

Shropshire County Council

Q1 2020

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

Going forward, we will be assessing how companies respond to the Coronavirus, including measures they take to protect and support their staff and provide society with solutions to help face threats to their wellbeing. We have signed the Investor Statement on Coronavirus Response urging companies to take steps to protect workers and maintain financial prudence.

We engaged with several of the world's largest extractives companies on their ambitious commitments to decarbonise, added our name to a number of collaborative engagements on human and labour rights, and had discussions with food companies on their management of various ESG risks and opportunities.

Engaging with the primary industries on decarbonisation

The beginning of 2020 has seen a number of big players in the extractives industries announce significant decarbonisation pledges. Companies like BP, BHP, Rio Tinto and Teck Resources, all of which we have actively engaged for over a decade on carbon management issues, have made net-zero emissions pledges. Both BP and BHP took a leading stance and included scope 3 emissions in their pledges. This effectively means that they committed to tackle carbon emissions from the use of their products.

We support these pledges, but are aware of the fact that they do not necessarily mean that the companies are de-risked from possible financial impacts.

We, therefore, don't take decarbonisation pledge as the finishing line of our engagement, and will continue to urge companies to reduce their emissions before considering the last resort of carbon offsetting.

Deforestation challenges for the Brazilian beef industry

We participated in a joint investor call with Brazil's three largest meat processors and packers, to discuss their actions to curb deforestation and land clearance.

Cattle ranching in Brazil is the leading driver of deforestation emissions across Latin America.

Over the past few years, the three companies have stepped up their efforts to establish environmental, labour and land tenure supplier standards and monitor compliance against these standards. However, these efforts are to a large extent limited to what they refer to as their 'direct suppliers'. Purchases from these suppliers account for less than 50% of total purchases.

We encouraged the companies to be more transparent about the nature and scope of their supply chains and to continue exploring ways to develop comprehensive traceability systems. We also discussed the possibility of the investor group actively engaging with relevant government actors to push for action on cattle-related deforestation.

Protein Diversification Strategies

We joined FAIRR's collaborative engagement on sustainable protein. The initiative will target 15 global food retailers and 10 global food manufacturers.

We will ask companies to publicly disclose information on their long-term approach to protein diversification, including board-level support to transition protein portfolios towards lower impacts and more sustainable sources in line with climate science.

BMO GAM will lead discussions with US retailer Walmart and Canadian retailer Loblaws.

Collaborating to promote better social practices

This quarter, we provided our support to a number of investor initiatives calling companies as well as governments to protect and respect human and labour rights.

We signed the Investor Alliance for Human Rights' statement asking all governments to develop and enforce mandatory human rights due diligence requirements for companies headquartered or operating within their own jurisdictions.

We also signed up to the "Find it, Fix it, Prevent it" multi-stakeholder coalition, on addressing modern slavery risks. The initiative combines public policy outreach, company engagement and the development of metrics that can be incorporated into ESG ratings. On company engagement, the initiative will initially target 16 companies in the UK hospitality industry.

Finally, we signed an investor statement calling for increased transparency around material ESG issues in the luxury fashion industry, including efforts on living wage. The statement was produced by The Platform Living Wage Financials (PLWF), an alliance of 13 primarily Dutch financial institutions.

SEC launches attack on responsible investment

In November 2019 the SEC formalised its efforts to rein in responsible investment by releasing two proposed sets of rule amendments to increase the regulatory burden on proxy advisers and further restrict the ability for investors to file shareholder proposals. The SEC's motivation for each is to address concerns over the accuracy and transparency of proxy voting advice and to amend shareholder proposal thresholds to avoid misuse of the process. These proposals reflect the SEC's pro-corporate agenda of removing what it deems to be unnecessary burdens for companies, often irrespective of the consequences for investors.

