

Shropshire County Council

Q3 2019

The purpose of the **reo**[®] (responsible engagement overlay) * service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**[®] approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Engagement in review

Alongside the effects of the U.S.-China trade war, tensions in the Persian Gulf, the Hong Kong protests and a generally tumultuous political landscape across the world, climate change-related news also had a strong showing in world news this quarter as millions of young people took to the streets worldwide in the biggest climate strike in history ahead of the UN Climate Action Summit in New York. At the same time, the private sector announced several actions that suggest companies have become aware of the need to work collaboratively: 87 major global companies pledged to reduce emissions and align their businesses with a 1.5°C future.

Climate Action 100+ inaugural progress report

Engagement

2019 marks the second year of the Climate Action 100+ Initiative (CA100+).

BMO GAM is leading and actively supporting 23 company engagements in this initiative. Two of the BMO-led companies were featured in the progress report – Volkswagen and General Motors (GM). The results of our collaborative engagements included the “carbon neutral” commitment by Volkswagen in early 2019, and the shareholder resolution at GM asking for lobbying disclosure in May 2019.

The past quarter saw 27 engagements by us with these CA100+ companies, covering Australia, Europe, US, China and Thailand. Significantly, we got to meet China Shenhua and Thailand’s national oil company PTT. In terms of outcomes of our engagement, we can highlight the “net zero emissions” 2050 commitment announced by Duke Energy, a US utilities BMO is actively involved in within CA100+, and BHP’s commitment to set a medium-term “Science-Based Target” to align to the goals of the Paris Agreement.

Minerals Council of Australia – shifting gears?

Public policy

We joined a group of investors to meet the CEO of the Minerals Council of Australia (MCA). We discussed growing concerns about the Council’s lobbying position with regards to climate change in Australian energy policy.

MCA briefed us on its new climate change position, which now features explicit support for the Paris Agreement. MCA is also drafting a climate change strategy, which will include the promotion of specific abatement technologies relevant to the sector and its downstream value chain, for example Carbon Capture and Storage.

We will continue our engagement with MCA to better understand whether its upcoming climate change strategy would meaningfully decarbonise the sector in Australia.

Deforestation and the Amazon fires

Engagement

We asked some of Europe’s largest banks to update and strengthen their lending and underwriting policies and guidelines for palm oil, soy, timber, and cattle, and to have overall anti-deforestation commitments. As part of our sustainable banking in ASEAN engagement project, we asked banks to enhance their sustainability criteria when lending to the palm oil sector and have no-deforestation commitments in place. We also directly engaged palm oil producers on their no-deforestation commitments, as well as companies sourcing commodities such as soy, sugar, palm oil and rubber on their approach to ensuring transparent and traceable agricultural supply chains.

We signed the PRI investor expectation statement on deforestation and forest fires in the Amazon, asking companies to commit to eliminating deforestation within their operations and supply chains.

We signed the Cerrado Manifesto - Statement of support to encourage producers to halt deforestation in Brazil’s Cerrado biome, a biodiversity hotspot covering approximately 20% of Brazil.

Finally, we joined the SPOTT (Sustainability Policy Transparency Toolkit) supporter network, asking for more transparency in commodity supply chains with the aim to avoid further deforestation.

US Governance

Shareholder primacy and proxy advisers under attack in the US

We attended the fall conference of the US Council of Institutional Investors (CII) where we contributed to the priorities setting.

Two announcements dominated discussions. Firstly, the Business Roundtable, whose membership comprises CEOs of the largest US companies, declared that their mantra that companies’ main purpose was to maximise shareholder value would be replaced with a commitment to all stakeholders.

In addition, the SEC released a troubling update in which it provided guidance on proxy advisers to re-classify their research as a form of solicitation, significantly increasing the regulatory burden and compliance risk to produce their research. Given the critical role that proxy advisers play in enabling investors to implement their stewardship responsibilities, making their work harder and riskier was generally not welcomed.

US investors look to strengthen governance standards despite market headwinds

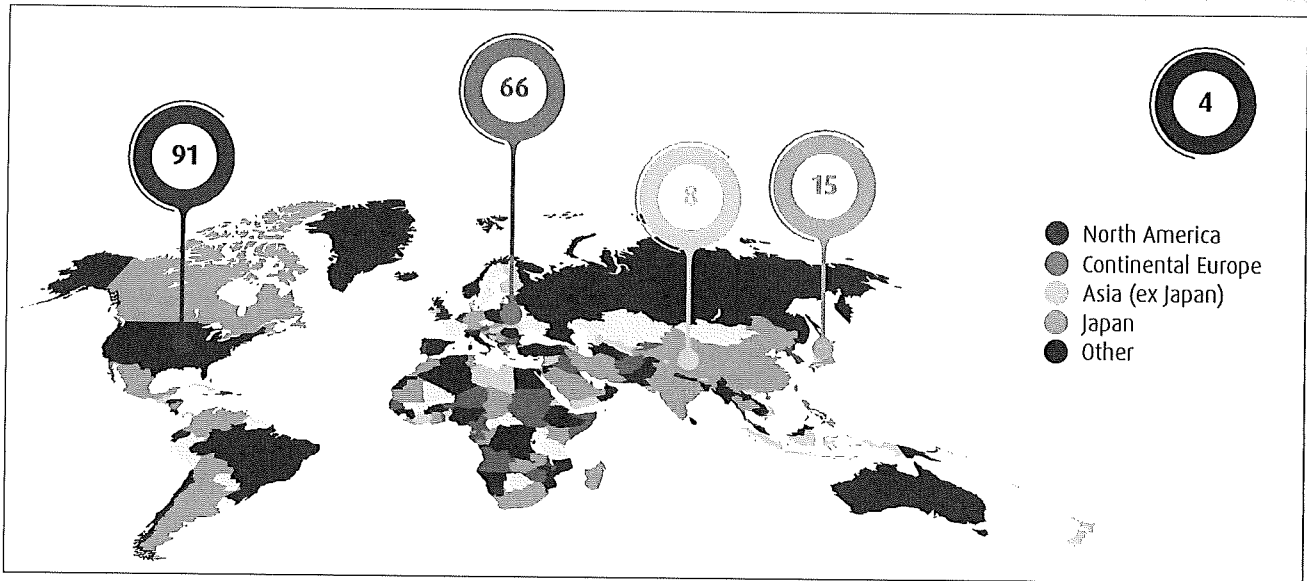
We attended the inaugural conference of the Investor Stewardship Group (ISG), comprised of over 60 US and international institutional investors with more than \$31 trillion in assets. The aim of the group is to establish and promote a framework of basic standards of investment stewardship and corporate governance for investors and companies, respectively.

We have been encouraged to see this initiative grow in both size, purpose and relevance over the last year, particularly in the current U.S. environment where other market stakeholders are working to suppress investors pushing for governance reform.

