark
- Investor Statement on Facial Recognition
- Investor Statement on Corporate Accountability for Digital Rights
- Investor Position Statement: A Call for Corporate Net Zero Transition Plans
- Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to COVID-19
- Investor Statement on Expectations for the Nursing Home Sector
- Investor Statement on Human Rights and Business Activities in Myanmar

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Following the February coup d'état in Myanmar, we signed a collaborative investor statement calling upon companies in the country to uphold their corporate responsibility to respect human rights.



# Climate Action



At BMO GAM, working towards a climate secure future is an integral part of our purpose to boldly grow the good in business and in life. As an asset manager we recognize that climate change represents a systemic risk to the global financial system and that inaction can cause economic damage that will put at risk our ability to deliver long-term financial returns. We believe that investors can play a pivotal role in the journey to a decarbonized global economy. We are committed to playing our part in supporting the transition, recognizing that climate change presents both investment risks and opportunities.

As a founding signatory to the Net Zero Asset Manager Initiative, BMO GAM has committed to work with our clients to achieve net zero emissions across all assets under management by 2050 or sooner.

Our Climate Action strategy focuses on five key sub-themes to guide our activities: Attaining Net Zero Emissions; Climate Resiliency; Protecting Natural Capital; fostering a Clean Energy Transformation; and Advancing a Circular Economy. Through our thought leadership, ESG integration work, and engagement with investee companies, policymakers and standard-setters on these material sub-themes, we expect to support the global transition to a net zero economy.

Attaining Net Zero Emissions	Accelerating decarbonization of the economy towards net zero emissions before 2050.
Climate Resiliency	Building capacity to adapt and thrive in current and future climate conditions.
Protecting our Natural Capital	Being responsible stewards of natural capital and critical ecosystem services.
Clean Energy Transformation	Transforming energy supply, systems, and use to power a sustainable future.
Advancing a Circular Economy	Fostering supply chain innovation and efficiency to minimize waste and advance towards a circular economy.

## Climate Action Initiatives

### Net Zero Asset Managers Initiative



As a founding signatory to the **Net Zero Asset Managers Initiative**, BMO Global Asset Management has committed to aligning all our portfolios with net zero emissions on or before 2050, in line with global efforts to limit warming to 1.5 degrees Celsius. As part of this initiative, BMO GAM commits to establishing meaningful interim targets for the proportion of our assets to be managed in line with the attainment of net zero emissions, and to work in partnership both with our clients and with our investee companies towards this goal.

### Global Investor Statement to Governments on the Climate Crisis

In the lead-up to COP26, BMO GAM signed the 2021 Global Investor Statement to Governments on the Climate Crisis, calling on governments to set ambitious targets in line with achieving net-zero emissions and to implement consistent national climate policies in the short-to-medium term. The statement urges support for the implementation of the Paris Agreement, stressing that it will “create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy.” The initiative was supported by 733 investors representing over US\$52 trillion in assets.

### Climate Engagement Canada



This year, BMO GAM was proud to be a founding member of **Climate Engagement Canada**, a new finance-led initiative that drives dialogue between Canada’s finance community and private industry to promote a just transition to a net zero economy. Through Climate Engagement Canada, BMO will engage directly with Canada’s highest Greenhouse Gas (GHG)-emitting corporations and will work collaboratively with these companies to encourage leading practices with respect to climate change risks and opportunities. Climate Engagement Canada builds on BMO GAM’s successful participation in **Climate Action 100+**.

### Canadian Investor Statement on Climate Change

In 2021, BMO GAM co-authored and became a founding signatory to the Canadian Investor Statement on Climate Change which brings together Canadian institutional investors to support a just transition to a net zero economy. The statement calls for increased climate accountability and establishes expectations for public companies and investors towards achieving net zero emissions on before 2050. The Statement was supported by 35+ investors representing C\$5.5 trillion in assets under management.

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# Climate action highlights\*

772

climate-focused engagements

375

companies engaged

89

milestones achieved

84%

of shareholder proposals supported

“As Canadian investors, we recognize the importance of transitioning Canada to a low-carbon economy in a way that provides economic opportunities, supports communities, and is informed by Indigenous perspectives. It is incumbent on asset managers to advance climate action in their approach to investment, engagement and industry collaboration.

Nalini Feuilleley, Head of Responsible Investment, BMO Global Asset Management

## Climate Action Standards & Policy Advocacy

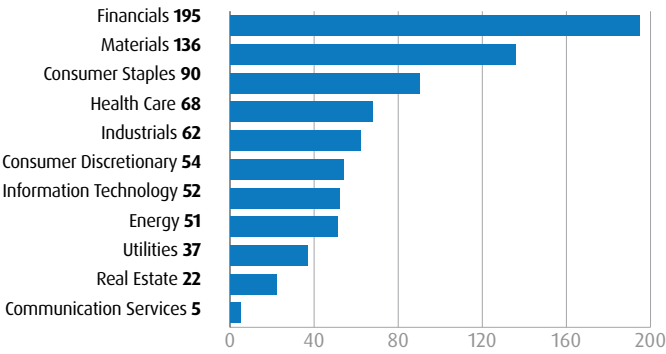
BMO GAM co-chaired an Implementation Working Group for the Net Zero Investment Framework (NZIF), developed by the **Paris Aligned Investment Initiative**. This group brought together asset owners and managers to discuss a range of issues arising as we put the Framework into practice.

We also participated in a technical working group advising the **Climate Disclosure Standards Board** on a newly published guidance that seeks to address the question of how climate-related matters should be factored into a company’s financial reporting. This guidance builds on International Accounting Standards Board’s (IASB) position on integrating climate risks in accounting and auditing process based on current International Financial Reporting (IFRS Foundation) Standards.

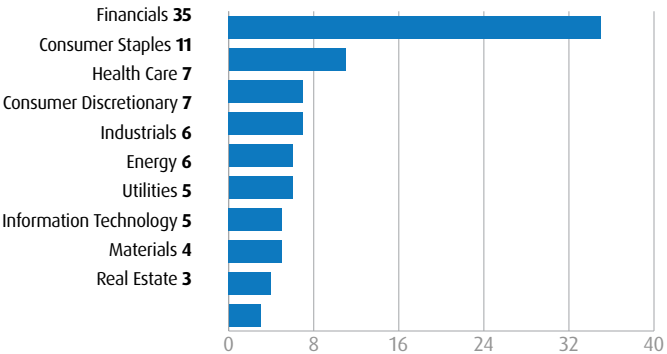
BMO GAM recognizes addressing climate change will take coordinated action across all levels of government, business, and society. BMO GAM engaged with the **Canadian Securities Administrators** on Climate-Related Disclosures and continues to advise PMAC and other industry groups.