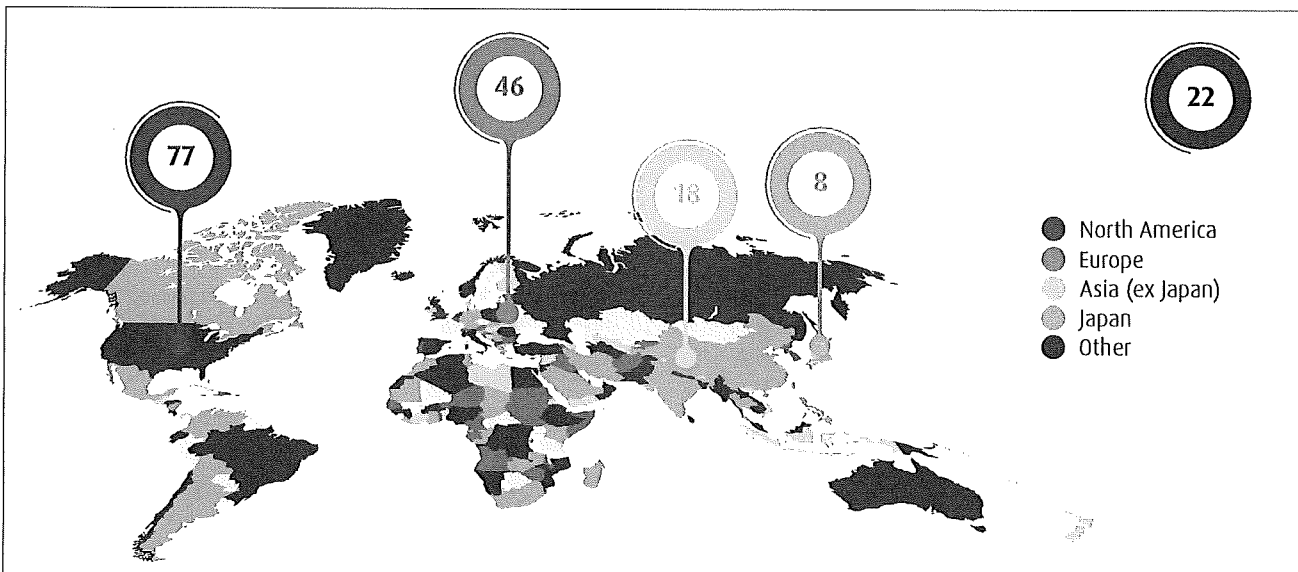
We expressed to the SEC our overall concern that the proposed changes to the process will make it more difficult to submit and sustain proposals and, therefore, discourage their use in the future.

We expect the SEC to make a final decision on these proposals in Q2 this year. With a significant strong level of opposition having been expressed by the investor community, it does seem that there could be the potential for the final proposals to be somewhat amended, but it is unlikely that they will be scrapped outright.

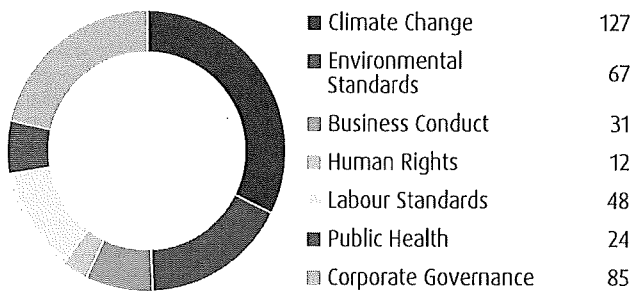
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
171	55	22

Companies engaged by region



Companies engaged by issue ^{***}



Milestones achieved by issue



* *reo* is currently applied to €165bn (\$218billion / €195billion) of assets as at 31st December 2019.

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

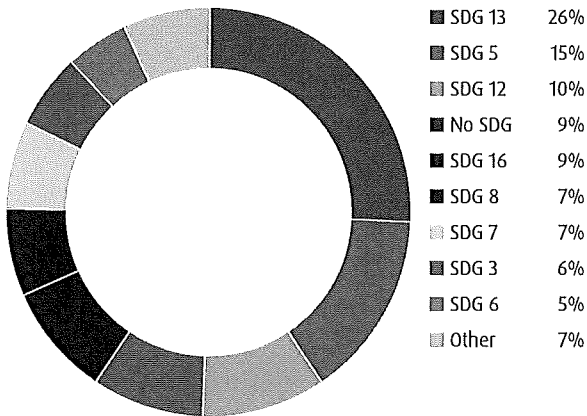
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where 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 uninstruced. 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)