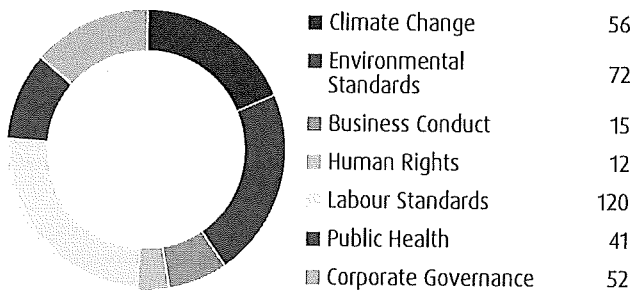
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
184	61	16

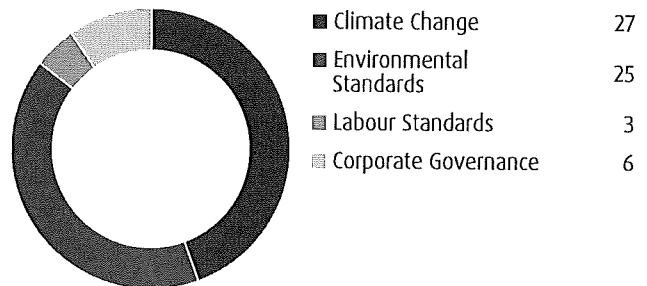
Companies engaged by region



Companies engaged by issue ^{***}



Milestones achieved by issue



* *reo** is currently applied to £128bn (\$163billion / €143billion) of assets as at 30th June 2019.

** Companies may have been engaged on more than one issue.

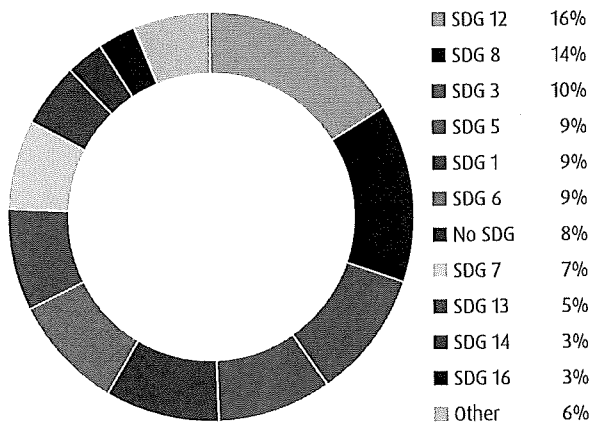
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed. This document is for professional advisors only and should not be circulated to other investors. Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the Fund are not guaranteed. They can go down as well as up and you may not get back the amount you invest.

Engagements and Sustainable Development Goals (SDGs)

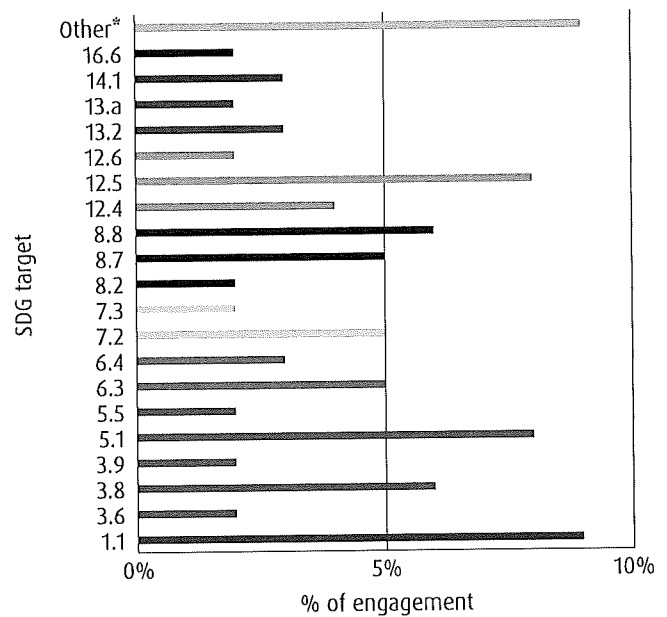
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

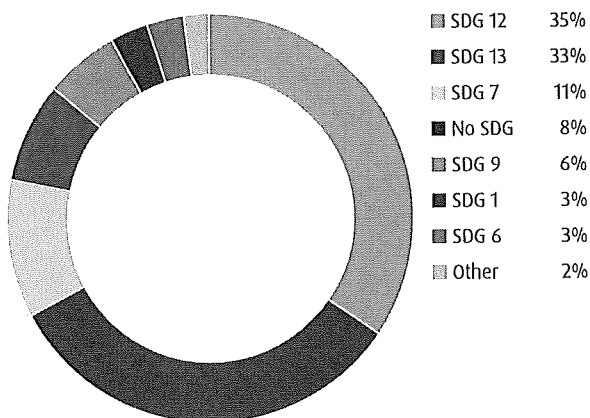
Engagement: SDG level



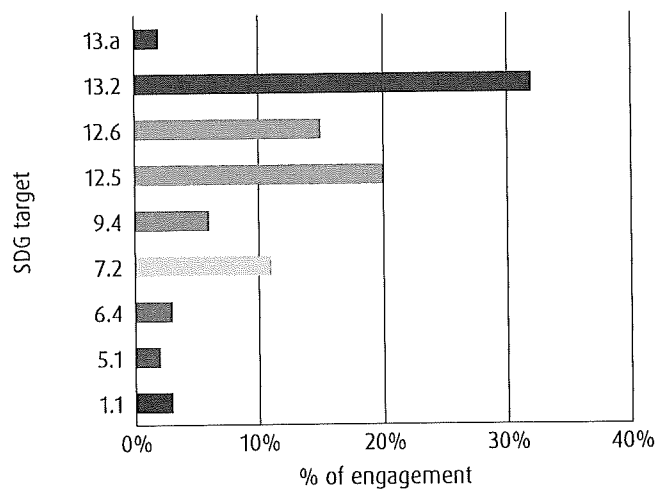
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Priority Companies and Your Fund




The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. We provide reporting on our engagement with priority companies in the form of case studies which follows the table below. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	Consumer Discretionary	■	Poor							
Anglo American PLC	Materials	■	Good	●						
AO Smith Corp	Industrials	■		●						●
AP Moller - Maersk A/S	Industrials	■		●						●
Archer-Daniels-Midland Co	Consumer Staples	■			●					
AutoZone Inc	Consumer Discretionary	■	Poor		●					
BASF SE	Materials	■	Good							
Bayer AG	Health Care	■	Adequate							
Boston Scientific Corp	Health Care	■							●	
BP PLC	Energy	■	Good	●						●
Brown-Forman Corp	Consumer Staples	■			●					
CK Asset Holdings Ltd	Real Estate	■		●						
Coca-Cola Co	Consumer Staples	■			●				●	
Crown Holdings Inc	Materials	■			●					
Duke Energy Corp	Utilities	■	Good	●		●				
eBay Inc	Information Technology	■	Poor			●				●
G4S PLC	Industrials	■					●			
GlaxoSmithKline PLC	Health Care	■	Good						●	
HOCHTIEF AG	Industrials	■		●	●		●			●
Intuitive Surgical Inc	Health Care	■								●
Johnson & Johnson	Health Care	■	Adequate			●			●	
Lear Corp	Consumer Discretionary	■								
Mastercard Inc	Information Technology	■								
Monster Beverage Corp	Consumer Staples	■			●					●
Nestle SA	Consumer Staples	■	Good		●					
Novartis AG	Health Care	■	Good						●	
Renault SA	Consumer Discretionary	■				●				●
Suncor Energy Inc	Energy	■		●						
SVB Financial Group	Financials	■		●	●					●
Tesla Inc	Consumer Discretionary	■								
Tokyo Electric Power Co Holdings Inc	Utilities	■	Adequate	●						●
Tyson Foods Inc	Consumer Staples	■			●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ■ Second quartile: ■ Third quartile: ■ Bottom quartile: ■