We also engaged with the Province of Ontario on draft legislation based on the recommendations of the Ontario Capital Markets Modernization Taskforce. We are pleased our feedback on climate-related disclosures has been taken into account, as well as in our engagement with Ontario on potential draft legislation.

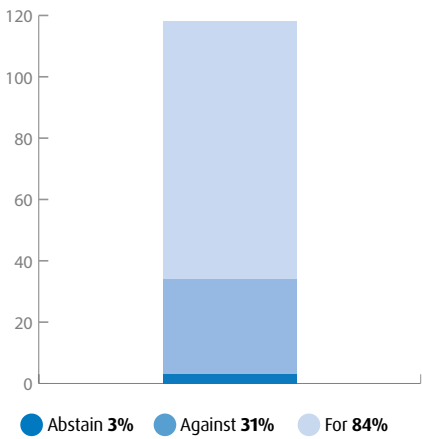
Engagement by sector



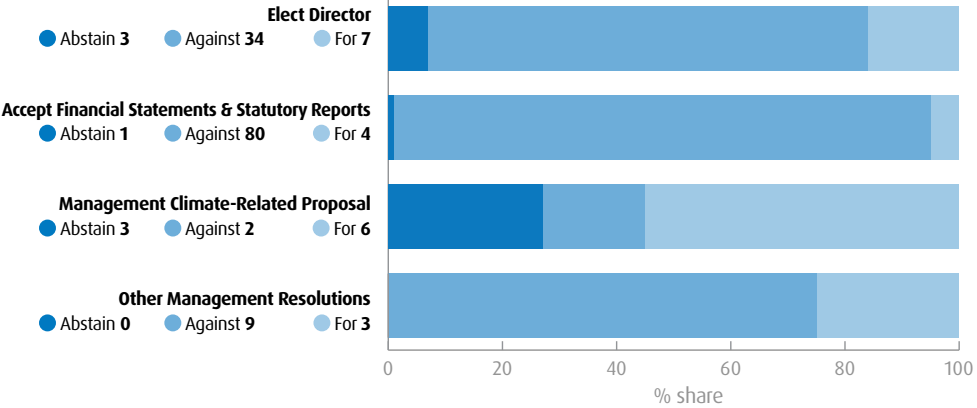
Milestone by sector



Our votes on climate-related shareholder proposals



Number of management proposals affected by our stance on climate action



\* This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo®) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.



# Climate Action Case Studies<sup>\*</sup>

## Climate Action 100+ Initiative



Targets: 13.2



In 2021 Climate Action 100+ released the first iteration of its Net Zero Benchmark, assessing 159 of its focus companies on key indicators to determine progress on the group’s engagement goals.

As an active member, during the year we led and supported engagement with 22 CA100+ focus companies. We reached milestones at 13 companies such as **Suncor**, **Duke Energy**, **Devon Energy**, **Vista** and **Occidental Petroleum** that progressed on climate plans with actions including the release of net zero commitments. Certain companies including **Shell** instituted shareholder approval mechanisms on decarbonization strategies.

## Suncor Energy



Targets: 7.2, 13.2



As a high-carbon emitter, Suncor is part of the Climate Action 100+ target companies where we have served as co-leads since 2018.

The company had noticeably lagged peers in establishing a net zero by 2050 commitment and formulating a robust strategy on how to get there. We have engaged with the company predominantly on governance and climate changes issues for over a decade. In recent years, we have had engagement meetings with operational experts, management, and the board of directors. Our asks have focused primarily on capital allocation alignment, enhancing the decarbonization strategy and climate governance. We are pleased to see that our engagement has borne

fruit: In 2021, Suncor announced a new corporate strategy to grow its business in low-emitting fuels, electricity, and hydrogen. In addition, it released a 2050 net zero commitment, set a new 2030 target to reduce absolute emissions, and made a 10% of CAPEX commitment towards emissions reduction technology and projects. It also announced its work on Canada’s “Electric Highway” and the launch of the Oil Sands Pathways to Net Zero initiative that was created with other Canadian oil sands companies. Suncor’s new growth strategy demonstrates the intention to address climate change-related business risks and opportunities while protecting shareholder value by staying competitive in a low-carbon future.



## Biodiversity

Targets: 12.6, 15.2, 15.3



Biodiversity protection was intended to make significant strides in 2021 as member countries of the UN Convention on Biological Diversity were to discuss and agree on a global framework – the Post-2020 Biodiversity Framework.

Due to the pandemic, negotiations were postponed while multilateral solutions to address the challenges of preserving biodiversity also stalled. As part of a dedicated engagement project, engagement service reo<sup>®</sup> targeted companies in the extractives, food, chemicals, and financial sectors in 2021 to gain a better understanding

on biodiversity management. Initial engagements revealed varying degrees of assessments and actions from our target companies.\* Linde Plc relayed that it conducts assessments based on the United Nation’s Voluntary Guidelines on Biodiversity-Inclusive impact for all new sites. Alternatively, Covestro AG had not published targets or metrics linked to the impact of its operations despite acknowledging that it viewed biodiversity as a material issue. These initial conversations have helped shape future engagements where we will focus on localized impact and dependency assessments to work with companies on preparing for increasing stakeholder demands on biodiversity reporting.

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<sup>\*</sup> This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo<sup>®</sup>) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle.



“ We need to work within planetary boundaries, and we need to work within societal boundaries. ”

Fiona Reynolds, CEO of the United Nations Supported Principles for Responsible Investment, speaking with BMO's Nalini Feuilloley in an episode of Sustainability Leaders podcast during the COP26.



Nalini Feuilloley,  
Head of Responsible Investment,  
BMO GAM

## COP26: Private and public sectors pledge to work together to fight the climate crisis

Between October 31 and November 13, more than 37,000 delegates across 200 countries descended on Glasgow to commit to stepping up their efforts to combat global warming.

This was one of the first times the COP included the finance and investment sectors on the main stage with world leaders.

By the end of the conference, nearly all of the 200 nations in attendance signed the Glasgow Climate Pact, which reinforced the need for the world to limit the global temperature increase to 1.5 degrees Celsius. It was also the first-ever climate deal to include plans for a “phase down” of coal usage.

With more people around the world paying attention to the devastating effects climate change could have on our planet, strides toward reducing carbon emissions were made, which notably included the private sector.

### Glasgow Financial Alliance for Net Zero (GFANZ)

Financial institutions from across the globe joined forces to create the Glasgow Financial Alliance for Net Zero (GFANZ). Led by Mark Carney, the former governor of the Bank of Canada and the Bank of England, more than 450 fund managers, banks, pension plans and asset owners promised to mobilize a collective US\$130 trillion in private capital to support the transition to net zero. BMO Global Asset Management and BMO Financial Group's commitments to net zero through the Net Zero Asset Manager Initiative and the Net Zero Banking Alliance, respectively, roll up into the wider GFANZ initiative.

