Responsible Investment Solutions

BMO Global Asset Management
Stewardship Report 2021

Reflections from a year of responsible investing

BMO Global Asset Management

Part of COLUMBIA THREADNEEDLE INVESTMENTS

By the end of 2021, half of the global population eligible for Covid-19 vaccinations were fully vaccinated against the virus. Close to 7% had also received a booster shot.

Source: Our World in Data, 2022

Contents

Key risks

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

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any companies that may be mentioned.

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

Investing responsibly at BMO GAM

At BMO Global Asset Management EMEA (BMO GAM), we invest thoughtfully and engage for change to make a positive difference for both our clients and the world we live in. We have progressively built on our responsible investment heritage since launching Europe's first ethical fund back in 1984, and our comprehensive engagement and voting programme, ***reo***®, in 2000.

Responsible investing sits firmly at the heart of our investment approach, and with the recent completion of Columbia Threadneedle Investments' acquisition of BMO GAM EMEA, it remains embedded at the core of everything we do. Creating an aligned, firm-wide approach to stewardship is a strategic priority and something we all believe to be in the best interests of our clients.

2021 represented another year of great challenges, not least the fresh waves of Covid-19 infections and UN Secretary General Antonio Guterres's warning that the latest IPCC report on climate change was a "code red for humanity". However, we can also celebrate significant progress and optimism too: scientific innovation led to the arrival of game-changing Covid-19 vaccines, and COP26 served as a catalyst for climate action that we hope will bear fruit.

It was also another significant year for responsible investing. More and more companies and investors committed to net zero by 2050, while the push for science-based interim targets helped drive ambitious commitments into practical action plans. Regulation continued to evolve rapidly, to ensure that our industry steers clear of greenwashing to focus on delivering genuine, positive change for both people and the planet.

At BMO GAM, we are determined to play our part as responsible investors in helping to make sustainability a reality. Throughout 2021, our focus on stewardship remained strong as we sought to use our influence as an asset manager most effectively. For us, 2021 was a year categorised by record engagement and voting activity, ongoing ESG integration, influential public policy work, extensive thought leadership publication, and of course efforts to reach net zero.

In 2020, we became a founder signatory to the Net Zero Asset Managers Initiative and set out our ambition to achieve net zero emissions across all our assets under management by 2050. During 2021, we developed an implementation methodology, initially for equities and bonds, that emphasises the importance of stewardship in implementing our goals. During 2022, as part of Columbia Threadneedle Investments, which has also become a signatory, we will seek to further expand to more funds and asset classes.

This Report sets out our stewardship activities and their related outcomes during 2021, and how we maintain integrity through resourcing and good governance. It also demonstrates our commitment to the UK Stewardship Code through our adherence to the 12 principles of the code. Overall, it makes me proud of the dedication to responsible investing across BMO GAM, and I am excited to see this momentum build further now as part of Columbia Threadneedle Investments as we combine complementary strengths to create a world-class responsible investment capability.

Richard Watts
CIO, BMO Global Asset Management (EMEA)

Stewardship **at a glance**

Discover our highlights from a year of practicing good stewardship.

Stewardship led by our Responsible Investment team

940
companies engaged

1,773
engagements

12,416
company meetings voted

49
countries covered by engagement

85%
of our engagement aligned to the UN Sustainable Development Goals

125,146
resolutions voted

388
milestones achieved, where there are tangible positive outcomes in policies or practices

62
ESG thought leadership pieces published

23.2%
votes against management

All figures as at 31 December 2021.

*This data refers to BMO GAM EMEA, LGM Investments, Thames River Capital and BMO AM Multi Manager meetings. They largely represent information gathering rather than engaging for change.

Pioneers in responsible investment

25

members in our Responsible Investment team

276+

combined years of experience

36+

years of investing responsibly

21+

years of driving positive change through stewardship

2,328

Company meetings recorded by our investment desks*

Accolades for Stewardship

PRI Principles for Responsible Investment

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

Signatory of: UK STEWARDSHIP CODE | 2021

INVESTMENT WEEK SUSTAINABLE & ESG INVESTMENT AWARDS 2020 WINNER Best Sustainable & ESG Equity Fund

INVESTMENT WEEK SUSTAINABLE & ESG INVESTMENT AWARDS 2020 WINNER Best Sustainable & ESG Research Team

Environmental Finance Sustainable Investment Awards 2020 Winner ESG research of the year (fixed income)

WINNER ESG Investing Awards 2020

A note on **our new structure**

In November 2021, Columbia Threadneedle Investments confirmed the completion of the acquisition of Bank of Montreal's EMEA asset management business.

This report details the stewardship approach, activities and outcomes of BMO Global Asset Management for the 2021 reporting period 1st January 2021 – 31st December 2021.

For the period 1st January 2021 – 7th November 2021, BMO GAM should be treated as a wholly owned subsidiary of the Bank of Montreal (BMO), forming part of the Wealth Management division within the BMO Financial Group, one of North America's pre-eminent financial institutions.

Ownership changes

On 8th November 2021, Ameriprise Financial's acquisition of BMO's EMEA Asset Management business, including BMO GAM Asia Limited, (BMO GAM (EMEA)), completed. BMO GAM (EMEA) is now a part of Columbia Threadneedle Investments, the global asset management business of Ameriprise Financial Inc. Therefore, for the period 8th November 2021 – 31st December 2021, BMO GAM (EMEA) should be treated as a wholly owned subsidiary of Columbia Threadneedle Investments, whose direct parent is Ameriprise Financial Inc.

The information in this report, which has been submitted to the Financial Reporting Council as an application to the UK Stewardship Code, refers to BMO GAM activity only and remains separate to that of the existing Columbia Threadneedle Investments business.

Going forward

Columbia Threadneedle Investments and BMO GAM (EMEA) combine complementary strengths to create a world-class responsible investment capability based on creating value through research intensity, driving real-world change through active ownership, and partnering with clients to deliver innovative RI solutions. Creating an aligned, firmwide approach to stewardship is a strategic priority and something we all believe to be in the best interest of our clients. During 2022 we will begin work to integrate related outputs, such as this report.

Digital assets

During 2022, BMO GAM (EMEA) will be transitioning its website to be hosted by Columbia Threadneedle Investments. Current links to website-based content will become obsolete, and therefore it is not possible in all instances within this report to link directly to existing content. Instead, we are directing readers to our global homepage, from where content is searchable.

> Our combined global team share a client-centric culture, a collaborative and research-based investment approach and a long-held commitment to responsible investment principles.

BMO GAM (EMEA) is now part of Columbia Threadneedle Investments, the global asset management business of Ameriprise Financial Inc.

Our culture **of stewardship**

Our focus is simple: to help our clients meet their investment goals, while also building a more sustainable and secure future for us all.

This ethos is engrained in our heritage as a pioneer in responsible investing: we launched our first responsible fund in 1984, and have been actively engaging with companies to drive improvements in business practices, including in relation to environmental, social and governance (ESG) issues, for over two decades.

Our aim is to understand our client's objectives, appreciate the challenges they face and help grasp the right investment opportunities through our capabilities. Doing this well, in a fast moving and interconnected world, requires both a global perspective and an appreciation of local circumstances.

Three areas form the backbone of our investment capabilities: **equity**, **fixed income** and **alternatives**. We offer strategies within each of these areas, and they also come together globally to support our growing range of multi-asset solutions. All the teams involved are united by a clear focus on the three tenets that guide all our activities:

Client-first innovation

Everything we do begins with our clients' individual circumstances, needs and requirements in mind. We have continually evolved our products and solutions to meet client needs as their partner in responsible investment and reflect their stewardship ambitions, including through our Responsible Engagement Overlay (***reo***®) engagement and voting service and in fund products such as the SDG Engagement Global Equity Strategy.

collaborative culture

We recognise that we can only deliver by working together. Our investment platform is characterised by a fertile culture of research and collaboration – a mindset we've fostered to encourage sharing of knowledge and the development of ideas. This openness enriches our thinking and means we can combine areas of insight and expertise as part of bigger global teams, to create genuine value-add for clients. Our investment and Responsible Investment (RI) teams work closely together to meet our stewardship objectives, and research and engagement activities are shared between teams to inform our practices. We also encourage, lead, and participate in collaborative work across the industry, to promote well-functioning markets and achieve more effective stewardship outcomes than working alone.

Stewardship in 2021

During 2021, stewardship remained in our strategic planning as a primary driver of our future success. We continued to scale the resources and activities that support our stewardship work, reflected through the various points below:

- We created new roles and expanded others in key areas such as ESG integration, RI data science, the responsible fund range, our ***reo***® programme and reporting.
- We surpassed our RI team target, engaging 940 companies during the year, with a focus on net zero, biodiversity and social justice and equality – selected in consultation with clients and investment teams – and recorded 388 instances of positive change at the companies we engage.
- We also achieved a new internal record for proxy voting action, voting at over 12,000 meetings.
- We significantly grew our assets within our ***reo***® programme, which offers our clients greater stewardship influence and impact collectively than they would otherwise enjoy.
- We expanded our sustainability certifications for funds, with more covered by Febelfin, and we kept our 2-star rating across all FNG-labelled funds.
- Policy work remained a focus, and we launched our Sustainability Risk Policy, Principal Adverse Impact Statement, and two Engagement Policies (for BMO GAM managed assets and for our ***reo***® programme).
- We began to implement our commitment to achieve net zero across all our assets under management by 2050, by developing a methodology and identifying an initial set of funds to be managed using net zero investing principles.

responsible investment

Investing responsibly lies at the core of everything we do, driving the processes we adopt and the products we offer. We support our ambitions in responsible investment with the resource of our large and growing Responsible Investment (RI) team. The RI team work with investment teams to bring expert knowledge and coherence to our stewardship programme, extensively engaging, voting and helping develop public policy for positive change. They also support our investment teams to integrate ESG considerations into their decision making in a form most appropriate and meaningful to each strategy and asset class.

Becoming a part of Columbia Threadneedle Investments

In 2021 we became part of Columbia Threadneedle Investments, bringing together and broadening the range of investment capabilities and solutions available to our clients. We remain confident that the transaction is supportive of our stewardship activities: responsible investing has been identified as a key strength of our new combined organisation, and embedding this across the business will be a key focus area in 2022.

ESG **integration**

Fund manager led, and supported by our Responsible Investment team.

Our approach to ESG integration is fund manager led and supported by our responsible investment specialists. Each investment team is responsible for the integration of ESG considerations into their investment research and decision-making in a way that is most meaningful to their asset class and investment strategy. Materiality of ESG issues is assessed based on an assessment of a variety of factors including the specific business or issuer circumstances, whether the ESG factors are a source of value or risk, the geographies and regulatory environments in which they operate in, and the outcomes, positive and negative, they may have on society and the environment.

ESG integration 'toolkit'

Our ESG toolkit is a range of resources designed to support ESG integration and stewardship in the investment process. This enables the assessment of ESG performance and risk to support research, portfolio construction and monitoring, and to prioritise stewardship activities based on multiple data sources, proprietary tools and our valuable engagement insights.

The toolkit is featured on p9 and includes, for example, corporate and sovereign proprietary ESG scores, which measure material ESG risk management and performance; and ESG risk reports and portfolio analytics, which include ESG scores, controversy, carbon and engagement data.

The RI team ESG integration toolkit to assist investment teams

Input	Overview
ESG risk tool	• Covers 6,500 + global companies • Companies are assigned an internal ESG rating based on underlying MSCI ESG data cleaned, enhanced and re-weighted by RI team • Red flags for very poor ESG performance or association with severe controversies
ESG portfolio analytics reports	• Overall ESG portfolio performance vs. benchmark • Analysis of best and poorest ESG scores in portfolio • Carbon footprint analysis • Detailed engagement & voting histories
SDG Revenue tool	• Leverages Factset RBICS Revenue data which covers 45,000 companies • Company revenue is mapped as positive, negative or neutral in contributing to 179 SDG targets
ESG seminars	• RI team hosts monthly seminars for all portfolio managers and analysts • Sessions provide insight and debate around treatment of key ESG topics in investment analysis
Viewpoints	• RI team publishes opinion, research and feedback on company engagement in the form of Viewpoint documents • Publicly available on the website
Engagement and voting	• RI team leads a centrally planned and executed engagement and proxy voting programme which is systematically reported on • Portfolio managers and analysts are supported to conduct further company engagement at the portfolio level as appropriate • Proxy voting in line with in-house corporate governance guidelines and/or in conversation with individual portfolio managers

To support our in-house research, we utilise external data providers as an input to our ESG research, portfolio monitoring and as an input to our stewardship activities and prioritisation. Examples include MSCI, Impact Cubed and Factset. We prefer to utilise the raw data provided by these vendors and to structure this into tools which best support our ESG and stewardship insights. We keep data providers under review in order to ensure that we are selecting the highest quality data source for each specific component of the score. For more information on our vendors please refer to our chapter 'Monitoring managers and service providers'.

Nuances in stewardship

We recognise that ESG integration and stewardship activities must be appropriate to the specific asset class and investment strategy, and may be influenced by factors such as the type of issuer in which we are invested, the level of ownership and influence that we have, and the duration of our holding.

In selecting engagement priorities and designing our engagement strategy, we are driven by whether engagement is in our clients' best interests. For many of our clients, their long-term liabilities are multi-decade in nature and can be impacted by the health of the economy and society as a whole. As fiduciaries, we therefore should also endeavour to enhance markets and business practices to create a more robust investment ecosystem for our clients. We employ a range of issuer dialogue and engagement styles suited to the ESG integration approach of each asset class.

Listed Equity
For direct investment in shares of publicly listed companies, tailored to each teams' own investment process, material ESG risks and opportunities are identified, and reviewed, and their investment implications are integrated into investment research, valuation and subsequent security selection decisions. Stewardship is ingrained within each aspect of the investment process, which involves idea generation, research, portfolio construction and monitoring.

As equity holders, our teams regularly meet with companies, which is a very important part of the investment process and a core aspect of the stewardship element within this process. The type of information gathered typically includes strategy, capital allocation, management, current trading and ESG – engagement on these topics helps the team make decisions in conjunction with their research, enabling qualitative assessment. In addition, our investment teams working with the RI team actively vote their shares in line with the BMO voting policy and will also engage directly and in conjunction with the RI team where material issues arise in the portfolio.

For passive strategies that seek to replicate index returns, ESG risks are not considered but are covered by our engagement and voting approach. Within our factor strategies, the ESG and carbon profile of the portfolio is actively managed.

Corporate debt
As credit investors, we assess the impact ESG issues have on the ability and willingness of an issuer to service and repay its debt. As such, ESG is an integral part of our proprietary credit scoring methodology. Analysts assign a credit-specific ESG score of between -2 and +2 based on their view of how a company's ESG profile impacts its overall credit profile (0 being neutral). The ESG score combines the rigour of our credit scoring process with proprietary input from our RI team's risk analysis framework. In addition, we assign a future credit score to each company. A commitment by the company to improve the environmental, social or governance profile, perhaps as a result of engagement, can lead to a higher future ESG credit score. This final score is used in our assessment of relative value. Our experience is that bond holders can engage effectively with companies, due to the frequency of bond issuance. The desire for these issues to be successful, we have found, is a strong reason for bond issuers to accept engagement meetings and to discuss ESG issues. Moreover, the impressive growth of the Green, Social and Sustainability bond issuances has further improved investor access to traditional bond-only issuers and, as a result, they have added ESG to their agenda.

Within investment grade and emerging market credit, analysts regularly meet with the companies they cover as part of the overall Credit Research Process. As ESG is an integral part of this process, most meetings include an ESG element. In addition, the credit analysts have meetings in conjunction with the RI team as part of the engagement process. In 2021, this included involvement in the Climate Action 100+ initiative to engage with mining company Vedanta.

Sovereign debt
Sovereign fixed income analysts will seek to identify a country's exposure to and management of ESG risks to assess how these might impact its ability and/or willingness to repay outstanding debt and, ultimately, the long-term sustainability of its economy. Factors such as corruption, institutional strength, social indicators and management of natural resources and climate change will be considered. The ESG analysis is reviewed as part of our dynamic government bond investment process, evaluating ESG risks relative to credit rating and spread levels.

The relationship of sovereign bondholders is different to corporate investments, as political leaders are responsible to their constituents. However, we recognise the positive role that investor engagement with government bodies and through public policy consultation can have. We therefore will engage with sovereigns where appropriate and may elect to do this in a collaborative forum to strengthen our voice.

Real estate
Direct investments enable us to directly influence the assets that we own. Within Real Estate we have developed a Responsible Property Investment Framework and appraisal methodology to capture and integrate ESG risks and opportunities into the individual business plan for each directly held property asset.

50%

of our active equity business applying our net zero methodology by November 2021.

In addition, real estate portfolio managers engage external specialist consultants to consider sustainability risks and opportunities as part of acquisition due diligence. This enables our investment team to manage asset risk, protect income yields and support long term returns produced by real estate assets.

As part of our ESG integration approach and stewardship approach we have extensive engagement with occupiers on our full property portfolio, which includes but is not limited to:

- Frequent engagement between the property manager and the occupier on directly managed sites
- Annual check-ins between the asset manager and the occupier to receive an update on the occupying business, understand its real estate needs and carry out an inspection of the building
- Sharing environmental data and discussing opportunities for building improvements
- Delivering occupier experience surveys, covering asset management and sustainability issues, at least once every three years. The latest occupier experience surveys, covering a sample across the full portfolio, were undertaken at the end of 2021 and were completed at the start of 2022

For example, in 2021 we began to engage all occupiers on how to achieve mutually beneficial ESG outcomes, such as such as through funding solar photovoltaic installations to reduce occupier electricity bills.

Manager Research
We integrate ESG into our third-party asset manager research process to understand how the manager incorporates ESG from a risk and rewards perspective. We look for full transparency, a proper understanding from the management team and real evidence of ESG integration. Each fund is allocated a rating based on their ESG approach. Through our manager engagement and fund ranking we incentivise improved ESG practices. Positively we see we are seeing an improving direction of travel in terms of the resource asset managers are allocating to ESG.

Private Equity
The identification of material ESG risks forms part of our private equity investment process, helping us to manage risk and support long-term returns. Within the private equity space, we find that we are able to have direct influence on the assets in which we invest via external managers. In encouraging managers to move towards best practice in managing ESG issues, we refer to international codes and standards where relevant.

Net zero investing

In December 2020, BMO GAM (EMEA) became a founder signatory to the Net Zero Asset Managers Initiative[1]. This committed us to reach net zero emissions by 2050 or sooner across all assets under management.

During 2021 we developed an implementation methodology, with an initial focus on equities and fixed income, based on the Net Zero Investment Framework (NZIF) and drawing on a range of data sources. The methodology emphasises the importance of stewardship in implementing our goals, and where possible achieving portfolio emissions cuts through the decarbonisation efforts of our investee companies, rather than reallocating capital to lower-emissions sectors. We also published a methodology for real estate, and contributed to industry best practice by co-chairing the Implementation Working Group for the NZIF, and participating in a working group on private equity.

In November 2021, during COP26, we announced that funds representing 12% of total BMO GAM (EMEA)'s assets under management would be applying our methodology, accounting for 50% of our active equity business. During 2022, in collaboration with the wider Columbia Threadneedle Investments group which has also become a signatory, we will seek to further expand to more funds and asset classes.

In October 2021, BMO Real Estate Partners announced its phased pathway to decarbonising its business and becoming net zero carbon by 2050 or sooner. This ambition is aligned with the business' longstanding commitment to delivering sustainable property assets, meaning it benefits from a solid foundation from which to eliminate carbon emissions under its control and contribute towards meaningfully reducing the built environment's impact on climate change. The approach is consistent with the UK Better Buildings Partnership's Net Zero Carbon Pathway Framework and will apply across all real estate operations in Europe. It will set short and longer-term delivery targets, with the goal of becoming third party certified as carbon neutral by 2032 and culminate in achieving net zero carbon status by 2050.

[1] Net Zero Asset Managers Initiative – Home

Promoting well-functioning **markets**

7 themes drive our stewardship programme, which we consider material to the creation and protection of long-term financial, social and environmental value.

7 themes of engagement:

- Climate change
- Environmental stewardship
- Public health
- Labour standards
- Human rights
- Corporate governance
- Business conduct

Learn more in our 'engagement' chapter.

Each year we plan engagement priorities within these themes across sectors and regions, addressing market-wide systemic risk inherent in climate change, poor environmental stewardship and biodiversity loss, human rights abuses or weak labour standards, public health risks and weak corporate governance. We identify sectors and companies most exposed to key issues within these themes and engage independently or collaboratively to seek improved management of the issue. We reinforce that dialogue with appropriate use of voting rights.

Addressing interdependent global challenges: climate change and biodiversity loss

Climate change poses a major threat to a well-functioning financial system. We believe that investors should play a central role in tackling the climate crisis, and we are committed to playing our part. Climate change therefore remained our top engagement priority during 2021 (details can be found in our 'Engagement' chapter), and we began implementing our net zero methodology across equity and bond strategies (further information provided in the previous chapter, 'ESG integration'). This chapter also details our related public policy work, involvement in investor initiatives and thought leadership.

Early in 2021, we appointed Dr Ben Caldecott to our Responsible Investment Advisory Council to further build our expertise in climate change and support our ambition of achieving net zero emissions across our portfolios by 2050 or sooner. Ben specialises in environment, energy and sustainability issues,

> We identify sectors and companies most exposed to key issues within our themes and engage to seek improved management of the issue.

having held several senior roles in this field, including Founding Director of the Oxford Sustainable Finance Programme at the University of Oxford Smith School of Enterprise and the Environment. Ben also founded and co-chairs the Global Research Alliance for Sustainable Finance and Investment (GRASFI), an alliance of global research universities promoting rigorous and impactful academic research on sustainable finance.

During COP26 in November, members of our RI and Private Equity teams travelled to Glasgow to represent us there and attended various industry events across the city, acknowledging the crucial role that the private sector must play in driving positive climate action. Our Private Equity team also hosted their own event, at which Dr Ben Caldecott (a UK delegate at the conference) gave an update on the early days of negotiations. Our RI team recorded updates for our clients and prospects, and produced related thought leadership in the run-up to and reflectively after the conference. Details of these can be found in the 'Thought leadership' section of this chapter.

Over the year and into 2022, we have been increasingly considering the interconnectedness of the climate crisis and biodiversity loss. We recognise these two issues as interrelated global challenges, and we also recognise nature as a powerful tool in tackling climate change. Therefore, biodiversity was another key engagement priority during 2021 and will also remain so during 2022. Further details are available in chapter 'Engagement'. Having introduced climate change into our voting policy in 2020, in 2021 we formally implemented biodiversity into the policy too, focusing on companies with high exposure to biodiversity impacts but lacking adequate disclosure. This is a significant step forward that will allow us to strengthen our approach in holding companies accountable for negatively impacting nature.

During 2022, as previously stated, climate change and biodiversity will remain key engagement priorities. We will also continue to apply our net zero methodology to our portfolios, and work to integrate our approach to addressing climate change and biodiversity loss in partnership with Columbia Threadneedle Investments.

Promoting well-functioning real estate markets

BMO REP actively engages government bodies to ensure the regulatory environment promotes the best stakeholder outcomes. The business is represented by senior leaders on real estate focused bodies such as the Investment Property Forum (IPF) and The Association of Real Estate Funds (AREF), and enters into dialogue with regulators to encourage positive change for society in terms of product development, consumer choice and balanced propositions for investors.

During 2021 BMO REP, through AREF, has sought to protect investors' ability to access a differentiated form of income and capital growth, assisting demand for portfolio diversification. This engagement has led to presentations to the Bank of England's Financial Policy Committee, which seeks to mitigate systemic risks within the UK financial system, and to the promotion of enhanced flexibility within the platform architecture which services the wealth managers and IFAs. Long term, this agenda can drive further investment and returns in alternatives, by being able to capture and benefit from the illiquidity premium, and assist government agendas such as Build Back Better.

Additionally, BMO REP seeks to use these conversations to promote investment vehicles which deliver the change in the marketplace desired by a regulator. An example in the past year has been ongoing discussions with the Regulator of Social Housing to provide a fresh approach to the Supported Housing sector, which provides accommodation for the most vulnerable in society. The approach seeks to create a more viable long-term solution for the sector and improve the overall governance. The aim is to expand private capital in this important area where there remains a chronic long-term need for extra units, providing complimentary capital for Housing Associations to expand their offering. The strategy complements the recent White Paper on 'People at the Heart of Care' and aligns with the Transforming Care Agenda.

Recognising heightened interest within the residential sector, particularly amongst impact investors seeking purposeful deployment of capital in the social and affordable housing space, and using its recently launched UK Housing strategy, BMO REP supported Big Society Capital and The Good Economy in delivering their "Approach to Impact Reporting in Social & Affordable Housing" publication. The paper identifies and characterises opportunities for impact additionality that emerge with partnerships between investment funds and housing providers and provides a framework to reports on that impact in a consistent and transparent way.

> Climate change and nature loss must be treated as interconnected and interdependent issues – an approach reflected in the links between our Environmental Stewardship and Climate Change engagement programmes.

Public **policy**

Our RI team plays an active role in public policy development through engagement with governments and regulators on key issues, seeking to be a constructive investor voice in standard setting and we believe that this ultimately helps promote well-functioning financial markets. Discover our 2021 activity:

Global

Access to Medicine

We signed the Access to Medicine Foundation's statement because we believe in the importance of fair and equitable access to COVID-19 treatments and vaccines. As a signatory, we:

- Encourage world leaders in the G7, G20 and Access to COVID-19 Tools (ACT) Accelerator Facilitation Council to finance the ACT-Accelerator in full and deploy adequate funding to ensure fair and equitable access to COVID-19 tools globally.
- Commit to work with the Access to Medicine Foundation on this issue and engage (bilaterally and/or via existing collaborative initiatives) with our investee healthcare companies to promote industry actions supporting the mission and operations of the ACT-Accelerator (e.g. cross-industry partnerships to accelerate R&D and expand production, equitable pricing strategies, voluntary licensing agreements).
- Recommend that governments and international organisations explore the feasibility of innovative finance mechanisms for national and global COVID-19 responses, similar to vaccine bonds issued by the International Finance Facility for Immunisation or social bonds for COVID-19 programmes issued by individual or multiple governments. These mechanisms could build on the strong response by capital markets to ESG-labelled debt issued in 2020.

Outcome: There were some positive developments around corporate cooperation, and financial and product support for COVID-19 response especially in/for developing countries. However, further action will be necessary.

Antimicrobial resistance (AMR)

As an Investor Partner in the Investor Action on AMR group, we supported the group's endorsement of the UN General Assembly's Call to Action on AMR. This initiative aims to enhance global and political coordination, accountability and governance by strengthening future pandemic preparation and addressing challenges to tackle AMR.

Outcome: The initiative has increased attention for AMR, which has received greater political focus including being identified as one of the priorities for Germany's G7 Presidency in 2022.

Biodiversity

Aligning with our engagement on biodiversity, we signed a letter facilitated by Ceres and the Finance for Biodiversity Foundation to the co-chairs of the working group negotiating the post-2020 Global Biodiversity Framework and with the intent of also being delivered to world leaders during COP15. The letter asks for an ambitious Global Biodiversity Framework, stronger national targets, a regulatory framework enabling financial institutions to address biodiversity risks and opportunities, and removal of harmful subsidies.

Outcome: COP15 was delayed once more; further policy action is expected in 2022. COP26 has seen commitments linked to curbing deforestation.

Climate change

We supported the Global Investor Statement on Climate Change that urges governments to raise their climate ambitions. The statement is supported by 450+ investors managing over $41 trillion in AUM.

Outcome: Substantial government action at COP26.

G7

Public health

As a part of the Investor Action on AMR coalition, we signed a letter to G7 finance ministers to highlight our concerns regarding antimicrobial resistance (AMR) as a systemic risk to portfolios and to broader society. We have included suggestions for policy mechanisms to address the threat of AMR.

Outcome: Policy action is pending though the topic has been identified as a priority for Germany's G7 Presidency in 2022.

>50%

of the world's economic output – US$44tn of economic value generation – is moderately or highly dependent on nature.

Taskforce on Nature-related Financial Disclosures

EU

Sustainability Reporting

We signed a PRI facilitated letter in support of the Corporate Sustainability Reporting Directive (CSRD). It aims at ensuring that the final CSRD enables investors to meet our reporting requirements (e.g. SFDR and Taxonomy) and scale up our contribution to the EU Green Deal.

Outcome: Pending

EU Mandatory Due Diligence

In line with our ongoing engagement work on mandatory human rights and environmental due diligence (mHREDD) we have signed an Investor Statement, facilitated by the Interfaith Center on Corporate Responsibility, in support of mHREDD in the EU. This is to ensure proper risk management, corporate compliance with international standards, to allow for a level playing field, and enhance company's social performance.

Outcome: Policy action is still pending.

Alignment of the EU Taxonomy with climate and environmental targets

As part of our work on sustainable food systems and recognising the importance of clarity on what should constitute sustainable practices, we signed an investor statement facilitated by LGIM and Chatham House to the European Commission to highlight three areas of concern with the EU Taxonomy: ensuring a science-based foundation, alignment with a 1.5-degree target, and ensuring corporate disclosure on environmental objectives.

Outcome: Negotiations around the EU Taxonomy are still ongoing.

Climate change and environmental stewardship

As part of our engagement on driving sustainable food systems, we joined a number of investors in sending a letter to the European Commission advocating for strong incentives in the Common Agricultural Policy (CAP) to support the transformation towards sustainable agriculture. Specifically, the letter called for ensuring incentives for Member States and farmers to promote efforts to combat climate change and environmental impact and internalise the carbon footprint of currently subsidised commodities such as red meat. As we engage companies on reducing carbon emissions, preserving biodiversity and supporting the mainstreaming of plant-based proteins, we recognise that system-wide incentives are a key leverage point.

Outcome: Corporate engagement has intensified, but policy action is still pending.

UK

Nutrition and sustainable food

We urged the UK Government to implement mandatory reporting on sales of healthy products, and to take an ambitious approach to addressing the negative environmental externalities from the food system.

Outcome: Policy action is still pending.

Human rights

We supported a statement calling for mandatory human rights & environmental due diligence in the UK, co-signed by major brands such as Microsoft, Tesco, Unilever, Nestle, Primark, and Tata Consumer.

Outcome: Policy action is still pending.

Shareholder rights and market standards

We contributed views to the UK Investment Association's response to the Lord Hill consultation on reviewing the UK's listing regime, reflecting our concerns over the proposed introduction of dual-class shares for premium listed companies and our expectations for maintaining good governance and corporate behaviour standards.

Outcome: Still pending

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 3 key areas where the current draft legislation should be stronger, including:

- Widening the scope from forced and child labour, to material human rights issues as per the UNGPs and OECD Guidelines
- Widening the scope to report on all human rights due diligence outcomes
- 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 aide investors' own responsibility to respect human rights and create a more even playing field for companies globally.

Outcome: Policy action is still pending.

Climate change

We became a founding signatory to the Canadian Investor Statement on Climate Change, which we co-drafted. The statement was supported by 35+ institutional investor signatories representing $5.5 trillion AUM.

Outcome: While still with substantial room for improvement, Canada has stepped up its climate efforts.

India

Securities and Exchange Board of India: Consultation on Independent Directors

We agreed that key management personnel and group company employees should not be eligible to become independent directors of the company, and that the appointment, reappointment and removal of independent directors should be subject to the approval of a majority of minority shareholders. We additionally advised that affiliated directors should not be classified as independent after a cooling off period. Finally, we encouraged the implementation of a three-committee structure for Indian company boards.