Priority Companies and Your Fund

Name	Sector	ESG Rating	Response to engagement	Themes engaged							
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	
Unilever PLC	Consumer Staples										
Wells Fargo & Co	Financials		Adequate								
XPO Logistics Inc	Industrials		Adequate								

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Priority Companies and Your Fund

The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. We provide reporting on our engagement with priority companies in the form of case studies which follows the table below. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	Consumer Discretionary	Good	Poor							
Anglo American PLC	Materials	Good	Good	●						
AO Smith Corp	Industrials	Good	Good	●						●
AP Moller - Maersk A/S	Industrials	Good	Good	●						●
Archer-Daniels-Midland Co	Consumer Staples	Good	Good		●					
AutoZone Inc	Consumer Discretionary	Good	Poor		●					
BASF SE	Materials	Good	Good							
Bayer AG	Health Care	Good	Adequate							
Boston Scientific Corp	Health Care	Good	Good						●	
BP PLC	Energy	Good	Good	●						●
Brown-Forman Corp	Consumer Staples	Good	Good		●					
CK Asset Holdings Ltd	Real Estate	Good	Good	●						
Coca-Cola Co	Consumer Staples	Good	Good		●				●	
Crown Holdings Inc	Materials	Good	Good		●					
Duke Energy Corp	Utilities	Good	Good	●		●				
eBay Inc	Information Technology	Good	Poor			●				●
G4S PLC	Industrials	Good	Good				●			
GlaxoSmithKline PLC	Health Care	Good	Good						●	
HOCHTIEF AG	Industrials	Good	Good	●	●		●			●
Intuitive Surgical Inc	Health Care	Good	Good							●
Johnson & Johnson	Health Care	Good	Adequate			●			●	
Lear Corp	Consumer Discretionary	Good	Good							
Mastercard Inc	Information Technology	Good	Good							
Monster Beverage Corp	Consumer Staples	Good	Good		●					●
Nestle SA	Consumer Staples	Good	Good		●					
Novartis AG	Health Care	Good	Good						●	
Renault SA	Consumer Discretionary	Good	Good			●				●
Suncor Energy Inc	Energy	Good	Good	●						
SVB Financial Group	Financials	Good	Good	●	●					●
Tesla Inc	Consumer Discretionary	Good	Good							
Tokyo Electric Power Co Holdings Inc	Utilities	Good	Adequate	●						●
Tyson Foods Inc	Consumer Staples	Good	Good		●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: [Dark Grey Box] Second quartile: [Medium-Dark Grey Box] Third quartile: [Medium-Light Grey Box] Bottom quartile: [Light Grey Box]

Priority Companies and Your Fund

Name	Sector	ESG Rating	Response to engagement	Themes engaged							
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	
Unilever PLC	Consumer Staples										
Wells Fargo & Co	Financials		Adequate								
XPO Logistics Inc	Industrials		Adequate								

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Red rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	United States	Consumer Discretionary	✓							
AO Smith Corp	United States	Industrials	✓	●						●
AutoZone Inc	United States	Consumer Discretionary	✓		●					
Boston Scientific Corp	United States	Health Care	✓						●	
Capital One Financial Corp	United States	Financials								●
Crown Holdings Inc	United States	Materials	✓		●					
Delivery Hero SE	Germany	Information Technology			●					
Dollar General Corp	United States	Consumer Discretionary								
Dollar Tree Inc	United States	Consumer Discretionary								
Dollarama Inc	Canada	Consumer Discretionary								
Fiat Chrysler Automobiles NV	United Kingdom	Consumer Discretionary		●						●
FleetCor Technologies Inc	United States	Information Technology								●
Ford Motor Co	United States	Consumer Discretionary		●						
Fresenius SE & Co KGaA	Germany	Health Care							●	
G4S PLC	United Kingdom	Industrials	✓				●			
General Motors Co	United States	Consumer Discretionary		●						
HK Electric Investments & HK Electric Investments Ltd	Hong Kong	Utilities		●						
Intuitive Surgical Inc	United States	Health Care	✓							●
JPMorgan Chase & Co	United States	Financials		●	●					
L Brands Inc	United States	Consumer Discretionary			●					
Lear Corp	United States	Consumer Discretionary	✓							
Monster Beverage Corp	United States	Consumer Staples	✓		●					●
Mylan NV	United States	Health Care							●	
Netflix Inc	United States	Consumer Discretionary								●
O'Reilly Automotive Inc	United States	Consumer Discretionary								●
Pfizer Inc	United States	Health Care							●	
Pigeon Corp	Japan	Consumer Staples								
Pola Orbis Holdings Inc	Japan	Consumer Staples								
RioCan Real Estate Investment Trust	Canada	Real Estate								●
Shimamura Co Ltd	Japan	Consumer Discretionary			●					
Tokyo Electric Power Co Holdings Inc	Japan	Utilities	✓	●						●
Tyson Foods Inc	United States	Consumer Staples	✓		●				●	
United Airlines Holdings Inc	United States	Industrials			●					
US Bancorp	United States	Financials								
Walgreens Boots Alliance Inc	United States	Consumer Staples			●					●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Orange rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Alimentation Couche-Tard Inc	Canada	Consumer Staples							●	
Archer-Daniels-Midland Co	United States	Consumer Staples	✓		●					
Bank of America Corp	United States	Financials								●
Bayer AG	Germany	Health Care	✓					●		
Burlington Stores Inc	United States	Consumer Discretionary			●					
Canadian Pacific Railway Ltd	Canada	Industrials						●		
Citigroup Inc	United States	Financials			●		●			●
CK Hutchison Holdings Ltd	Hong Kong	Industrials		●	●			●		
Coca-Cola Co	United States	Consumer Staples	✓		●				●	
Costco Wholesale Corp	United States	Consumer Staples						●		
Daimler AG	Germany	Consumer Discretionary								
Duke Energy Corp	United States	Utilities	✓	●		●				
eBay Inc	United States	Information Technology	✓			●		●		●
Glencore PLC	Switzerland	Materials		●				●		
Hong Kong & China Gas Co Ltd	Hong Kong	Utilities		●	●					●
Japan Exchange Group Inc	Japan	Financials				●		●		●
McDonald's Corp	United States	Consumer Discretionary							●	
Occidental Petroleum Corp	United States	Energy								●
Power Assets Holdings Ltd	Hong Kong	Utilities		●						
Restaurant Brands International Inc	Canada	Consumer Discretionary							●	
RWE AG	Germany	Utilities						●		
TJX Cos Inc/The	United States	Consumer Discretionary			●			●		
Vitasoy International Holdings Ltd	Hong Kong	Consumer Staples								●
Yum! Brands Inc	United States	Consumer Discretionary							●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Anglo American PLC	United Kingdom	Materials	✓	●						
BHP Group Ltd	Australia	Materials		●						
BP PLC	United Kingdom	Energy	✓	●						●
Brown-Forman Corp	United States	Consumer Staples	✓		●					
CCL Industries Inc	Canada	Materials		●	●				●	
CK Asset Holdings Ltd	Hong Kong	Real Estate	✓	●						
Cognizant Technology Solutions Corp	United States	Information Technology								●
Darden Restaurants Inc	United States	Consumer Discretionary							●	
Deutsche Bank AG	Germany	Financials								
Deutsche Lufthansa AG	Germany	Industrials			●					
Deutsche Post AG	Germany	Industrials								
Deutsche Telekom AG	Germany	Communication Services								
Devon Energy Corp	United States	Energy		●						●
Goldman Sachs Group Inc/The	United States	Financials		●	●	●				●
Hermes International	France	Consumer Discretionary			●					
HOCHTIEF AG	Germany	Industrials	✓	●	●		●			●
Imperial Brands PLC	United Kingdom	Consumer Staples							●	●
ITOCHU Corp	Japan	Industrials		●						
Johnson & Johnson	United States	Health Care	✓			●			●	
Kroger Co/The	United States	Consumer Staples							●	
Linde PLC	United Kingdom	Materials								
Macy's Inc	United States	Consumer Discretionary								●
Mitsubishi Materials Corp	Japan	Materials		●						
Mohawk Industries Inc	United States	Consumer Discretionary			●					
Nestle SA	Switzerland	Consumer Staples	✓		●					
Newell Brands Inc	United States	Consumer Discretionary								●
Norfolk Southern Corp	United States	Industrials								●
Novartis AG	Switzerland	Health Care	✓						●	
Oversea-Chinese Banking Corp Ltd	Singapore	Financials		●	●					
PayPal Holdings Inc	United States	Information Technology								
Persimmon PLC	United Kingdom	Consumer Discretionary								●
Procter & Gamble Co/The	United States	Consumer Staples			●					
QIAGEN NV	Netherlands	Health Care			●				●	
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples			●					
Regions Financial Corp	United States	Financials								●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Yellow rated