This coalition of financial institutions is committed to accelerating the decarbonization of the economy. They'll do this by supporting the broader private sector to take the necessary steps to align with a net zero future and by supporting the climate financing required to scale technologies/solutions to transition to a low-carbon economy.

### International Sustainability Standard Board (ISSB)

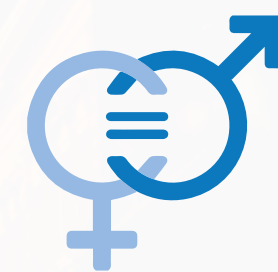
Another significant development for investors was the announcement by the International Financial Reporting Standards of the creation of the International Sustainability Standard Board (ISSB). The ISSB, which consolidated several other reporting standard boards, will be tasked with creating ESG-related disclosure standards that global investors can use when deciding where to put their money.

**Ending deforestation:** More than 100 countries, representing 85% of the world's forests, agreed to both end deforestation by 2030 and reverse forest loss.

**Cutting emission production:** More than 40 countries, including Canada, Germany and the UK, wanted to take their commitments a step further than simply reducing coal. Canada, Germany and the UK, among other global players, signed the Global Coal to Clean Power Transition Statement, which saw these nations pledge to transition away from using unabated coal by 2030.

While progress was made at COP26, time is running out for the private and public sectors to start curbing emissions. Urgent action needs to be taken to dramatically reduce GHG emissions before 2030, which is when the Intergovernmental Panel on Climate Change (IPCC) says the window of keeping the planet warming to 1.5 degrees Celsius closes. Fortunately, we are seeing more companies and financial institutions actively involved in funnelling capital to solutions that can mitigate this crisis. In our role, as stewards of investor capital, we will ensure that our investee companies are following their commitments, embracing COP26's pledges and, ultimately, supporting solutions to combat the climate crisis.

## Social Equality



Canadians honoured the lost children and survivors of residential schools on Truth and Reconciliation Day

COVID-19 exposed and deepened inequality globally and within Canada. It has taken close to 6 million lives, pushed 500 million people deeper into poverty and caused a global recession while billionaires' wealth increased substantially. Frontline workers, Black, Indigenous, other visible minority groups, and the global poor have been hit hardest. Investors can help address these inequalities by advocating for good wages and benefits, improving Diversity, Equity & Inclusion (DE&I), and increasing equitable access to products and services.

Faced with the social challenges related to the massive energy transition required to meet net zero by 2050 we believe that as investors we can play a role in advocating for a just transition that is informed by perspectives of workers and communities and that contributes to Indigenous reconciliation.

BMO GAM acknowledges that social inequality presents a systemic risk to our society, democracies and financial systems. As such our Social Equality theme guides our efforts to address these risks through engagement with investee companies, policymakers and standard-setters, our ESG integration work and thought leadership. The Responsible Investment team has prioritized five key sub-themes:

<b>Wealth Inequality</b>	Ensuring fair wages and benefits, appropriate executive compensation, responsible tax practices, and equitable access to products and services.
<b>Diversity, Equity and Inclusion</b>	Promoting inclusion of diverse perspectives and backgrounds across the workforce and at leadership levels to ensure more equitable opportunities and outcomes.
<b>Indigenous Reconciliation</b>	Aligning practices with the United Nations Declaration on the Rights of Indigenous Peoples and the Truth and Reconciliation Commission's recommendations on how to advance socio-economic outcomes for Indigenous peoples.
<b>Human Rights</b>	Respecting human rights in operations, products and services, and throughout supply chains.
<b>Just Transition</b>	Advocating for strategic collaboration with workers, communities and rights holders to ensure that no one is left behind in the transition to a low-carbon economy.



# Social Equality highlights\*

729

social equality-focused  
engagements

414

companies engaged

113

milestones achieved

74%

of shareholder  
proposals supported

## Social Equality Initiatives

### Canadian Investor Statement on Diversity & Inclusion



Coordinated by the Canadian Responsible Investment Association, we co-authored the 2020 Canadian Investor statement on Diversity & Inclusion, calling on Canadian investee companies to enhance DE&I effort. The statement was signed by 52 institutional investors collectively managing CAD \$2.3 trillion AUM. Signatories also committed to integrate DE&I in investment and stewardship practices. In 2021 we co-hosted two roundtables with institutional investor signatories to discuss collective progress towards the goals set out in the statement and share best practices and challenges expect the political change to make the scope for engagement success far greater in 2021.

### 30% Club Canada Investor Group



We are an active member of the Canadian investor chapter of the global 30% Club, which works to advance gender diversity on corporate boards and leadership teams. Investor members integrate diversity expectations in their voting and engagement strategies and collaboratively engage lagging Canadian companies. The group recently expanded its efforts to include diversity beyond gender.

### Investor Alliance for Human Rights (IAHR)



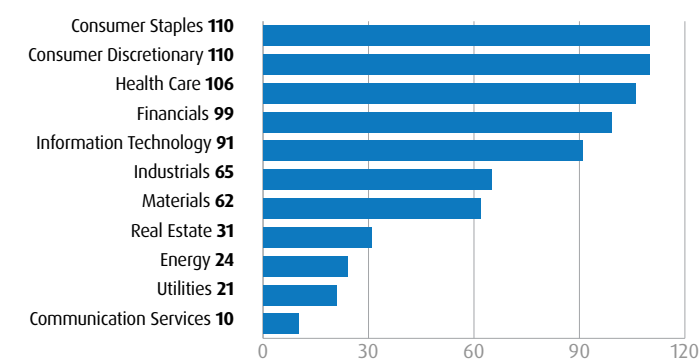
The IAHR is a collective action platform for responsible investors that is grounded in respect for people's fundamental rights. We are an active member and serve on the Advisory Council to provide input on the IAHR's strategic direction. The IAHR educates investors on how they can integrate respect for human rights in their investment and stewardship activities, provides tools and guidance on salient human rights issues and coordinates collaborative investor engagement with portfolio companies, including related to Big Tech and Human Rights, Uyghur forced labour and company performance on the Corporate Human Rights Benchmark (CHRB). We supported two IAHR-led investor statements in 2021 calling on companies to improve their performance related to Digital Rights and human rights due diligence.

### Human Capital Management Coalition

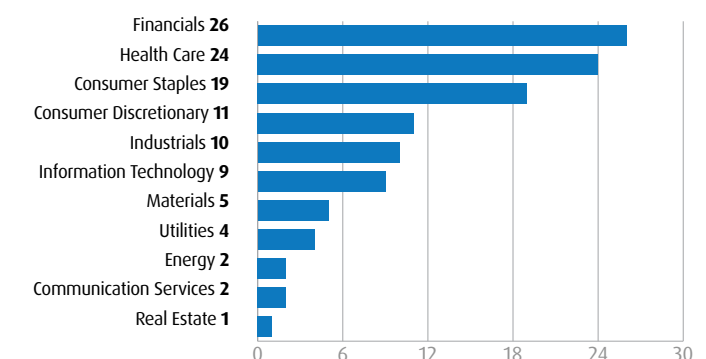


Institutional investor group focused on the importance of human capital management as a material ESG issue and coordinated efforts to advance measurement and understanding of human capital by companies, standard-setters and policymakers.