Outcome: SEBI released changes to the Listing Obligations and Disclosure Requirements, following its consultation on independent directors. Key changes include the requirement for 75% of shareholders to approve the appointment and reappointment of independent non-executive directors. However, we question its effectiveness given the prevalence of high executive stakes at Indian companies. Additionally, the move to two-thirds independence for the board nomination and remuneration committees will encourage a more impartial director search and compensation process. We would have preferred rules prohibiting the independent classification of directors with relatives employed at the listed entity or promoter group firms to be maintained.

>41 trillion

in AUM from 450+ investors supporting the Global Investor Statement on Climate Change.

Industry **initiatives**

We collaborate with other investors through various industry working groups to engage companies on important issues. This form of engagement is particularly useful in addressing systemic issues within a sector or market, and gives companies the opportunity to hear a clear investor voice on a topic.

Participation in various collective engagement groups is coordinated through the RI team. The process to determine whether BMO GAM should participate in an engagement initiative involves the wider investment teams. The relevant investment team members can join collective engagement meetings where appropriate.

30% Club France

Overview: Investor collaboration to increase diversity in corporate boardrooms across France.

Objectives: Increase diversity in corporate boardrooms across France's largest companies.

Why we chose to join: Systemic change necessary. Central to social and governance engagement efforts.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: Engagement ongoing, no immediate success.

30% Club

Overview: Institutional investor group encouraging UK public companies to lead in global efforts to address systemic inequities by advancing diversity and inclusion efforts and enhancing transparency and accountability.

Objectives:

- Beyond 30% representation of women on all FTSE 350 boards, to include one person of colour.
- Beyond 30% representation of women on all FTSE 350 Executive Committees, to include one person of colour.

Why we chose to join: Systemic change necessary. Central to social and governance engagement efforts.

Our involvement: Member of the investor coalition, supporting several initiatives.

Outcomes: Participated in a working group focusing on racial/ethnic diversity at board and senior management level, including recommendations for investors and corporates.

30% Coalition US

Overview: Investor collaboration to increase diversity in corporate boardrooms across the US.

Objectives: Increase diversity in corporate boardrooms across the US with a focus on the largest listed companies (Russell 3000).

Why we chose to join: Systemic change necessary. Central to social and governance engagement efforts.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: Engagement ongoing, no immediate success.

Access to Medicine Index engagement

Overview: The Access to Medicine Index Investor Statement has c. 100 investor signatories with c. $18 trillion in AuM.

Objectives: To improve access to medicine.

Why we chose to join: Core engagement topic within the last 3 years.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: We continue to record milestones linked to our one-

Due to Covid-19, closing the global gender gap has increased by a generation from 99.5 years to 135.6 years.

to-one and collaborative engagement on access to medicine. Pharmaceutical companies are increasingly paying attention to the results of the Access to Medicine Index.

Access to Nutrition Initiative

Overview: Joint engagement with the largest global food and beverage manufacturers on addressing malnutrition in all its forms: overweight and obesity, undernutrition, and micronutrient deficiency.

Objectives: Companies set commitments and implement strategy including targets for healthier products.

Why we chose to join: Engagement on public health and the role of food and beverage producers in providing healthier choices for consumers.

Our involvement: Member

Outcomes: Improvements in commitments and proportion of healthy products in portfolios.

$1.2 trillion

is the global cumulative cost of malnutrition for non-communicable diseases, with overweight and obesity as leading causes.

Access to Nutrition Initiative

Asia Research & Engagement food sector engagement

Overview: Joint engagement with food sector companies in Asia on food safety, nature and climate impact, and labour standards. Currently revising new strategy, and engagement planned to restart in spring 2022.

Objectives: Companies commit to addressing relevant social and environmental issues, and set policies and targets for implementation.

Why we chose to join: Complements our engagement on social and environmental issues with food sector companies in Europe and the Americas.

Our involvement: Member

Outcomes: Awaiting ARE's new strategy underpinning future engagement.

Asia Research & Engagement's Energy Transition Platform

Overview: The six founding members of Asia Research & Engagement (ARE)'s Asia Transition Platform have combined assets under advice or management of more than US$ 4 trillion.

Objectives: The Platform will engage with at least 50 Asian companies across all of Asia's leading financial markets, with an initial focus on carbon risk and coal at financial institutions and coal-exposed power companies.

Why we chose to join: Energy transition and proper climate risk management is a key element of our climate engagement.

Our involvement: Member of the investor coalition, joining several engagements.

Outcomes: Enhanced collaborative engagement efforts with Asian banks, and utility companies on climate risk management.

BBFAW (Business Benchmark on Farm Animal Welfare)

Overview: Global Investor Collaboration on Farm Animal Welfare & Global Investor Statement on Farm Animal Welfare.

Objectives: To enhance farm animal welfare through engaging actors across the value chain.

Why we chose to join: Farm animal welfare is a topic which clients are interested in from a public health and ethical perspective.

Our involvement: Member of the investor coalition, supporting several engagements.

Outcomes: We have recorded several milestones linked to BBFAW-coordinated collaborative engagement on the BBFAW Benchmark.

CANDRIAM's Investor Engagement on Facial Recognition Initiative

Overview: Investor group organised by CANDRIAM addressing the human rights risks linked to the development & use of Facial Recognition Technology.

Objectives: To understand, mitigate and ideally halt human rights abuses caused by corporate development and use of Facial Recognition Technology.

Why we chose to join: Facial Recognition Technology is a topic with little transparency; its use can be controversial due to misuse, bias and errors. Corporate disclosure and change are necessary.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: To enhance corporate responsibility to respect human rights and correct abuses when they occur (concerning Facial Recognition Technology) as set out in the UN Guiding Principles on Business and Human Rights.

CDP Non-Disclosure campaign

Overview: CDP facilitated investor initiative to enhance CDP-disclosure.

Objectives: Enhance carbon, forest, and water linked corporate disclosure.

Why we chose to join: Enhanced transparency relevant for investment analysis and core to our overarching engagement agenda.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: Several companies that hadn't disclosed to the CDP before now do, others have committed to do so next year.

ChemScore

Overview: We co-signed a joint investor letter to engage 50 companies on their involvement in the manufacture of hazardous chemicals. The letter supports the launch of ChemScore's 2nd annual ranking of chemical companies on the sustainable management of chemicals. ChemScore, managed by Swedish non-profit ChemSec, ranks the world's largest 50 chemical producers on their work to reduce their hazardous chemical footprint. It was developed in order to provide investors with better information to assess which companies have strong chemicals management strategies, and which do not.

Objectives: Our asks included greater transparency on the chemicals produced, engagement with ChemSec and phase out of the most hazardous chemicals.

Why we chose to join: Central theme to our biodiversity engagement and chemicals project.

Our involvement: Signatory

Outcomes: Engagement dialogues to take place during 2022, no immediate outcome.

Climate Action 100+

Overview: Climate Action 100+ is an investor-led initiative, facilitated by Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI).

Objectives: Ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Why we chose to join: Central to climate engagement commitments. Lead investor on subset of companies.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: For several companies engaged, improved climate risk and opportunities management, ambitious target setting, and increased transparency. Publication of the CA100+ benchmark.

Corporate Human Rights Benchmark

Overview: Collaborative investor initiative where we are leading on 8 companies, who scored 0 or in the bottom quartile of the CHRB, on improving their human rights due diligence and disclosure.


The meat industry is an important contributor to the GDP of leading world economies. It relies on labour-intensive value chains comprising millions of people.

Objectives: The Corporate Human Rights Benchmark (CHRB) provides a comparative snapshot year-on-year of the largest companies on the planet, looking at the policies, processes, and practices they have in place to systematise their human rights approach and how they respond to serious allegations. This is a public good for all stakeholders.

Why we chose to join: Corporates lagging behind in disclosure and underlying practices, exposing them and investors to business risk.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: We are starting to see companies commit to improve human rights related disclosure and gain an understanding that audits are only a part of human rights due diligence.

615

investors representing

$1.2 trillion

in assets are members of Climate Change 100+.

FAIRR – labour standards

Overview: Joint investor engagement with the seven largest meat producers on working conditions in the meat supply chain.

Objectives: Companies implement long-term changes while empowering workers to support risk mitigation in three key areas: Health and Safety, Fair Working Conditions and Worker Representation.

Why we chose to join: To jointly engage very large companies to address labour standards which have an impact on worker health and the integrity of a key part of the global food system.

Our involvement: Member; joined collaborative engagement on labour standards.

Outcomes: Enhanced corporate performance on labour standards in the meat industry.

FAIRR – sustainable proteins

Overview: Joint investor engagement with food companies globally on climate and nature-risk from protein production, and the linked transition to plant-based alternatives.

Objectives: Companies account for and address climate and nature impact from agricultural supply chains, and transition product portfolios towards sustainable and plant-based proteins.

Why we chose to join: Key Initiative for us to engage in the intersection of climate change and health through the transition to plant-based alternatives by food producers and retailers.

Our involvement: Member; joined collaborative engagement on sustainable protein.

Outcomes: Enhanced corporate performance on sustainable protein.

Financial Institutions Statement on COP15

Overview: Investor letter to call on COP15 participants to adopt an ambitious global biodiversity framework (GBF) with action-oriented targets that include the private sector.

Objectives: Call on governments to, among others, strengthen national biodiversity strategy and action plans and to remove all harmful subsidies to bring about change in the real economy and alleviate market failures.

Why we chose to join: Systemic change necessary. Central to environmental engagement efforts.

Our involvement: Signatory

Outcomes: No immediate outcome.

Find It, Fix It, Prevent It

Overview: Investor group address forced labour in global supply chains.

Objectives: Seeking meaningful, effective action by companies in response to the Modern Slavery Act.

Why we chose to join: Aligns with long-standing engagement to modern slavery.

Our involvement: Member of the initiative, leading one engagement.

Outcomes: Ongoing dialogue with company that we are leading engagement on.

78

financial institutions representing over

$10.6 trillion

in assets are signatories of the Financial Institutions Statement on COP15.

Global Network Initiative

Overview: Joint corporate-investor body focused on data privacy issues.

Objectives: To help companies respect freedom of expression and privacy rights when faced with government pressure to hand over user data, remove content, or restrict communications.

Why we chose to join: Key initiative to engage with ICT companies to respect the rights of their users while operating in diverse and challenging markets.

Our involvement: Member of the investor coalition.

Outcomes: Enhanced corporate performance on protecting and advancing freedom of expression and privacy rights in the ICT industry.

ICCR Food Justice and Racial Equity

Overview: Joint engagement with US food and beverage companies to address public health, focusing on racial implications of access and nutrition.

Objectives: Improve nutrition and implement responsible marketing to increase access to healthy products, focusing on the racial implications of public health.

Why we chose to join: Addressing the intersection of public health and environmental impact of the food system with a specific lens to racial issues in the US.

Our involvement: Member

Outcomes: Companies making commitments and increasing access to nutritious products.

IIGCC Physical Climate Risks and Opportunities investor collaborationC37A37:D37

Overview: The investor letter asks 50 target companies to address business risks from extreme weather. Facilitated by the Institutional Investors Group on Climate Change (IIGCC).

Objectives: Companies to assess physical risks and opportunities and how it affects corporate performance and shareholder value, key actions to take to increase resilience to a changing climate, reinforcing the pillars of TCFD, and overall enhance risk management capabilities.

Why we chose to join: Central theme to our climate engagement.

Our involvement: Signatory

Outcomes: Discussions ongoing.

Antimicrobial resistance is one of the top 10 global public health threats facing humanity.

IIGCC's climate risk in banking collaboration

Overview: IIGCC facilitated collaborative engagement initiative to align the Banking Sector with the Goals of the Paris Agreement.

Objectives: Enhance banks' practices on how to best manage climate-related risks and opportunities.

Why we chose to join: Climate risk management is a core element of our financial sector stewardship efforts.

Our involvement: Member of the investor coalition, leading and supporting several engagements.

Outcomes: Enhanced disclosure, individual coal exit strategies that can be linked back to enhanced engagement.

Investor Action on Antimicrobial Resistance (AMR)

Overview: A coalition between the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care to galvanise investor efforts to address global AMR.

Objectives: To address global AMR.

Why we chose to join: Core engagement topic within the last 3 years. There are c. 14 Investor Partners with c. $7 trillion in AuM.

Our involvement: We continue to engage a range of companies on AMR and have raised awareness via publishing thought leadership pieces and participating in webinars. We also co-signed a letter to the G7 Finance Ministers, suggesting policy mechanisms – including incentives for the development of new antimicrobials – to tackle AMR.

Outcomes: The Investor Partners have shared best practices in different industries to strengthen engagement efforts. The G7 Finance Ministers have recognised the Investor Action on AMR.

Investor Tailings Safety Initiative & Investor 2030 Mining Agenda

Overview: Investor collaboration for addressing material risks and the need for enhanced transparency in the mining sector.

Objectives: Mining companies to disclose data on their tailings dams.

Why we chose to join: Corporate change necessary. Central to mining sector engagement efforts.

Our involvement: We are the founding supporter of this initiative, and plan to co-lead on some of the corporate engagements.

Outcomes: Developed the first Global Industry Standard on Tailings Management together with UNEP and the industry.

IOPA (Investors for Opioid and Pharmaceutical Accountability)

Overview: The IOPA has c. 61 members with c. $4.2 trillion in AuM.

Objectives: To enhance opioid and pharmaceutical corporate accountability.

Why we chose to join: We felt that we had not devoted sufficient time to engaging on opioid-related business risks. Also, the US investor perspective is very valuable.

Our involvement: Member of the investor coalition, supporting several engagements.

Outcomes: The IOPA focuses on bringing about change via shareholder proposals targeting US companies. Several companies have improved their disclosure on how they manage opioid-related business risks.

Know the Chain

Overview: KnowTheChain is a resource for companies and investors to understand and address forced labour risks within their global supply chains.

Objectives: The KnowTheChain benchmarks aim to help companies protect the wellbeing of workers by incentivising companies and identifying gaps in each sector evaluated. Our benchmark reports show how hundreds of companies have performed over time.

Why we chose to join: Corporate change necessary. Central to social engagement efforts.

Our involvement: Member of the investor coalition, supporting several engagements.

Outcomes: Aided our ability to identify gaps in investee company risk management relating to forced labour risks. A useful tool for engagement, in terms of reference to a company's performance on the benchmark and highlighting areas of improvement.

Letter to UK Government about nutrition and climate change in food system

Overview: Letter to UK Government about nutrition and ambitious food strategy.

Objectives: We signed a joint letter to the UK Government urging implementation of the recommendations of the National Food Strategy, including improving nutrition and climate and nature risk management in its agriculture policy.

Why we chose to join: Supporting corporate engagement with public policy engagement to address systemic issues.

Our involvement: Signatory

Outcomes: No further action at this time.

Mandated human rights and environmental due diligence in the EU (ICCR)

Overview: Investor statement in support of mandated human rights and environmental due diligence in the EU. The statement has been supported by 94 investors representing over $6 trillion in assets under management and advisement.

Objectives: Outline support for mandatory human rights and environmental due diligence in the EU.

Why we chose to join: Systemic change necessary. Central to social engagement efforts.

Our involvement: Signatory

Outcomes: Discussion on EU level ongoing.

Mandatory human rights & environmental due diligence in the UK

Overview: Investor statement in support of mandated human rights and environmental due diligence in the UK. Businesses, investors, business associations and initiatives operating in the UK encourage the government to play a positive role in building a more resilient and sustainable post-pandemic economy that works for all.

Objectives: Outline support for mandatory human rights and environmental due diligence in the UK.

Why we chose to join: Systemic change necessary. Central to social engagement efforts.

Our involvement: Signatory

Outcomes: Discussions ongoing.

Platform Living Wage Financials

Overview: The Platform Living Wage Financials (PLWF) is an alliance of 18 financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains.

Objectives: Enhance transparency and encourage investee companies to pay living wage in their global supply chains.

Why we chose to join: Fair wages is a core pillar of our social engagement, and part of our Social Expectations Statement.

Our involvement: Chair of the Platform's Garment Working Group; member of the Food, Retail and Agri working group, future member of the Management Committee and Treasurer.

Outcomes: Enhanced transparency, more living wages paid, increased number of accredited Living Wage employers (in the UK), and enhanced investor awareness.

PRI Investor Statement of Support for the EU CSRD

Overview: PRI facilitated investor letter, with the final statement having 54 signatures representing 9.2 trillion USD in AUM.

Objectives: Welcoming the European Commission's proposal for a new Corporate Sustainability Reporting Directive (CSRD) revising the Non-Financial Reporting Directive (NFRD), and its aim to elevate sustainability information to the same level as financial information.

Payment of a living wage positively impacts workers' lives, can increase productivity, improve brand reputation and reduce government spending.

Why we chose to join: Need for enhanced transparency requirements for improved corporate disclosure, allowing better investment analysis and engagement efforts. Will support building an end-to-end disclosure framework that will enable investors to scale up their contribution to the EU Green Deal and wider sustainability goals.

Our involvement: Signatory

Outcomes: Discussions at EU level ongoing.

PRI Plastics Investor Working Group

Overview: Research and joint investor initiative addressing negative externalities from use of plastics.

Objectives: Enhance investor understanding of how to address plastic waste and pollution and support a circular economy for plastics, and support corporate engagement.

Why we chose to join: Plastics pollution is cross-sector issue and key within the environmental stewardship theme.

Our involvement: Member

Outcomes: Companies making commitments on circularity, increasing recycled materials use and reducing plastics use.

ShareAction's Chemicals Working Group

Overview: As part of ShareAction's Chemicals Working Group, we co-signed a joint investor letter to engage with key European chemicals companies to accelerate their alignment with 1.5-degree Celsius pathways through high-impact, sector specific asks.

Objectives: Asks varied by company, generally included:

1. Include Scope 3 emissions in its net zero commitment by 2050, and increase the ambition of its intermediate targets for absolute emission reductions across all scopes.

2. Set out plans to for emissions neutral feedstock by 2050 with clear targets.

3. Make a timebound commitment to zero emissions from energy consumption through electrification and 100 percent renewable energy.

Why we chose to join: Key climate engagement and core part of chemicals project.

Our involvement: Signatory

Outcomes: Corporate feedback pending.

ShareAction's Good Work Coalition

Overview: Through company AGMs, letters and roundtables, investors can engage companies and ensure they are working to improve the lives of workers no matter their contractual status.

Objectives: Promote good work standards including the living wage, tackling insecure work and action on diversity and inclusion.

24.9 million

people are victims of forced labour, generating $150bn in illegal profits in the private economy.

Know the Chain

Why we chose to join: Fair wages is a core pillar of our social engagement, and part of our Social Expectations Statement.

Our involvement: Member of the investor coalition, supporting several engagements.

Outcomes: More living wages paid, increased number of accredited Living Wage employers (in the UK), and enhanced investor awareness.

ShareAction's Healthier Markets initiative

Overview: Joint engagement with food and beverage producers and retailers to address public health issues stemming from products high in sugar, salt and fat.

Objectives: Companies adopt a nutrition profiling system and set targets for product reformulation and sales of healthier products, including plant-based proteins.

Why we chose to join: Addressing the intersection of public health and environmental impact of the food system.

Our involvement: Member of the investor group, leading and supporting several engagements.

Outcomes: Varying, with some companies adopting strong commitments on reformulation and sales.

ShareAction's Corporate Fleet EV collaboration

Overview: ShareAction investors representing >US$2.8 trillion in assets contacted European businesses with large corporate fleets to encourage them to commit to electrifying these fleets.

Objectives: That they make ambitious public commitments to transition to 100 percent electric vehicles in their fleets by 2030, and that they cement this commitment by joining the EV100 initiative.

Why we chose to join: Fleet emissions make up a substantial part of these companies' emissions, and by joining EV100 and setting these targets we would have a clearer perspective of progress on this topic.

Our involvement: Member of the investor coalition, supporting several engagements.

Outcomes: Engagement ongoing, no immediate success.

Statement of Support of the Cerrado Manifesto

Overview: The FAIRR Initiative's Statement of Support of the Cerrado Manifesto is currently endorsed by c.160 global FMCO companies and institutional investors.

Objectives: Halt deforestation and native vegetation loss in the Cerrado

Why we chose to join: Signalling our commitment to engage to halt deforestation and native vegetation loss in the Cerrado as a key biodiversity environment.

Our involvement: Signatory

Outcomes: No direct action at this time.

UN PRI Human Rights Stewardship Platform

Overview: The PRI-led stewardship initiative on social issues and human rights.

Objectives: Maximise investors' collective contribution to the goal of global respect for human rights and does this primarily through investors collaboratively engaging with companies.

Why we chose to join: Human rights are a core pillar of our stewardship efforts, and reflected in our Social Expectations Statement.

Our involvement: Member of the Advisory Council, leading/ supporting engagements going forward.

Outcomes: Engagement to start in 2022.

UNI Global Union's nursing home collaboration

Overview: Investor group representing $3.5 trillion working with Swiss based UNI Global Union which represents 20 million workers in the skills and services sectors. Engaging in support of the investor statement of expectations for the nursing home sector signed in 2021.

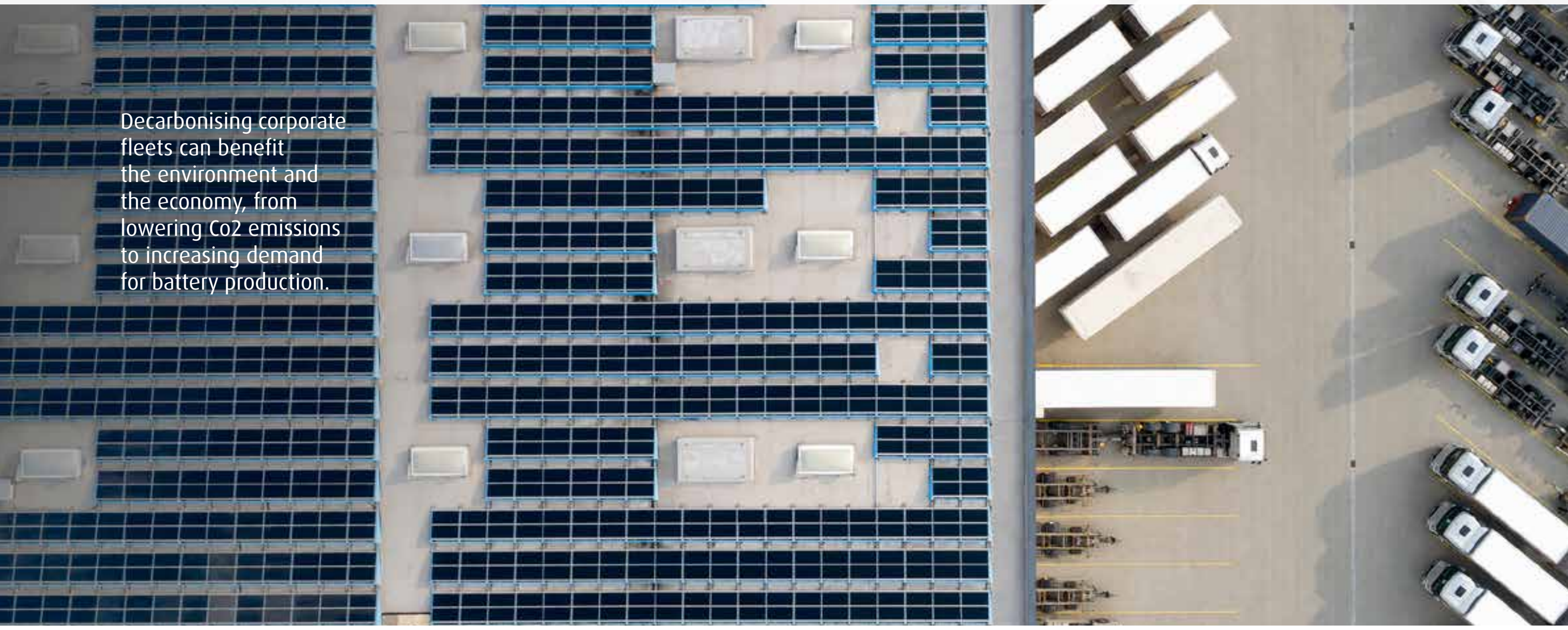
Objectives: Seeking development and implementation by nursing home operators of improved standards for staffing levels, health and safety, fair wages, collective bargaining and quality of care, and better board oversight of these. Seeking greater accountability and oversight of home operators standards by the property owners e.g. REITs.

Why we chose to join: COVID has placed a spotlight on the inadequate working conditions suffered by many care home

85%

of the conversion of native vegetation for soy in the Cerrado is legal, meaning regulation on its own is currently insufficient for the protection of the Cerrado.

Statement of Support of the Cerrado Manifesto



workers, impacting directly on patient care. This project sits at the intersection of our work on human and labour rights and public health.

Our involvement: Member of the investor coalition, leading and supporting several engagements

Outcomes: Engagement ongoing, no immediate success.

Votes Against Slavery 2021

Overview: A coalition of 97 investors writing to 61 FTSE 350 companies that were identified in an analysis done by the Business & Human Rights Resource Centre as falling short of the reporting requirements of the Modern Slavery Act.

Objectives: Increase adherence to the Modern Slavery Act and improve supply chain practices.

Why we chose to join: Corporates lagging behind in disclosure and underlying practices, exposing them and investors to business risk.

Our involvement: Member of the investor coalition.

Outcomes: By the end of the year, 59 out of 61 companies had become compliant.

Workforce Disclosure Initiative

Overview: Investor collaboration, facilitated by ShareAction, for enhanced workforce related disclosure.

Objectives: Enhanced workforce disclosure.

Why we chose to join: Lack of material social and workforce data for investment analysis and engagement.

Our involvement: Signatory, member of the Advisory Group; leading/supporting several engagements.

Outcomes: Several companies that hadn't disclosed to the WDI before now do, others have committed to do so next year.

We joined further additional collaborations and investor initiatives, some of them confidential or private, and we will therefore not share these. Among those were engagements with the investor Forum and ShareAction.

Examples of specific collaborative engagements within these initiatives can be found in the 'Collaboration' chapter of this report.

Industry initiatives at BMO REP

BMO REP is an active member of the Better Buildings Partnership (BBP), a collaboration of the UK's leading commercial property owners and investment managers, who are working together to improve the sustainability of existing commercial building stock. BMO REP provides contribution and support on a number of thematic issues, ranging from net zero carbon commitments, landlord and tenant relationships, embodied carbon, and coordination with other similar like-minded industry groups. In 2021 BMO REP contributed to the BBP's Real Estate Environmental Benchmark (REEB) for the third year running. The benchmark collects environmental data from hundreds of properties across different sectors and BBP members in the UK to produce energy and water intensity metrics. As a publicly available resource that shows the performance of assets "in-use", it is a significant industry tool in the UK to allow property owners to compare the performance of their buildings against what is considered "typical practice" and "good practice".

BMO REP further contributes to property industry and market leadership activity through participation on several AREF committees, including representation on the management board, chairmanship of the Retail Funds Committee, and representation on the ESG & Impact Investing Committee. Key outputs in the year include leading the engagement with the Bank of England around reducing systemic risks, to contributing short information videos around TCFD applicability on real estate portfolios.

Thought **leadership**

We routinely publish our views to provide transparency on our work and to contribute to industry thinking on a wide range of topics, including ESG issues.

In 2021, our RI team published a variety of thought leadership content, from in-depth ESG Viewpoints that explore our ongoing engagement projects, to Pioneer Perspective articles that give high-level overviews of different ESG issues. This was accompanied by ESG-themed thought pieces from different investment desks too, detailed over the next few pages. Our investment teams also publish content beyond ESG issues that is relevant to their area of expertise, including in real estate, fiduciary management and emerging markets. Our Chief Economist is also regularly publishes his investment perspective on macroeconomic trends.

Explore the RI team's thought leadership in 2021

Climate change

ESG Viewpoint: Voting for Climate Action
With less than 12 months until the critical COP26 climate negotiations, momentum is building to curb emissions and limit global warming. Investors have a key role to play here – discover how we fostered climate action through proxy voting in 2020.

The climate crisis – does 2021 bring fresh hope?
With a new US President and the Democrats taking narrow control of the Senate…does the new US political landscape bring fresh hope for solving the climate crisis? Vicki Bakhshi considers this the context of the upcoming COP26 negotiations and discusses what impact the US could have here if Joe Biden managers to put his climate-related pledges into action.

ESG Viewpoint: The road to net zero
As a founder signatory of the Net Zero Asset Managers initiative, we're pleased to see additional signatories joining the drive towards a more sustainable future. Discover the steps we're taking at BMO GAM to achieve net zero emissions across all our assets under management by 2050 or sooner.

ESG Viewpoint: Climate risk management in the banking sector
Banks are under increasing regulatory and commercial pressure to protect their balance sheets from the impacts of climate change, and to contribute to the achievement of net zero greenhouse gas emissions by 2050 or earlier. We engaged with 30 global and regional financial institutions to understand the gaps in their approach to integrating climate change across various business practices. Discover the key findings, a case study on HSBC and information on BMO GAM's dedicated climate voting policy.

Royal Dutch Shell AGM: Our climate-related votes
Investors must contribute to achieving net zero emissions by 2050 or sooner, by driving positive change at investee companies through engagement and voting. Discover how we voted at Royal Dutch Shell's recent AGM.

ESG Viewpoint: 5 challenges to net zero investing
The Intergovernmental Panel on Climate Change recently published its climate science report, giving its starkest warning against climate change to date and reinforcing the urgency with which we must act to address the issue. At BMO GAM, our commitment to achieving net zero emissions across all our assets under management remains as strong as ever – but we also recognise the challenges ahead. Discover what these challenges are, and how we're collaborating with other investors to find solutions.

Respecting Indigenous rights in the low carbon economy transition
Indigenous People make up less than 5% of the world population, but protect close to 80% of the planet's biodiversity and own, occupy, or use 25% of the world's surface area. To reach the goals of the Paris Agreement by 2050, we need rapid expansion of the renewable energy

At our Responsible Investment conference, conservationist Monty Halls discussed Floreana Island, which is undergoing a conservation project to restore it to its former ecological glory.

industry, as well as increased mining for minerals. These could come at a cost often borne by the indigenous groups – for example, land title issues and destruction of habitats. Therefore, the energy transition needs to be done in partnership with, and not negatively affect, indigenous communities and land stewards. To mark the International Day of the World's Indigenous Peoples, we considered how can investors help ensure this. Discover ten questions we have found helpful in our related engagements with companies.

Good COP or bad COP? What to look out for from the COP26 Climate Conference
World leaders will be gathering in Glasgow for the COP26 climate negotiations. After a year which has seen yet more record-breaking temperatures and severe weather events, the urgency of taking action is clearer than ever. What are the key objectives and chances of success?

COP26 – Reflections from Glasgow
Members of our Responsible Investment team were in Glasgow to contribute to the investor voice at COP26. Did the climate summit deliver on its promise?

Net zero investing: BMO GAM approach
COP26 is underway, with the world looking to political leaders to agree and deliver on goals to limit global warming. Our industry also has an important role to play in addressing climate change – discover our methodology for achieving net zero emissions across our listed assets, and our thoughts on implementing this further across all our assets under management.

How our climate is changing
Our climate is changing – and changing fast. Learn more about some of the key milestones the world needs to reach on its journey to netzero and some of the reasons why COP26 may result in commitments that will make a real difference.

Reporting from COP26

During November 2021, members of our RI team visited Glasgow for the COP26 climate negotiations. Nina Roth reported live from Glasgow on the big corporate and sovereign pledges from the conference's early days, as well as the potential for a coal-free future.