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
South32 Ltd	Australia	Materials		●	●		●	●		
STERIS PLC	United States	Health Care								●
Suez	France	Utilities			●			●		
Telefonica SA	Spain	Communication Services			●	●		●		
Tesla Inc	United States	Consumer Discretionary	✓					●		
Tractor Supply Co	United States	Consumer Discretionary								●
Under Armour Inc	United States	Consumer Discretionary			●			●		
Unilever PLC	United Kingdom	Consumer Staples	✓				●	●		
United Rentals Inc	United States	Industrials								●
Wolters Kluwer NV	Netherlands	Industrials				●		●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagements and Your Fund: Green rated

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Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
AbbVie Inc	United States	Health Care								
adidas AG	Germany	Consumer Discretionary								
Allstate Corp/The	United States	Financials								
AP Moller - Maersk A/S	Denmark	Industrials	✓	●						
Applied Materials Inc	United States	Information Technology				●				●
Aptiv PLC	Ireland	Consumer Discretionary		●						
Associated British Foods PLC	United Kingdom	Consumer Staples			●					
AstraZeneca PLC	United Kingdom	Health Care							●	
Australia & New Zealand Banking Group Ltd	Australia	Financials		●	●		●			
BASF SE	Germany	Materials	✓							
Beiersdorf AG	Germany	Consumer Staples								
Brenntag AG	Germany	Industrials		●	●	●	●			●
Burberry Group PLC	United Kingdom	Consumer Discretionary								●
Carrefour SA	France	Consumer Staples							●	
Cigna Corp	United States	Health Care								●
CLP Holdings Ltd	Hong Kong	Utilities		●	●					
Coca-Cola HBC AG	Switzerland	Consumer Staples			●					
Cognex Corp	United States	Information Technology			●		●		●	●
Covestro AG	Germany	Materials								
Delta Air Lines Inc	United States	Industrials			●					
E.ON SE	Germany	Utilities								
easyJet PLC	United Kingdom	Industrials			●					
Flowserve Corp	United States	Industrials								●
Gap Inc/The	United States	Consumer Discretionary			●					
GlaxoSmithKline PLC	United Kingdom	Health Care	✓						●	
HeidelbergCement AG	Germany	Materials								
Hennes & Mauritz AB	Sweden	Consumer Discretionary			●					
Honda Motor Co Ltd	Japan	Consumer Discretionary		●						
Hormel Foods Corp	United States	Consumer Staples							●	
Idemitsu Kosan Co Ltd	Japan	Energy		●						
Ingenico Group SA	France	Information Technology					●		●	
JXTG Holdings Inc	Japan	Energy		●						
Kellogg Co	United States	Consumer Staples								●
Kerry Group PLC	Ireland	Consumer Staples		●	●				●	●
Kimberly-Clark Corp	United States	Consumer Staples			●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Green rated

Name	Country	Sector	Priority company	Themes engaged						
				Climate change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Koninklijke KPN NV	Netherlands	Communication Services								
Kubota Corp	Japan	Industrials		●	●					●
L'Oreal SA	France	Consumer Staples			●					
Magna International Inc	Canada	Consumer Discretionary		●						
Marks & Spencer Group PLC	United Kingdom	Consumer Discretionary							●	
Mastercard Inc	United States	Information Technology	✓							
Merck & Co Inc	United States	Health Care							●	
Merck KGaA	Germany	Health Care								
Mettler-Toledo International Inc	United States	Health Care			●				●	
Microsoft Corp	United States	Information Technology				●				
Mitsui OSK Lines Ltd	Japan	Industrials		●						
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	Germany	Financials								
Newcrest Mining Ltd	Australia	Materials		●						
Newmont Goldcorp Corp	United States	Materials		●						
Next PLC	United Kingdom	Consumer Discretionary			●					
Nippon Yusen KK	Japan	Industrials		●						
Panasonic Corp	Japan	Consumer Discretionary			●					
PVH Corp	United States	Consumer Discretionary			●					
Renault SA	France	Consumer Discretionary	✓			●				●
Rio Tinto Ltd	United Kingdom	Materials		●						
Roche Holding AG	Switzerland	Health Care							●	
Sanofi	France	Health Care							●	
Shionogi & Co Ltd	Japan	Health Care							●	
Siemens AG	Germany	Industrials								
Skyworks Solutions Inc	United States	Information Technology								●
Smurfit Kappa Group PLC	Ireland	Materials			●					
SSE PLC	United Kingdom	Utilities		●						●
Suncor Energy Inc	Canada	Energy	✓	●						
SVB Financial Group	United States	Financials	✓	●	●					●
Symrise AG	Germany	Materials			●					●
Teck Resources Ltd	Canada	Materials		●						
Tesco PLC	United Kingdom	Consumer Staples							●	
thyssenkrupp AG	Germany	Materials								
Travelers Cos Inc/The	United States	Financials								●
UBS Group AG	Switzerland	Financials		●	●		●			
Umicore SA	Belgium	Materials			●					
VF Corp	United States	Consumer Discretionary			●					
Wm Morrison Supermarkets PLC	United Kingdom	Consumer Staples							●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagements and Your Fund: Green rated



































Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Xylem Inc/NY	United States	Industrials			●			●		
Zalando SE	Germany	Consumer Discretionary			●			●		

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Milestones and Your Fund


The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects investor value. For full details of our engagements which led to these milestones please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
 Amazon.com Inc	United States	Consumer Discretionary	✓		●						
Duke Energy Corp	United States	Utilities	✓		●						
SSE PLC	United Kingdom	Utilities			●						
 Alimentation Couche-Tard Inc	Canada	Consumer Staples									●
ArcelorMittal	Luxembourg	Materials				●					
AstraZeneca PLC	United Kingdom	Health Care			●						
Bayerische Motoren Werke AG	Germany	Consumer Discretionary			●						
BHP Group Ltd	Australia	Materials			●						
BT Group PLC	United Kingdom	Communication Services			●						
Danone SA	France	Consumer Staples				●					
Enel SpA	Italy	Utilities			●						
FirstEnergy Corp	United States	Utilities			●						
Ford Motor Co	United States	Consumer Discretionary			●						
General Mills Inc	United States	Consumer Staples				●					
Glencore PLC	Switzerland	Materials				●					
H&R Block Inc	United States	Consumer Discretionary									●
Hennes & Mauritz AB	Sweden	Consumer Discretionary			●						
Hewlett Packard Enterprise Co	United States	Information Technology			●						
Honda Motor Co Ltd	Japan	Consumer Discretionary			●						
Iberdrola SA	Spain	Utilities			●						
J Sainsbury PLC	United Kingdom	Consumer Staples				●					
Koninklijke DSM NV	Netherlands	Materials			●						
Kraft Heinz Co/The	United States	Consumer Staples				●					
McKesson Corp	United States	Health Care									●
NextEra Energy Inc	United States	Utilities			●						
Novozymes A/S	Denmark	Materials			●						
SAP SE	Germany	Information Technology	✓		●						
Saputo Inc	Canada	Consumer Staples									●
Telefonica SA	Spain	Communication Services			●						
Telia Co AB	Sweden	Communication Services			●						
Tesco PLC	United Kingdom	Consumer Staples				●					
Unilever PLC	United Kingdom	Consumer Staples	✓		●						

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Milestones and Your Fund

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Vodafone Group PLC	United Kingdom	Communication Services			●						
Volkswagen AG	Germany	Consumer Discretionary	✓		●						
Walmart Inc	United States	Consumer Staples				●					
Yum! Brands Inc	United States	Consumer Discretionary				●					
Zurich Insurance Group AG	Switzerland	Financials			●						
 adidas AG	Germany	Consumer Discretionary									
Banco Bilbao Vizcaya Argentaria SA	Spain	Financials				●					
Banco Santander SA	Spain	Financials				●					
Barclays PLC	United Kingdom	Financials				●					
Bayer AG	Germany	Health Care	✓								
BHP Group Ltd	Australia	Materials									
BNP Paribas SA	France	Financials				●					
Citigroup Inc	United States	Financials				●					
CLP Holdings Ltd	Hong Kong	Utilities			●						
Coca-Cola Co	United States	Consumer Staples	✓			●					
Coca-Cola European Partners PLC	United Kingdom	Consumer Staples				●					
Coca-Cola HBC AG	Switzerland	Consumer Staples				●					
Credit Suisse Group AG	Switzerland	Financials				●					
Danone SA	France	Consumer Staples				●					
Hoya Corp	Japan	Health Care								●	
Industria de Diseno Textil SA	Spain	Consumer Discretionary									●
ING Groep NV	Netherlands	Financials	✓			●					
Kroger Co/The	United States	Consumer Staples				●					
Societe Generale SA	France	Financials				●					
UBS Group AG	Switzerland	Financials				●					
VF Corp	United States	Consumer Discretionary			●						
Westpac Banking Corp	Australia	Financials				●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

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ESG Viewpoint

July 2019



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Warm India, Wet India – Incredible India?

India is among the countries most vulnerable to climate change. Our recent trip there provided valuable insights into how climate change management has risen up most companies' strategic agendas. However, the potential magnitude of the impacts of climate change on people's livelihoods, economic growth and, ultimately, companies' bottom line is so significant that climate considerations need to be more deeply embedded into medium and long-term corporate strategies.

We travelled to Mumbai and Bangalore to engage with close to 20 large and medium-sized Indian companies mainly in the financial, healthcare and consumer staples industries. Our discussions covered a wide range of ESG issues, particularly corporate governance, climate change, plastics, and access to affordable products and services. In light of the breadth of industries and topics we covered during the trip, we plan to share our impressions throughout a small number of separate Viewpoints over the course of the next few months.

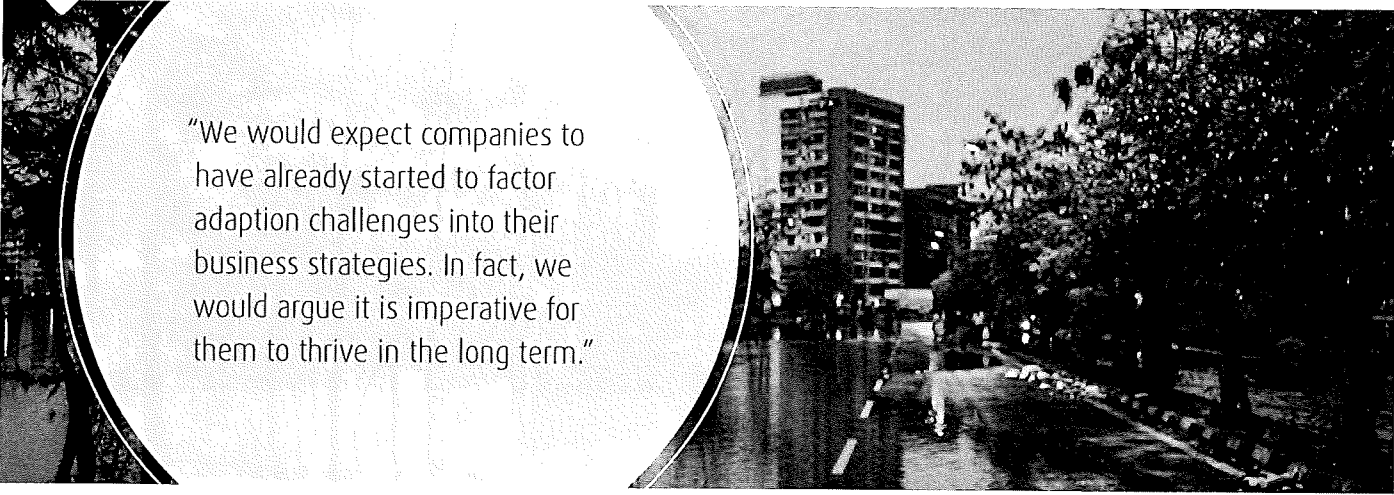
This introductory piece will cover the country's significant exposure to the impacts of climate change, as well as highlights from our conversations with companies on their approach to managing climate-related risks as well as opportunities.