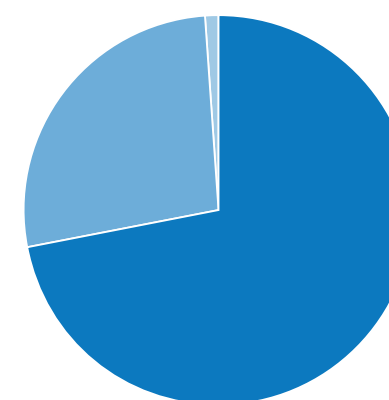
### Engagement by sector



### Milestone by sector

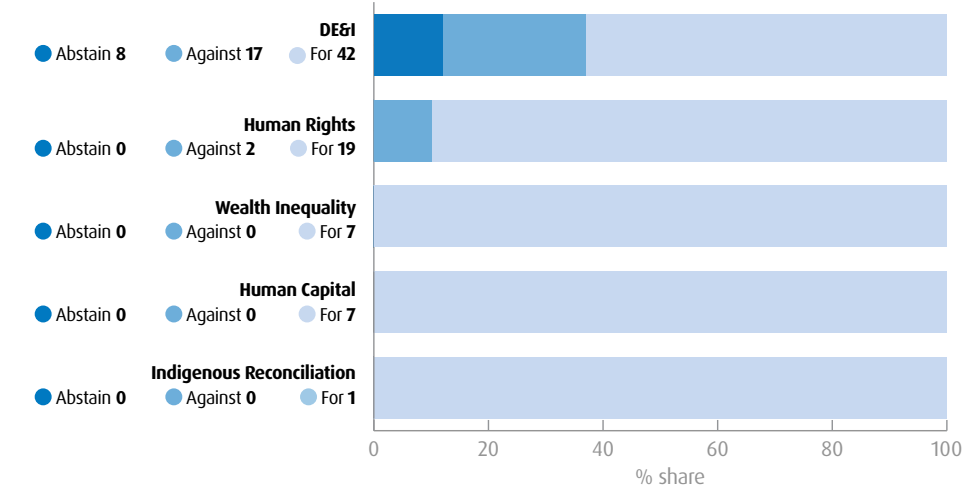


### Concerns related to social equality that affected our votes on director elections



● Board Diversity 72%  
● Human Capital 27%  
● Human Rights/Indigenous Reconciliation 1%

### Number of shareholder proposals related to social equality issues



\* This includes engagement conducted on behalf of BMO GAM by the Responsible Engagement Overlay (reo®) service offered by former colleagues at BMO GAM EMEA, now part of Columbia Threadneedle, in the period of November and December 2021.



# Social Equality Case Studies

## Investor Alliance for Human Rights & Corporate Human Rights Benchmark (CHRB)



Targets: 10.7



As part of the Investor Alliance for Human Rights, we reached out to eight companies in April 2021 that scored 0 or ranked in the lowest quartile for human rights due diligence indicators on the CHRB.

We called on these companies to disclose efforts in embedding respect for human rights into their core business activities. We shared the investor statement we signed outlining our expectations on conducting human rights due diligence that aligns with the UN Guiding Principles on Business and Human Rights and OECD Due Diligence Guidance for Responsible Business Conduct. We subsequently engaged with two of these companies, ANTA Sports Products and BRF SA, to discuss best practices on human rights disclosures. We will continue to monitor and engage with low-scoring companies to help improve scores.

## Human rights and Indigenous Peoples’ rights in the energy industries

Targets: 10.2, 16.b



The mining and energy sectors play a crucial role in the shift to a low-carbon economy but such transition, if not managed carefully, could adversely impact Indigenous peoples and other local communities.

As part of a dedicated engagement project, we spoke with several mining and energy companies in 2021 to understand approaches to Free, Prior, and Informed Consent of Indigenous peoples as well as companies’ views on emerging best practices. We also called for greater transparency on grievance processes, cases, and remediation. One of the Canadian companies we spoke to was Fortis on its approach to community relations with Indigenous peoples, specifically related to the Wataynikaneyap Power

Project. Fortis noted it was spending time with its First Nations partners on cultural learning. The company also has internal lines for employees to anonymously report grievances but does not have similar channels for communities. Fortis has stated that it spends a significant amount of time conducting community engagements and consultation at each part of the project in efforts to avoid grievances. We will continue to monitor Fortis’ human and Indigenous rights practices. We have also met with external experts to help us create realistic but ambitious expectations for companies on improving human and Indigenous rights performance. Some emerging best practices we have seen so far include establishing an external Indigenous Advisory Council and reporting on cases where there are human rights due diligence highlights concerns.

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## Loblaw Companies Limited



Targets: 10.2



Loblaw was one of the first Canadian companies to set a target for enhancing board-level representation of visible minorities.

The company disclosed a 2024 target to have 25% of the board represent visible minorities and that 17% of the director nominees in 2021 identified as visible minorities. Loblaw is one of the companies we encouraged to adopt targets that address board diversity beyond gender. As co-author and signatory to the 2020 Canadian Investor Statement on Diversity and Inclusion we engaged Canadian companies across our holdings in 2020 and 2021 on increasing efforts to advance diversity beyond gender on boards and workforces. In particular, we asked boards to disclose what percentage of the board or number of board directors identify as belonging to underrepresented groups, to create policies and strategies to increase representation and to set meaningful targets and timelines.

## Workforce Disclosure Initiative (WDI)



Targets: 8.6, 12.6



As a signatory to the Workforce Disclosure Initiative (WDI), we reached out to 41 companies in 2021 to share our expectations on enhancing material workforce related disclosures.

These disclosures cover companies’ direct operations and the supply chain on various aspects including health and safety practices, freedom of association and employee engagement. In 2021, we acknowledged that PayPal Holdings, Wells Fargo, and Teck Resources, responded to the WDI questionnaire for the first time.

## Policy Advocacy in Canada: Modern Slavery Legislation

We supported an investor letter to the Canadian Standing Senate Committee on Banking, Trade and Commerce on their proposed Modern Slavery Act, Bill S-216. The letter identified three key areas where the current draft legislation should be stronger, including 1) widening the scope from forced and child labour, to material human rights issues as per the UNGPs and OECD Guidelines, 2) widening to scope to report on all human rights due diligence outcomes and 3) create accountability for companies that fail to take steps to address negative human rights impacts. Such changes would bring Canadian Modern Slavery legislation more in line with other jurisdictions such as the UK, would aid investors’ own responsibility to respect human rights and create a more even playing field for companies globally.