Environmental stewardship

UK breaks promise and approves a bee-harming pesticide
The UK Government has announced its decision to authorise the use of neonicotinoids, a pesticide which is believed to harm bees that was banned in 2018, to combat a virus affecting sugar beet farming. We urge government and business to adopt a sustainable approach in farming.

Searching for solutions: an update on bee-harming pesticides
To mark World Bee Day 2021, Marcus provided an update on a bee-harming pesticide being used as an emergency measure against a sugar beet virus. With 75% of our food crops relying on natural pollination, are there any possible solutions for ensuring sustainability in agriculture?

Investing in life on Earth: addressing biodiversity loss
Biodiversity is essential for human life on Earth and is also fundamental to our global economy. But over the past 50 years, humanity has destructed it at a rate that's unsustainable, pushing it to the verge of breakdown. Discover what's driving biodiversity loss and why protecting nature is so important. Learn about the role investors must play in addressing this issue, and what we're doing at BMO GAM.

Protecting our ocean against its deadliest predator: humankind
Covering more than 70% of our planet, the ocean is a vital life source that hosts most of Earth's biodiversity, regulates our climate, and feeds billions of people. It also is a major contributor to our global economy. But our ocean is in crisis thanks to human activity, from overfishing to plastic pollution. To celebrate World Oceans Day, discover the important role investors must play in restoring and protecting ocean health.

Can investors help move the date of Earth Overshoot Day?
Earth Overshoot Day marks the date when our demand for natural resources and services in a given year exceeds what Earth can regenerate in that year. In 2021 that date is 29 July, driven primarily by our growing carbon footprint and biodiversity loss. Discover the role investors must play in helping to move back the date.

Investing in our blue planet
At our recent Responsible Investment Conference, we discussed our ocean crisis with Louise Heaps, Head of Blue Economy at the World Wildlife Fund. Discover their thoughts on investing and engaging to restore our ocean.

Did the biodiversity summit deliver? Assessing COP15
Protecting biodiversity will take real commitment and action across all elements of society. COP15 was a key event as we seek to transition from a status of unsustainable biodiversity loss to a halting and reversal of the trend. What did part 1 achieve and what needs to be done at COP15 part 2 in 2022?

ESG Viewpoint: Engaging companies on biodiversity
In addition to their own intrinsic value, biodiversity and ecosystems play a key role in the global economy. With human activities driving biodiversity loss we have engaged with companies to gauge how they measure and manage their impact. We also explore how a fast-evolving regulatory framework will stop and hopefully reverse the trend.

Labour standards

ESG Viewpoint: Living wage in the retail sector
2020 was a catastrophic year for many retailers as Covid-19 restrictions tightened in a bid to temper the spread of the virus. However, the knock-on effects felt by the retail sector were not uniform: shops deemed essential remained open throughout the pandemic, while those considered non-essential were forced to shut at different points throughout the year (and now into 2021). While economic fortunes for different retailers varied, but labour standards came into focus across all areas of the sector. Discover how we expanded their engagement with retailers in 2020 beyond the Living Wage to include broader social themes during the pandemic.

ESG Viewpoint: The role of migrant workers in supply chains "The recruitment of international migrants can result in exploitation and human rights abuses, including modern slavery and forced labour – an infamous example being the 2018 allegations around Malaysian company Top Glove, an NHS supplier. Discover our engagement with Top Glove, as well as recommendations for how companies can mitigate recruitment-related risks within their supply chains.

The Rana Plaza legacy: eight years on, the fight for garment-worker protection continues
Eight years on from the Rana Plaza collapse we engaged with 19 companies on their ongoing commitment to ensuring workers in Bangladesh's garment industry enjoy a safe and healthy working environment.

Public health

How are pharmaceutical companies addressing health and healthcare access inequalities?
Covid-19 has highlighted gaps in health and healthcare access. Using results from the 2021 Access to Medicine Index, discover

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

our assessment of how pharmaceutical companies are addressing these inequalities – and our engagement here.

ESG Viewpoint – antimicrobial resistance and the animal health industry
Deaths resulting from antimicrobial resistance could rise to 10 million per year by 2050. Companies in the animal health industry have an important role to play in stopping the spread of superbugs. Discover some of the steps businesses can take to counter the threat with our latest ESG Viewpoint.

Human rights

ESG Viewpoint: Managing conflict risk – our engagement with companies in Myanmar
In the wake of February 2021's military coup, the situation continues to deteriorate. We explore how companies operating in Myanmar are dealing with financial, legal, and social risks. Discover what we found and how we are working to ensure businesses are avoiding complicity in human rights abuses.

Upholding human rights: how we're driving improvements in nursing homes
The pandemic has shone the spotlight on inadequate working conditions and inadequate quality of care in nursing homes. These are both human rights issues that must urgently be addressed. How can investors contribute to driving positive change in this sector?

Gender diversity

International Women's Day: Women at the heart of the Covid-19 recovery
We celebrate this year's International Women's Day whilst at a critical juncture for global gender equality. Although recent years have seen progress on, for example, female presentation in leadership positions, the Covid-19 pandemic has laid bare and deepened already existing inequities. Discover what these are and how investors can play a critical role in addressing this issue. Plus discover recent progress within our own business and with investee companies.

Artificial intelligence

ESG Viewpoint: Artificial Intelligence, Automation and the Future of Work
The widespread adoption of artificial intelligence (A.I.) could improve efficiencies, drive economic growth and solve many of society's problems today. But if mishandled, it could lead to mass unemployment and increased social inequality. Discover the steps companies should take to ensure a smooth integration of A.I. technology into their business.

Corporate governance

Is corporate governance progressing in Asia?
Corporate governance among Asian companies has progressed significantly in the past couple of decades, but significant challenges remain. Discover our recent engagement with companies in the region and why, despite the good progress being made, we remain concerned.

Other

How ESG is Bitcoin?
Bitcoin has generated plenty of headlines owing to its volatile nature, most recently thanks to Tesla's purchase of $1.5 billion worth of the stock and subsequent comments from Elon Musk. Now the news attention is turning to focus more on the cryptocurrency's significant energy use. So we consider… for those who wish to invest responsibly with ESG considerations at the forefront, is this technology suitable?

How have 100 days of Biden affected the ESG agenda?
In the run-up to his election, Joe Biden promised to address many ESG issues. 100 days into his administration, as responsible investors we're asking – what's been done so far? Discover the steps President Biden has taken on important environmental, social and governance issues – from announcing a 50-52% reduction target for greenhouse gas emissions by 2030, to his Build Back Better plan.

Our ESG Knowledge Shared series

Each month of 2021, our RI team shared books, articles, podcasts and TV shows, all related to ESG themes, that they had recently found insightful. We collated these into an article and shared this each month on our website, social media and in emails to clients.

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

Content from across the investment desks

It's not just our RI team who produce thought leadership related to stewardship. During 2021, our LGM Emerging Markets team, as well as members of our Global Equity team, produced mini-series on different sustainability themes.

Explore LGM's 2021 stewardship content

How to invest responsibly in the emerging market dairy industry
The demand for dairy in emerging markets is growing. Investing in this industry helps meet SDG 2: Zero Hunger. But there are also adverse environmental impacts. The team at LGM consider whether we can invest responsibly in this industry.

Investing repsonsibly in the emerging market dairy industry part 2
With demand for dairy booming across the emerging markets, a range of sustainability issues and challenges come to the fore. The LGM team explore some the factors we consider when identifying attractive companies playing into this theme.

China, industrialisation and climate change: do as we say, not as we did
As the world's largest emitter of CO2, China needs to overcome significant challenges if it's to achieve its ambition of carbon neutrality by 2060. We assess key targets and argue that China's track record of delivering on Five-Year Plans bodes well for the transitioning of its economy to a more sustainable footing.

China's carbon neutral ambitions: How it can deliver
There are a number of tools that China, the world's biggest emitter of CO2, can employ to help meet its target of being carbon neutral by 2060. We look at renewable energy, electrification, carbon pricing and the opportunities in new technologies, and ask what it all means for our portfolio holdings.

Explore 2021 stewardship content from our Global Equity team

Re-thinking our resources: increasing efficiencies
With the global population projected to near 10 billion by 2050, we must ensure robust resource efficiency. Discover some of the companies we believe are driving increased efficiencies in agriculture, food transportation and water management.

Re-thinking finance: enabling sustainable development
The financial sector's role in the transition to a more sustainable world is a crucial one. Meet innovative companies tackling financial exclusion and helping tech, healthcare and environmental solutions providers do business.

Re-thinking technology: connect and protect
Covid-19 lockdowns have accelerated pre-existing technological and digital trends reshaping our world. How can investors remain on the right side of these trends and invest in sustainable market leaders that will connect and protect us going forward?

Re-thinking mobility
The urge and need to travel are universal. But many of our transport modes are detrimental to human and environmental health. Discover some of the sustainable solutions to the global mobility challenge – and the companies we believe could drive this positive change.

Re-thinking nutrition: health and wellbeing
Concerns around health and wellbeing are timeless, but the specific challenges evolve. Today, most of the world's population live in countries where obesity kills more people than hunger. What are possible solutions to this challenge – and which companies are pioneering in this space?

Re-thinking cities
Discover some of the companies helping drive the transition towards sustainable urban environments, from the transport to software sectors.

Re-thinking data: digital empowerment
In our modern era, perhaps the most precious resource is something you cannot even lay your hands on: data. The opportunities in collecting, moving, storing, studying and deriving insight from data. Discover some of the companies he believes to be at the forefront of these digital advancements.

Winds of Change: Resource Efficiency
Discover how resource efficiency is changing the world around us and reshaping the investment landscape – and how we are embracing the opportunities this creates.

Winds of Change: Health & Wellbeing
Discover how health & wellbeing is changing the world around us, reshaping the investment landscape, and the opportunities this creates.

Coffee plantation with irrigation system in Brazil. The country is a major global supplier of coffee. During 2021, a severe drought caused coffee prices to soar.

Winds of Change: Sustainable Cities
Discover the opportunities emerging through the need to make our cities more sustainable, and how we as investors can embrace the change.

Winds of Change: Technological Innovation
Discover the opportunities in technological innovation and how we as investors can embrace the change.

How can investors tackle plastic pollution?
On World Clean Up Day, international volunteers and partners come together to create a cleaner planet. Of course, cleaning up our planet will take longer than a day's work – to mark the day, we explored what role investors can play in this task, by focusing on plastic pollution.

Plastics – take, make and dispose
If we carry on as we are, it's estimated that we'll need 3 planets to support the way we live. That's a stark warning that the dominant linear model of 'take-make-dispose' is deeply unsustainable. Learn more about plastic pollution and the investor role in transitioning to a sustainable, circular economy.

Why ESG and performance go hand in hand
Discover how sustainability-orientated investing is no longer just about looking to manage risk, control downside or filter out certain sectors and stocks, and rather about driving the upside by harnessing the opportunities that disruption creates.

Sustainability creates opportunity
We explore how some of the world's sustainability challenges create opportunity for businesses.

Investing with influence: **Our Responsible Investment Conference**

Upholding our commitment to remain at the forefront of stewardship, we hosted our Responsible Investment Conference to bring together industry experts and our own investment teams to explore the key challenges facing the world today, and how our investment community can come together to drive positive change. Topics included ocean health and climate change, as well as our lessons from 20 years of ESG engagement.

Interested in reading more?
Visit our website

Engagement

c.24%

increase in companies engaged by our RI team in 2021

Our approach to **engagement**

Discover details of our engagement approach, including collaboration and escalation, as well as highlights and key activities undertaken during 2021.

Engagement on material ESG issues is primarily conducted by the RI team, often with input from the investment teams. In 2021 the RI team conducted 1,773 total engagements, which are elaborated on later in this chapter. Further engagement happens between companies and investment teams at the desk level, with a high level of interaction with investee companies typical in our actively managed strategies. In 2021, our investment teams conducted 2,328 company meetings*, which includes broader company dialogue as well as engagement with specific change objectives. The ***reo***® programme allows us to enhance our overall stewardship and its impact by enabling a greater allocation of resource, and the opportunity to speak on behalf of a larger pool of assets. Our expertise within ***reo***® supports our portfolio managers' and analysts' stewardship, which will itself continue to strengthen. Our ongoing investment in data infrastructure will enable us to more fully integrate engagement undertaken by investment teams on topics that fall outside the responsible investing reporting structure into headline reporting statistics in the future.

As discussed in chapter 'Our culture of stewardship', we are focused on helping clients to meet their investment goals, while also building a more sustainable future for us all. With this in mind, we view engagement as critical to our investment process and to fulfilling our fiduciary duty as active stewards of capital. We believe that by encouraging better management of ESG issues by our investee companies, we contribute to driving positive change for society and the environment, and better managed companies overall will in turn help create a more resilient global economy.

We consider ourselves pioneers of engagement, having run our engagement programme for more than two decades.

We define engagement as dialogue between investors and companies, with a focus on encouraging companies to address strategic issues including ESG factors, with a view to reducing risk and supporting long-term performance. This dialogue may be implemented in many forms, including face-to-face communication, phone calls, letters and email; it may be one-to-one or collaborative; and can involve working at all levels of the company, from board-level engagement, to executives, to operational specialists. Generally, our model is to use confidential dialogue with a view to establishing trust and developing a partnership with the company to achieve goals. However, we may express our views publicly if this dialogue is not progressing, and increasingly we find working collaboratively with other investors aligning around certain objectives can be effective.

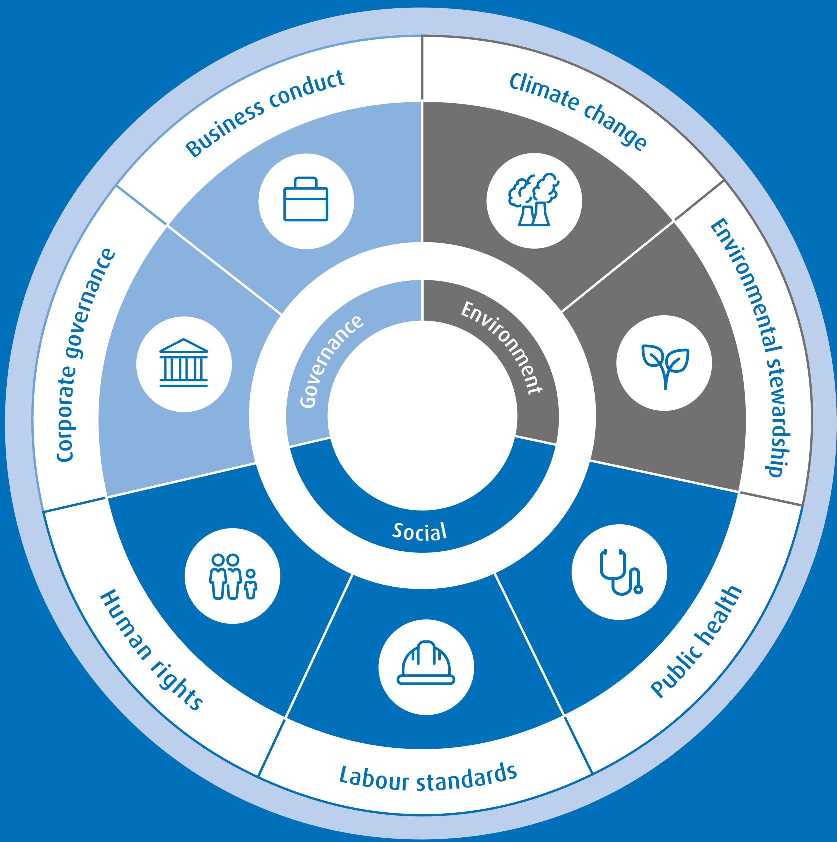
In encouraging companies to move towards best practice in the management of strategic issues including ESG factors, we make reference to international codes and standards where relevant, such as the UN Sustainable Development Goals, International Labour Organization Core Conventions, UN Guiding Principles on Business and Human Rights and UN Global Compact. However, any such standards are often only a starting point, as our engagement is highly tailored to individual companies and to how the topics under discussion apply to their own specific circumstances. Whilst dialogue with companies is essential, we also recognise that individual companies can have limited leverage over broader market or sector-level issues. Often, government intervention is needed to create a level playing field and achieve meaningful results. We contribute to public policy, where we seek to be a constructive investor voice, and to advocate policies that raise the bar for the management of ESG risks faced by the companies we invest in, and to which they contribute.

We view engagement as critical to our investment process and to fulfilling our fiduciary duty as active stewards of capital.

*This data refers to BMO GAM EMEA, LGM Investments, Thames River Capital and BMO AM Multi Manager meetings.

7 themes of **engagement**

Our global engagement programme is structured around seven themes, which are further divided into approximately 40 sub-themes to help our RI team categorise the issues identified and tag our engagement activity for reporting purposes.



Climate change

- Climate finance
- Emissions management
- Energy transition
- Resilience and adaption
- Net zero strategy

We believe investors have a critical role to play in tackling climate change and achieving the aims of the Paris climate agreement. BMO GAM has engaged with companies for over a decade with the aim of preventing the unmanageable effects of climate change. We expect companies in climate-exposed sectors to follow a clear trajectory of action, progressing through basic awareness, active emissions management, a strategic approach to climate issues and alignment to the Paris goals.

Environmental stewardship

- Environmental finance
- Environmental supply chain management
- Natural resource management
- Product sustainability
- Waste and recycling

Effective management of environmental impacts goes beyond the emissions management needed to address climate change. Biodiversity loss, natural capital depletion and ocean and land pollution are issues of critical importance to address as investors, which we do through engagement on topics such as waste and circular economy, resource and environmental supply chain management and product sustainability.

Human rights

- Community relations
- High risk areas
- Human rights due diligence

We have a responsibility as investors to ensure our holdings are effectively managing human rights risks in their businesses. Poor management of security and relations with surrounding communities and business relations with government agencies can result in legal, operational and reputational challenges. Two core areas of engagement under this theme include community relations and companies operating in high risk areas.

Labour standards

- Diversity and discrimination
- Forced labour and child labour
- Freedom of association
- Human capital management
- Occupational health and safety
- Social supply chain management

Fair and equitable treatment of workers throughout supply chains and appropriate investment in human capital supports long term business success. Risks of poor treatment of the workforce can include negative reputational consequences and potential financial penalties. We encourage companies, particularly in high-risk sectors, to take steps to identify and manage modern slavery risks, to promote and apply living wages throughout the value chain and contribute to a just energy transition.

Public health

- Access to healthcare
- Food security
- Nutrition
- Health security
- Product quality and safety

Public health is an often overlooked issue of relevance to investors, with wide social and economic implications, thrown into greater focus by the Covid-19 pandemic. Our engagement focuses on issues of equitable access to healthcare, nutrition, food and health security and product quality and safety.

Business conduct

- Anti-competitive practices
- Bribery and corruption
- Data privacy and security
- Lobbying
- Whistleblowing systems
- Responsible marketing and sales
- Tax
- Access to finance

High standards of business conduct underpin resilient business models and ongoing social licence to operate. We expect the companies' boards to ensure that the approach to business is both prudent and sustainable, and to provide appropriate disclosure and oversight of the main issues. We expect companies to avoid causing or contributing to adverse impacts, including on issues such as bribery and corruption, money laundering, tax transparency, data privacy and security, marketing and sales, and lobbying activities. We expect investee companies to carry out risk-based due diligence to identify, prevent and mitigate potential adverse impacts, remediate actual adverse impacts and account for how these impacts are addressed.

Corporate governance

- Audit
- Board diversity
- Board effectiveness
- Board independence
- Capital structure and shareholder rights
- ESG oversight
- Succession planning
- Remuneration
- Risk management and internal controls
- Strategy and execution
- Sustainability innovations

Good corporate governance underpins the effective functioning of businesses and protects the interest of all key stakeholders. In our stewardship we focus on core governance issues including board independence and diversity, capital structure and shareholder rights and executive remuneration.

At a glance: **our RI team 2021 engagement**

This year, our RI team expanded their company engagement efforts further, resulting an increase of nearly 24% in the number of companies engaged.

Active ownership is a key cornerstone of our work and we have a role to play as a conduit to concentrate and amplify our clients' voices with companies.

1,773
engagements

940
companies engaged

388
milestones achieved

Environmental issues

34%
of our total engagement

28%
of the milestones we achieved

Social issues

45%
of our total engagement

29%
of the milestones we achieved

Governance issues

22%
of our total engagement

44%
of the milestones we achieved

This engagement data reflects the efforts of the Responsible Investment engagement programme, as at 31 December 2021. BMO GAM holdings-specific data may be different.

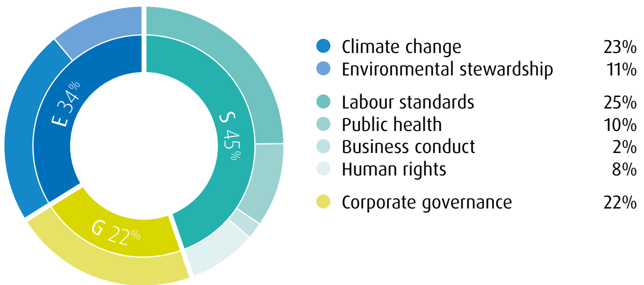
Environmental: A large proportion of our environmental engagement focused on climate change, such as coal phase-out, energy efficiency and managing climate-related risks in the finance sector. We also began engagement on biodiversity loss, exploring companies' biodiversity-related governance, strategy and targets.

Social: Social issues accounted for half of our RI team's total engagement in 2021. Labour standards were a key focus area as we continued efforts to engage on living wage in the retail and garment sectors. As Covid-19 vaccines became available, we engaged companies on responsible drug pricing. We also initiated collaborations for the nursing home sector and a new project of protecting human rights in the extractives industry.

Governance: During 2021, in addition to the broad spread of engagement and voting in support of high corporate governance standards, the RI team continued to focus engagement efforts on ensuring fair and appropriate management compensation through the Covid-19 pandemic. Workplace diversity beyond gender was also a focus area of engagement, as ethnic diversity and inclusion is a critical issue of social justice.

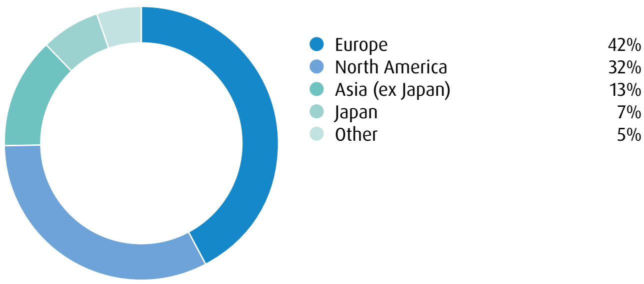
Floods are made more likely by the more extreme weather patterns caused by long-term global climate change.

Engagements by theme



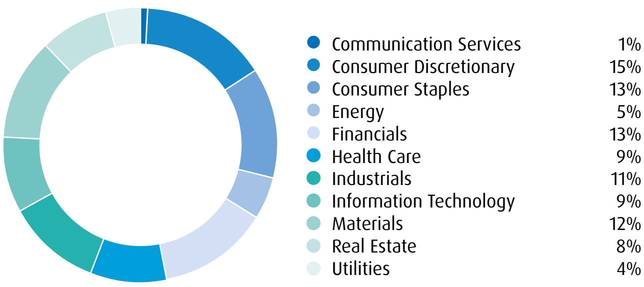
Source: BMO Global Asset Management, as at 31 Dec 2021

49 countries covered by engagement



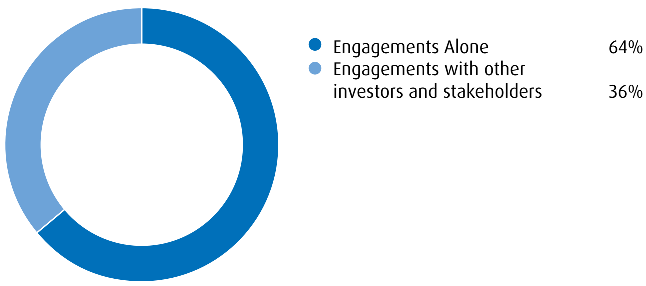
Source: BMO Global Asset Management, as at 31 Dec 2021

Engagements by Sector



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

Engagement Intensity



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

Leadership level	2019	2020	2021
Engagements with board director(s), non-executive(s) or senior executives	39%	52%	48%
Other	61%	48%	52%

Engagement **and the SDGs**

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. As we move closer to 2030, all stakeholders must take decisive action now. While many companies now have sustainability strategies aligned with the SDG framework, robust implementation and an acceleration towards meaningful and lasting change is imperative.

20% of our RI team engagement linked to SDG 12

We continued to demand better reporting, transparency and disclosure on ESG issues, which links to target 12.6: encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. As part of our commitment to the Workforce Disclosure Initiative, one focus area was sharing our expectations with companies on increased workforce management transparency across direct operations and supply chains.

17% of our RI team engagement linked to SDG 13

Climate change remained a key engagement theme, specifically on target 13.2: integrate climate change measures into national policies, strategies and planning around climate change integration. Key topics included climate strategy and net zero commitments, an engagement collaboration with Asia Research & Engagement on energy transition in Asia focusing on banks and energy companies, updating Canadian companies on our climate-related voting approach.

13% of our RI team engagement linked to SDG 8

In line with target 8.7 (eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour) a large focus area in 2021 was engaging companies to include reference to the elimination or prohibition on forced and child labour within their policy framework. We also collaboratively engaged FTSE 350 companies to improve their modern slavery reporting in accordance with the UK Modern Slavery Act 2015.

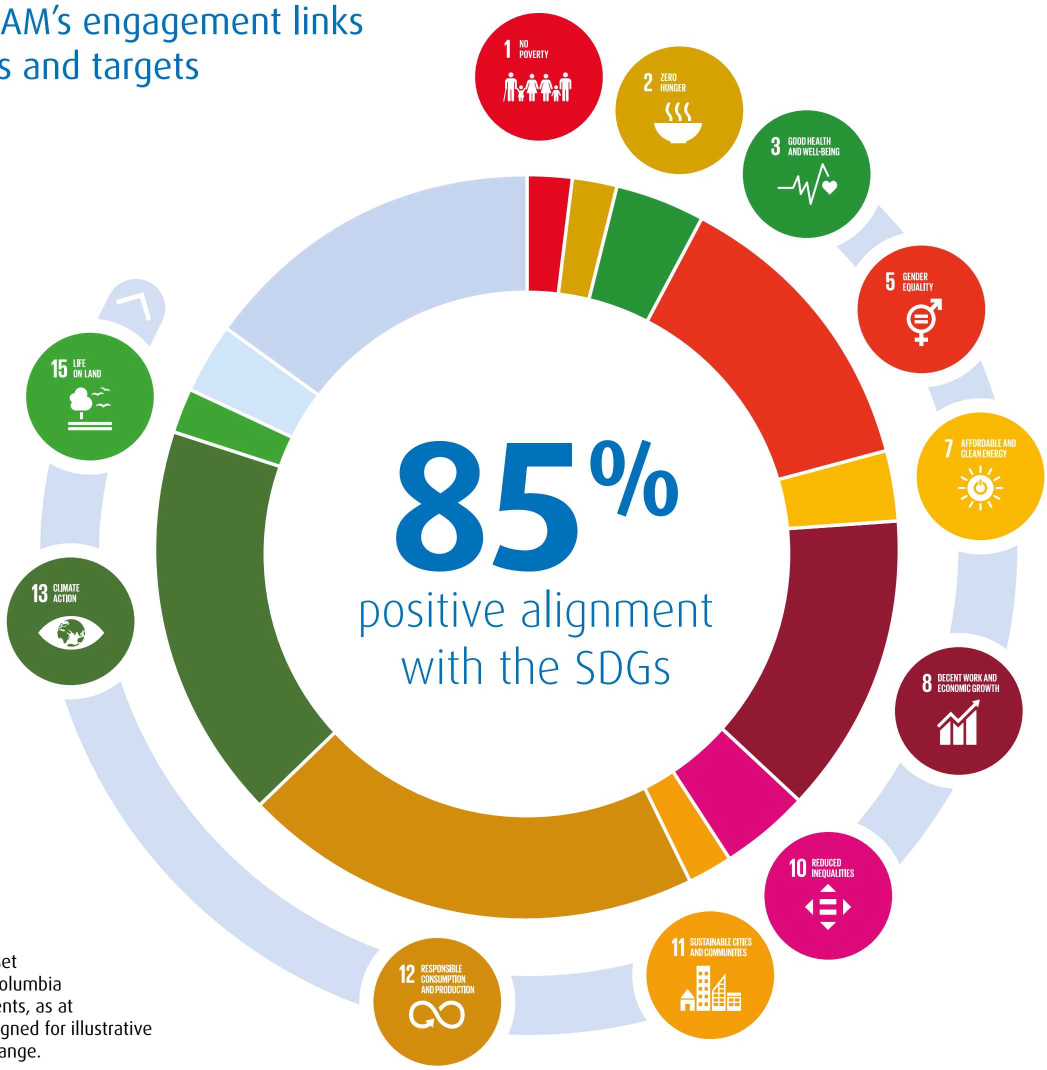
SDGs: a framework for investors

We believe the 17 Sustainable Development Goals and underlying targets provide a useful tool for companies and investors to be able to contribute to achieving the ambitious objectives of the 2030 Agenda for Sustainable Development. The framework has created a common language between stakeholders, and we are seeing that having a positive impact within our engagement. Our engagement database includes the 169 SDG targets, which allows us to log interactions, progress and results to this granular level where relevant.

No SDG link

15% of our engagement did not link directly to a target. Most of this relates to corporate governance. The main exception is our engagement on board diversity, much of which covers gender diversity issues, which supports SDG 5 (gender equality) and targets 5.1 (end discrimination against women and girls) and 5.5 (ensure women's participation and equal opportunities for leadership in political, economic and public life), as well as other goals such as SDG 8 (decent work and economic growth) and SDG 10 (reduced inequalities).

How BMO GAM's engagement links to SDG goals and targets



Source: BMO Global Asset Management, part of Columbia Threadneedle Investments, as at 31 December 2021, designed for illustrative purposes, subject to change.

Only targets >0.5% aligned are shown on the table.

SDG alignment breakdown

SDG 1: No Poverty	**2%**
1.1 Eradicate poverty and ensure a living wage for all	2%
SDG 2: Zero Hunger	**2%**
2.1 End hunger and ensure access to safe and nutritious food	1%
SDG 3: Good Health and Well-Being	**4%**
3.3 End AIDS, TB, malaria and other water-borne and communicable diseases	2%
3.8 Access to medicines and health-care	2%
SDG 5: Gender Equality	**13%**
5.1 End all forms of discrimination against women and girls	5%
5.5 Ensure full equality of opportunity for women, including at leadership levels	7%
SDG 7: Affordable and Clean Energy	**3%**
7.2 Substantially increase the global share of renewable energy	2%
SDG 8: Decent Work and Economic Growth	**13%**
8.5 Achieve full and productive employment for all	3%
8.7 Eradicate forced labour, modern slavery & human trafficking	5%
8.8 Protect and promote safe working environments for all workers	4%
SDG 10: Reduced Inequalities	**4%**
10.2 Empower and promote inclusivity for all	2%
10.7 Facilitate safe migration through managed policies	1%
SDG 11: Sustainable Cities and Communities	**2%**
11.4 Strengthen efforts to safeguard the world's natural heritage	1%
11.5 Reduce social and economic losses caused by disasters	1%
11.6 Reduce the negative environmental externalities of cities	1%
SDG 12: Responsible Consumption and Production	**20%**
12.2 Sustainably manage and make efficient use of natural resources	2%
12.4 Manage chemical usage and waste throughout their life cycle	3%
12.5 Reduce waste through prevention, reduction, recycling and reuse	1%
12.6 Encourage companies to adopt sustainable practices and enhance ESG reporting	14%
SDG 13: Climate Actions	**17%**
13.1 Strengthen adaptive capacity to climate-related events	2%
13.2 Integrate climate change plans into policies and strategies	10%
13.a Address climate change mitigation for developing countries	5%
SDG 15: Life on Land	**2%**
15.2 Promote the implementation of sustainable management of forests	1%
Other (SDGs less than 2% aligned)	**3%**
No SDG link	**15%**

>3000

companies committed to net zero by the time of COP26 in November 2021.