Climate change is highly likely to make extreme weather events in India more frequent and severe.

Vulnerability to climate change

Climate change is expected to have significant impacts on South Asia – in fact, it is already one of the most affected regions of the world. India has seen, in the past year alone, record flooding in the state of Kerala that affected more than 5 million people; extreme drought conditions in Tamil Nadu that have led to a severe water crisis in its capital Chennai, a city with close to 10 million inhabitants; heatwaves and freak dust storms across several northern states; and at least four powerful tropical cyclones making landfall on both Indian coasts and forcing the evacuation of millions.



“We would expect companies to have already started to factor adaption challenges into their business strategies. In fact, we would argue it is imperative for them to thrive in the long term.”

The events listed above are not necessarily surprising. By virtue of its geographical location, India is highly vulnerable to natural hazards, including floods, drought, cyclones and landslides. The problem is that climate change is highly likely to make these extreme weather events more frequent and severe, putting significant strain on the growing population and the economy. A recent World Bank study¹ suggests that overall 600 million Indians will be moderately or severely affected by changes in temperature and rainfall, and that climate change could cost the country 2.8% of GDP and lower living standards for nearly half of its population by 2050.

The only way is to adapt

Extreme weather events aside, changes in temperature and rainfall are already being acutely felt amongst Indian people, especially farmers. Agriculture is still a major source of income, accounting for about 14% of the country's GDP and employing close to 800 million people. The sector is desperately dependent on the monsoon, as the majority of farmland does not have access to irrigation. Yet monsoons are erratic, increasingly so because of climate change. When they fail, crops fail, food prices soar, reservoirs empty and farmers' livelihoods are crushed.

Changes in agricultural productivity patterns, along with the impacts of heatwaves, floods and rising sea levels could reduce average living standards in India through diverse pathways, such as agricultural and labour productivity, health, migration, and other factors that can affect domestic consumption, economic growth and poverty reduction. We would expect companies to have already started to factor these adaptation challenges into their business strategies. In fact, we would argue it is imperative for them to thrive in the long term.

We spoke about challenges to agricultural productivity with two fast-moving consumer goods companies that are heavily reliant on agricultural raw materials – **Marico** and **Hindustan Unilever (HUL)**.

Marico is one of India's leading personal care products manufacturers and the largest buyer of coconuts in the country. We were encouraged to learn about the company's actions to manage climate risks in its coconut supply chain. These include partnerships with research institutions to developed improved, drought-resistant crop varieties, and cooperation with selected farmers to promote science-based practices on nutrients, disease and water management. We also met with HUL, who run similar sustainable agriculture programmes with their tomato suppliers.

By improving crop yields and soil health and, ultimately, boosting farmers' livelihoods, these programmes are critical to building supply chains that are more resilient to anticipated changes in precipitation and temperature patterns across India. Going forward, we will encourage both companies to extend the scope of their programmes to cover more farmers, and engage with authorities and other relevant stakeholders to promote the adoption of more sustainable soil and water management practices.

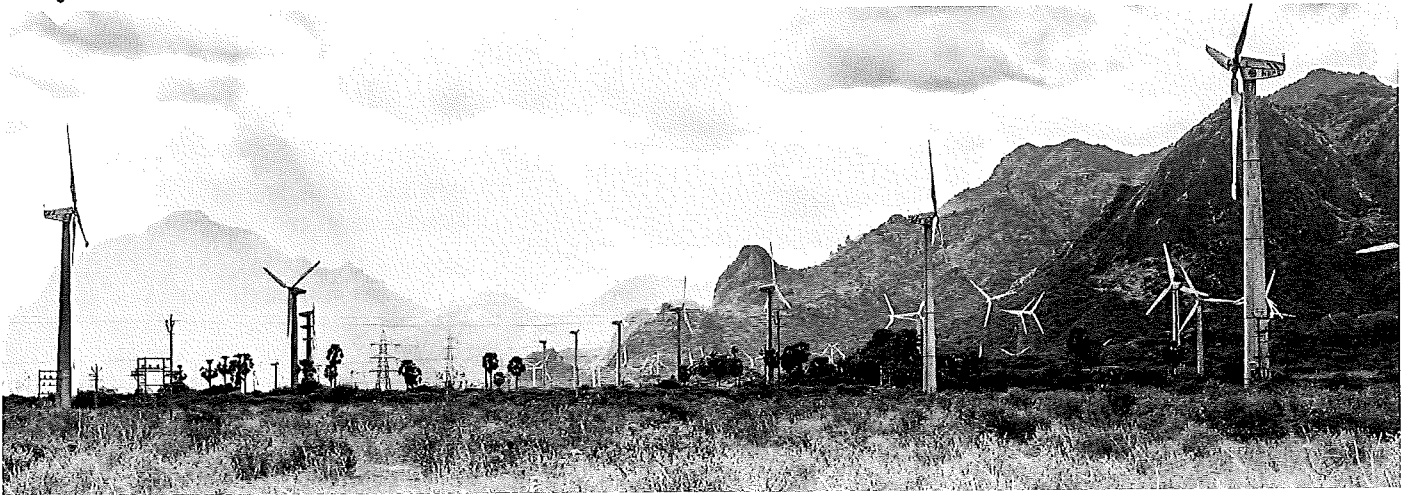
Tackling carbon emissions growth

In addition to its extreme vulnerability to climate change, India is under increasing pressure to tackle growth in greenhouse gas emissions – it currently stands as the world's third-largest carbon emitter, behind China and the US. The country has taken significant steps towards initiating a low-carbon economy across various sectors and has emerged as a global leader in renewable



India has emerged as a global leader in renewable energy: for three consecutive years, renewable energy investment topped that of fossil fuel-related power investments.

¹ World Bank Group, South Asia's Hotspots: The Impact of Temperature and Precipitation Changes on Living Standards, 2018



energy: for three consecutive years, renewable energy investment topped that of fossil fuel-related power investments.

At the same time, India is expected to continue relying significantly on coal-fired power generation to meet its future energy needs. Whilst coal's share in India's primary energy consumption will decline in the next 20+ years, it is still forecast to account for 48% of the total in 2040, leading to net carbon emissions roughly doubling during the same timeframe². The government's continued support for thermal power challenges the development of a stronger policy platform to facilitate speedier progress in the field of renewables.

In spite of this policy uncertainty, many of the companies that we engaged with have made significant strides in increasing the proportion of renewables in their energy mix, with some setting ambitious targets. This move towards renewables is not based on environmental aspirations, but on economic realities: in recent months, power supply auctions have shown that renewables can be offered at tariffs significantly lower than those offered by coal-fired generators.