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# Indigenous Reconciliation Spotlight

Canada is at a crossroads. Remains of thousands of First Nations children recovered on the grounds of residential schools in 2021 awakened many to this country's violent, colonial relationship with Indigenous peoples. While the significant intergenerational effects of this trauma and other harmful colonial practices continue today, some recent developments are helping to lay the foundation for Indigenous reconciliation.

In 2020, the BC government acted as the first province to commit to aligning its legislation with the United Nation's Declaration on the Rights of Indigenous Peoples (UNDRIP) and the federal government followed suit in 2021. As such, companies operating in Canada are required to implement free prior and informed consent (FPIC) on projects or activities that impact Indigenous communities.

In 2020 BMO Financial Group established an Indigenous Advisory Council comprised of First Nations, Metis and Inuit representation nationwide. The council provides guidance and input to BMO on education, employment and economic empowerment. In 2021 BMO released Wicihitowin, its first Annual Indigenous Partnerships and Progress Report as part of BMO's response to the Truth and Reconciliation Commission of Canada's (TRC) Calls to Action.

In 2021, the Responsible Investment team engaged 21 companies on how they are implementing FPIC on the ground, equity partnerships with Indigenous parties, executive and board oversight of community relations, and Indigenous inclusion on boards and in leadership positions.

BMO GAM will continue to promote a robust corporate sector response to respect UNDRIP and answer the Truth and Reconciliation Commission Call to Action #92 through respect for the principle of Free Prior and Informed Consent, Indigenous inclusion on boards and in workforces, and development of investment opportunities and equitable partnerships with Indigenous communities as decision makers and owners in major projects of interest.



## ESG Integration



### 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 of risk and long-term opportunity.

Environmental, social, and governance (ESG) are labels for a broader set of factors that measure the sustainability attributes of a company or industry's business activities. More and more, we see how these factors can have material implications for financial performance and investor returns. From the damaging effects of climate-related disasters to the innovation stemming from a diverse workforce, ESG considerations can both mitigate risk and generate opportunities.

At BMO GAM, we have a 35+ year heritage of responsible investing.<sup>1</sup> Our active strategies approach ESG from both a top-down and bottom-up perspective so that we can evaluate risk and opportunity at every level. ESG considerations form a core part of our research and portfolio construction processes across all asset classes including equities, fixed income, and multi-asset solutions. Investment teams draw on the resources and expertise of the Responsible Investment Team to gain an understanding of how ESG factors relate to their investment

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

Within our passive ETF strategies, we have several products that are benchmarked to indices comprised of top ESG performers. Additionally, our ETF team works with our active managers and the Responsible Investment Team to identify opportunities for engagement and proxy voting.

To support our fund managers and analysts, the Responsible Investment Team develops tools and guidelines using trusted third-party service providers as well as proprietary in-house analysis to capture both breadth and depth of insight. The Responsible Investment Team regularly produces thought leadership pieces and hosts seminars on key ESG topics to further facilitate idea generation. Post-investment, the Responsible Investment Team plays a significant role in active ownership, working with the companies in our portfolios to better manage ESG issues.

<sup>1</sup> BMO Asset Management Inc., together with its affiliate BMO Investments Inc., as BMO Global Asset Management (BMO GAM), has built upon and continues responsible investment practices first started by the F&C Asset Management plc group of companies in 1984. BMO GAM and F&C Asset Management plc group of companies were affiliates from May 2014 until their sale in November 2021. F&C Asset Management plc group of companies are no longer affiliates of BMO GAM.



# From the Desks

While all our investment teams integrate ESG into their decision making to varying degrees, we have a dedicated range of dedicated sustainable solutions that are designed for investors that wish to set the bar even higher for responsible investment.



## BMO Fixed Income

### ESG Integration

The BMO Fixed Income Team integrates ESG considerations throughout their four-step factor investing process:



**Forecasting**  
Macro  
Thematic View



**Risk Expression**  
Optimize the  
Exposure



**Portfolio Construction**  
Balance the  
Risks



**Risk Management**  
Protect the  
Downside

For our sustainable products & solutions, ESG performance is further considered within credit research. These funds avoid controversial industries including oil & gas producers, pipelines, tobacco, and firearms. Using ratings from the Responsible Investment Team, we rank companies within their industries to ensure that only top performers are included.

### Sustainable Products & Solutions

- BMO Sustainable Bond Fund

**ESG Integration Tool**

The ESG Integration Tool is a proprietary tool built by the RI team to support BMO GAM’s investment teams in their decision-making related to ESG issues.

### Holdings

**Buy:** Green bonds are fixed income instruments used to finance environmental or climate-related initiatives. **Dream Industrial REIT** was added to the BMO Sustainable Bond Fund after the company issued green bonds with proceeds going towards Eligible Green Projects including green buildings, energy efficiency, and renewable energy.

**Sell:** In assessing ESG performance, the team looks to see whether a company is taking strides to address sustainability issues that are realistic yet sufficiently challenging. After some discussion with the Responsible Investment team, **Alimentation Couche-Tard** was sold out of the BMO Sustainable Bond Fund after the company’s near-term environmental objectives were deemed to not be achievable.

**Moving the Needle Forward**

The BMO Fixed Income Team has been engaging National Bank on board diversity beyond gender, which is a corporate governance priority topic for BMO GAM in the Canadian market. In particular, the Fixed Income Team encouraged the company to report on the diversity of their board, and to set goals to increase diversity beyond gender at the board and executive levels. We were pleased that National Bank included a discussion on diversity beyond gender in its annual board reporting this year.


## BMO Fundamental Equity

### ESG Integration

The BMO Fundamental Equity Team applies a fundamental framework across funds that includes ESG conduct as part of company valuation. Companies must then meet further ESG criteria within its Sustainability Framework for inclusion in sustainable products & solutions.

**Fundamental Framework:** We invest in companies with five elements: good ESG conduct, durable moat, growth in earnings per share, strong management teams and reasonable business value. Ratings from the ESG Integration Tool inform our own analyst scores within the Fundamental Framework.


**Shareholder Value Creation**



**Economic Moats**



**Growth Potential**



**Leadership**



**Responsible Investment**



**Business Value**

**Sustainability Framework:** We invest in companies whose products or services address a sustainability challenge and link it to either revenue growth or cost reduction.



**Sustainability Challenge**



**Revenue Growth Potential**



**Cost Reduction Potential**

### Sustainable Products & Solutions

- BMO Sustainable Opportunities Canadian Equity Fund
- BMO Women in Leadership Fund

### Holdings

**Buy:** We included **Descartes Systems Group** in the BMO Women in Leadership Fund for the company’s commitments to diversity. The company is an outlier among information technology companies, which have traditionally underperformed across diversity measures. The company’s board is currently comprised of 25% women with targets to further extend board gender diversity to 30%. The company has been receptive to our engagements on diversity considerations beyond gender and is working to ensure that diversity is prioritized among management ranks as well.