World leaders gathered in Glasgow in November for COP26: important climate change negotiations to try and ratchet up signatories' commitments to the Paris Agreement of limiting global warming to 1.5 degrees.

Thematic updates

Climate Change

Targets: 7.2, 13.2, 13.a.

Issues: Climate finance, energy transition, emissions management, net zero strategy

Climate change was our overriding engagement priority in 2021, in the expectation that the run-up to COP26 would prove a critical window of time to press companies to align their business strategies with a net zero future.

This proved to be the case, with investor pressure, combined with public and political momentum, leading to a rapid growth in the number of companies making net zero commitments. By the time of the Glasgow Summit, over 3000 companies had such commitments in place.

Our engagement ranged across sectors and regions, covering not only fossil fuel firms but also energy consumers, such as industrials and automotives, as well as the finance sector. With long-term net zero commitments becoming more common, our focus was on implementation – turning these aspirations into concrete business strategies.

In line with best practice standards, particularly the Climate Action 100+ benchmark, we have called for companies to take actions in these areas:

Targets: Net zero emissions ambition, and shorter-term interim targets consistent with a 1.5 degree trajectory

Strategy: Credible implementation plan for these targets, including alignment of capital allocation plans

Lobbying: Alignment of climate lobbying activities with net zero goals

Governance: Integration of climate goals into governance structure and executive pay

Disclosure: Reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD)

Extractives companies under pressure

Companies in the oil & gas and coal mining sectors faced intense pressure in 2021 from investors to set out credible decarbonisation strategies. A central point we made was for these plans to cover their Scope 3 use of product emissions – in other words, emissions generated when the fossil fuels are burned by the end-user. We also emphasised the urgency of taking action between now and 2030 in order to keep on a 1.5 degree trajectory rather than backloading efforts to the following decades.

There remained a significant gap between European producers and the rest of the world. With the European majors all having net zero targets, our engagement focused particularly on pace of implementation and on capex alignment. Whilst the direction of travel is positive, with companies such as **BP** and **Total** making significant renewables investments, the speed across the industry remains insufficient for a 1.5 degree trajectory; we voted against the Say on Climate Resolution at **Shell plc**, for instance, due to insufficient ambition to 2030.

Progress at US firms was slow, despite the change in stance on climate change following the election of President Biden. A key crunch point was the AGM of **ExxonMobil**, where we joined other shareholders in supporting the Engine No. 1 resolution, resulting in the appointment of three new directors.

Several major international mining firms now have coal exit commitments, and we have discussed with them the strategic choice of whether to sell or close their plants. We also pressed for Scope 3 targets in areas such as shipping and the supply of inputs to the steel industry, with **BHP** being an example of one company that provided more details on its approach in 2021.

Electricity producers feel the heat

Driven by regulatory measures such as the Emissions Trading Scheme and by ambitious government targets, again Europe's utilities are among the most progressive. Engagement with firms such as **Enel** discussed more advanced elements of strategy, including Scope 3 emissions from gas distribution.

Dialogue elsewhere revealed a range of responses. US electric utilities are facing increased state-level regulation, with one firm, **Duke Energy**, increasing its planned capex by 10% over the next five years, largely in response to new climate targets at one state. Several Japanese utilities have net zero targets – but we expressed concerns at companies including **Chubu Electric Power** that implementation is heavily reliant on technologies untested at scale, particularly carbon capture and storage.

Industrials and transportation step up their ambition

Across the industrials sector, clear leaders have emerged, with companies such as **Heidelberg Cement** and **ArcelorMittal** putting substantial resources into tackling the technological barriers to abating emissions in complex, carbon-heavy industrial processes. Industry collaboration is key here and we have encouraged companies to join initiatives such as the Green Hydrogen Catapult, the Net-Zero Steel Initiative and the Concrete Action for Climate initiative. Key engagement targets for us in 2021 included South Korean steelmaker **POSCO**, where the speed of transition is slower than peers.

In transportation, the shift toward sustainable fuels has moved from niche to mainstream, with companies such as **Volkswagon** and **Toyota** improving their ambition levels following engagement. We continue to be concerned about lagging strategies at some firms. **Stellantis**, for instance, has been slow to release an updated strategy following the Fiat Chrysler and PSA merger – we have pressed the company on the urgency of action to avoid falling behind competitors.

Aviation remains at a much earlier stage, although the establishment of the International Aviation Climate Ambition Coalition at COP26 may help to accelerate the pace. Our engagement objectives for the aviation sector revolve around increasing usage of sustainable aviation fuels, and ensuring high quality offsets are procured as the pilot phase of CORSIA, a new industry offsetting initiative, begins.

A focus on finance

For a long time we have considered the finance sectors as core to our general ESG engagement, given their exposure to all other sectors through lending and underwriting. We ran a two-year project on banks and climate risk management, focusing on ensuring that banks have the appropriate governance and due diligence systems in place to assess the climate risk on their existing loan books and ensure climate risks are incorporated into future underwriting assessments. The transparent communication of these policies and up-to-date risk exposure are key for investors to assist their investment analysis and to provide assurance that these factors are incorporated into loan default assumptions.

In 2021, we engaged 47 banks, with 138 separate interactions. We have seen substantial commitments for net zero financed emissions across the industry, but only individual cases of climate leadership, with only one bank announcing a full exit from financing coal as well as oil and gas linked companies. We joined and worked with two investor collaborations – namely IIGCC's work on banks and climate risk management engaging the top fossil fuel financing banks globally, as well Asia Research & Engagement's Energy Transition Platform, which so far focused on bank engagement in China, Japan, Singapore.

Following our engagement (one-to-one, collaboratively and via voting), **Barclays**, **JPM** and **HSBC** have strengthened their climate risk management practices, including updating policies on investment in coal and other fossil fuels.

Biodiversity

Targets: 6.3, 6.4, 6.6, 12.2, 12.4, 12.5, 12.6, 14.1, 14.2, 14.3, 15.1, 15.2, 15.5

Issues: land use (deforestation, in particular), water risk, biodiversity loss, pollution, climate change

Businesses face multiple risks relating to biodiversity loss through increased stakeholder attention and regulatory pressures to avoid and reduce negative impacts, and physical risk relating to dependencies in supply chains and own operations.

As biodiversity risk becomes more widely assessed by financial institutions, laggard companies might also face reduced access to capital.

In the exploratory phase of the Biodiversity project, we engaged 16 companies (7 materials, 3 consumer staples and 5 financial institutions) to explore biodiversity-related impacts and dependencies. Engagement was designed around Science-Based Targets Network guidance for how companies can assess and prioritise impacts. Companies were also engaged on governance and perceived materiality of biodiversity to understand how they incorporate current environmental initiatives under a biodiversity umbrella. We developed a proxy voting policy focusing on companies with high exposure to biodiversity impacts but lacking adequate disclosure.

We recognise that as responsible stewards of capital we need to make our voice heard in the public policy to address systemic issues. In 2021 we became members of the Investor Policy Dialogue on Deforestation (IPDD), which focuses on sovereign engagement in Brazil and Indonesia. Ahead of the second part of COP15 this spring, we signed a letter calling for an ambitious global framework on biodiversity. We have also signed letters to both EU and UK authorities, urging agricultural policies to be designed to restore biodiversity and address climate change. To support direct engagement, we are active members of the PRI Sustainable Commodities Practitioners' Group and collaborate with other investors under the FAIRR Sustainable Proteins initiatives.

In our publications we reflected on the impact of pesticides on pollinators and progress towards more nature-positive farming practices. We have written about what investors can do to tackle plastic pollution, through influencing companies to reduce waste and adopt circular practices. To support companies battling a plethora of national regulations, we supported a call for a UN treaty on plastic pollution.

2022 is promising to deliver significant developments in this area, including the global biodiversity framework from COP15, increased attention by regulators including central banks reporting on biodiversity and financial stability[4], additional nature-related guidance, and the first version of the TNFD reporting framework[5]. We are looking forward to playing an active role in the stakeholder community to further leverage our biodiversity engagement and wider environmental stewardship theme.

Sustainable food systems

Targets: 3.4, 8.5, 12.3, 13.2, 15.2

Issues: climate change, food waste, deforestation, human rights, water risk, sustainable proteins, sustainable agriculture

Today we rely on a global, interconnected but fragmented, and highly complex system to produce and distribute the food we consume. From the smallholder farmer to massive commodities traders to food producers and retailers, a wide range of actors make it possible to put food on our tables.

The industry is, however, responsible for severe negative environmental impacts and contributes significantly to climate change[6]. It is also associated with a high risk of human rights and labour standards violations[7]. However, sustainably done, food systems can help restore ecosystems and provide food and nutrition while land and water are nurtured to strengthen ecosystems.

The project engaged 61 companies on these negative impacts and explore opportunities in a sustainable food system, totalling 151 engagements. Key topics were risk assessments and effective supply chain oversight, reducing inefficiencies such as food waste, and food product reformulation such as increasing use of plant-based proteins.

[4] Network for Greening the Financial System, Glasgow Declaration, 2021
[5] TFND, What to expect for nature-related business & finance in 2022, 2021
[6] IPCC, Climate change and land, 2020
[7] UN Human Rights Office of the High Commissioner, 2018

Our engagement with commodities traders focused on establishing commitments and time-bound targets for ending deforestation and establishing traceability to identify violations and manage non-compliances. During this time, commodities producers and traders have made significant strides in commitments and traceability with **Archer-Daniels-Midland** and **Cargill** pushing forward target dates for full supply chain monitoring, and **JBS** and **Minerva** further developed capabilities to remotely survey their supply chains and ensure product traceability. We also asked companies to ensure human rights were respected, including establishing stakeholder dialogue and establishing free, prior, and informed consent with affected communities.

Engagement with food retailers focused on addressing food waste, and to adapt the consumer offering to include more plant-based alternatives to meat and dairy. Reducing food waste requires a holistic approach, and retailers like **Sainsbury's**, **Casino Guichard**, and **Kroger** have developed strategies incorporating suppliers and supporting innovative projects. Several food retailers are also significant food producers and we engaged on targets for increasing healthy options, with **Marks & Spencer** committing to reaching 50% sales from healthy products by 2022.

We recognise that companies operate in an institutional environment that can present challenges to driving the desired improvements and have signed joint investors letters to the UK Government and the EU Commission calling for stronger alignment of agricultural policies with environmental and climate goals.

While this project has ended, engagement with the food sector remains a high priority considering its social and environmental impacts, as well as the fundamental role of feeding the world.

Public health

Targets: 3.3, 3.8

Issues: Access to healthcare, Health security

In 2021 within the Public Health theme, we continued to take forward our work on anti-microbial resistance (AMR) and responsible drug pricing, as well as initiating engagement with companies in the nursing home sector on employee working conditions that can directly impact on standards of patient care.

Antimicrobial resistance

We continue to be concerned about the high proportion of patients admitted to hospital with Covid-19 being given antibiotics to prevent – rather than treat – secondary bacterial infections, potentially fuelling antimicrobial resistance (AMR). On a positive note, we welcomed the inclusion of AMR in the G7 Summit's agenda. As part of the Investor Action on AMR coalition, we co-signed a letter to the G7 Finance Ministers, suggesting policy mechanisms – including incentives for the development of new antimicrobials – to tackle AMR.

As part of our cross-sector engagement programme on AMR, we initiated dialogue with a select group of diagnostics companies manufacturing tests to distinguish between bacterial and viral infections. We recognise that they play a vital role in preventing the misuse of antibiotics by enabling more accurate therapy decisions, and encouraged them to take further steps to raise awareness of the consequences associated with the overuse and overprescribing of antibiotics. We also initiated dialogue with water utilities purifying wastewater to remove antibiotics. Unfortunately, our

engagement was relatively unfruitful, because they are still in the very early stages of exploring different approaches to addressing AMR.

In Q4 2021, we recontacted key companies in the animal health industry. Given that animal protein production currently accounts for the majority of global antibiotic use, we think that further engagement with animal health companies is warranted. We have leveraged FAIRR's (Farm Animal Investment Risk & Return) research to recommend action points – covering antibiotic alternatives, oversight of antibiotic suppliers and responsible sales and marketing – which we think could strengthen animal health companies' contribution to tackling AMR.

Drug pricing

Since the outbreak of Covid-19, our work on responsible drug pricing has evolved to encompass broad-based engagement on pharmaceutical companies' efforts to maintain and broaden access to their products during the pandemic. In 2021, as part of a collaborative initiative led by Achmea Investment Management, we co-signed tailored letters to several major pharmaceutical companies. For example, Johnson & Johnson's letter flagged that we would welcome more transparency about how the company will make decisions about vaccine affordability, allocation and deployment during the pandemic and post-pandemic period. We have supplemented our collaborative engagement with research and one-to-one dialogue with companies. In Q2 2021, we had a meeting with Pfizer in which we encouraged the company to make more doses of the Pfizer-BioNTech vaccine available to low-income countries via the COVAX Facility, the global mechanism for enabling equitable access to Covid-19 vaccines.

Nursing Homes

The pandemic has shone a spotlight on the care home sector, in which staff have been caring for the most vulnerable to the virus in extremely high-risk environments. Covid-19 has exacerbated existing challenges, with the rights of workers and aged residents put at risk. We believe that recovery from the pandemic should now involve fundamental improvements in working conditions and quality of care to ensure sustainability. We have been engaging individually and collaboratively through an investor group coordinated by UNI Global Union and developed and signed the Investor Statement on Expectations for the Nursing Home Sector.

We 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 unionise, and have entered constructive engagement dialogue on these topics with a number of them. We have also supported AGM questions at **Fresenius SE** around labour standards, and shareholder proposals filed by fellow investors at companies such as **Chartwell Retirement Residences**, requesting more information in human capital management and paying a living wage to staff.

In early 2022 a book has been published in France directing certain allegations at the European operator **Orpea**, which relate the topics of our engagement dialogue. The company has defended itself against these allegations and we await the results of independent enquiries both the company and the government have ordered into the allegations. This has shaken the sector as a whole and materially impacted share prices, reinforcing the urgency of our engagement dialogue.

Supporting social justice and reducing inequality

Targets: 1.1, 5.5, 8.8, 10.2

Issues: Diversity, Labour management, Human rights

2021 has also been our third year of intensive engagement for enhanced disclosure on the "S" of ESG.

Living wage and workplace disclosure transparency

In 2021, we wrapped up our engagement project on living wage, where we focused on investee companies' extended supply chains, but also their direct operations. Progress toward realising living wages for our project companies has been slow but we saw an improvement in company commitments and even accreditation through the Living Wage Foundation. We expanded our involvement in the Platform Living Wage Financials, where we became Chair of the Platform's Garment Working Group and a formal member of the Management Committee in January 2022. As summarised in the Platform's first integrated report, published in October, companies are improving their policy on living wages, acknowledging the need for wages to be sufficient to support the families of workers and provide discretionary income. We also note an increase in the number of companies collecting wage data, which enables them to assess their impact, but evidence of the actual payment of living wages to supply chain workers is still lacking. A focus on the effectiveness of company polices will be prominent in the groups 2022 engagement programmes. We will continue to leverage our involvement with the group, alongside our existing engagement agenda relating to the effectiveness of investee company human capital management programmes.

We aligned our engagement efforts with the Workforce Disclosure Initiative (WDI), which aims to improve corporate transparency and accountability on workforce issues. In total, we engaged 116 companies on their participation in this initiative. We hosted two dedicated, interactive webinars with the WDI for German-headquartered companies, as well as for financial institutions. From the companies engaged, 24 ended up disclosing to the WDI.

Diversity

Our work on diversity was substantially extended in 2021. We joined the US 30% Coalition, as well as the newly founded 30% Club in France, and continued work with the Interfaith Center on Corporate Sustainability (ICCR) on racial equity. We also enhanced our voting policy on diversity aspects. We will vote against the chair of their nomination committee or the chair of their board if companies fail to meet our expectations on ethnic diversity of at least one board member at the largest companies in the US, UK and Canada, unless mitigating factors are present. These countries where selected given advanced societal, regulatory and investor expectations. Our expectations for gender diversity changed in Canada, and we are expecting for TSX companies to have no less than 30% female representation (previously 25%), and will otherwise vote against the chair of the board's nomination committee.

Engagement-wise, next to leading on names that are covered by the 30% Clubs in the UK and France, and the 30% Coalition in the US, we launched a dedicated mDAX engagement with more than 50 German companies on executive board and senior leadership diversity, policies and implementation programmes to enhance workforce diversity, as well as relevant disclosure around these measures, including gender and ethnic pay gaps.

> We have a fiduciary duty to protect the value of clients' assets through sovereign and corporate engagement

Conflict work in Myanmar

2021 has been the 'epidemic of coups', with the highest number of coups and coup attempts this century. The rise of military regimes has been deeply concerning with the prevalence of violence, civil unrest and human rights abuses. As a result, conducting business in conflict-affected and high-risk areas in a responsible manner is increasingly complex and challenging because of the direct and indirect impacts on the well-being of stakeholders. As investors, we have a fiduciary duty to protect the value of clients' assets through sovereign and corporate engagement to address the clear violations of the UN Guiding Principles on Business and Human Rights. We signed the Investor Statement on Human Rights and Business Activities in Myanmar and have engaged nine companies in Myanmar to understand the evolving impact of conflict on their operations and stakeholders and ensure they avoid complicity in human rights abuses. We will continue to engage individually and collaboratively on this topical issue and seek to broaden the engagement coverage. Further details are available in our ESG Viewpoint: Our engagement with companies in Myanmar amid triple crises.

In 2021, we became Chair of the Platform Living Wage Financials' Garment Working Group.

We believe engagement works best when investors work in partnership with companies to encourage them to be more ambitious around their sustainability goals and how to achieve them.

RI team company **Case studies**

Discover examples our RI team's engagement with companies during 2021. These engagements are mapped against the SDGs and contributed to the overall 85% alignment with the goals in 2021.

Shell plc

Sector: Energy

Response to engagement: Good

Theme: Climate Change

Issue: Energy Transition

SDG Target(s): 13.2: Integrate climate change measures into national policies, strategies and planning

Background

In 2021, Shell (formerly Royal Dutch Shell) was one of the first companies in the energy sector to allow shareholders a vote on its strategy that explains how the company intends to transition in line with the Paris Agreement. The resolution asked shareholders to approve its Powering Progress strategy to accelerate the transition of its business to net-zero emissions, including targets to reduce the carbon intensity of energy products it sells by 6-8% by 2023, 20% by 2030, 45% by 2035 and 100% by 2050. In recent years, Shell has consistently improved integration of climate change into its strategy and governance. Shell was one of the first companies to include emissions related to the use of its products in its strategy and emissions reduction ambition, to translate the long-term ambition into medium- and short-term targets and include those targets in executive remuneration.

Action

We had many interactions with Shell, both collaboratively through Climate Action 100+ and Eumedion, as well as individually. We used these meetings to get a better understanding of the impact of the climate change strategy on the medium- and long-term course of the company. We also asked for more clarity around how the capital expenditure plan is aligned with the medium- and long-term targets and for signposts that help assess the intermediate actions. Upon assessment of the energy transition strategy put forward to shareholder approval, we decided to vote against it. The trajectory (interim targets), as well as the instruments used to achieve the required reductions, do not provide sufficient certainty about alignment of the strategy with the ultimate goal of the Paris agreement to limit global temperature rise to well below 2°C. We are also concerned that a large majority of decarbonisation is planned to take place after 2030, yet the plan provides limited indicators that the required acceleration of decarbonisation will take place. In addition, Shell's plan has a strong focus on natural carbon sinks and carbon capture and storage (CCS).

Verdict

Our experience of engaging with Shell remains quite positive given the company's openness to dialogue and its tangible improvements. We fully recognise Shell's leadership in the energy sector and welcome the commitment to an annual say-on-climate vote at the AGM. We also acknowledge the direction of Shell's transition towards net zero emissions by 2050 for the complete value chain. However, there remains significant room for improvement in the way management is tackling decarbonisation. We will continue our active engagement with the company going forward to drive the required changes.

Haier Smart Home

Sector: Consumer discretionary

Response to engagement: Good

Theme: Corporate Governance

Issue: ESG oversight

SDG target(s): 16.6: Develop effective, accountable and transparent institutions at all levels

Background

Haier Smart Home (Haier) recently went through a merger with its sister company Haier Electronics to enhance managerial and operational efficiency in order to better compete with other big home appliance makers. As it now has a more complex supply chain and a global market outreach, managing its environmental and social impacts will prove to be a bigger challenge. A recent example is the alleged use of forced labour in its supply chain as reported by the Australian Strategic Policy Institute. We believe that the ESG risk profile Haier has would warrant a better ESG governance structure to ensure the underlying issues are dealt with in a strategic way.

Action

We had a meeting with both Haier Smart Home and Haier Electronics to share our expectations on the post-merger corporate governance structure, including the board's overall independence, the composition of individual committees and board members' expertise. We also had a deep discussion about its internal ESG governance structure and its response to the alleged use of forced labour in its supply chain. The company is aware of the growingly complex and sizeable supply chain, which it has a strategy to further simplify in the near term. The company also talked us through the forced labour issue in its Chinese supply chain, which is a politically sensitive subject. The company has clarified their policy over forced labour and will continue to assess its exposure in the future.

In March 2021, after our meeting, the company tabled a proposal at its general meeting to create an ESG committee at board level. It is a specific working body established to evaluate the company's working progress on ESG risk management, and to formulate its long-term ESG vision, goals and strategies.

Verdict

Whilst the post-merger integration will take time for the combined company to be fully efficient, we believe that it has taken the right steps on both its ESG governance reform and specifically on responding to the forced labour issue. The internal control team we spoke to is knowledgeable about shareholders' expectations on environmental and social sustainability. As the company has been very open to our engagement, we think the new ESG committee will be a key asset for us to leverage our influence and to motivate the company to enhance its management of other material ESG issues.

We believe that Haier has taken the right steps on both its ESG governance reform and forced labour.

Ubisoft

Sector: Information technology

Response to engagement: Good

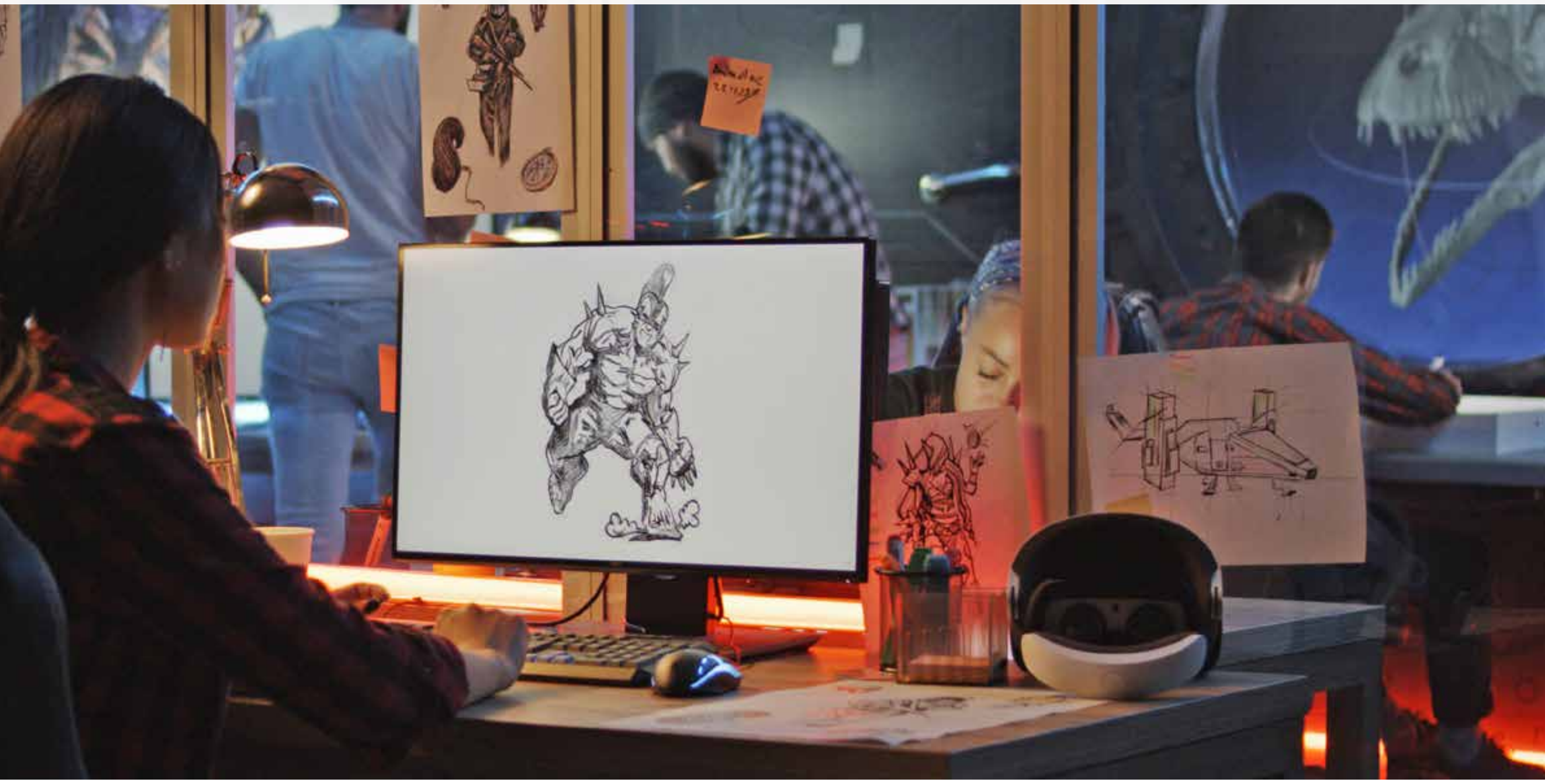
Theme: Labour Standards

Issue: Diversity and Discrimination

SDG Target(s): 5.1: End discrimination against all women and girls

Background

Last year, this French video game company had its own #MeToo movement, with several high-level employees accused of misconduct. Reports pointed to an internal culture where long-tenured



employees with links to the founders were not held accountable, alongside an HR department that systematically ignored complaints. We spoke to the company in the initial wake of these allegations, where they detailed their plans to conduct a third-party review of all claims and the company's HR function, how they survey staff and the planned introduction of new roles for diversity and cultural leadership. We encouraged the company to provide regular updates to investors and emphasised the need for the independent board members, not just senior management, to oversee reforms.

Action

Following our initial meeting, we saw a steady trickle of updates from the company, as both those who were accused were fired and new cultural oversight roles appointed. Nearly one year on, we discussed progress with the company's CFO this quarter. We were pleased to learn that the company had recruited a new Chief People Officer, who now sits on the Executive Committee, a dedicated Diversity Officer and a new head of Workplace Culture. In addition, the HR department reporting structure has been reformed, with a third-party hosted anonymous complaint mechanism introduced. Finally, on-going anti-harassment training will be provided to all staff and a new code of conduct will soon be released, reinforcing a zero tolerance attitude to abuse.

Verdict

Overall, we welcome the progress that the company has made in the last year, both in investigating previous offenses and disciplining those involved, as well as trying to introduce lasting change to internal governance practices to ensure cases of misconduct are not repeated. At the same time, it seems the company is still figuring out what business as usual will look like. We pushed the company to disclose metrics to demonstrate the fruit of their efforts and how culture is improving. Aware of this need, the company cautioned that as a video game company, it has to be careful what it discloses publicly and how it is interpreted by its end users, which we appreciate.

> We welcome Ubisoft's progress over the last year.

Mondelez International

Mondelēz International

Sector: Consumer discretionary

Response to engagement: Good

Theme: Environmental stewardship

Issue: Pollution, Natural resources (Biodiversity and Oceans)

SDG Target(s): 14.1: By 2025, prevent and significantly reduce marine pollution

Background

Plastic waste is a serious environmental issue and part of pollution that is a key driver of biodiversity loss. Lots of plastic is ending up in the ocean, which we have previously written about. Snacks companies are heavy users of plastic packaging, which contributes to increasing volumes of waste which either cannot or is not recycled due to lack of infrastructure or to consumer behaviour. As one of the world's biggest snack manufacturers, Mondelez is intimately linked to this issue.

Action

We first engaged with the company in 2018 on implementation of its net-zero waste packaging vision, including targets of eliminating 65,000 metrics tonnes of packaging by 2020 and making all packaging recyclable by 2025. In 2019, it had already reached 93% recyclable packaging. We commended the progress and urged the company to further its work on facilitating recycling infrastructure to support consumers in the quest to close the loop on packaging. In 2020, our dialogue focused on the packaging strategy's three pillars: minimise use and include recycled materials, support development of recycling infrastructure, and collaborate with value chain partners. We were encouraged to see the company cement its commitments by joining the New Plastics Economy Global Commitment and Initiative and to set targets for reducing the use of virgin plastic by 5% by 2025. During engagements in 2021, Mondelez explained it is driving increased recycling rates in key sales markets, for example through its commitment to the Plastics Pacts Network.

Verdict

During our engagement, we have seen Mondelez make strong commitments and develop a robust approach to reducing plastic waste. Its active engagement in the value chain by participating in forums like the New Plastics Economy and the Consumer Goods Forum and the recently announced membership in AMERIPEN, a coalition of packaging value chain companies centred around a material neutral policy with a vision to driving a circular economy, drives home this point. We will maintain engagement to follow how the strategy plays out in terms closing the loop by capturing plastic and redirecting it back into the economy.

Johnson & Johnson

Sector: Healthcare

Response to engagement: Adequate

Theme: Public Health

Issue: Access to Healthcare and Product Quality and Safety

SDG target(s): 3.8: Achieve universal health coverage

Background

In recent years, Johnson & Johnson (J&J) has suffered financial and reputational damage as a result of high-profile incidents, including lawsuits in the US related to talcum powder and opioids. In order to restore trust, the company has increased transparency on these and a range of other material ESG issues and the frequency of its dialogue with investors. Against this backdrop, we have ramped up our engagement with J&J, focusing on the risks and opportunities associated with access to medicine and product quality and safety.

Action

Leveraging J&J's increased openness, we have had twelve engagements with the company since January 2019. While we prefer one-to-one dialogue, we recognise that collaborative engagement has provided us with additional insights into key topics, most notably access to medicine. We note that J&J ranked third in the 2021 Access to Medicine Index, partly thanks to its large R&D pipeline with multiple projects targeting public health needs in developing markets. We have asked the company to consider establishing access plans for all of its late-stage R&D projects, and in a meeting in March 2021 we discussed the impact of COVID-19 on its HIV initiatives in Africa. Regarding product quality and safety, our dialogue with J&J has shone a spotlight on the relationship between this highly material issue and responsible business conduct, as well as the role of the board in providing effective risk management oversight. It is positive that the company's risk management process has become more centralised, which should reduce the likelihood of controversies going forward. In addition, in October 2020 – in response to investor pressure and a shareholder proposal we voted in favour of – the company published a board report on the oversight of risks related to opioids.