Ultratech, India's largest cement producer, is working hard to increase the proportion of energy from renewable sources – solar in particular – in its overall energy mix from less than 5% today to 20% by 2022. **Titan Company**, a leading player in the jewellery sector, has over 50% of its electricity consumption powered by wind energy and has made significant inroads in



Greater action to cut emissions via increasing renewable energy sourcing can improve companies corporate profile and bottom line, whilst preparing them better for potential future carbon-related regulations.

² BP Energy Outlook, 2019

installing solar systems at retail stores across the country. **HUL** has increased its share of renewable energy by 43% in 2018 compared to 2008 and has committed to source all the electricity purchased from the grid from renewable sources by 2020.

We welcomed companies' actions in this space as greater action to cut emissions via increasing renewable energy sourcing can improve both their corporate profile and bottom line, whilst preparing them better for potential future carbon-related regulations. Within this context, we encouraged companies to enhance their approach to emissions-reduction commitments by setting science-based reduction targets in line with the Paris Agreement climate goals.

The path ahead

Despite its economy cooling off and concerns over future growth estimates, India continues to hold a dear spot in emerging markets investors' portfolios. And rightly so. Financial markets are liquid and deep, and there are plenty of high-quality companies with strong business models, competitive advantages and capable managers. Moreover, rising incomes, increased urbanisation and a demographic dividend offer exciting growth opportunities.

Enter climate. Less predictable monsoons, increases in average temperatures and more frequent extreme weather events could sway economic activity and impact consumption expenditure and hence economic growth. According to the World Bank, pressure on India's water, air, soil and forests is expected to become the highest in the world by 2020. Companies must future-proof their businesses against these risks, as well as those stemming from regulatory, legal and reputational issues, by reviewing – and in some cases redefining – corporate strategies to align their activities with climate change mitigation and adaptation.

Our engagement on climate-related issues with companies in India is only going to become more important going forward to mitigate risk and support long-term returns. By encouraging better management of climate and other ESG issues by our investee companies, we can contribute to a more resilient global economy, which will ultimately enhance our clients' long-term prosperity and security.

Key risks

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

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How BMO Global Asset Management can help you


BMO Global Asset Management incorporates material ESG issues into its investment processes across asset classes. We also offer our Responsible Funds range, which invests in companies operating sustainably and excludes those not meeting our ethical and ESG criteria, and our **reo**® engagement service, through which we provide engagement and voting services covering global equities and credit.

Best ESG Research Team 2018

INVESTMENT
WEEK
SUSTAINABLE & ESG
INVESTMENT AWARDS 2018
WINNER
Best ESG
Research Team

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BMO  **Global Asset Management**

ESG Viewpoint

July 2019



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ESG disclosure at mid-cap companies

Summary

- The importance of ESG disclosure has grown as a result of regulatory changes, the development of internationally recognised disclosure frameworks, and rising demand from investors, who are increasingly incorporating ESG factors into investment decision-making.
- We contacted 43 companies – each with a market cap of less than US\$10 billion – to highlight the most material environmental and social issues for their respective industries which we think should underpin their ESG reporting frameworks.
- Of these 43 companies, 20 were willing to engage in dialogue. With few other investors engaging them on ESG disclosure, we found that they were receptive to our advice.

Background

In recent years, disclosure frameworks established by governments, international listing agencies and non-profit organisations have paved the way towards reporting on ESG issues being the norm rather than the exception.

Of all the frameworks developed, the most widely used is the Global Reporting Initiative's (GRI) framework. The GRI's Standards, the first global standards for sustainability, are currently used by 82% of the world's largest 250 corporations¹. The Carbon Disclosure Project (CDP) has also achieved global recognition for its standards on environmental disclosure, and reporting companies now represent approximately 56% of global market capitalisation².

Government-led disclosure guidelines have developed alongside those of non-profit organisations, and analysis conducted by the Principles for Responsible Investment (PRI) revealed that 38 of the 50 largest economies in the world had, or were developing, disclosure requirements for corporations covering ESG issues³.

¹ <https://www.globalreporting.org/information/news-and-press-center/press-resources/Pages/default.aspx>

² <https://www.cdp.net/en/scores-2017>

³ <https://www.unpri.org/how-effective-are-corporate-disclosure-regulations/211.article>



“We are keenly aware that mid-cap companies may lack the necessary resources to deliver the quality of reporting that stakeholders have come to expect.”

Finally, ESG data providers – widely used by institutional investors and asset managers – are drawing on publicly available information to evaluate and score company ESG performance over time and relative to peers.

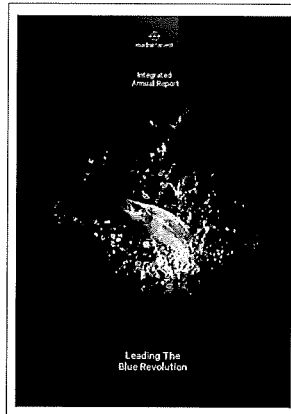
Against this backdrop, those companies which are laggards from a reporting perspective are arguably at a competitive disadvantage, and we are keenly aware that mid-cap companies may lack the necessary resources to deliver the quality of reporting that stakeholders have come to expect.

BMO Engagement

As an investor, we see ourselves able to play a role in assisting these companies to improve the quality of their reporting by flagging critical gaps and helping them to close them, based on our experience of engaging their larger peers.

In order to identify target companies, we began by combining BMO’s proprietary industry ESG materiality assessments with quantitative data provided by our third-party ESG research provider, enabling us to pinpoint mid-cap companies with low ESG scores on the issues flagged by our analysis as the most material for these companies’ respective industries. We used the results of this process to shortlist 43 companies with disclosure gaps belonging to three comparatively high-risk sectors: consumer staples, industrials, and materials. We then evaluated the reporting of these companies, and found that 65% align their reporting with the GRI’s Standards to varying degrees and 77% are receptive to CDP.

Given the gulf in the quality of reporting between the leaders and laggards, we were not surprised to find that – at the laggard end of the spectrum – 8 of the 10 mid-cap companies included in this project that do not submit to the CDP also do not use the GRI’s Standards to report on their sustainability performance. Moreover, 5 of these 8 companies disclose very limited non-financial information.



All companies with a market cap of US\$10 billion or more would ideally report in accordance with the GRI’s Standards and participate in CDP. However, we recognise that they are facing an array of obligatory and voluntary reporting requirements, not to mention time-intensive questionnaires, which is why we think disclosure should focus on the most material issues to internal

and external stakeholders. One commonly used approach to identify these issues is the construction of a materiality matrix, exemplified by the one shown overleaf, which is taken from Marine Harvest’s Integrated Annual Report 2017⁴. In the case of **Marine Harvest**, a mid-cap Norwegian seafood company, we would expect to see more detailed disclosure on the issues in the top right quadrant.

⁴ Marine Harvest, Integrated Annual Report 2017 – <http://hugin.info/209/R/2177429/840178.pdf>

Marine Harvest most material value drivers

● Profit ● Planet ● Product ● People



Source: Marine Harvest, Integrated Annual Report 2017

With this approach in mind, we determined which issues are material for each sector, and then considered which points our target companies should disclose to stakeholders, factoring in the key risks associated with their respective industries.