**Sell:** The battle over control of the board at **Rogers Communications** exposes the company to significant ESG risk. Particularly, we note weakened governance and leadership issues that we do not foresee being resolved anytime soon. As a result, we have completely exited out of our positions in Rogers Communications across our sustainable strategies.

**Moving the Needle Forward**

**Waste Connections** has been proactively managing key sustainability issues and is keen to improve its disclosures to demonstrate how they are managing these risks. The company has engaged us in several discussions to align its business activities with the UN SDGs including a recent area of focus being a provision of living wages. We were pleased to see that the company had conducted wage gap assessments and had nearly completed remediation for affected employees in states that had recently imposed a \$15/hour minimum wage.



# From the Desks *cont'd*

## BMO Disciplined Equity

### ESG Integration

To flag key ESG risks and opportunities, the BMO Disciplined Equity Team integrates internal ESG research from the Responsible Investment team and third-party research into our stock selection, portfolio construction and monitoring processes. Ratings from the ESG Integration Tool are integrated throughout our alpha model and portfolio review process.

### Holdings

**Buy:** Our team’s research has found a link between company-level ESG performance and financial and operational performance\*. After consideration, we purchased **Northland Power**, an independent power producer, for its highly contracted cash flows and visible growth from offshore wind, onshore wind, and solar.

**Sell:** We discussed excluding coal-based power plants from our portfolios with the Responsible Investment team as part of BMO’s firm-wide commitment to Net Zero 2050. Following these discussions, we decided to exit from our holdings in **TransAlta** until the company completes its coal-to-gas conversions of all their coal-fired generating units.

### Moving the Needle Forward

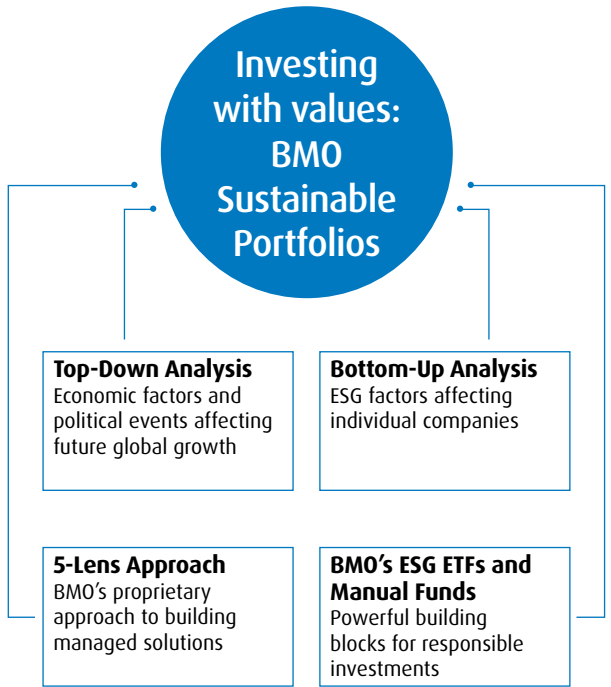
The BMO Disciplined Equity team met **Canadian Natural Resources** CEO, Tim McKay, in 2020 and discussed the clean-up of their pipeline leakage in North Saskatchewan River. We further encouraged the company to commit to their aspirational net-zero goal publicly. Tim was receptive to our conversation, promising to improve their ageing infrastructure. Additionally, Canadian Natural Resources announced the Oil Sands Pathways to Net Zero initiative together with other Canadian energy producers in June 2021.

\* Source: BMO GAM, July 2020.

## BMO Multi-Asset Solutions

### ESG Integration

The BMO Multi-Asset Solutions Team considers ESG factors across all levels of our investment process. We analyze a wide range of macroeconomic and geopolitical factors, which include ESG mega trends, as well as identifying specific ESG factors that may affect individual companies.



## Sustainable Products & Solutions

- BMO Sustainable Income Portfolio
- BMO Sustainable Conservative Portfolio
- BMO Sustainable Balanced Portfolio
- BMO Sustainable Growth Portfolio

### Holdings

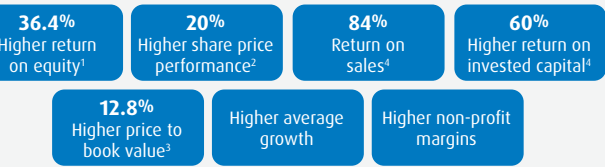
The portfolios will generally invest in underlying funds that have been selected based on ESG integration strategy. Most of the underlying funds are managed by the investment teams here at BMO GAM.

### Moving the Needle Forward

The BMO Women in Leadership Fund advocates for gender diversity by only investing in companies that have a significant representation of women in upper tiers of leadership. To be included in the Fund, companies must satisfy one or both gender diversity criteria:

- Female Chief Executive Officer (CEO)
- At least 25% female members on the board of directors

While women are still under-represented in executive leadership, growing research shows that companies that buck the trend tend to outperform in terms of competitiveness and financial performance. This outperformance is measurable:



By investing in companies with gender-diverse leadership, we not only drive diversity of thought and innovation, but also participate in the success of women.

1 Catalyst. Pyramid: Women in S&P 500 Companies. New York: Catalyst, February 3, 2016.  
2 Credit Suisse, The CS Gender 3000: Women in Senior Management. September 2014.  
3 MSCI, Women on Boards: Global Trends in Gender Diversity on Corporate Boards, November 2015.  
4 Catalyst, Lois Joy et al, The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008, 2011.





# Thought Leadership



## Knowledge, Shared

Our primary research helps us better understand individual investor needs and priorities. For example, our 2020 North American investor study identified four distinct responsible investor personalities, leading us to develop MyESG™, an interactive tool helping investors understand what type of responsible investor persona they most align with and how that may impact their investment decisions. This was recognized in 2021 by the Responsible Investment Association with an Award for RI Market Education.

Our ESG thought leadership allows us to share insights on pressing issues from Net Zero to Human and Indigenous Rights.

This year, we highlight three key themes that we touched upon in our thought leadership, given their outsized effects on the world in 2021:

## 1 COP26 & the Road to Net Zero

One major theme of our thought leadership in 2021 was Climate Action. Leading up to COP26 in Glasgow we published 8 pieces on COP26 and the road to getting to net zero by 2050. We shared our expectations of possible outcomes of COP26, and highlighted key take-aways after attending the event. Given our own commitment to reaching net zero by 2050 across our portfolios, we dedicated publications to explaining our approach including our principles, climate voting policy, methodology choices and challenges we experienced in implementation.

### The road to net zero

As a founding member of the Net Zero Asset Manager Alliance, we shared what steps we are taking at BMO GAM to achieve net zero emissions across all our assets under management by 2050 or sooner.