Verdict

Although the shadow of major controversies still hangs over J&J, we find reasons to be optimistic about its current trajectory. The company's strengthened approach to risk management in conjunction with an ambitious and clearly articulated access to medicine strategy should help it to decrease the frequency of litigation and improve its reputation. As J&J ramps up its COVID-19 vaccine rollout, we plan to continue regular engagement with the company, because further scandals could fuel public distrust and – crucially – vaccine hesitancy. Our focus areas will be: enabling equitable global access to the J&J COVID-19 vaccine; and chemical safety, an issue which stakeholders are increasingly concerned about.

> We find reasons to be optimistic about J&J's trajectory.

Beijing, China

China Construction Bank

Sector: Financial services

Response to engagement: Adequate

Theme: Climate Change

Issue: Climate Finance

SDG Target(s): 13.2: Integrate climate change measures into national policies, strategies and planning

13 CLIMATE ACTION

Background

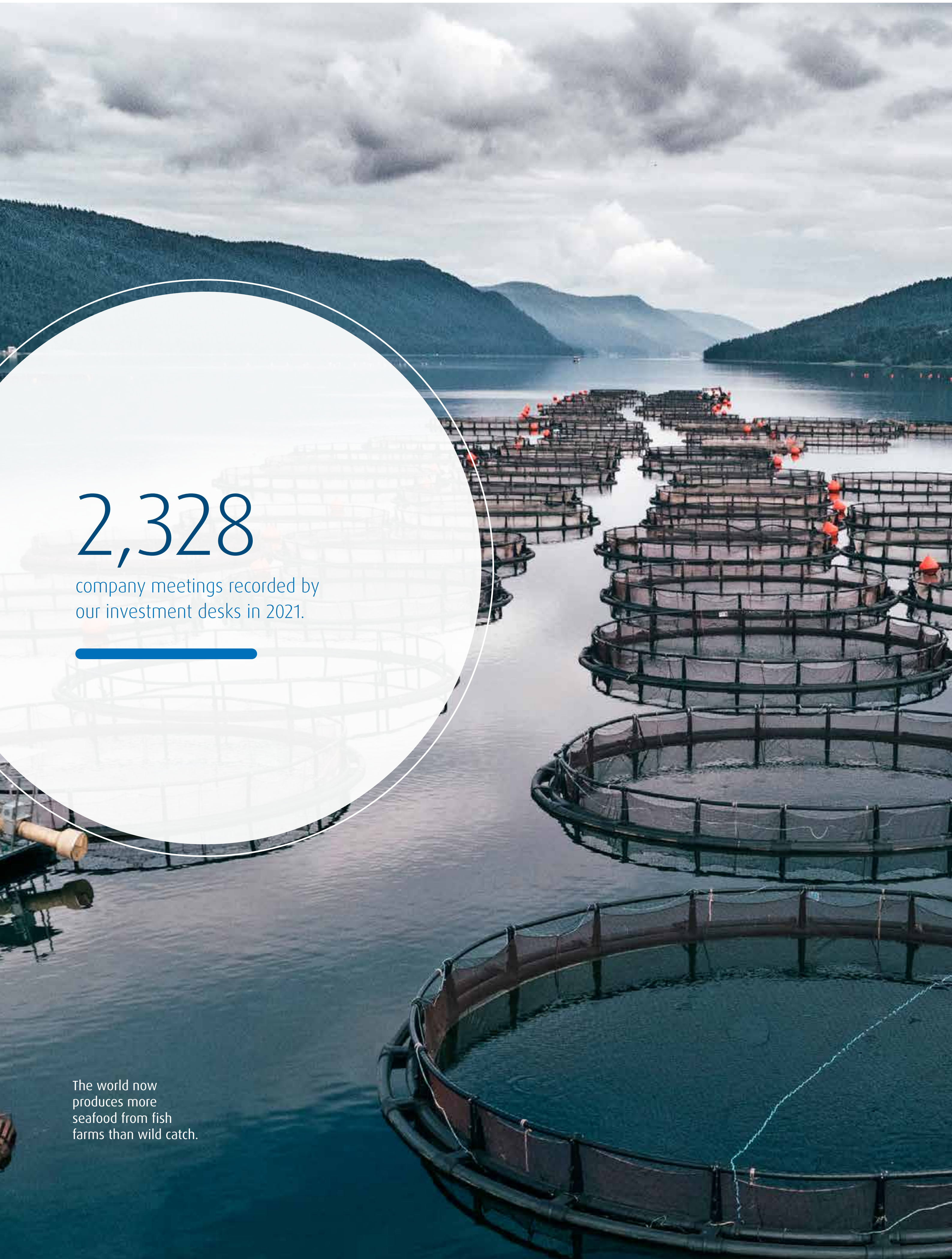
China Construction Bank (CCB) is one of China's four largest banks and, together with its peers, amongst the world's biggest financiers of activities linked to coal mining and coal-fired power generation. The bank has not developed meaningful policies to rein in this financing. More widely, it lacks a sufficiently robust climate change risk management strategy. At the same time, CCB is significantly active as an issuer of multi-tranche ESG-themed bonds worth a combined total of US$2.4 billion approximately at year end 2020. Half of this amount is from green and transition bonds. The bank has also stepped up its efforts to increase its balance of green loans – it estimates that those loans helped cut almost 74 million tons of carbon emissions (equivalent to close to 15 million cars driven for one year) in 2020.

Action

We started our engagement with CCB on responsible banking practices, including climate change risk management, in early 2020. After an initial weak response from the bank, we decided to join forces with other investors via two engagement collaborations focusing exclusively on climate risk: one led by Asia Research and Engagement (ARE) and one led by the Institutional Investors Group on Climate Change (IIGCC). We have asked CCB to align its financing activities with the goals of the Paris Agreement, including via a commitment to achieve net zero financed emissions; take steps to strengthen climate change governance; and align disclosures with TCFD recommendations. This year, we have already seen some progress. The bank conducted stress tests on its loan portfolio in the thermal power and chemical industries, committed to limit financing to customers in the coal and steelmaking industries while increasing the proportion of credit channelled to the renewable energy industry, and committed to report in line with the TCFD framework.

Verdict

While commendable, the progress made by the bank on climate risk management in a relatively short period of time falls short of increasing risks and expectations. We note the lack of sufficiently robust policy provisions regarding fossil fuel financing, and a governance framework that does not reflect the exposure of CCB to climate-related risks. We plan to continue our engagement, on a collaborative basis, to drive more meaningful and lasting change. We are hopeful that the bank's meaningful actions in the green and sustainable financing space thus far will pave the way for it to improve its approach to climate risk.



2,328

company meetings recorded by our investment desks in 2021.

The world now produces more seafood from fish farms than wild catch.

Investment desk **Case studies**

Discover examples of companies that our investment desks engaged with during 2021. Some teams, such as the Global Equities team, conduct engagement specifically for change. Other teams mostly engage for information, to help them monitor companies' business practices and any related progress.

Global Equities team

Mowi

MOWI Mowi is a Norwegian seafood company with operations in various countries around the world. Its main focus is fish farming, primarily salmon.

Actions: The Global Equity team had three meetings with Mowi during 2021, twice with an RI team member present and once without. In May, members of both the Global Equity and RI teams caught up with Mowi's Chief Sustainability Officer, Chief Technology Officer and members of the Investor Relations team following the update to their sustainability plan in March and the release of the headline grabbing Seaspiracy documentary on Netflix. The CSO unsurprisingly had satisfactory answers to our questions – we know their sustainability capabilities are well advanced and resourced. But the conversation needs to continue, and there are clear areas where they can improve transparency, like survival rates and mortality rates through the value chain (not just seawater), and circularity in waste.

Outcomes: We are keen to keep the conversation and momentum going. Overall, we are optimistic about their openness, and willingness to engage and be transparent.
Impact on investment case: The Global Equities team remain invested in Mowi.

Hoya

HOYA Hoya is a Japanese IT and MedTech company. Based in Japan, Hoya is a key manufacturer of eyeglass lenses, contact lenses, and intraocular lenses for cataract operations, supporting healthy and improved vision care for a multitude of people worldwide. It also is a robust producer of glass disks for hard disk drives (HDDs) and EUV mask blanks for the semiconductor market.

Actions: The Global Equities team have engaged Hoya since 2019 on topics such as modern slavery and carbon emissions management. In 2021, the team held two calls with the company. During the first call in July, ESG disclosure, carbon emissions (encouraging a new reduction target), water, plastic waste, diversity and partnerships in developing countries were all discussed. During the second call in November, team again discussed carbon emissions, water, diversity and partnerships, as well as employee engagement and modern slavery.

Outcomes: We are pleased to see Hoya make positive moves forward following on from three areas of our engagement: partnerships, water and CO2 emissions. Hoya Vision Care has partnered with Orbis International, which is dedicated to reducing avoidable blindness by strengthening eye health systems and providing education across the world. In addition, Hoya Vision Care Canada has partnered with Optometry Giving Site (OGS), which funds programmes to deliver vision care, train local eye care professionals, and develop sustainable infrastructure in developing countries. Hoya also disclosed water reuse ratio and information about initiatives to reuse water in its 2021 Integrated Report. Finally, Hoya set a mid-term target to achieve a 16% reduction in CO2 emissions per unit of net sales between fiscal 2021-2025 (compared with fiscal 2019).

Impact on investment case: The Global Equities team remain invested in Hoya.

Emerging Markets team: LGM Investments

TSMC

Semiconductor manufacturing is a highly water-intensive operation as plants need to use large quantities of ultrapure water (UPW) – which has been treated to 1,000x the purity of drinking water – for cleaning, etching, and rinsing components throughout the manufacturing process. TSMC, the world's largest semiconductor foundry, used in 2019 alone more than 64,000 megalitres of water: 1 megalitre is approximately an Olympic-sized swimming pool. In early 2021, the Taiwanese government implemented restrictions on water supply amid the country's worst drought in over 50 years that could threaten semiconductor production, including at TSMC. The company had to order water by the truckload to supply some of its facilities across the island.

Actions: The Emerging Markets team contacted the company to learn more about its approach to managing potential disruptions to its operations from serious water shortages in Taiwan as the country experiences its most severe drought in decades. The company confirmed it has a well-established Enterprise Risk Management (ERM) system in place, which covers water-related risks. Under the ERM system there are detailed procedures to handle water shortages, and TSMC has already started to take actions accordingly. As per the company's assessment, it does not expect any material impacts to its operations in the near term given contingency plans in place and successful collaborative efforts between the government and private sectors to implement water saving measures and develop new water sources.

Outcomes: The team will continue to closely monitor developments and engage with the company to discuss lessons learnt from this water crisis as well as any updates or investments identified as necessary to future-proof the business against the physical impacts of climate change.

Investment Decision
Hold.

Global credit team

CEMEX

Cemex is a Mexican-based building materials producer that in October 2020 announced amendments to its Facilities Agreement that became one of the largest sustainability-linked loans in the world, incorporating 'green' metrics in about $3.2bn of commitments. It indicated a material management and shareholder focus on the sustainability of the business.

Actions: In February 2021, the Global Credit team took part in a meeting with the company's CFO, facilitated by BofA Securities (formerly Bank of America Merrill Lynch) to question the green metrics. At the time of the announcement, CEMEX's green framework, which was aligned with the companies Climate Action strategy and ultimate vision of a carbon-neutral economy, was very generic and focused on two things: the reduction of net CO2 emissions per cementitious product, and the reduction of net CO2 emissions from power consumption from green energy in cement. Questions during the meeting therefore focused on

> Cemex remains as one of the team's top credit picks on the basis that it is a recovery story with a strong ESG framework.

An old open pit uranium mine in Argentina

clarifying the scope of the green framework, the particular CO2 targets or roadmap envisioned, and whether the green framework would require additional investment, which could steer the company away from the deleveraging commitment.

Outcomes: Overall, Cemex management has been consistent with its commitment towards ESG targets, as well as to the overall deleveraging, which aims to result in further improvement of the credit rating. The management was able to provide further details to its ESG framework initially announced in October 2020, which provides confidence that concrete measures and targets are being implemented. This provided transparency to the process and opportunity for investors to follow it.

Impact on investment case: Cemex remains as one of the team's top credit picks on the basis that it is a recovery story with a strong ESG framework, particularly focused on environment, whilst valuations are also compelling to keep exposure to the credit across different strategies.

Global Small Cap Equity team

Yamana Gold

YAMANAGOLD Yamana Gold is a mining company with operations in Canada and South America. The Global Small Cap team's engagement related to protests at one of the company's mines in Argentina.

Actions: The initial engagement with the company Chairman in October 2021 was followed by a meeting with the Chairman and Director responsible for Health, Safety and Sustainable Development, hosted by the BMO GAM RI team, in November. The discussion focused on the company's approach to the recent community protest at a development project in Argentina, specifically around the safety of employees and approach to community engagement. A follow up meeting was requested to provide more detail on the nature of the protest, as well as more disclosure related to community engagement at the project, environmental impact assessments and involvement of local law enforcement at the protest.

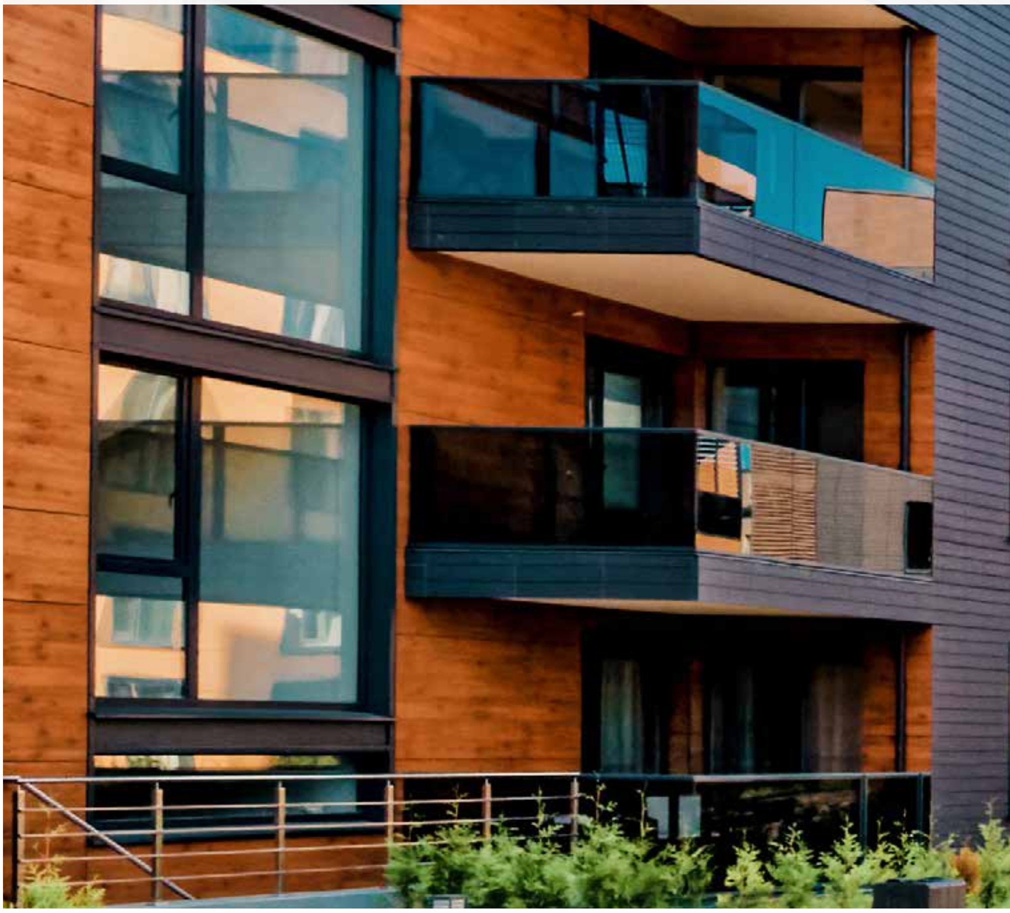
Outcome: Although we were satisfied by our discussion in terms of Yamana Gold's immediate response to the protest, we believe further engagement is required to understand the broader approach to development risk. The RI team will follow up on the level of company disclosure and goal setting so that the company remains compliant with our Responsible Investment fund criteria.

Impact on investment case: No material impact on investment case at this stage.

Breedon Group

BREEDON Breedon is a producer of construction materials such as aggregates, cement, ready mix concrete and asphalt.

Action: The team's direct engagements with the company's CEO and Head of Sustainability began in March 2020 and continued into 2021. Discussions focused on gaining an overview of the company's newly formed ESG strategy, carbon



intensity, health and safety, employee satisfaction, GCCA sustainability targets and corporate governance.

Outcomes: Breedon Group has appointed a Head of Health and Safety and Head of Sustainability. They carried out a group-wide employee engagement survey, and have improved board diversity with the appointment of five new board members in the past 3 years. Breedon has committed to GCCA sustainability targets and carbon neutrality by 2050. Their alternative fuel usage has reached 71% in Ireland and 36% at their UK cement plant, compared with the industry average of 25-30% for cement majors.

Impact on investment case: The engagement history and subsequent developments at the company have increased conviction in the investment case. The Global Small Cap team are are monitoring KPIs in areas such as alternative fuel usage, meeting of GCCA sustainability targets and health and safety record

Media and Games Invest

Media and Games Invest Group

Media and Games Invest MGI) is a Swedish-listed digitally integrated games and media company. Its main operational presence is in Europe and North America. The team were concerned by the company's governance structure: there are no audit, nomination or renumeration committees; the company domiciled in Malta; there Is a need for a new non-executive director(s) given the expansion in company size; the role of Chair and CEO are combined.

Actions: The Global Small Cap team had an in-person, one-to-one meeting with the Executive Chair in November, mainly to voice our feedback on the above. The Chair was receptive to feedback on all points, although we got the impression that a split of the CEO and Chairman role was unlikely.

Outcomes: No concrete actions have yet been taken as a result of the meeting, but the company has made some commitments in its recent Q3 statement: A project has been initiated with KPMG to further improve overall procedures and governance throughout the Group. In terms of a change of domicile, MGI is currently in the process of evaluating possible target countries together with its advisors. Currently, management expects the relocation process to become effective latest on January 1, 2023. In addition, MGI intends to expand the board of Directors to better reflect the international nature of the company and add additional key expertise and professionalism. In this context, the formation of various committees is being discussed. As the new jurisdiction will also have an impact on the required governance structure, the board and management are working with independent Tier 1 experts to submit proposals for an improved governance structure to the shareholders before the next Annual General Meeting. Impact on investment case: Next steps are to continue the dialogue with the company on a regular basis to measure progress on the above – we await proposals prior to the AGM. It is too early at this stage to be dealing as a result of these corporate governance matters.

Multi Asset team (Sustainable Alternatives engagement)

Impact Healthcare REIT

IMPACT Healthcare REIT

Impact Healthcare REIT is a real estate investment trust with a diversified portfolio of UK healthcare real estate assets, particularly residential care homes. In March, the Multi Asset team requested updated answers to their ESG Questionnaire, which were answered satisfactorily and included information that the company is exploring GRESB accreditation.

Actions: In August, the Multi Asset team had a call with the company to gain a general update from Impact Healthcare, with the intention to have update calls at least once a year. The company provided an update on the portfolio, performance and current and future pipeline. They discussed ESG, including targets, and their plans to improve EPC ratings in their homes. As they are not currently

signatories of UN PRI, the Multi Asset team suggested they join.

Outcomes: The meeting provided a good update, and the Multi Asset team made no changes to their RAG scores.

Impact on investment case: The Multi Asset team remain invested in Impact Healthcare REIT.

Civitas Social Housing

Civitas Social Housing is a REIT dedicated to investing in the social housing and healthcare sectors in the UK.

Actions: In September, the Multi Asset team held an update call with Civitas to gain an update on the portfolio, as well as its current and future pipeline. They also discussed the disappointing share price performance over August, which was primarily the result of short seller Shadow Fall producing a report with a negative view of various aspects of Civitas, including conflicts of interest in property transactions. Civitas also highlighted they were due to become a UN PRI signatory.

Outcomes: The meeting provided a good update, but some concerns remained around the share price moves and the report produced by short seller Shadow Fall. Further engagement via email was done later in September to gain clarification around the transactions in question, as well as details of Civitas's governance procedures. The Multi Asset team moved Civitas's governance score to amber due to lack of disclosure around conflicts of interest. This was disclosed to the board and auditor, who made the decision that further disclosure was unnecessary. Civitas since released a statement around the issue, but the Multi Asset team's score remains amber for now.

Impact on investment case: Civitas's response was sufficient for the Multi Asset team to retain their position, and they sought further input from a colleague who also holds Civitas in their portfolios and remains comfortable with the position.

> Civitas's response was sufficient for the Multi Asset team to retain their position.

Home REIT

Home REIT invests in a diversified portfolio of assets across the UK that provide good quality accommodation to the homeless.

Actions: In September, the Multi Asset team held an update call with Home REIT with the intention to have at least one of these calls a year. The portfolio, performance and pipeline were discussed on the call, and Home REIT disclosed that The Good Economy are producing a report on their impact. They also discussed green leases, and gave further details on the environmental features of their properties, including EPC ratings.

Outcomes: The meeting provided a good update, and the Multi Asset team increased their scores to green given previous comments that had been taken on board, while the impact report shows the clear impact that the REIT is having on society.

Impact on investment case: The Multi Asset team remain invested in Home REIT.

Collaboration

As discussed in 'Promoting well-functioning markets', we collaborate with other investors directly and through industry working groups to engage companies on different issues. This can be a form of escalation in an engagement dialogue, or may simply be a more effective form of engagement than 1:1 in the circumstances.

We consider any offers to collaborate on their merits and decide on participation based on whether we believe this to be in the interests of our clients and that it advances our stewardship objectives. We will not collaborate with third parties if their approach or agenda for engagement is not aligned with ours.

Examples of collaborative engagement in 2021:

Industrial & Commercial Bank of China (ICBC)

Call with IIGCC Net Zero investor group

As members of the investor group working together under the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Banks collaborative engagement initiative, we participated in a call with ICBC to outline the group's expectations on effective climate risk management. Senior representatives from the bank, including the heads of credit risk and investment portfolio management, provided helpful insights into ICBC's evolving approach to addressing risks and opportunities related to climate change. On paper, it seems that the bank has made significant strides in incorporating climate factors into its lending and investment activities; however, there is still some resistance to providing more granular information on how this is done or what the outcomes of activities like scenario planning/stress testing are. As the largest state-owned lender in China, ICBC is fully committed to align its activities with the climate goals of the government, i.e. peak emissions by 2030 and carbon neutrality by 2060. We welcomed this, while pressing the bank to consider bringing forward potential net zero commitments to 2050 and sharing details of a potential exit from coal financing announced earlier this year.

Reliance Industries

LGM Investments-led Climate Action 100+ group engagement

As part of the Climate Action 100+ initiative, we are part of a group of investors who engage with Reliance Industries on taking the necessary action to transition towards net zero. The company announced a bold statement last year to achieve net zero by 2035. This was one of the most aggressive targets in the sector and the very public commitment by the Founder to achieve this was not to be taken lightly given his record of delivery on large capital expenditure projects in India. However, disclosure around Scope 1, 2 and 3 emissions was lacking and there was very little detail on how the company's goal was to be achieved, which is where our efforts have been focused. On the positive side, we can see capital being deployed to the right areas, with construction of giga factories commencing in Jamnagar and acquisitions of technology in the renewables space. Overall, we have seen limited progress in terms of disclosure to date but with consistent messaging from us and our partners with regards TCFD compliant emissions reporting, there is the potential for this to improve ahead of the original timelines put forward by the company. We plan to continue our active engagement with the company in 2022.

Anglo American

Engagement on water stewardship and Covid-19 impact

We joined a Dutch investor engagement initiative targeting the mining industry on water stewardship. As part of this initiative, we discussed with Anglo American about its water risk management framework and the upcoming 2040 water target. Anglo walked us through their internal water governance framework and shared with us country specific risks they have identified. The company also shared some initial thoughts about the technological side of the ambition of achieving water-less mines in the future. It has been piloting some of these technologies in its Peru mines, and believes that it is a matter of scaling up these technologies, as opposed to further technology development in the future, to achieve water-less mining. We encouraged Anglo American to discuss the progress in the future reporting. We also discussed the Covid-19 impact as some of Anglo American's mines in Peru and Chile were hit badly. We believe that the company is responding well, as the impact of lockdowns could be as damaging as Covid-19 itself in some instances in these developing countries. We will continue our discussion with the company on both issues in the future.

Moncler

Call on living wages

As part of the Platform Living Wage Financials (PLWF), we led the engagement with Moncler on its living wage strategy and discussed the Company's performance against the PLWF methodology. We encouraged the Company to publish a formal policy that recognises non-payment of living wages as a salient human rights risk. Nonetheless, Moncler have already started working with a number of multi-stakeholder initiatives to devise a wage strategy for workers within the supply chain. At present, a pilot programme of audit is being conducted at the company's production site in Romania. This will be used to inform the development of a broader assessment strategy. In terms of areas for consideration, we asked the Company to identify high risk geographies and stressed the importance of ensuring purchasing practices lend themselves to the payment of fair wages. We also honed in on remedy provision and the importance of ensuring the accessibility and effectiveness of their whistleblowing mechanism.

Boohoo Group

Collaborative engagement on governance concerns ahead of the AGM

We attended a group engagement session to discuss Boohoo's new Agenda for Change programme, following the widely publicised social issues identified in the company's UK supply chain base. They are working toward implementing the recommendations of the Alison Levitt review and have already taken a number of steps toward better practice. This includes consolidation of their supplier base, publication of their UK supply chain and new senior appointments with a focus on supply chain risk management. We also discussed the resolutions put forward for the upcoming AGM. We encouraged the company to put all directors up for election annually, ensure future remuneration policies are put to a shareholder vote, improve gender diversity on the board and to introduce an element of deferral of executive remuneration in to shares.

2021 milestones

We record milestones where companies make tangible improvement in their policies and practices in alignment with our stewardship objectives. We rank these milestones as one, two or three stars to reflect the significance of the change for the company, the market and/or our engagement objectives.

In 2021, we recorded 388 milestones

where companies improved ESG policies and practices following our engagement.

44%
of milestones linked to corporate governance

22%
of milestones linked to climate change

14%
of milestones linked to labour standards

Informa

No SDG

Milestone: ★★★

Target: No SDG target

Issue: Corporate governance

Appointed a new remuneration committee chair

We have raised concerns about the company's remuneration arrangements and recent pay proposals with the company directly and through a collective engagement. We have voted against the remuneration committee chair at recent shareholder meetings and now welcome the decision taken for a new committee chair to be appointed.

HSBC Holdings

13 CLIMATE ACTION

Milestone: ★★★

Target: 13.a: Implement developed countries' commitment to mobilise $100 billion annually to address the climate mitigation needs of developing countries

Issue: Climate Change

Coal exit confirmed

Committed to phase out financing of coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. We engaged HSBC on a stronger coal exit strategy both individually and collaboratively, to strengthen climate risk management efforts. We always argued that such an exit should include underwriting, which the bank has confirmed, too. It is a strong commitment from a global bank with a significant Asian footprint.

Bank of America

13 CLIMATE ACTION

Milestone: ★★★

Target: 13.a: Implement developed countries' commitment to mobilise $100 billion annually to address the climate mitigation needs of developing countries

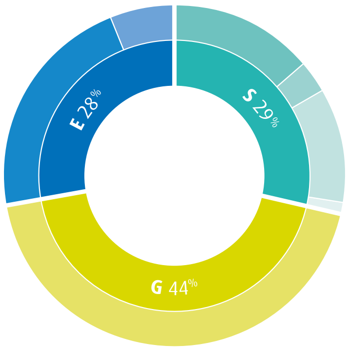
Issue: Climate Change

Issue: Corporate governance

Commitment to align with Paris Agreement

Committed to achieve net-zero greenhouse gas financed emissions before 2050. As one of the largest financial institutions, this commitment will enhance credit risk management practices, while sending a strong message to the market. We have engaged on sustainable finance and climate risk management with the bank for many years and will continue to do so on an ambitious implementation.

Milestones achieved by issue



Climate Change	22%
Environmental Stewardship	6%
Labour Standards	14%
Business Conduct	3%
Public Health	10%
Human Rights	1%
Corporate Governance	44%

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

- **Environmental** – Climate-related milestones accounted for c.80% of our 2021 environmental milestones. Examples include: financial institutions such as **National Australia Bank**, **Royal Bank of Canada**, **Deutsche Bank**, **Bank of Ireland** and **Credit Suisse Group** that announced Paris-aligned net zero commitments. Energy giant **Shell plc** (formerly Royal Dutch Shell) committed to giving shareholders an advisory vote on its energy transition strategy and efforts to reduce greenhouse gas emissions.

- **Social** – Living wage remains a key issue in improving labour standards. UK companies such as **Vodafone**, **BAE Systems** and **Taylor Wimpey** became Living Wage Employers, while **Unilever** committed not to work with any business that by 2030 does not pay its staff a living wage. Meanwhile, major names such as **E.ON**, **Mastercard** and **Volkswagen** enhanced transparency in their workforce-related reporting through their commitment to the Workforce Disclosure Initiative. Fashion brands including **Hugo Boss**, **Puma** and **ASOS** affirmed their commitment to the International Accord for Health And Safety in the Textile and Garment Industry.

- **Governance** – As required by the Modern Slavery Act 2015, 48 companies that we had engaged as part of a collaborative investor initiative announced board approval of their Modern Slavery Statement. This included **easyjet**, **Marks & Spencer Group** and **JD Sports**. Improving board diversity was another key theme, with Japanese companies such as **Kubota**, **Nissan Chemical** and **Tokyo Century** appointing their first female non-executive directors.

JBS SA

15 LIFE ON LAND

Milestone: ★★★

Target: 15.2: promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Issue: Environmental stewardship

Announced bringing forward goal of eliminating deforestation

JBS announced that it would shorten its target to eliminate illegal deforestation in its supply chain by five years to 2025. The commitment requires monitoring of direct and indirect suppliers in the supply chain, something the company aims to achieve through blockchain technology. While legal deforestation remains a key challenge to environmental impact, this is a very positive step that raises the bar for other meat producers in the region.

Pfizer

3 GOOD HEALTH AND WELL-BEING

Milestone: ★★

Target: 3.8: Achieve universal health coverage

Issue: Public Health

Partnership to expand access to cancer treatments

Partnered with an independent social enterprise to provide equitable access to cancer treatments in over 60 developing countries. Developing countries bear c. 60% of the world's cancer burden and account for c. 70% of cancer deaths. The partnership enables governments and NGOs to work towards improving the quality and quantity of treatments and increase budgets for care and treatment. We have repeatedly engaged Pfizer on access to medicine.

Fast Retailing Co

1 NO POVERTY

Milestone: ★★

Target: 1.1: eradicate extreme poverty

Issue: Labour standards

Commitment to realise living wages

Published a commitment to realise living wages in the supply chain. The payment of a living wage, including in supply chains, helps meet the basic needs of workers and provides some discretionary income. Companies that commit to this acknowledge the benefits of robust human capital management around wages to employee productivity and, ultimately, the bottom line. We previously engaged with the company on this issue.

Escalation

In considering engagement escalation strategies, we make a case-by-case assessment of progress against engagement objectives and responsiveness of companies to our engagement and escalate accordingly if we deem it appropriate to do so.