The table below summarises where we focused our engagement on an issue-by-issue basis, and the number of companies engaged on each issue:

	Consumer Staples	Industrials	Materials	No. of companies engaged
Biodiversity & Land Use	✗	✓	✓	3
Carbon emissions	✗	✓	✗	1
Chemical Safety	✗	✗	✓	6
Corruption	✗	✓	✓	8
Health & Safety	✗	✓	✗	4
Labour Management	✓	✓	✓	20
Packaging Materials & Waste	✗	✗	✓	6
Product Carbon Footprint	✓	✗	✗	6
Product Safety & Quality	✓	✓	✗	13
Raw Material Sourcing	✓	✓	✓	11
Toxic Emissions & Waste	✗	✗	✓	6
Water Stress	✓	✗	✓	10

In our dialogue with companies, we were encouraged that many were willing to take our suggestions on board, particularly those which told us that they are striving to improve their ESG disclosure year on year, such as Royal Mail. However, it became apparent that there are two factors which can lead to shortcomings in how well company reporting reflects sustainability performance:

- 1 Companies operating in countries where market disclosure standards are low may appear to be managing ESG risks less adequately than is actually the case.

This point can be illustrated by the Sustainability Reports published by **Sealed Air**, a packaging company headquartered in the US, where the level of disclosure varies significantly. Sealed Air’s reporting compares favourably in a US context, and in a call with the company we were positively impressed with their sustainability commitments. However, its reporting is less thorough than that of **DS Smith** and **Mondi**, packaging companies headquartered in Europe which, unlike Sealed Air, prepare their reports in accordance with the GRI’s Standards. We are pleased to say that Sealed Air is on a positive trajectory: subsequent to engaging the company we were informed that the 2018 Sustainability Report will include a materiality matrix, and that the company’s new set of goals will be linked to the UN Sustainable Development Goals.

- 2 Companies using the GRI Standards can opt to tailor their reporting to reflect the regulatory reporting requirements they are subject to.

This can, however, lead to the omission of useful information. For example, two Japanese construction and engineering companies, **Obayashi Corporation** and **Shimizu Corporation**, do not disclose “near-miss” events – defined by the UK Health and Safety Executive as events “not causing harm, but [have] the potential to cause injury or ill health”⁵ and referred to in GRI Standard 403 as “close calls”⁶ – even though the quality of both companies’ reporting is very good overall. We were informed by an investor relations representative at Obayashi Corporation that the company follows the Japanese Industrial Safety and Health Act and other relevant Japanese laws, which do not require “near-miss” events to be recorded.

As a general rule, we encourage companies to benchmark their reporting against that of leading peers in their respective industries, regardless of geographic location, and to go beyond mandatory reporting requirements, particularly on topics which are directly relevant to their core operations. Furthermore, we believe that companies should provide information about the oversight of key environmental and social issues – an indication, in our opinion, of effective governance. The mid-cap companies shown in the table below are to be commended for not only meeting and exceeding our expectations on disclosing information about material issues, but also for communicating a credible sustainability narrative:

Material issues	Leading companies
Biodiversity & Land use	Agnico Eagle Mines
Carbon emissions	Royal Mail
Chemical safety	Arkema; Mitsui Chemicals
Corruption	Agnico Eagle Mines
Labour management	Agnico Eagle Mines; MTU Aero Engines; Royal Mail; Trelleborg
Packaging materials & waste	DS Smith; Mondi
Product carbon footprint	DS Smith; Mondi
Product safety & quality	Marine Harvest
Raw material sourcing	DS Smith; Mondi; Smurfit Kappa
Toxic emissions & waste	Mitsui Chemicals
Water stress	No leading companies identified

⁵ <http://www.hse.gov.uk/toolbox/managing/accidents.htm>

⁶ <https://www.globalreporting.org/standards/media/1910/gri-403-occupational-health-and-safety-2018.pdf>

Benefits of ESG disclosure

Besides the intrinsic value of ESG disclosure, in our experience high-quality disclosure is a powerful tool for revealing:

1) Companies' ability to achieve targets

We encourage companies to clearly state their targets, explain what action is being taken to achieve these, and what their current status is. This transparent approach, exemplified by GEA Group, an industrial machinery company, and MTU Aero Engines, an aerospace and defence company, holds companies accountable and enables stakeholders to gauge a company's ability to implement appropriate measures to achieve targets.

2) Progress over time

Stakeholders can evaluate companies' progress over time by examining ESG data, which should ideally be presented over a five-year period. In our dialogue with President Chain Store Corporation, for example, we asked whether the company would consider disclosing the "disabling injury data" for the year in question alongside the equivalent data for previous years, explaining that this would facilitate the identification of trends.

3) Organisational integration

We like to see company-wide trends, in addition to figures for different regions and divisions, because this suggests that a company has effective channels of communication. We were concerned, for instance, when a representative from Spirax-Sarco Engineering, a rapidly growing company with 114 operating units in 47 countries⁷, informed us that employee turnover data is collected on a local level rather than on a group-wide level, one reason why the information is not disclosed. Given that financial and reputational damage frequently arises as a result of a company acquiring another with weaker risk management systems, we welcome evidence that all business divisions report to the same standard, thereby enabling data aggregation, and, by extension, effective oversight.

Key takeaways

Mid-cap companies are having to navigate a complex and rapidly evolving reporting landscape, and it is hardly surprising that company representatives are feeling increasingly pressured. The rationalisation and harmonisation of disclosure frameworks would help, and although steps have already been taken in this direction, achieving greater global homogeneity will be a complex and lengthy process.

In the current environment, we think that companies should focus on using a combination of qualitative and quantitative information to cover material ESG issues comprehensively in their reporting, thereby giving investors an insight into how key risks are being managed. This process should be a fundamental element of corporate strategy, and we would recommend board oversight of disclosure transparency to enhance the development of high-quality reporting, and, most importantly, the underlying policies and procedures.

Finally, we would like to make it clear that, as investors, we do not expect perfection; indeed, it raises alarm bells if a company's reporting does not flag any obstacles and challenges. We want to hear about what steps companies have taken to solve problems and reduce the likelihood of similar problems occurring in the future, alongside information about achievements and accomplishments. By providing us with a complete picture, we and other stakeholders can feel more confident about our investment decisions.

In terms of next steps, we will review the future reports of the companies we engaged in dialogue with to determine which of our recommendations have been adopted, and we are expanding the scope of this project to focus on companies in the following sectors: consumer discretionary, energy, health care, information technology, telecommunication services, and utilities. We expect that, over time, we will see the quality of companies' reporting improve further still in response to continued pressure from regulators and stakeholders.

⁷ As at 31 December 2018

Key risks

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How BMO Global Asset Management can help you

BMO Global Asset Management incorporates material ESG issues into its investment processes across asset classes. We also offer our Responsible Funds range, which invests in companies operating sustainably and excludes those not meeting our ethical and ESG criteria, and our *reo*[®] engagement service, through which we provide engagement and voting services covering global equities and credit.

Best ESG Research Team 2018



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