[Read Article](#)

### Five challenges for net zero investing

Reaching net zero is critically important, but it's not easy. We set out five challenges we identified as we move from commitment to implementation.

[Read Article](#)

### Good COP or bad COP? What to look out for from the COP26 Climate Conference

We outlined what our expectations were for the COP26 conference and discussed chances for success in meeting four primary objectives, including reaching global net zero by 2050.

[Read Article](#)

## 2 Human & Indigenous Rights

Devastating social impacts of COVID-19, supply chain disruptions and energy transition challenges brought human and Indigenous rights to the forefront of our thought leadership research this year. We published six pieces, focused on worker rights in international supply chains; human rights in the severely impacted nursing home sector; Indigenous rights in extractives and renewable energy sectors; and the need for a just transition.

### The role of migrant workers in international supply chains

COVID-19 has put pressure on supply chains and workers to meet demand. We reviewed key learnings from engagement with Top Glove on allegations of forced labour and how companies can mitigate recruitment risks.

[Read Article](#)

### Upholding human rights: How we're driving improvements in nursing homes

The past year starkly demonstrated that inadequate working conditions and inadequate elderly care are important human rights issues that urgently need addressing. We discuss how investors can contribute to driving positive change in this sector.

[Read Article](#)

### Connecting Energy Transition and Indigenous Rights

A just transition to a low-carbon economy needs alignment with the UN Declaration on the Rights of Indigenous Peoples. We shared key challenges and opportunities, and questions investors can ask investee companies.

[Read Article](#)

## 3 Natural Capital

Natural capital is essential to supporting our life on this planet and as well as healthy financial systems. The current scale of biodiversity loss globally poses an existential threat to the ecosystems we rely on. We all have a role to play if we are going to stop - and reverse - the loss of biodiversity we have caused.

### Investing in life on Earth: Addressing biodiversity loss

We can't combat climate change if we keep destroying our forests and coral reefs, which help to regulate our planet's temperature. We discuss the role of investors in tackling biodiversity loss.

[Read Article](#)

### Protecting our ocean against its deadliest predator: Humankind

The ocean produces at least half of our oxygen, absorbs over one-third of global CO<sub>2</sub> emissions and hosts most of Earth's biodiversity. We examine how human activity threatens the ocean and how investors can drive sustainable solutions.

[Read Article](#)

### Can investors help move the date of Earth Overshoot day?

One driver of Earth Overshoot Day 2021 was the 0.5% decrease in global forest biocapacity over the past year. However, transitioning to a nature-positive economy could generate up to US\$10.1 trillion and 400 million jobs by 2030. Our role as investors is to identify the companies leading the charge for investment opportunities and engage with any laggards.

[Read Article](#)



# 2021 Publications

● **Environmental Issues**

- COP26: Private and public sectors pledge to work together to fight the climate crisis [Read Article](#)
- Good COP or bad COP? What to look out for from the COP26 Climate Conference [Read Article](#)
- Five challenges for net zero investing [Read Article](#)
- Can investors help move the date of Earth Overshoot Day? [Read Article](#)
- Investing in life on Earth: addressing biodiversity loss [Read Article](#)
- Protecting our ocean against its deadliest predator: Humankind [Read Article](#)
- Climate risk management in the banking sector [Read Article](#)
- Searching for solutions: an update on bee-harming pesticides [Read Article](#)
- Is climate change engagement actually having an impact? [Read Article](#)
- The road to Net Zero [Read Article](#)
- Re-thinking mobility [Read Article](#)
- Winds of Change: Resource Efficiency [Read Article](#)
- Voting for climate action [Read Article](#)
- The climate crisis: Does 2021 bring fresh hope? [Read Article](#)
- UK breaks promise and approves a bee-harming pesticide [Read Article](#)

● **Social Issues**

- Connecting Energy Transition and Indigenous Rights [Read Publication](#)
- Respecting Indigenous rights in the low carbon economy transition [Read Publication](#)
- Upholding human rights: how we’re driving improvements in nursing home [Read Publication](#)
- The role of migrant workers in international supply chains [Read Publication](#)
- Re-thinking nutrition: health and wellbeing [Read Publication](#)
- Re-thinking data: Digital empowerment [Read Publication](#)
- Artificial Intelligence, Automation and the Future of Work [Read Publication](#)
- How are pharmaceutical companies addressing health and healthcare access inequalities? [Read Publication](#)
- Winds of Change: Health & Wellbeing [Read Publication](#)
- Living wage in the retail sector [Read Publication](#)
- International Women’s Day: Women at the heart of the COVID-19 recovery [Read Publication](#)

● **Governance Issues**

- Is corporate governance progressing in Asia? [Read Publication](#)
- ESG Governance: From Table Stakes To Maturity [Read Publication](#)

● ● ● **ESG Issues**

- Finding the best of emerging markets – COVID or not [Read Publication](#)
- How to invest responsibly in the emerging market dairy industry [Read Publication](#)
- How have 100 days of Biden affected the ESG agenda? [Read Publication](#)
- Winds of Change: Sustainable Cities [Read Publication](#)
- Winds of Change: Technological Innovation [Read Publication](#)
- Marching to your own ESG drum – active, passive or both? [Read Publication](#)
- Re-thinking technology: connect and protect [Read Publication](#)
- How ESG is Bitcoin? [Read Publication](#)
- Responsible investing: which stocks are we watching in 2021? [Read Publication](#)



Our thought leadership publications aim to share our approach, research and insights with our clients and the broader responsible investment industry, but also produce key lessons and takeaways that help us inform and prioritize our work internally.

In 2021 our thought leadership focus on natural capital, and human rights in particular, helped to shape the 2022 iteration of our Corporate Governance Guidelines, which guide our proxy voting. In particular, we evolved our approach on climate voting by including biodiversity expectations and included a new voting approach to companies lagging on social indicators, including human rights.

Through our research we also recognized the need to continue to prioritize global company engagement on the following topics:

- Basic implementation of the UN Guiding Principles on Business and Human Rights (UNGPs) including a human rights due diligence approach
- Implementation of net zero commitments and the road to getting to 2050, including how to approach Scope 3 emissions
- Natural capital and biodiversity

 To stay up to date with our latest Thought Leadership, please visit our [website](#) at [bmogam.com](#).





# Sustainable Products & Solutions:

Turning our depth of ESG expertise into real solutions

We believe investors need access to products and solutions that align with their own values and mitigate long-term ESG risks. Below is an overview of our dedicated sustainable solutions, which adhere to more strict sustainable investment guidelines relative to the rest of our offerings.