In selecting an escalation strategy, we consider aspects such as:

- The level of responsiveness of the issuer
- The materiality of the topic
- The appropriate means to apply additional influence
- Whether the issue is best managed in a private or public forum
- The time period in which we would pragmatically expect change
- Any inherent limitations or strategies for affecting change within certain sectors, company structures or geographies, such as the ability to file shareholder resolutions

Our approach is also influenced by the nature of the investment strategy and asset class. For example, bondholders are unable to vote at AGMs or file shareholder resolutions and so we may seek to use future bond pricing as alternative leverage. Equally, in some strategies we may very quickly move to reweight a holding rather than to try other means to effect change, such as in the case of a quantitative strategy where an optimiser leveraging our scoring model may underweight or remove an issuer due to failure to improve the ESG factor assessed or where the issuer has worsened its ESG performance. In emerging markets, cultural issues, different regulatory landscapes and also resource or capacity constraints may mean we would not escalate over a similar timeline as in a developed market.

We track engagement progress against set objectives. Together with our use of progress milestones, which also assess the significance of change, this allows us to identify and prioritise which engagements may require additional strategies to be applied. We also track milestones arising from the escalation approach.

Escalating our engagement in 2021

Collaborative engagement: Our primary approach to conducting engagement is to use constructive, confidential dialogue, typically working one-to-one with companies and building a relationship of trust over time. However, sometimes collaboration is more effective to effect change, including through coalitions with other asset managers and industry groups to strengthen our message to companies. Speaking with a unified voice can allow investors to communicate their concerns more effectively, and can also represent an escalation mechanism when insufficient progress is being made or management access made available in a one-to-one forum.

In 2021, more than one-third of our RI team engagements undertaken were part of a collaboration with other investors. Please see chapter 'Collaboration' for further details.

Proxy voting: Using our voice at the ballot box on key resolutions sends a clear signal to companies, may affect direct change and might help with further engagement efforts. In 2021, our RI team voted against management at 20% of all resolutions. Executive renumeration continued to be the most contentious issue, and we voted against management at 60% of all resolutions related to pay. More information on our 2021 proxy voting activity is in chapter 'Voting and corporate governance in 2021'.

Example of developing escalation voting strategies in our stewardship programmes

Our 2021 biodiversity engagement project has been designed to explore the biodiversity-related governance, strategy and targets of companies in selected sectors classified by UNEP-IF as impacting and depending most heavily on biodiversity. Our engagement topics are based on the Science-Based Targets Network framework for how impact is assessed, prioritised, measured, acted upon and tracked. We also added a governance aspect to understand to what extent companies had identified biodiversity as a material issue and how it was integrated into the oversight mechanisms.

To complement our engagement and as a means of escalation, we have developed a proxy voting methodology to increase pressure

on companies in certain high-risk sectors lacking disclosure of their oversight mechanisms and approach to assessing and reducing their impact on water and forests. This follows similar approaches that we have taken on topics like gender diversity and will be implemented in the 2022 AGM season.

Attending Annual General Meetings (AGMs): The requirement for all parties to meet at the AGM (whether in person or due to the pandemic, online) provides investors with one of their few opportunities to question the board, engage directly with management, and hear the views of other shareholders. The opportunity to publicly table and pose questions can represent an escalation of closed doors engagement.

Example of escalating our engagement and attending an AGM

Compass Group was perhaps the largest FTSE 100 company that wasn't a household name until January 2021 when the company's subsidiary, Chartwells, was accused of profiteering from a government contract to deliver free school meal parcels to disadvantaged children across the UK. Photos of the meagre, inadequate provisions circulated on social media. Compass Group's lack of quality control measures had occurred repeatedly in the past, including question marks around nutritional value of school meals (2007), and involvement in the horse meat scandal (2013).

Given the concerning long-term repetition, our RI team dedicated substantial time to engaging with the company once the new allegations became public. In 2021 we had a total of 11 interactions with the company, 9 dedicated to food quality and supply chain due diligence. To outline the relevance of the topic and foster executive action, we escalated dialogues from senior management, to the CEO, and we also attended the annual general meeting to ask senior management and the board for an update on the implementation of enhanced quality assurance procedures across all locations. The CEO was able to confirm that appropriate corrective actions had been taken.

We will continue to monitor their efforts and hold future discussions on these topics. If appropriate further consequences will be discussed in relevant Investment Committees.

Filing shareholder resolutions: Filing shareholder resolutions can be a key rallying point of an engagement campaign to change companies' behaviour. We will typically support requests to improve board accountability, executive pay practices, ESG-related disclosure and climate action where we agree with both the issue highlighted and the implementation proposed. We will consider filing or co-filing shareholder resolutions ourselves as an ultimate escalation mechanism.

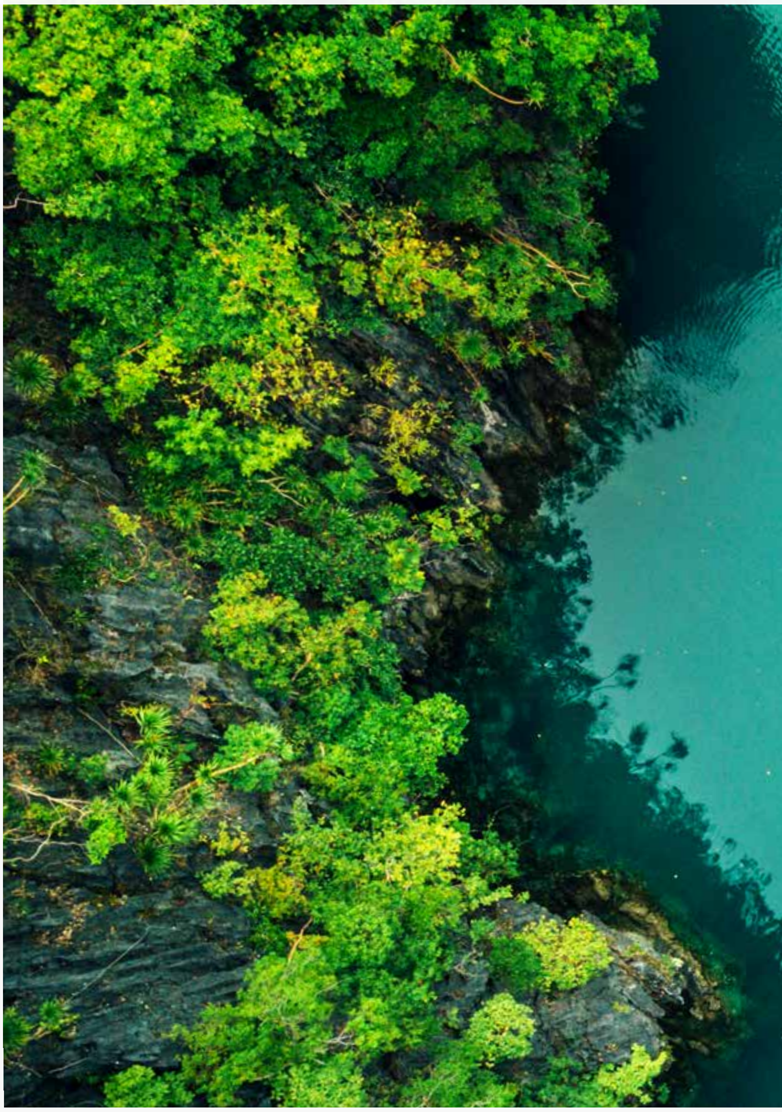
In 2021, four resolutions that we co-filed in 2020 were put to a shareholder vote at Walmart, Tyson Foods, Amazon and Exxon.

Divestment: Selling a holding can be a powerful signal of dissatisfaction, though it removes most options for future interaction and influence, such as the use of the vote. It is often a measure of last resort and is taken where we believe a holding is no longer in our clients' best interests.

We may also divest from a company where it fails to contribute to the sustainability objectives of the fund. For example, we were invested in a consumer staples company within our Responsible Funds range which we believed via its products and services would contribute significantly (greater than 50% of revenues) to sustainability themes. Through engagement we sought to further this move towards sustainability and to encourage the company to move away from some of its more harmful high sugar content products. The company did not however fulfil expectations within our investment window and was no longer considered suitable for the fund and we exited the position.

Engagement **themes for 2022**

During 2022, amongst a broad range of activity, we will continue to prioritise engagement with companies on climate change and biodiversity. We will also focus on human rights issues and executive pay.



Last year, the ongoing Covid-19 pandemic and extreme weather events reinforced the importance of creating a more resilient future. Climate change, biodiversity loss and human rights are all issues that require urgent action; it is within this context that we have determined our engagement priorities for 2022.

It can take time to build consensus for change within a business and to develop the tools to do so. We support companies on that journey, but in 2022, a key focus of our work will also be holding companies accountable on their commitments.

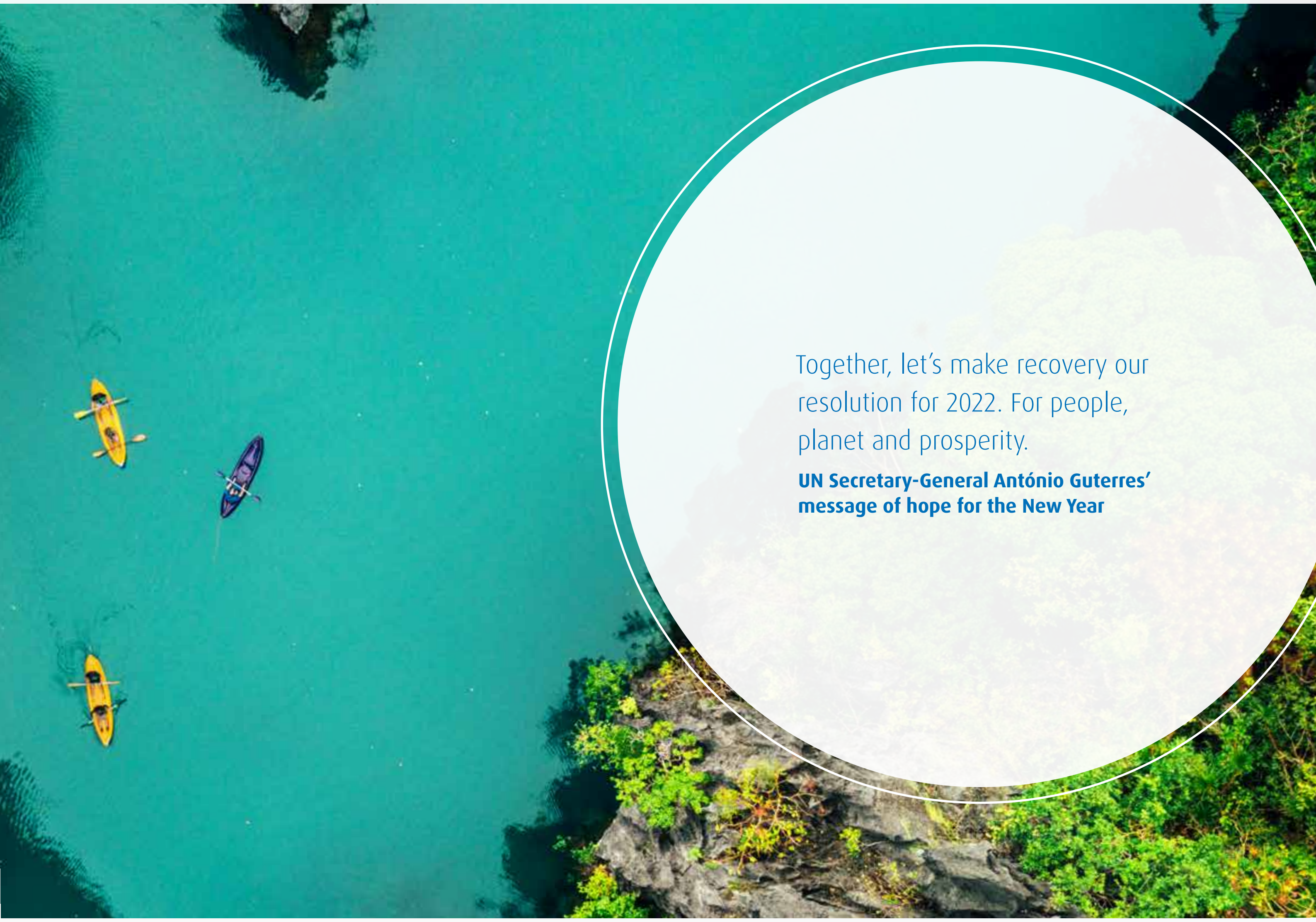
Addressing climate change and biodiversity loss

We have been engaging with companies to encourage the adoption of climate-friendly business models for more than two decades. This focus will continue in 2022, with climate engagement activity focusing on the phase-out of unabated coal generation by 2030 for developed markets, and 2050 for developing markets, both of which are essential to achieve the Paris goals. While engagement will span all sectors, we will concentrate activity on the mining and utilities industries, building on efforts in 2021.

Further, we will hold companies to account on net zero pledges, engaging with financial institutions to ensure the thorough implementation of net zero strategies, including a carefully managed decline of coal, oil and gas within lending and underwriting portfolios. We will also engage residential real estate companies on energy efficiency.

ESG risk metrics in executive pay

Robust net zero strategies will require bolstering board-level expertise and oversight of climate risks and opportunities, as well as linking executive remuneration to the achievement of climate-related objectives. As part of efforts to hold companies to account, we will engage with companies across industries including oil and gas, mining, materials, electric utilities, transportation and automotive and financial institutions on how executive pay is linked to climate strategy. Specifically, we expect targets to be constructed to align executive incentives to the interests of long-term shareholders, and they should not create incentives for executives to undertake short-term risks that might imperil longer- term performance. We advocate the introduction of risk-related underpins—or preconditions—to bonus awards, to ensure that inappropriate incentive payments are not awarded in the event the company’s financial strength or credit quality might deteriorate.



Together, let's make recovery our resolution for 2022. For people, planet and prosperity.

UN Secretary-General António Guterres' message of hope for the New Year

A spotlight on the chemicals industry

With climate change causing changes to the scale and impact of extreme weather events, we will engage with companies with supply chains or operations in areas of high vulnerability, to improve their current risk assessment and mitigation efforts, with a focus on the chemicals industry. We will also seek to encourage chemicals companies towards a sustainable transition by reducing greenhouse gas emissions, minimising harmful effects on local communities, reducing plastic waste and investing in recycling technologies to "close the loop" on plastic waste through the adoption of a circular economy.

Protecting human rights within supply chains

Effective supply chain management practices are essential to ensuring the protection of human rights and in 2022 we will engage with corporates on implementing human rights due diligence across supply chains, as part of efforts to protect human rights, and enhance business continuity and general supply chain management practices.

Furthermore, with an over-reliance on social audit firms to assess supplier compliance, our Responsible Investment team will focus on ensuring audit quality, and for companies in apparel, retail and service sectors, on appropriately fulfilling their human rights and labour standards obligations.

Voting and corporate governance in 2021

Our approach to **corporate governance and voting**

Good corporate governance is at the heart of any successful business, instrumental in supporting the delivery of strategic objectives and in driving sustainable performance, as well as maintaining legal and ethical standing.

Over the past decade or more, we have supported the development of Corporate Governance Codes by international investor associations and local market bodies, with best practice guidance for companies on key governance topics, from board composition to shareholder rights.

Our own Corporate Governance Guidelines cover these topics, crystallise our global stewardship philosophy and underpin our approach to voting at the shareholder meetings of our investee companies. We regularly revise these to ensure they reflect the evolving wishes of our customers and industry best practice. However, the key tenets of our approach remain consistent. We expect companies to have:

- Empowered and effective board and management structures
- Effective systems of internal control and risk management
- Commitment towards creating a culture of transparency and accountability and sound business ethics
- Remuneration policies that reward the creation of long-term shareholder value
- Systems to identify, assess and manage risks, including those associated with social and environmental factors

> Our expectations are reflected in how we vote at shareholder meetings, which is a key part of our stewardship responsibilities.

Our ambitious expectations are reflected in how we vote at shareholder meetings, which is a key part of our stewardship responsibilities and a powerful way to exercise our ownership rights. We believe that voting is a powerful tool for driving improvement in company practices and market standards, as well as for re-enforcing objectives set in engagement on ESG topics. We explain our understanding of good governance and our approach to voting to our key investee companies, before or after the AGM. We believe our approach is more progressive than broad market expectations in the areas of board composition, executive compensation, and board accountability for social and environmental issues.

We will keep voting against non-independent directors at boards that lack balance, or who sit on key board committees which we believe should be fully independent to protect the interest of all shareholders. We will also continue to focus our votes against boards that lack diversity. We will typically not support incentive arrangements that do not align the interests of top management and owners, and where we do not find evidence that pay packages are sufficiently linked to strategic priorities, including climate change or social issues, in the relevant sectors. At companies that lag their sector in addressing climate change, we will seek to hold boards accountable though voting. In 2021, we continued to vote against management resolutions at companies in the highest-impact sectors due to poor climate management. We remain supportive of shareholder resolutions that look to address ESG issues that we consider material and implementable.

We are committed to transparency in our voting activity. We publish our full voting record with rationales for proposals where we did not support management, among others. Our votes become available on our website on the day after a company's shareholder meeting.

Our global voting universe is made up of holdings in BMO GAM managed portfolios and the portfolios of ***reo***® clients who have delegated to us the responsibility to exercise voting rights on their behalf. Most of our votes are exercised in the same way under our BMO GAM voting policy, with some votes cast under client-specific polices. We also maintain country-specific voting guidelines that are applied within the voting process. Voting guidelines are drawn from the Corporate Governance Guidelines but are more granular in nature and provide greater detail on resolutions that will and will not be supported in the relevant jurisdiction.

We use a risk-based approach to achieve high-quality voting while delivering comprehensive coverage of a wide portfolio of stocks. We deploy our specialist governance analysts within the RI team on the more complex and sensitive cases, and partner with ISS to deliver voting on the more simple, routine votes through the application of detailed in-house voting policies based on the BMO GAM Corporate Governance Guidelines and other policies. The subset of votes we review manually is typically around 20% of total votes cast. Individual fund managers retain ultimate responsibility for their specific funds voting decisions. The governance analysts liaise with fund managers to determine an appropriate vote and coordinate voting decisions across various investment teams.

For most of 2021, Proxy Working Group (PWG) served as our vote escalation and policy development function. They represented all parts of BMO GAM globally and provided individual sign-off on significant or high-profile votes in accordance with our escalation policy. They also contributed to the evolution of our Corporate Governance Guidelines with the RI team (please see chapter 'Governance, resources and incentives' for more information). Some particularly sensitive votes were escalated above the PWG to the Executive Leadership Team if deemed appropriate. This also ensured key stakeholders are aware of how we intend to vote at a particularly sensitive meeting prior to the vote. As we transition to combining governance structures with the wider Columbia Threadneedle Investments group, the BMO GAM EMEA Investment Committee (EIC) approves the Corporate Governance Guidelines, approves material changes to our voting approach and serves as escalation for sensitive votes and when co-filing shareholder proposals.

The above voting guidelines are applied to all shareholder meetings outside of our Conflicts of Interest Policy. ISS voting policy and recommendations are applied to meetings where we are deemed to be conflicted. Please see chapter 'Conflicts of interest' for further details.

> We use a risk-based approach to achieve high quality voting while delivering comprehensive coverage of a wide portfolio of stocks.

Our approach to voting is reviewed and developed each year. For 2022, we have formally implemented biodiversity and human and labour rights criteria into the voting policy. These are topics that we have engaged companies on for many years and in some cases, already voted against management resolutions or supported shareholder resolutions. Formally defining expectations in these areas is a significant step forward.

In addition to our voting derived from our Corporate Governance Guidelines, we can also accommodate individual voting to enable clients or internal funds to express their own view on ESG topics and specific corporate governance topics. However, BMO GAM is not at present able to provide directed voting in pooled funds to vote a proportion of shares in line with specific instructions from the client. However, we are mindful of technology and other issues, and have been in discussion with third-party vendors (for example Tumelo), about using their platform to allow interested clients in to submit "expression of wish"/opinions to us on topics like climate and pollution ahead of us exercising votes in securities held within the pooled funds in which they are invested.

We are also able to block shares where share blocking applies on a fund-by-fund basis. The individual fund manager is able to select the percentage of the holding they are comfortable blocking, thus allowing this proportion of the holding to be voted at the shareholder meeting.

The proxy voting system is used to identify forthcoming company meetings, based on the receipt of ballots from custodians, and it confirms that these voting decisions are communicated to custodians on time for them to be registered at company meetings. From this an automated log is compiled of upcoming outstanding votes to verify that all requested voting decisions are inputted to the proxy voting system in time for them to be communicated to the custodian/ investee company.

To assist in accommodating variances in our approach to a specific issuer, region, sector or bespoke list of companies (often as a result of engagement), we are able to use watchlists loaded onto the voting platform to flag a meeting of importance. These allow us to systematically flag various issues for different funds, regions or geographies as considered necessary. Companies on our Tier One list of companies, that are all escalated to a member of the governance team for individual review, resulted in over 1500 individual shareholder meetings being reviewed within this process in 2021. As detailed in our 'Conflicts of Interest' chapter, our Conflicts of Interest Policy also results in a meeting being escalated to ensure the appropriate actions are taken.

In addition to electronic voting, we may attend a shareholder meeting in person or remotely. Reasons for this include making a statement to the board or asking a question of the board in this formal setting. Whilst this approach is uncommon, we consider it necessary in some cases. Part of the evaluation process undertaken considers the cost and expected value of attending. The ability to attend shareholder meetings was severely impacted by the pandemic restrictions again in 2021, and we navigated the market move to widespread use of virtual shareholder meetings (VSMs). An example of meeting attendance is the Compass Group plc AGM that we attended during 2021.

At a glance: our RI team voting in 2021

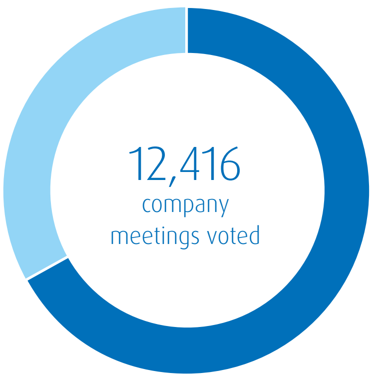
125,146
resolutions voted

23.2%
of all resolutions where we voted against management

627
engagements on corporate governance issues

169
governance-related milestones achieved

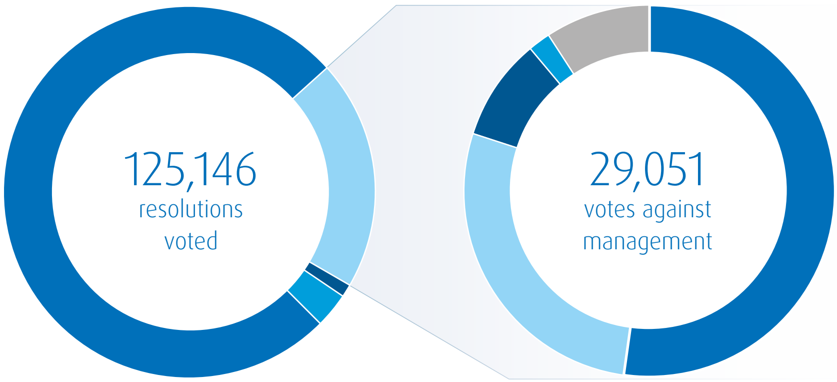
Meetings with at least one vote against management



At least one vote against management	67%
Voted with management	33%

How we voted in 2021

Votes against management by issue



With management	75%
Against management	20%
Abstain	1%
Withhold	4%

Directors & Board	53%
Remuneration	28%
Capital Related	9%
Shareholder Proposals	2%
Other	9%

On **60%**

of all resolutions related to pay we voted against management. Executive remuneration continued to be the most contentious issue dividing investors and management. The most common reasons relate to poor disclosure, misalignment with investors and excessive quantum.

On **23%**

of resolutions related to directors and the board we voted against management. This is consistent with prior, but is a disappointing outcome reflecting the slow pace of improvement in board composition & effectiveness across markets.

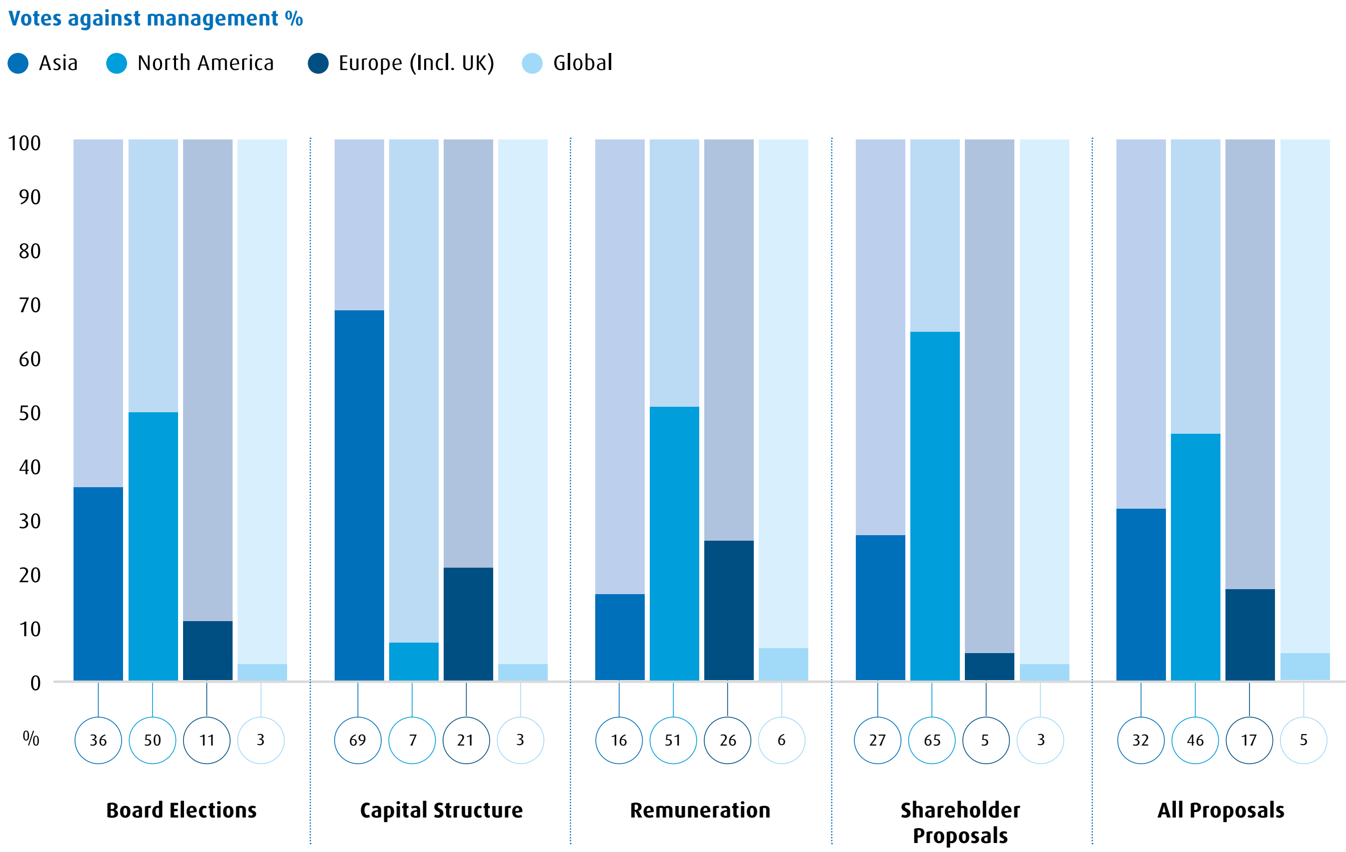
We voted in **64 markets** and voted **96% of our eligible ballots**. Unvoted ballots may typically be due to companies or custodians imposing additional onerous requirements (for example, the need for signed powers of attorney in the Swedish market, or paperwork that needs to be signed by beneficial owners).

Votes against management

Achieving best practice in corporate governance is a dynamic process between the board, management and shareholders. We encourage companies to engage in the process of shaping and meeting standards of best practice as these evolve across different regions.

Regional charts

Votes by region



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

During 2021, we voted against at least one management proposal at 67% of shareholder meetings. This compared to 69% of meetings in 2020. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, BMO GAM did not support 60% (2020: 52%) of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance. In the case of concerns relating to decision-making on company boards, lack of genuinely independent directors or directors overcommitted through other directorships, BMO GAM cast votes against 23% (2020: 25%) of those standing for election.

Significant votes and outcomes and the Shareholder Rights Directive II

We have selected significant votes from our voting record, consistent with the Shareholder Rights Directive II. Our methodology for selection is based on characteristics of our global voting universe, including aggregate size of holdings in the company, number of clients holding the stock, significance of the voting issue for a company or in the relevant market, impact on shareholder value and materiality of the vote to engagement outcomes.

We have also tracked the outcomes of these votes (where possible, detailed below) and have found that in most instances, the issues we had identified also represented a concern for many other investors. Across these meetings and other high votes against management in our portfolio (for example, over 20%), we expect companies to engage with investors and disclose how they are addressing the concerns raised.

Daimler AG, AGM 31 March 2021

Daimler has reached agreements with various US authorities to settle claims regarding alleged illegal diesel vehicle emission control systems, but remains subject to investigations by the US Department of Justice, and Canadian, German and EU authorities. Given that the outcome of these remains unclear, we voted against the discharges of the Management and Supervisory board as a precaution and to signal concern about the potential impact on the company if further compliance and governance filings were uncovered. Although the proposals received widespread support at the AGM, we considered it important to raise our significant ongoing concerns through our vote. The discharge of the Management and Supervisory boards received approximately 98% and 95% support, respectively.

Outcome: Given the high level of support from other shareholders, the company has responded specifically to this vote. However, we will continue to monitor the company on these issues and may consider further action through voting where appropriate.

Starbucks Corporation, AGM 19 March 2021

We voted against the say-on-pay proposal due to concerns over Starbucks's decision to grant a retention award to their CEO in late 2019. We considered the potential cash payout too high and it was the second additional retention award to the CEO in the past two years. The proposal failed to pass, only receiving 48% support – rare for a company of this size.

Outcome: As a result of the vote and subsequent engagement, Starbucks made significant changes to executive pay for fiscal year 2022 and beyond as detailed in their proxy filings for 2022. We will evaluate these changes for the upcoming 2022 AGM.

Toshiba Corp, Special Meeting 18 March 2021

Two institutional shareholders proposed separate resolutions at a special meeting. The first related to an independent audit of voting processes by the board; the second to strategic investment policies, including capital strategies. The June 2020 AGM is shrouded in controversy due to failure to count ballots and the board investigation carried out considered to be weak. We supported the proposal seeking to appoint three independent attorneys to investigate if the June meeting was conducted in a fair and impartial manner. The resolution was passed by shareholders, with support of 58%.

Outcome: As a result, three independent attorneys were appointed to investigate the status of the operations and released their report on June 10, 2021.

Toshiba, AGM 25 June 2021

At the March special meeting, a shareholder proposal sought the appointment of independent auditors to review the voting processes relating to the 2020 AGM. This report was released prior to the 2021 AGM and was damning of management's handling of proxy votes and the board's reaction allegations. At the AGM we voted against the board chairman and the remaining member of the audit committee that had not resigned.

Outcome: Both were voted off the board. We will continue to monitor board oversight and the upcoming AGM.

Exxon Mobil Corp, AGM 25 May 2021

Exxon had been unresponsive to shareholder engagement on climate, prompting us to vote against directors on the board for 3 successive years since 2019. In late 2020, we co-filed a shareholder proposal to ask the company to report if, and how, Exxon's lobbying activities align with the goal of limiting global warming to well below 2 degrees. Following group and individual meetings, Exxon published its first "Lobbying Principles", which noted that all lobbying activities were in alignment with the Paris Agreement, but the report was not robust and lacked substance compared with some of its peers. We are pleased that 63.8% of Exxon's shareholders voted in favour of our climate lobbying proposal. We also supported the director candidates proposed by activist Engine No. 1, who were elected to the board in a shareholder vote to bolster the company's approach to reducing emissions and managing energy transition.

Outcome: In January 2022, the company announced its ambition to achieve net zero GHG emissions for operated assets by 2050 and published its report Advancing Climate Solutions – 2022 Progress Report. We will evaluate the robustness of this report for the upcoming 2022 AGM.

WM Morrison, AGM 10 June 2021

The pandemic heightened the focus on executive pay outcomes globally. The remuneration committee exercised discretion by adjusting bonus awards upwards to take into account the costs of COVID-19. This resulted in the FY2020/21 bonus awards being paid in full. We voted against this decision along with over 70% of shareholders at the AGM. The company is going private after an offer from Market Bidco Limited was approved in October of 2021.

Wizz Air Holdings plc, AGM 27 July 2021

We voted against the proposed value creation plan, which would result in an award equivalent to £50m to the CEO subject to performance conditions, overly weighted towards share price increases, rather than metrics, which are not as highly influenced by external factors. This would result in a pay out of around £100m. We considered the award to be excessive considering levels of pay at peer companies. Approximately 32% of votes cast did not support the resolution.

Outcome: Despite the high level of opposition, Wizz Air stated it was "wholly satisfied that the adoption of the Value Creation Plan...are in the best interests of the Company, its shareholders and other stakeholders." We will assess the impact of the value creation plan via the remuneration report at the upcoming 2022 AGM.

AGL Energy Ltd, AGM 22 Sept 2021

AGL Energy Limited provides energy and other services to residential, small and large business, and wholesale customers in Australia. At the 2021 AGM, two shareholder proposals made it onto the agenda. Having considered the proposals, we elected to support one of the resolutions that related to the setting of Paris-aligned emission goals and the implementation of climate targets in executive compensation structures for the company. The resolution, filed by the Australasian Centre for Corporate Responsibility (ACCR), was supported by approximately 53% of votes cast.

Outcome: The company has committed to detailing its decarbonisation roadmap during the fourth quarter of fiscal year 2022 and intends to put its climate reporting to a non-binding advisory vote of shareholders at the next AGM.

Electronic Arts Inc – AGM 12 Aug 2021

The company had its say-on-pay resolution voted down in 2020. with only 25.9% support. Despite positive changes to the pay structure of the executives, we did not consider there to have been sufficient progress to warrant support of the pay resolution this year. We were particularly concerned by the enhanced equity award to the CEO of US$30m and maximum annual incentive pay out of US$5m. Approximately 56% of shareholders voted against the resolution.

Outcome: We are awaiting the company's reaction in the proxy filings for the 2022 AGM and will assess the robustness of the company's response.

Shell plc: Special Meeting – 10 December 2021

Shell sought shareholder approval to simplify its structure by having only one type of issued share and aligning Shell's tax residence with its country of incorporation in the UK. The company has provided a rationale, which explains the benefits of the simplification of its share structure. Whilst initially expected to be controversial, the benefits, including those relating to implementing its climate change strategy, led to us supporting the proposals. Ultimately, the resolution was comfortably supported by investors.

Shell plc: AGM – 18 May 2021

At its AGM, Shell put its Energy Transition Strategy to shareholder approval. We welcomed Shell's leadership in setting a net zero target for 2050 covering its complete value chain, as well as in formally asking shareholder advice on its transition plan. We had concerns over the fact that most of the emission reductions would have to come from customers and Shell offsetting emissions, rather than fully aligning the core business model; total fossil fuel production looked flat or slightly increasing over the next decade, and the transition plan indicated that the company's shift in fossil fuel production (decrease of oil, increase of gas production) would not have a material impact on Shell's CO2 intensity. We, therefore, did not support the strategy as outlined by the company. Given that "Say-on-Climate" proposals are still new and infrequent agenda items globally, we consider the 11% vote against proposal the proposal to be a meaningful indicator of shareholder concern.

Microsoft Corporation: Annual Meeting – 30 November 2021

Microsoft has seen a number of shareholder resolutions at recent shareholder meetings. However, the 2021 AGM saw five proposals make it to the ballot. One proposal sought a board report assessing the effectiveness of the company's workplace sexual harassment policies. Having reviewed content of the proposal, the response by the company and our engagement with the company, we chose to support the shareholder proposal. Approximately 78% of shareholders supported request for improved reporting.

Outcome: In response, the company commissioned an external third-party review of its harassment and discrimination policies.

Shanghai International Airport Co. Ltd. Special Meeting – 16 December 2021

The proposed acquisition of aviation assets from Shanghai Airport Group (the Company's parent as a related party) did not raise governance concerns. We agreed the acquisition would positively impact competitiveness and profitability, and that the acquisition price was fair. Consideration was to be paid in both stock and cash. However, the issue price of the cash component represented a 19.77% discount, which we deemed excessive. We supported the overall transaction but voted against the resolution relating to the cash component. The cash component proposals received approximately 94% support.


Shanghai International Airport, China

Fixed income assets

Bondholder meetings are less frequent in comparison to shareholder meetings but are often the result of a significant corporate event. We will vote bondholder meetings if the fund manager considers it to be appropriate to do so. The opportunity for investors to meet issuers around new issuance also gives some leverage for engagement.

In our experience, long-term creditors and shareholders have similar, but not identical, interests with regard to ESG issues. In particular, corporate bondholders have a strong interest in robust governance of ESG risks as a dimension of overall enterprise risk management. Therefore, in our engagement on behalf of bondholders, we foremost encourage companies to manage these risks actively to protect their underlying credit quality and financial strength.

We believe that active consideration of creditors' interests in company engagement helps investors to address the issue of short-termism, which is a concern in many corners. Namely, by taking a "universal investor" approach to a company that encompasses both debt and equity perspectives, unduly risky behaviour that promotes short term gains for shareholders – at the expense of creditors – might be discouraged. At the same time, investors should encourage a more balanced, sustainable corporate strategy and financial policy that is better positioned to stand the test of time.

Seeking amendments to terms and conditions in indentures or contracts: From our experience, such opportunities rarely exist within public fixed income markets because they are from regular issuers with standard terms from well-established issuance programmes. The exceptions will tend to be in high yield and emerging markets, where investors are involved earlier in the process to gauge demand and discuss terms. Our approach would be to attend roadshows or to provide feedback regarding our interest to the lead managers, and where applicable we would make suggestions for amendments, such as change of control, leverage limits etc.

Impairment rights: In the rare event of a company defaulting, we will look to join other investors to negotiate an outcome that is in the best interest of our clients.

Reviewing prospectus and transaction documents: As part of the credit research process, assessing terms and conditions relating to issues and issuers from prospectuses and transaction documents forms part of our credit assessment and helps us to understand fair value across different issuers and securities.

Managing stock lending/recalls for voting

We operate a stock lending programme for certain funds, as we consider this to be an important factor in preserving the liquidity of markets and in facilitating hedging strategies; it also provides investors with an additional return.

For those fund managers wishing to be involved in stock lending, we accommodate this on a fund-by-fund basis. Likewise, we can exclude funds or individual stocks from the lending programme as required. Stock may be lent within an agreed threshold thereby ensuring that a vote is cast in line with our voting policy and any concerns are expressed directly through a letter to the company if necessary.

Within BMO GAM, where significant voting issues arise, we may recommend stopping any further lending of stock, and, if necessary, will seek, on a reasonable-efforts basis, to recall all lent stock over the voting period. Examples of when this may occur are on votes of strategic importance, situations where we cannot make an informed voting decision, where a vote is considered to be close and controversial and we disagree with managements approach, an activist situation or where an issue does not meet our voting policy or environmental policies.

We view corporate governance as an essential building block in creating more sustainable, better run companies.

Corporate governance in 2022

Achieving best practice in corporate governance is a dynamic process between the board, management and shareholders.

ESG and Executive Pay

We expect all companies to demonstrate the alignment of their remuneration policy with their overall business strategy and planning. Performance metrics should therefore relate to the company's articulated strategy and risk tolerance and targets should be constructed to align executive incentives to the interests of long-term shareholders. We also expect companies in climate-exposed sectors to set a long-term ambition to achieve greenhouse gas emissions reductions consistent with net zero global greenhouse gas emissions by 2050 and put in place robust strategies to implement this. These strategies should include bolstering board-level expertise and oversight of climate risks and opportunities, as well as linking executive remuneration to the achievement of climate-related objectives. In 2022, we will engage with companies in companies in key sectors (for example oil & gas, mining, materials, electric utilities, transportation and automotive, and financial institutions) on how executive pay is linked to climate strategy. We encourage all companies to consider what ESG metrics might be appropriate within their short and long-term incentive plans. We generally expect metrics chosen by companies to be measurable, ideally internal and with specific targets disclosed.

> Our diversity-related voting efforts will extend beyond gender to also focus on ethnic diversity and inclusion.

Biodiversity and Social issues in voting

As stated in previous chapters, we have developed our policy to formally include biodiversity and severe human and labour rights issues. At companies in sectors with high biodiversity impact, that fail to provide appropriate disclosure, we may not support management resolutions, including the report and accounts or the election of directors. At companies with insufficient mitigation strategies for human and labour rights issues, we may not support management resolutions, including the report and accounts or the election of directors.

Board diversity

Diversity in the boardroom and senior management can bring significant value to an organisation. A diverse mix of skills and perspectives is critical, and companies should seek to ensure that they draw on the richest possible combination of competencies, experience and outlooks at all levels of the organisation. For several years, we have placed a great emphasis on gender diversity via multiple avenues. We have extensively engaged with companies and have developed voting policies to reject the election of nomination committee chairs where boards do not meet our expectations of female representation. Our voting efforts will focus on increasing the level of diversity at the board, management and the workforce beyond gender. Ethnic diversity and inclusion is a critical issue of social justice, and we recognise its real value to our business and the businesses we invest in. We continue to engage investee companies to understand how they address systemic racism and the lack of inclusion in the workforce of under-represented groups. We expect companies to collect and disclose relevant data on the ethnic composition of the workforce, report on associated pay gaps and set and disclose targets and timelines for improvement. We may not support the re-election of nomination committee chairs or other relevant directors or management resolutions at the largest US and UK companies that are laggards in this area.

Meeting our **clients' needs**

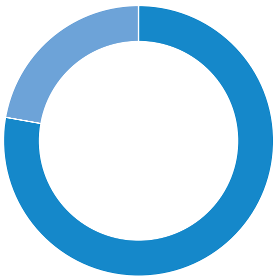
£88bn

total assets under management*

Our client base is diverse in type and geography and this is reflected in the breadth of products and services that we offer. Our teams are united by a clear client-driven focus that drives the ambition to constantly re-evaluate our approach and product offerings. It's an ethos that means when we see new challenges and opportunities, we're positioned to develop genuinely innovative solutions particularly in terms of ESG investing and stewardship.

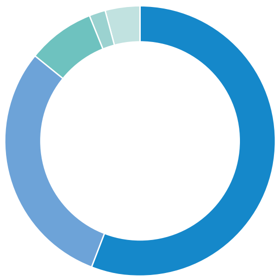
Discover the breakdown of our clients and asset classes*:

Institutional vs. Retail



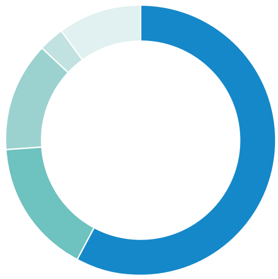
Institutional	£69bn	78%
Retail	£19bn	22%

Asset Class



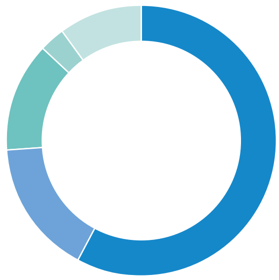
Fixed Income	£50bn	56%
Equity	£26bn	30%
Liquidity Management	£7bn	8%
Property	£2bn	2%
Alternatives	£3bn	4%

Client Region



UK	£51bn	58%
France	£0.3bn	0%
Netherlands	£14bn	16%
Germany	£11bn	13%
Ireland	£2bn	3%
Other	£9bn	10%

Country Region



UK	58%
Netherlands	16%
Germany	13%
Ireland	3%
Other	10%

Supported by a **106-strong** client management division.

Responsibly managed AUM and AUA*

£11bn

total assets managed in Responsible and Sustainable funds and mandates

£836bn worth of assets engaged on = £38bn BMO GAM (EMEA) assets engaged on + £828bn ***reo***® assets under advice engaged on

*All figures as at 31 December 2021 and refer to BMO Global Asset Management (EMEA).

Understanding our clients' objectives

Our partnership model, used with many institutional clients, is aimed at providing an efficient, effective and flexible investment journey. As part of account setup and on-boarding, clients are assigned a dedicated Client Director, who has overall responsibility for their partnership with BMO GAM. The Client Director works with the client to help understand specific investment goals, objectives and risk tolerances, helping to develop an investment and transition plan in conjunction with the portfolio management and operational teams. These goals, objectives and risk tolerances also relate to ESG and stewardship aspects.

For a specific portfolio once the mandate is set up, we recommend an ongoing meeting schedule tailored to clients' requirements, to discuss performance, review the portfolio in detail, and also offer a regular forum for client feedback and discussion. For many of our clients, ESG and stewardship themes will form part of our ongoing discussions with our sales teams, investment professionals and RI team.

Client Engagement

During 2021 we hosted responsible investment conferences and client events to facilitate education sessions and to explore complex ESG topics such as climate change, public policy and regulation implications for investors. Notably, our Responsible Investment Conference, held online in June 2021, gained 360 live attendees and 55 on-demand attendees across UK and European wholesale and institutional audiences. Topics included ESG engagement, ocean health, COP26 and the evolving RI landscape. Our RI team and fund managers for our Responsible and Sustainable fund ranges also regularly contribute to industry events, which bring together asset owners and managers to collectively explore issues of concern. This helps to inform our own research and priorities, as well as to keep our investors engaged on emerging issues.

Also in June 2021, the Dutch team held their annual Responsible Investment seminar for pension fund board members and consultants, both clients and prospects. The main theme was the road to net zero, with both external and internal specialists sharing their views on how pension funds can measure and manage the climate footprint of their portfolio, what instruments are available to do so, and so on.

The ESG team at BMO REP hosted their annual ESG real estate investor webinar in May 2021, which attracted over 80 registrants.

Defining shared stewardship objectives

Our obligations as investors do not end at the point where an investment decision is made. We believe that active management of ESG issues and stewardship is in the best interest of our clients, and we therefore engage investee companies to encourage them to improve performance and move towards best practice in the management of ESG issues.

Spotlight on: our Dutch Fiduciary team

Climate change was a central topic of client discussions for our Dutch Fiduciary team in 2021. They held educational sessions for asset owner clients around the science, impacts and related risks for portfolios, and published two advisory notes on net zero and related implementation, where the RI team's net zero analysis tool and contributions to investor collaborations were leveraged to create a comprehensive asset owner strategy. The first advisory note focused on the concept of net zero and the various pledges and methodologies available. In 2022, the team will advise on implementation for one of their prime client's equity exposure, and will follow this up with advice for the credit and listed real estate exposure. The team will also advise on how the client can report against its commitments to the Dutch climate accord.

The team also wrote a whitepaper on the EU Climate Benchmarks, as well as a market outlook on climate change and strategic asset allocation. Going beyond climate change, other educational sessions for asset owner clients included the differences between exclusions and engagement.

During 2021, the team held two investment beliefs workshops focused on ESG to help identify priority themes, and also prepared seven ESG-focused investment cases discussed with clients' investment committees over 2021. The cases covered were developed and emerging market equities, investment grade corporate bonds, high yield bonds, emerging market debt, government bonds and interest rate swaps.

The team was very active in the events space, presenting both in-person and digitally on topics such as climate change and net zero investing. This included a webinar on green bonds for mandatory training to Swiss financial sector professionals, and presenting an outlook on climate change and the opportunities and challenges of net zero investing at the annual Macro Outlook Seminar, hosted by our Dutch office in November and attended by pension fund board members and consultants – both clients and prospects.

Investment teams, supported by the RI team, will determine materiality and prioritisation of engagement based on a number of factors described in the earlier Engagement section of this report.

Aligning our investment horizon with stewardship

Investment teams operate with a high degree of autonomy in developing their own investment approach, which enables us to accommodate a wide range of investment styles and offer our clients a diverse set of strategies that invest over a range of investment horizons. For a significant number of our fundamental bottom-up strategies, investment teams look to invest in quality companies and hold them over the long term, resulting in low turnover portfolios with an investment horizon of at least 3-5 years and some securities are held in the portfolio 10 years or more.

Our thematic stewardship projects are typically led by the RI team and last on average 1-2 years and may evolve beyond that, while company-specific engagement driven often by investment teams as part of portfolio monitoring can have an indeterminate length. Investment teams may engage with companies on a range of issues over the course of their holding. Engagements are determined based on materiality, so duration may be shortened or prolonged depending on the materiality of the issues, position in the strategy, or outcomes of the engagement.

Leveraging our ***reo***® service

A unique feature and benefit of BMO GAM is that we can leverage our in-house ***reo***® insights to act as one input to gauge priority client issues and stewardship objectives. We run a biannual client consultation process with our ***reo***® clients to discuss and agree shared thematic priorities and objectives. We find these client views are typically representative of broader industry trends and preoccupations. Further prioritisation of engagement is driven by an assessment of materiality across the holdings and issues identified within the funds.

Following client consultations in 2021, we identified 11 engagement projects which will be pursued in 2022 across multiple sectors and involving multiple companies.

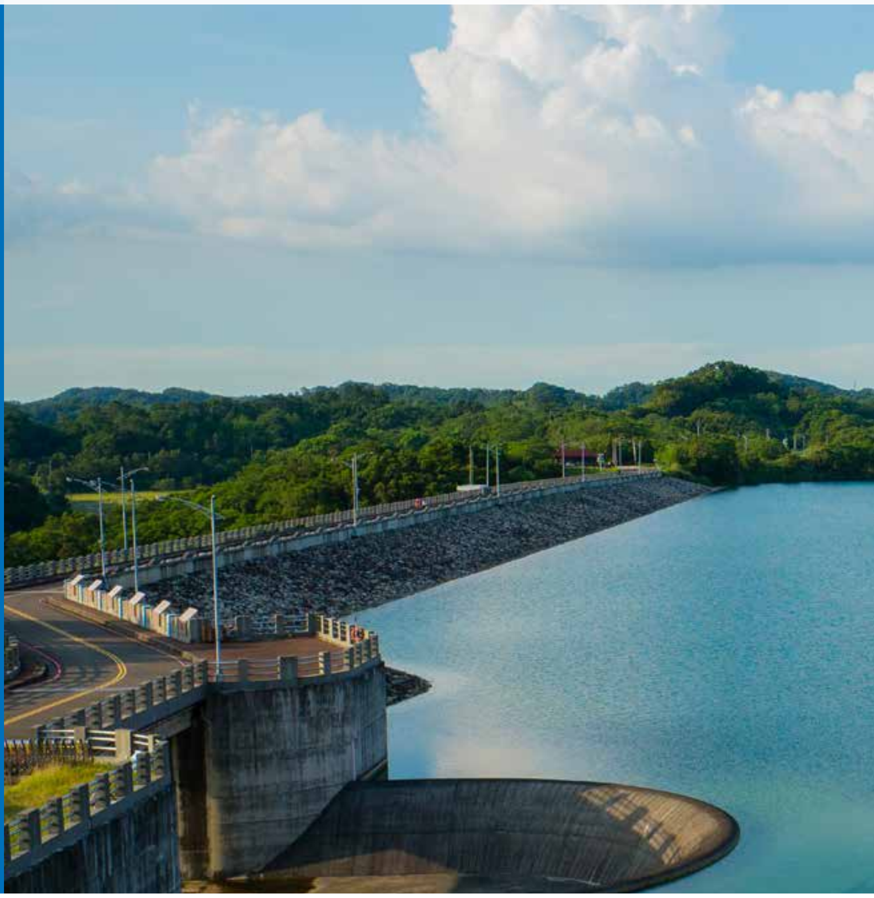
The Netherlands houses the world's highest density of charging stations for electric vehicles.

Engagement Example

Taiwan Semiconductor Manufacturing Company

Taiwan Semiconductor Manufacturing Company (TSMC) is positively aligned with SDG 8.2. Helping its customers achieve higher levels of productivity through diversification, technological upgrading and innovation.; Share of company revenue 100%

We have held TSMC in our portfolio since 2010. Together with our responsible investment team have engaged with them on a number of ESG issues including; labour standards in the supply chain, corporate governance and GHG emissions and water management:



Engagement

2009

- Initiated engagement on **labour standards in the supply chain**.
- Initiated engagement on **voting issues** to maximise shareholders' rights.

2010

- Continued engagement on **supply chain labour standards**. We asked the company to join the EICC.

2011

- Initiated engagement on management of **GHG emissions** and **bribery & corruption** risks.

2012

- Continued engagement on **GHG emissions management**, asking TSMC to set and disclose reduction targets

2015

Milestones

2010

- **Enhanced shareholder rights** by introducing voting by poll at the annual shareholders meeting.

2015

- Signed up to the **EICC**

SDG = (UN) Sustainable Development Goals; EICC = Electronic Industry Citizenship Coalition (now Responsible Business Alliance); GHG = Greenhouse gas

The Baoshan No. 2 Reservoir in Hsinchu County, one of the primary water sources for Taiwan's semiconductor industry

2016

- Encouraged measures to enhance **board effectiveness**.
- Continued dialogue on **management of labour and other ESG risks in the supply chain**.

2017

- Initiated engagement on **water management**.
- Participated in a stakeholder **ESG materiality** survey.

2019

- Encouraged the company to improve management of **water scarcity** risks.
- Enhanced approach to **audit suppliers' compliance** with supplier **code of conduct**.
- Established **nominating committee** at the board.

2020

- Asked the company to link **executive pay to ESG goals** and improve overall **pay disclosure**.
- Appointed new **independent directors**.
- Announced **world's largest renewables** corporate power purchase agreement.

2021

- Continued engagement on **climate change and water risk and opportunity** management
- Initiated dialogue on **gender diversity**.
- Developed and published director **nomination guidelines**.
- Committed to **net zero by 2050**.

Client communication

To inform our clients and the broader public about our stewardship efforts and their outcomes, we publish a wealth of insights, reports and policy frameworks:

Publication	Description
Stewardship Report (annual)	This report you are currently reading contains in-depth information of our stewardship activities for the previous full year and related forward-looking plans.
Quarterly stewardship reporting	These quarterly reports outline our stewardship activities across engagement and proxy voting for the previous quarter. Download Q4 2021 report
ESG Viewpoints (at least monthly)	Our RI and Marketing teams publish thematic, sectoral or regional ESG research and analysis, with reference to our engagement and voting efforts. For ***reo***® clients, we also provide further confidential company engagement details. A list and links to the Viewpoints we published in 2021 can be found on in chapter 'Promoting well-functioning markets'.
Pioneer Perspectives (at least monthly)	Our RI and Marketing teams publish thought leadership pieces, typically covering their perspective of a current ESG issue, or ESG considerations of a topical issue. They are often written in coordination with global days of recognition, such as World Oceans Day. All the articles we published in 2021 can be found chapter 'Promoting well-functioning markets'.
reo® client portal (updated daily)	Our database for engagement activities for ***reo***® clients only – client confidential, no link available.
Proxy voting platform (updated daily)	Database for proxy voting efforts. Access it here.
Responsible Investment policies (reviewed annually)	These policies support and inform our engagement and voting activities on behalf of our clients. We aim to clearly articulate what we expect of investee companies from an ESG perspective. Discover more information in chapter 'Review and assurance'.
Responsible Investment Strategies – Summary Criteria (updated as needed and reviewed annually)	Screening criteria for our range of Responsible strategies.
Sustainable investment policies for our Sustainable strategy range (reviewed annually)	These policies support and inform the management of the fund in relation to its sustainability philosophy and criteria.
Fund-level impact reports (annual)	Annual reports showing the fund's alignment to the SDGs, how it ranks against a set of impact metrics versus its benchmark, and stewardship details.
Fund-level factsheets (monthly or quarterly)	Updates covering activity and performance, as well as engagement efforts for selected Responsible and Sustainable funds. For fund clients only, not shared publicly on website.
BMO Real Estate Partners' Net Zero Carbon Pathway	A publication to demonstrate our high-level approach to achieving net zero carbon in all of our real estate strategies by 2050 or sooner. It is aligned with the Better Buildings Partnership's industry framework.
Real estate strategy-level annual ESG Reports	We publish annual ESG reports for a selection of our UK real estate strategies. Reports for our two listed REITs are written in accordance with the latest European Public Real Estate Association's (EPRA) sustainability Best Practices Recommendations (sBPR), which in turn are aligned principally with the Global Reporting Initiative (GRI) Standards. The report for our non-listed OEIC is written in accordance with the latest European Association for Investors in Non-Listed Real Estate Vehicles (INREV) Sustainability Reporting Guidelines. All ESG reports, in addition to the recommended disclosures, contain strategy-specific goals and progress against these in the reporting year, as well as additional metrics on environmental risk so investors have full oversight of non-financial risks to the real estate portfolios. Highlights from these reports are also shared in each entity's Annual Report and Accounts.


Visit our website
to access the
relevant documents.
bmogam.com

Resourcing and risk **management**

Governance, resources **and incentives**

Our RI team play a central role in stewardship at BMO GAM, working closely with portfolio managers to deliver on our commitments to integrate analysis of relevant ESG issues and opportunities into investment processes and to undertake effective stewardship.

A leading voice in a vital conversation

25 .... members in our Responsible Investment team

276+ .... combined years of relevant experience

36+ .... years of investing responsibly

22 .... years of driving positive change through ESG engagement

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

2 Managing Directors

Alice Evans
Managing Director, Co-Head of Responsible Investment

Claudia Wearmouth
Managing Director, Co-Head of Responsible Investment

Reporting to

Richard Watts
CIO, BMO Global Asset Management

Our RI team in detail

We leverage the range of professional backgrounds (investment, consulting, corporate, product, climate change, corporate governance and broader ESG backgrounds), an average of over 12 years relevant industry experience, 8 nationalities and 7 languages to strengthen the effectiveness of our company engagement by enhancing our understanding of the context and environment in which the companies operate and the challenges they face.

During 2021, the RI team hired two reporting analysts and two product specialists to support our funds and institutional clients. Further hires included two ESG analysts, one of whom has a specific focus on climate change, as well as an ESG data scientist and an ESG integration manager. By the end of 2021, the team comprised 25 individuals. In 2022, we will be seeking to hire a further climate specialist, a product specialist to work with our ***reo***® clients in the Netherlands and a further two ESG analysts with strong corporate governance expertise. We have begun working on integrating with our counterparts at Columbia Threadneedle Investments, including with the large investment research analyst team. This will be a major focus in 2022. Plans are also in place for significant further headcount to be added to the combined RI team, and we also expect to see some changes in the team's management.

Training our teams

The RI team acts as an ESG hub within our business, with regular training provided to all investment teams on the analysis of ESG topics. Training is recorded and can be accessed through the intranet on an ongoing basis. In 2021, the RI team held a training session on the UK Stewardship Code with all investment teams. The focus of the session was on providing education around the increased focus and scrutiny of stewardship, and setting expectations for investment teams to enhance their engagement and related reporting. All teams were offered further sessions tailored to their particular asset class. This training has allowed us to include a better representation of stewardship activity within investment teams in this report compared to last year. In addition, we continued to hold ESG integration seminars for investment teams with dedicated regular sessions on a range of topics including Net Zero and climate stewardship, climate risk in the banking sector, water risk, modern slavery, artificial intelligence.

Real estate professionals benefit from additional property-specific CPD training, often provided by external parties on topical industry matters, such as green leases, but also including ESG-focused sessions delivered by internal specialists. In 2021, some of the key delivery areas these sessions were around GRESB, net zero carbon and legislation concerning energy performance certificates (EPCs). All property professionals have ESG-related targets included in their annual performance objectives.

Over the course of 2022, the RI team will be tracking investment teams' engagement logging and providing feedback where necessary so that we can better harmonise RI and other investment teams' engagement activity. Our ultimate ambition is to move to an integrated platform that brings together all engagement data.

> In 2022, the RI team will track investment teams' engagement logging and provide feedback to better harmonise RI and other investment teams' engagement activity.

Governing responsible investment

Although our governance structures are currently changing as we become a part of Columbia Threadneedle Investments, the information reflected on the flowchart opposite remains relevant for 2021. The governance and oversight of our stewardship activities reflect the global nature of our organisation and our aspiration to act in a harmonised manner through our voting and engagement across our regulated entities.

Governance in real estate

BMO REP operates an ESG Committee chaired by a Senior Management Team officer, which involves representatives from all key property disciplines across the European platform. It meets on a quarterly basis to consider and review company and vehicle direction and activity within the ESG arena. Delivery is cascaded through various ESG groups and sub-committees, through to investment committees and incorporated into control gateways that are applied at key stages of a property asset's lifecycle. The BMO REP board is thus aware of strategic ESG objectives and strategy and the Executive is made aware of any items that require attention through clearly defined escalation and cascade protocols. A member of the BMO GAM (EMEA) RI team is also in regular dialogue with the ESG team at BMO REP to ensure both teams are informed and aligned.

Use of data and voting providers

As set out in the ESG Integration section of this report, our RI team have developed an ESG integration toolkit to assist investment teams with identifying ESG risks and stewardship priorities. The toolkit uses MSCI ESG and Institutional Shareholder Services (ISS) Quality Score data as input, and our RI team further use sources such as RepRisk and CDP to assess issuer performance on ESG issues. We further source data from Impact Cubed and SouthPole (green bonds) for fund level impact reporting.

Governing responsible investment in 2021

BMO GAM Executive Committee

Annual approval of public documents: Responsible Investment Approach, Corporate Governance Guidelines (CGG), Conflicts of Interest Policy

Global Investment Committee

Chaired by the Global Chief Investment Officer and comprises senior investment representatives from across BMO GAM representing our respective regulated entities. Provides oversight of BMO GAM's investment management on behalf of the BMO GAM Executive Committee. This includes monitoring and evaluating investment performance; coordinating and aligning investment policies and strategies; reviewing and approving all updates to our stewardship approach and related policies, and providing recommendations for adoption by Executive Committee.

Responsible Investment team

Undertakes stewardship activities, including engagement and voting, in alignment with agreed policies and client priorities. Carries out ESG research and screening. Supports the investment teams with ESG integration

Investment teams

Integrate ESG considerations into their investment research, stewardship and decision-making – supported by the Responsible Investment team

Proxy Working Group

Comprises senior, regional investment management representatives that provide an internal escalation mechanism for the RI team, whereby the RI team seeks input on certain shareholder meetings, including high-profile votes and emerging voting topics, as well as initial sign-off for co filing of shareholder resolutions. Draft & approve global CGG for investment across BMO GAM.

Responsible Investment Advisory Council

Third party advisory body comprising five external sustainability experts and an internal member. Help maintain the integrity of the standards by which the Responsible funds are run, by providing advice on ethical and sustainability criteria, as well as stewardship priorities and strategy. Their expertise also helps inform our approach to broader responsible investment issues and engagement focus.

ESG products and services

Product team

Assess evolution of the product range in line with BMO GAM's global strategy.