### New launches

**ZGRN - BMO MSCI ACWI Paris Aligned Climate Equity Index ETF**

- Following the MSCI ACWI Climate Paris Aligned Equity Index, the ETF is designed to reduce exposure to companies with higher physical and transition climate risk and increase exposure to companies pursuing opportunities arising from the transition to a lower-carbon economy.
- Aligned to the Paris Agreement’s 1.5 degree Celsius temperature-rise scenario.
- Use of state-of-the-art MSCI Climate analytics, including the forward-looking MSCI Climate Value-at-Risk to measure climate related risks and opportunities

**ZCLN - BMO Clean Energy Index ETF**

- Tracks the S&P Global Clean Energy Index providing exposure to a target of 100 companies from around the world that are involved in clean energy related businesses.
- Provides exposure to a diversified mix of businesses, from clean energy producers to clean energy tech & equipment.

**BMO Sustainable Opportunities China Equity Fund**

- Invests in quality Chinese companies considering ESG factors, providing exposure to companies that have a clear commitment to sustainability.

**BMO SDG Engagement Global Equity Fund**

- By using the United Nation’s Sustainable Development Goals (SDGs) as an engagement framework, the fund invests in companies earlier in their lifecycle that have less defined ESG policies to increase potential impact through engagement.

**BMO Sustainable Bond Fund**

- Invests in companies with better than index CO2 emissions.
- Excludes oil and gas producers, pipelines, firearms and tobacco.
- Excludes the bottom quartile of companies in each industry based on ESG rating.



### BMO GAM Sustainable Products & Solutions

Passive		Index
Equity	BMO MSCI Canada ESG Leaders Index ETF (ESGA)	MSCI Canada ESG Leaders Index
	BMO MSCI USA ESG Leaders Index ETF (ESGY/ESGY.F)	MSCI USA ESG Leaders Index
	BMO MSCI EAFE ESG Leaders Index ETF (ESGE)	MSCI EAFE ESG Leaders Index
	BMO MSCI Global ESG Leaders Index ETF (ESGG)	MSCI World ESG Leaders Index
	BMO MSCI China ESG Leaders Index ETF (ZCH)*	MSCI China ESG Leaders Index
	BMO MSCI India ESG Leaders Index ETF (ZID)*	MSCI India ESG Leaders Index
	<b>NEW!</b> BMO MSCI ACWI Paris Aligned Climate Equity ETF (ZGRN)	MSCI ACWI Paris Aligned Climate Index
Fixed Income	BMO ESG Corporate Bond Index ETF (ESGB)	Bloomberg MSCI Canada Corporate Sustainability SRI Index
	<b>NEW!</b> BMO ESG US Corporate Bond Hedged to CAD Index ETF (ESGF)	Bloomberg MSCI US Corporate Sustainability SRI Index
	BMO ESG High Yield US Corporate Bond Index ETF (ESGH/ESGH.F)	Bloomberg MSCI US High Yield Sustainability SRI Index
Thematic	BMO Balanced ESG ETF (ZESG)	Fund of Index Based ETFs
	<b>NEW!</b> BMO Clean Energy Index ETF (ZCLN) / BMO Clean Energy ETF Fund	S&P Global Clean Energy Index
Active		Objective
Equity	BMO Sustainable Opportunities Global Equity Fund	Sustainable global equity fund that excludes fossil-fuel related businesses
	BMO Sustainable Opportunities Canadian Equity Fund	Core ESG-focused Canadian equity fund
	<b>NEW!</b> BMO Sustainable Opportunities China Equity Fund	ESG-focused Chinese equity fund
	<b>NEW!</b> BMO SDG Engagement Global Equity Fund	Global equity fund using a responsible investment approach to support sustainable development goals
Fixed Income	<b>NEW!</b> BMO Sustainable Bond Fund	Core ESG-focused Canadian fixed income fund
	BMO Sustainable Global Multi Sector Bond Fund (ETF Series: ZMSB)*	Global multi-sector fixed income fund with a responsible investment approach
Balanced	BMO Sustainable Global Balanced Fund*	Core balanced ESG-focused fund
Thematic	BMO Women in Leadership Fund (ETF Series: WOMN)	North American equity fund that invests in companies with a gender diverse leadership environment
Managed Solutions	BMO Sustainable Income Portfolio	ESG-focused strategic asset allocation fund of funds
	BMO Sustainable Conservative Portfolio	ESG-focused strategic asset allocation fund of funds
	BMO Sustainable Balanced Portfolio	ESG-focused strategic asset allocation fund of funds
	BMO Sustainable Growth Portfolio	ESG-focused strategic asset allocation fund of funds
Pooled Funds	BMO AM Responsible Global Equity ESG Fund	ESG-focused global equity pooled fund (institutional use only)

\*Objective changed on fund to incorporate ESG screens in 2021



# Awards & Recognitions

## 2021 RIA Leadership Award for Stewardship

BMO GAM was recognized in the Stewardship category for its work to accelerate Canadian diversity and inclusion (D&I) beyond gender. This has been achieved through active engagement with Canadian companies to support best practices for broader disclosure of diversity data, collaboration with peers and policy makers to enhance diversity reporting, and the development and promotion of D&I thought leadership from BMO GAM’s dedicated RI team.



## 2021 RIA Leadership Award for Market Education

BMO GAM was honoured in the Market Education category for the development and launch of the MyESG™ analytics tool. The tool was developed using proprietary research of high-net-worth clients, which identified four distinct environmental, social and governance (ESG) investor personalities based on preferences and beliefs.



**Methodology for the 2021 RIA Leadership Awards is as follows:**

Stewardship: Recognizing Organizational RIA members who exemplify leading stewardship practices by leveraging their influence as investors to advance the widespread implementation of ESG practices, standards and policies/regulations that support RI objectives.

Market Education: Recognizing Organizational RIA members who seek to bridge the gap between knowledge about and demand for RI by engaging and educating market participants, raising awareness of responsible investment and developing and promoting tools, resources and research related to RI.

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The portfolio holdings are subject to change without notice and only represent a small percentage of portfolio holdings. They are not recommendations to buy or sell any particular security.

MyESG™ and the BMO GAM survey are intended for educational purposes only and should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional. The information, analysis and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual security. Please speak with your investment professional to determine the solution that best meets your individual investment needs and circumstances.

The BMO ETFs or securities referred to herein are not sponsored, endorsed or promoted by MSCI Inc. (“MSCI”), and MSCI bears no liability with respect to any such BMO ETFs or securities or any index on which such BMO ETFs or securities are based. The prospectus of the BMO ETFs contains a more detailed description of the limited relationship MSCI has with BMO Asset Management Inc. and any related BMO ETFs.

Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF Facts or prospectus of the relevant mutual fund or ETF before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

For a summary of the risks of an investment in BMO Mutual Funds or BMO ETFs, please see the specific risks set out in the prospectus of the relevant mutual fund or ETF. BMO ETFs trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate entity from Bank of Montreal. BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

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