BMO Global Asset Management as at: 31 December 2021. During our interim period from November 2021, the responsibilities of our Global Investment Committee were delegated to our EMEA Investment Committee.

We also analyse our aggregated investment holdings (equity and corporate bonds) list against the United Nations Global Compact (UNGC) Principles and at whether investee companies are in breach of norms set by the International Labour Organisation (ILO) and the Universal Declaration of Human Rights, with related research provided by MSCI ESG on a quarterly basis. The MSCI ESG and norms-related controversies service provides timely and consistent assessments of ESG controversies involving publicly traded companies and fixed income issuers. Companies which are in breach of one or more of the principles are analysed by our RI team on a quarterly basis to determine whether to initiate and/or continue engagement on the highlighted issues.

In proxy voting, we use ISS for global proxy voting research and vote execution services (discover more in the Voting section of this report). In addition, we use the Investment Association's Institutional Voting Information Service (IVIS) for supplementary research on FTSE AllShare companies.

Workplace diversity

As our business transitions to become a part of Columbia Threadneedle Investments, we look forward to combining the strengths of both organisations in terms of talent and culture. We will integrate and advance our approach to diversity, inclusion and equity.

For example, the Columbia Threadneedle Investments EMEA strategy sets out the following four primary objectives, and proposes a number of actions to drive clear and measurable progress against each one:

Primary Objectives:

- Change the profile of our EMEA employee base to better reflect our client base and the broader population by achieving gender balance and an agreed appropriate level of ethnic minority representation at all levels
- Create an environment and culture that is inclusive and supports a diverse employee and client population
- Embed clear accountability for diversity and inclusion among senior leaders, line managers and all employees
- Proactively build a reputation as a champion of diversity through external communication, advocacy and thought leadership

Incentivisation

For RI team members involved in voting and engagement activities, company analysis and ESG screening, remuneration is linked to the quality of these activities. This is assessed on an ongoing basis by senior team members and more formally at year-end. Key performance indicators include:

- Engagement and voting-related metrics
- The identification of investment-relevant ESG issues that feed into our active fund managers' analysis
- Success in positively influencing the ESG activities of individual companies

Outcomes

To pursue outcomes, we engage with companies in a targeted and meaningful manner on issues that are material from a stewardship perspective. We take into account the following:

- That outcomes of our engagement activities may not become evident for several months or years
- That different types of engagement activities may be appropriate under different circumstances (e.g. outreach letters to companies on increased reporting expectations v. multi-year intensive engagement on one topic)
- That there should not be perverse incentives for "easy wins" in terms of engagement to outcomes

Governance structures support stewardship goals

We believe that our governance structures and processes have facilitated an effective and progressive voting record, in line with our stewardship beliefs, and supported an approach to responsible investment that cuts across all strategies and asset classes with senior management oversight.

As discussed in 'Our culture of stewardship', stewardship remained a strategic priority. Key highlights included:

- Surpassing our RI team engagement target, engaging 940 companies during the year and recording 388 instances of positive change at the companies we engage.
- Surpassing our internal record for proxy voting action, voting at more than 12,000 meetings
- Growing our assets under advice in our ***reo***® programme
- Implementing our net zero investing commitment.

Review and **assurance**

Our stewardship activities are supported by the following policies and expectations:

- Responsible Investment Approach
- Global Corporate Governance Guidelines
- Engagement Policy
- ***reo***® Engagement Policy
- Conflict of Interests Policy
- Our Expectations for Environmental Practices
- Climate Change Approach
- Expectations for Social Practices
- Exclusions Policy – weapons

These documents support and inform our engagement and voting activities on behalf of our clients. Through these policies and expectations, we aim to clearly articulate what we expect of investee companies from an ESG perspective. We believe that they contribute to a harmonised approach, which leverages the full power of our voice and the vote of our global investment portfolios.

As stated at the beginning of this report, we are currently unable to provide specific links to reports as our website assets transition as part of Ameriprise Financial's acquisition of BMO Global Asset Management (EMEA). Instead, you can navigate to the relevant content by visiting bmogam.com.

At BMO REP, Signed Policy Statements (relating to investment property operations) are available for:

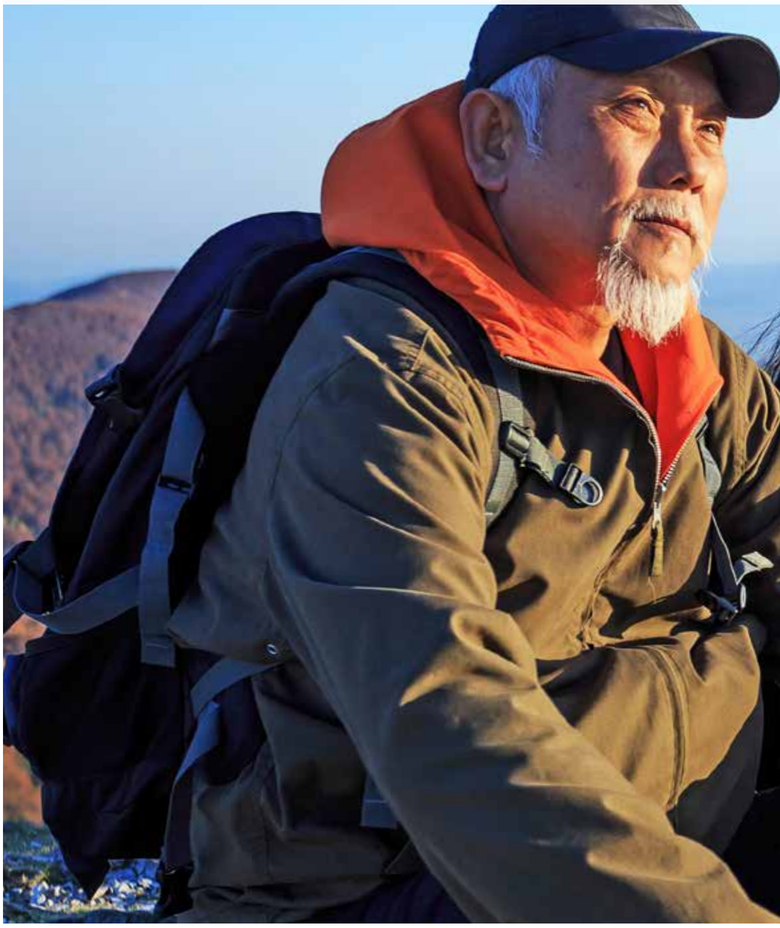
- Responsible Property Investment
- Environmental Policy
- Health & Safety
- MEES (Minimum Energy Efficiency Standards)
- Munitions (and other controversial activities)
- Water Hygiene (and legionella control)

The policies are reviewed annually for ongoing relevance, then signed by a Senior Manager. They are drafted by the Head of Sustainability at BMO REP, in consultation where relevant with external consultants and the RI Team for consistency with wider BMO GAM policies.

Producing and reviewing our policies

All policies are drafted by the RI team. They are reviewed prior to publication by Legal, Compliance, and Investment Writing teams. The Global Investment Committee, which includes senior management representatives from all asset classes, reviews and approves these policies prior to publication. All policies are reviewed and – if necessary – revised on an annual basis.

Regular training on the policies and their implementation is provided to all investment desks. Training is recorded and can be accessed through our intranet on an ongoing basis. Additionally,



the Responsible Client Group, comprising members of our RI team, finalised an internal project entitled Body of Knowledge in July 2021. The objective of the project was to create a hub to house key RI statements, reports and approaches to support the broader business articulate BMO GAM's responsible investment position across the business, to our clients and wider stakeholders, with a one-stop location that holds the latest version of all the relevant policies and approaches. The group created a Key View Summary for all documents in the location, which they review and update regularly. These highlight the most salient points of each document and provide a simple breakdown of the content.

Seeking assurance

The RI team has developed monthly monitoring of engagement activities, their impact and their frequency. Findings are discussed in a bi-monthly meeting of the engagement experts in the RI team, and if necessary results are shared with/ escalated to the team's Co-Heads.

In addition, together with the team responsible for Investment Mandate Control, the RI team runs a quarterly monitoring process to ensure compliance with global ESG-linked investment standards. Findings are escalated to affected fund managers, and regularly reported to the relevant Regional Risk and Oversight Committee.

Internal audit teams regularly review our stewardship processes and data systems. Group-wide ESG policies are reviewed annually by the RI team and relevant Legal experts, and approved by the Global Investment Committee.[9]

We have controls in place to provide reasonable assurance regarding our proxy voting arrangements. The last period covered was 1 November 2019 – 31 October 2021. Tests were performed by KPMG LLP and no exceptions were noted in the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/06. For the period ending 31 October 2021, we aim to include controls regarding our RI engagement arrangements.

Our approach to assurance, with the intended future developments in this area, is designed to cover stewardship activities we undertake both for our managed funds and for our reo clients. For 2022, we plan for our external auditor to review and provide assurance related to our engagement activities over 2021, in addition to the voting activity controls assurance described above.

Our Responsible and Sustainable funds are certified by either FNG (for the DACH and Liechtenstein market) or by Febelfin's Towards Sustainability label. Each of the certification schemes have their own audit, which confirms alignment with the schemes' exclusion criteria and general process development. In addition, all our ESG-labelled funds have dedicated fund policies and internal functions – such as the investment managers, as well as the RI team who review compliance with the fund's exclusion policies and sustainable investment strategies on a weekly or quarterly basis respectively. The monitoring process is overseen and run by a function called Investment Mandate Control, which ensures pre- and post-trade compliance with policies.

The Global Real Estate Sustainability Benchmark (GRESB) serves the industry and its clients as a proxy for an entity's overall approach to ESG activity. Three UK real estate strategies have completed GRESB for a number of years, and their scores have overall progressed over the last four years. In 2021 there was an average score improvement of 10% across these entities. BMO REP submitted two additional strategies to the benchmark in 2021, and for first-time entrants, their scores exceeded expectations and set a baseline from which their ESG performance can be improved.

Ensuring fair, balanced and understandable reporting

We have designed this report to be in line with the guidelines set out by the Financial Reporting Council and have reviewed peer reports, including that produced for the existing Columbia Threadneedle Investments business, and industry best practice. We recognise that practices will evolve over time and are committed to continually improving our reporting to ensure enhanced readability. The information for this report has been sourced from multiple internal stakeholders in their respective areas of responsibility to check and verify the accuracy of data as at 31 December

[9] This applies to our structure within BMO Financial Group before Ameriprise Financial's acquisition of BMO Global Asset Management (EMEA) in November 2021. We will report on our new structure in our next stewardship report.

Internal audit teams regularly review our stewardship processes and data systems.

2021. The content was written and edited by members of our RI team, and the layout was created by members of our RI and Marketing teams. It has also been reviewed by our internal Investment Writing team to ensure the language is clear and consistent. It was reviewed by the co-heads of our RI team, as well as members of the Compliance team to ensure the information is fair, balanced and not misleading. Our other stewardship publications also undergo a similar production process.

Improving our stewardship policies and processes

In 2019, we identified the need to publicly articulate the details of our expectation of investee companies with respect to environmental and social practices. As disclosed in our previous report, in 2020 we published the expectations (available at the start of this chapter). We also published our Engagement Policy to align with the Shareholder Rights Directive II and to comply with FCA conduct of business rules – please see the relevant link at the beginning of this principle.

In 2021, we continued to build on the social and environmental expectations statements by continuing to engage companies on the issues and by rolling out systematic voting approaches on these topics. These will be reflected in our Corporate Governance Guidelines in early 2022.

We also identified a need for improvement in our stewardship reporting processes and outcomes. In 2021, the RI team hired an Impact Reporting Analyst who manages projects such as the preparation of this Stewardship Report, as well as the production of our impact reports for Responsible and Sustainable funds. This analyst has a background in BMO GAM's Content team within the Marketing department, which has helped improve collaboration on content and reporting production between the RI and Marketing teams.

Towards the end of the year, we recognised a need to enhance the coordination of regular reporting such as that for ***reo***® clients, fund clients, regulatory and consultant based. We therefore set up a dedicated group for on fund and client reporting that includes various members of our RI team such as the Quant specialists, the Impact Reporting Analyst and Product Specialists to coordinate reporting requirements and improve information sharing.

Going forward, we will continue to enhance ESG and product expertise within the RI team with additional hires as we become part of Columbia Threadneedle Investments. Further information is available in chapter 'Governance, resources and incentives'. We are also working to fully integrate our investment teams and RI-led engagement activity, so that we can better report on engagement across the business.

9

primary service providers, plus various brokers, used in relation to stewardship activities.

Slums in Manila, the Philippines.

Monitoring managers **and service providers**

As an active investment manager, we conduct proprietary research on issuers. This is supplemented by data and research from a variety of proxy voting and ESG service providers. This data and research is available to investment teams across all asset classes, depending on demand. In addition to issuer analysis, we also receive a variety of issue-based screens and theme-specific research reports. Screens vary widely from product-based screens to applying the Principles of the United Nations Global Compact. ESG data and research is used in some form across all asset classes.

We utilise external data in proprietary ESG research models and will use data from a range of providers in this process. We continuously engage with new and existing service providers to evaluate products that could enrich our research process. An example of this during the year was the procurement of RepRisk ESG and business-conduct risk research.

This table highlights our primary service providers in relation to stewardship activities:

Name of Provider	Services	Purpose of Service	EQ	FI	RE
MSCI	Screening data, research, Data for proprietary risk tools.	Conduct ESG research; Screen potential and existing holdings (examples include UNGC screening and carbon footprint reports); Prioritise engagement; Net zero analysis	✓	✓	✓
Institutional Shareholder Services (ISS)	Voting Services and Research	Governance research ad proxy voting services	✓		✓
Institutional Voting Information Service (IVIS)	Proxy research (UK Only)	Shareholder meeting ESG research	✓		✓
RepRisk	ESG and business-conduct risk research	ESG research	✓	✓	✓
GRESB	ESG research	Real Estate focused ESG research including net zero analysis			✓
SustainAlytics	Screening	Controversial weapons report	✓	✓	
Impact Cubed	Raw data	Impact data	✓	✓	✓
Factset	Raw data	SDG revenue mapping	✓	✓	
Various brokers	–	ESG research	✓	✓	✓
Carbon Disclosure Project	Net zero analysis, Voting	Analysing companies for net zero alignment Informing voting policy	✓	✓	

EQ – Equities, **RE** – Real Estate, **FI** – Fixed Income

The RI team has deep relationships with its data and research service providers. When issues arise, these are logged internally and communicated to the service provider at the earliest opportunity and timelines are set and then tracked for resolution of the issued identified. Internal discussions are held to review the service offerings of providers and to ensure various touch points within BMO GAM are aware of any outstanding issues.

Our Market Data Management team monitors and reviews the performance of external service providers. Every service provider is assigned to a member of this team. It is the team's responsibility to ensure that our expectations and any contractual obligations are being met. This team coordinates internal reviews of service providers and is involved in the procurement of new services. The product review, supplier due diligence, testing and subsequent onboarding of the EU Sustainable Finance Disclosure Regulation ("SFDR") and Taxonomy Regulation data services from MSCI is an example of the RI and Market Data Management teams working collaboratively during 2021. A longlist of 60 vendors were identified initially, and shortlisted to 10. A detailed tender process and data review was completed by the shortlisted names, assessing the product and vendor across 10 key areas such as data quality, universe coverage, data delivery, and an assessment of the vendor itself.

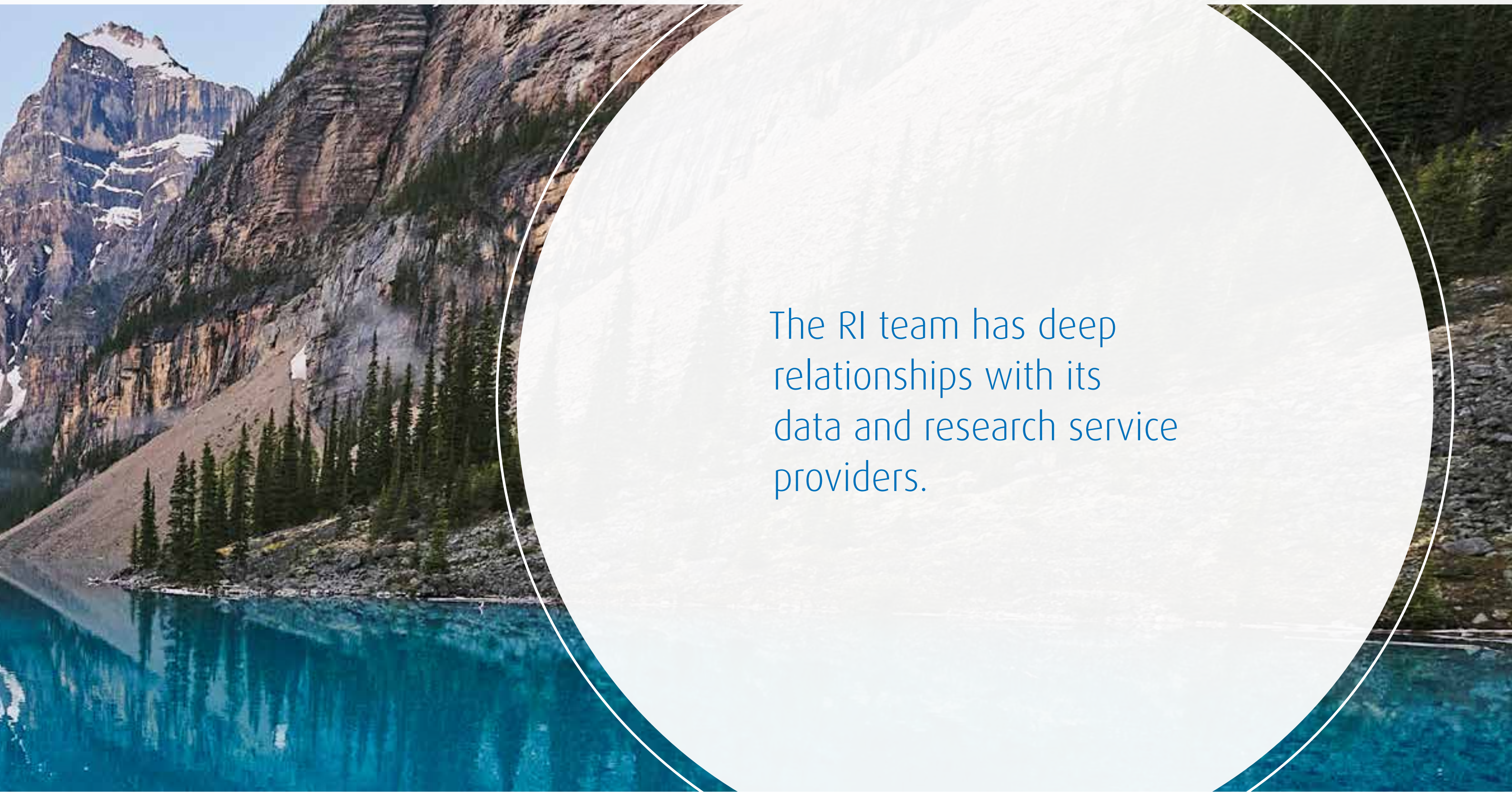
During 2021, BMO GAM EMEA, whilst part of BMO Financial Group, continued to adhere to BMO's Supplier Code of Conduct and engage vendors in accordance with its TPRM framework. All new or renewed vendor arrangements, or any significant changes to existing arrangements with any ongoing vendor had to comply with TPRM framework requirements.

Since 8th November 2021 when it became part of Ameriprise Financial, Inc group, BMO GAM EMEA has followed its group standards applicable to vendor engagement. Each vendor, whose services members of Ameriprise, (including now the entities that make up BMO GAM EMEA) receive are subject to its vendor risk assessment process and is questioned as to their compliance with the Act. Since April 2021, over 158 vendors have been contacted and have all confirmed their compliance. Where applicable, Ameriprise contractually obliges vendors and suppliers to "comply with laws and regulations", including a specific statement about having policies and procedures in place to comply with the UK Modern Slavery Act and to submit to an audit/produce reports on request.

Various Corporate Support Areas across BMO GAM are leveraged for expertise in their respective operational risks through an Inherent Risk Questionnaire, Due Diligence, Ongoing Due Diligence, contract controls and termination programmes.

BMO Real Estate Partners

To ensure the highest level of environmental stewardship is maintained in our directly managed properties, BMO REP maintains British Standards Institution (BSI) accreditation to ISO 14001 (environmental management systems). This is an internationally recognised standard under which we have developed a policy and a number of robust procedures to be followed on site by our internal and external building managers and their selected contractors. An external specialist consultant was engaged in 2018 to help develop these protocols and continues to implement annual checks of all sites in advance of the BSI sample audits, providing assurance that procedures are being followed and holding the property managers to account. In 2021 BSI's annual audit found no non-conformities, reinforcing the effectiveness of the approach.



The RI team has deep relationships with its data and research service providers.

Proxy Service Provider – ISS

Whilst we are regularly in contact with our proxy voting provider ISS, we also hold formal quarterly review meetings that provide an opportunity for structured due diligence. These meetings cover standard agenda items and any ad hoc issues raised by the RI team or by clients; the issues are discussed and timelines for resolutions are set and then tracked. Ahead of these meetings ISS provide us with a report against Key Performance Indicators. Areas of focus in the quarterly meetings are detailed in a formalised agenda. Discussion on each agenda item will be based on qualitative (analyst input) and quantitative (management reporting tools) evaluation in addition to specified contractual service level agreements that cover the majority of aspects of the relationship. Areas reviewed include:

- Team update (including ISS client servicing, custom policy and research teams)
- Ballot generation service evaluation
- Vote execution service evaluation
- Account maintenance service evaluation
- Client support – account management service evaluation
- Client support – operations service evaluation
- Client reporting – service evaluation
- Research delivery and quality service evaluation
- Custom policy implementation & timing review
- Vote usage statistics
- AOB including new service offerings

The RI team regularly audits the votes auto-executed under the voting policy to ensure that our voting policies are applied properly by ISS. In addition, we undertake a voting policy review annually, which involves significant collaboration between research representatives from ISS and the RI team. This provides the opportunity to ensure that ISS is comfortable implementing any policy changes and further guidance is provided where necessary.

During 2021, we significantly developed our voting policies globally to include a systematic strategy for climate-related issues in specific sectors. We also developed our voting policy to account for the ongoing Covid-19 pandemic and our expectation on executive pay. These updates were implemented via our voting policy. Reporting functions are used to ensure changes have been implemented correctly. ISS's reporting capabilities are also used to provide daily, weekly and monthly reports on various voting related workflows. These are distributed across various teams within BMO GAM as an information flow tool and to ensure implementation of voting polices is effectively communicated.

With regard to feedback provided to ISS during the year, no material concerns were flagged.

Independent opinion on voting activities

We have controls in place to provide reasonable assurance regarding our proxy voting arrangements. The last period covered was 1 November 2020 – 31 October 2021. Tests were performed by KPMG LLP and no exceptions were noted in the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/06. KPMG LLP are working on controls regarding our responsible investment engagement arrangements.

Conflicts **of interest**

In 2021, many potential conflicts of interest involved our then-parent company, BMO Financial Group. Since Ameriprise Financial's acquisition of BMO GAM (EMEA) in November 2021, we have created an interim policy while we work to align with our new structure. For the purposes of this report, the below information reflects our previous policy that was in place during 2021.

BMO GAM maintains a Conflicts of Interest Policy for our engagement and voting activities under which all potential and actual conflicts of interest identified are recorded. This enables and requires the management of any conflicts of interest and preventative measures taken in response to them to be monitored on a regular basis to ensure that we are still appropriately mitigating the risk to our clients' interests. Our Conflicts of Interest Policy specifically relating to stewardship is available on our website.

During 2021, the Global Investment Committee (GIC) was responsible for overseeing this policy to ensure BMO GAM effectively addresses conflicts of interest. It is committed to safeguarding the integrity and independence of our RI team. For more details, please see 'Governance, resources and incentives'. Our Compliance department, as well as, where applicable, our investment fund boards or independent review committees, also periodically review our compliance with this policy. During our interim period from November 2021, this has been overseen by our EMEA Investment Committee (EIC).

Managing conflicts of interest in voting and engagement

We believe that effective stewardship is critical to the health of financial markets and contributes to long-term value creation. Accordingly, we aim to vote at all shareholder meetings where our clients authorise us to vote for them as part of our portfolio management services. We treat all our clients equally in our engagement and voting activities.

During 2021, we did not alter our position due to a business relationship that a company may have had with BMO Financial Group. Further details on how we determined how to engage or vote, conflict or otherwise, are set out below.

How we determine how to engage or vote, conflict or otherwise
Our RI team works alongside, but independently from, the portfolio management teams. They support the development of our ESG guidelines and undertake engagement activities independently or collaboratively with investment teams, as well as conduct proxy voting research and analysis.

Overall, we follow our publicly available Expectations for Environmental Practices, Expectations for Social Practices and Corporate Governance Guidelines (CGG) – collectively our 'ESG guidelines' – for determining how to engage on equities and corporate bonds, and vote the securities of companies in our client portfolios (including the investment funds we manage).

Our guidelines set out what we expect of companies in terms of good ESG practices. We apply them to all client portfolios unless an institutional client instructs us otherwise.

If an institutional client instructs us to engage or vote differently from our standard approach, we will engage on or vote their securities as specifically requested and continue to follow our standard approach for our other clients

Potential material conflicts relating to stewardship and how we manage them:
When we become aware of any stewardship activity, such as engagement or voting, that presents a conflict of interest, we must act in the best interests of our clients. Examples of such conflicts are as follows:

Engaging or voting at a client meeting
During 2021, we could engage with a company or vote at a company meeting where the company was a client of, or had another type of business relationship with, BMO Financial Group.

We treat all our clients equally in our engagement and voting activities. We did not alter our position due to a business relationship that a company may have had with BMO Financial Group.

Voting at a BMO meeting (including meetings of investment funds Global Asset Management manages) or where BMO is a party:
During 2021, we could vote at a company meeting of Bank of Montreal, any of its affiliates, or an investment fund BMO

GAM or an affiliate manages. We could also vote at a company meeting relating to a corporate action (for example, a merger or acquisition) involving the company (or any of its affiliates) and a member of BMO Financial Group.

We managed this conflict by using ISS as our proxy voting administrator, to auto-execute all relevant votes in accordance with the ISS proxy voting policy. ISS executes votes without our further guidance, except where we have specific instructions from a client. This could result, for example, in our votes not supporting specific resolutions at a company meeting of Bank of Montreal.

However, for our investment funds that were subject to Canadian securities laws that hold securities of an affiliated investment fund, we would not vote the top fund's holdings in the underlying fund. We could instead arrange for investors in the top fund to vote the securities of the underlying fund. In light of the cost and complexity in doing so, this was not our typical practice.

Engagement at a company or voting at a meeting involving a BMO officer, director or employer
We could engage with or vote at a company meeting where an officer, director or employee of BMO GAM serves on the board of that company or is nominated for election. We manage this conflict by using this and other BMO policies specifically relating to BMO employees with relationships with companies.

For example, BMO's Code of Ethics requires our employees to declare and disclose their outside business interests. In cases where there is a significant conflict, we may determine that it is inappropriate for such employees to direct the engagement or voting of certain companies in which our clients invest.

Where an officer, director or employee of BMO GAM is nominated for election to the board of directors of a company, we use ISS to auto-execute the vote in accordance with our standing voting directions without our further guidance.

Please see the discussion above under 'Voting at a BMO Meeting' for more details.

Engagement or voting to favour one client over another
We could engage with a company or vote on a matter at a company meeting with a potential outcome that would favour one of our clients over another. We manage this conflict by treating all clients equally in our active ownership activities.

Unless an institutional client instructs us otherwise, we apply our ESG guidelines to all client portfolios in a manner that considers our clients' respective investment objectives and best interests.

This could result in our acting on a matter the same way or differently for different clients.

Voting to favour of one portfolio manager over another
We could vote at a company meeting where different BMO GAM portfolio managers prefer different voting outcomes.

We manage this conflict by having an internal consultation process where portfolio managers can advocate for their views through our Proxy Working Group (PWG) which is overseen by our Global Investment Committee. This internal consultation process allows divergent views to be considered, whilst upholding the best interest of our clients. More details of our governance structure can be found in 'Governance, resources and incentives'.

Other conflict management tools in stewardship

Compliance and Data Protection Systems
We have strict firewalls to keep client holdings data confidential and protected at all times, separating information on the holdings of clients with managed portfolios from that of our clients who subscribe only to our ***reo***® services.

We also have access restrictions to ensure that members of BMO Financial Group who are not part of BMO GAM's active ownership process cannot access client holdings data other than to ensure enterprise compliance with regulatory shareholder disclosure obligations.

Transparency and disclosure
We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts.

Our regular reporting to clients includes both **our public vote record** and our **annual Stewardship Report on BMO GAM's stewardship activities** with issuers and public policy makers, in addition to confidential client-specific reporting on a more frequent basis.

During 2021, our process for managing conflicts of interest worked effectively

Addressing potential conflicts of interest in 2021:

- **Voting at a BMO meeting**
  A key potential conflict of interest related to our voting at the AGM of Bank of Montreal and at the AGMs of our listed investment funds. We managed this conflict by continuing to maintain a register of those AGMs and implementing a process whereby the RI team is precluded from altering the automated vote instruction.
- **Voting at meetings of investment funds BMO GAM manages**
  During 2021, we voted in all instances in line with the recommendations of our proxy voting provider ISS at meetings at companies on our applicable conflict list.
- **Engagement or voting to favour one client over another**
  During the year, we followed client instructions in all instance where clients instructed to vote differently to our approach.

> We recognise conflicts of interest may arise, and seek to identify, prevent and/or manage these to serve our clients' best interests.

Going forward, we are determined to continue our stewardship programme and achieve positive outcomes, particularly on issues of sustainability.

UK Stewardship Code **appendix**

Discover how our 2021 stewardship activities and outcomes align to the 12 principles of the UK Stewardship Code.

Principle	Document reference
Principle 1 Purpose, strategy and culture	p8-9
Principle 2 Governance, resources and incentives	p91-94
Principle 3 Conflicts of interest	p102-103
Principle 4 Promoting well-functioning markets	p14-35, 64-65
Principle 5 Review and assurance	p95-97
Principle 6 Client and beneficiary needs	p82-89
Principle 7 Stewardship, investment and ESG integration	p10-13
Principle 8 Monitoring managers and service providers	p99-101
Principle 9 Engagement	p36-63, 66-67, 70-71
Principle 10 Collaboration	p64-65, 20-29
Principle 11 Escalation	p68-69
Principle 12 Exercising rights and responsibilities	p72-81

Contact us

bmogam.com

Follow us on LinkedIn

BMO Global Asset Management

Part of COLUMBIA THREADNEEDLE INVESTMENTS

Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations.

© 2022 BMO Global Asset Management. BMO Global Asset Management is a registered trading name for various affiliated entities of BMO Global Asset Management (EMEA) that provide investment management services, institutional client services and securities products. Financial promotions are issued for marketing and information purposes; in the United Kingdom by BMO Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EU by BMO Asset Management Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by BMO Global Asset Management (Swiss) GmbH, acting as representative office of BMO Asset Management Limited. These entities are all wholly owned subsidiaries of Columbia Threadneedle Investments UK International Limited, whose direct parent is Ameriprise Inc., a company incorporated in the United States. They were formerly part of BMO Financial Group and are currently using the "BMO" mark under licence. 140700 (03/22). AT, BE, CH, DE, DK, ES, FI, FR, GB, IE, IT, LU, NL, NO, PT, SE.