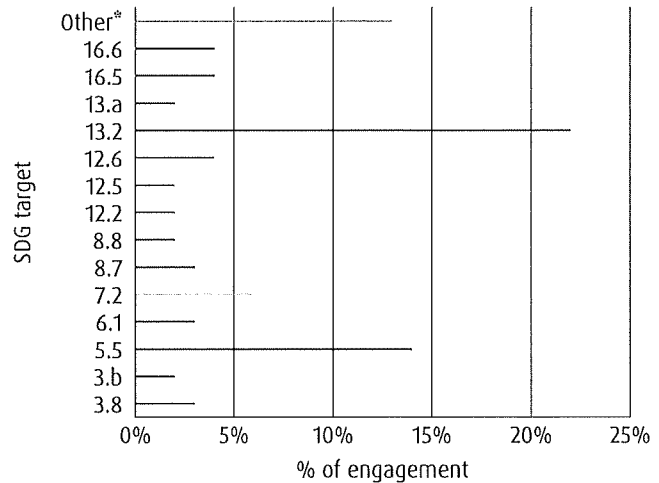
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

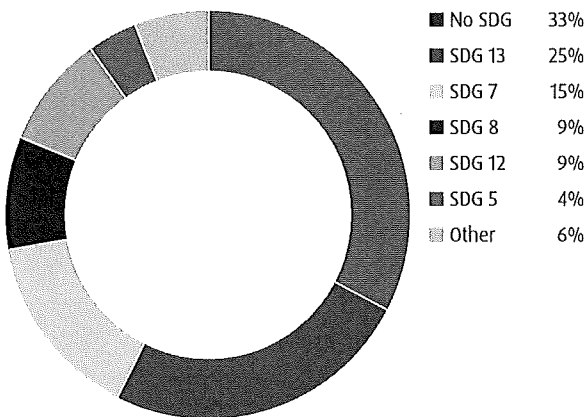
Engagement: SDG level



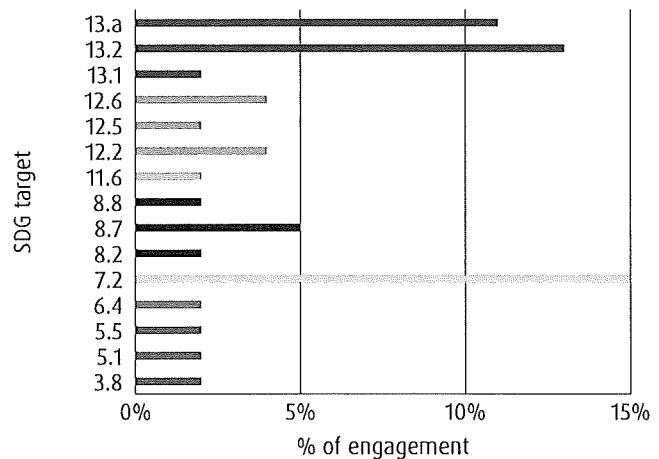
Engagement: SDG target level



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. For full details of our engagements with companies please refer to the online *reo*® client portal.

Introduction

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Alleghany Corp	Financials	●		●	●		●	●		
Barclays PLC	Financials	●	Good	●						●
Bausch Health Cos Inc	Health Care	●		●						●
Cemex SAB de CV	Materials	●	Poor	●	●					
China Construction Bank Corp	Financials	●		●	●	●				●
General Motors Co	Consumer Discretionary	●	Adequate	●			●	●	●	
Mondelez International Inc	Consumer Staples	●		●	●					
POSCO	Materials	●	Poor	●						
Royal Dutch Shell PLC	Energy	●	Good	●						
Suzuki Motor Corp	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: 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 Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Alleghany Corp	United States	Financials	✓	●	●		●	●		
Bausch Health Cos Inc	United States	Health Care	✓	●						●
Boston Scientific Corp	United States	Health Care							●	
Canadian Natural Resources Ltd	Canada	Energy		●						●
China Railway Group Ltd	China	Industrials			●		●			
Cia de Saneamento Basico do Estado de Sao Paulo	Brazil	Utilities				●				
CNOOC Ltd	China	Energy		●						
Coal India Ltd	India	Energy			●				●	
Constellation Software Inc/Canada	Canada	Information Technology		●						●
Dollarama Inc	Canada	Consumer Discretionary		●						●
Fiat Chrysler Automobiles NV	United Kingdom	Consumer Discretionary		●		●				
Ford Motor Co	United States	Consumer Discretionary					●	●		
G4S PLC	United Kingdom	Industrials				●	●	●		
General Motors Co	United States	Consumer Discretionary	✓	●			●	●	●	
H&R Real Estate Investment Trust	Canada	Real Estate		●						●
Hypera SA	Brazil	Health Care				●				
Inner Mongolia Baotou Steel Union Co Ltd	China	Materials			●				●	
JBS SA	Brazil	Consumer Staples		●	●					
Magnit PJSC	Russian Federation	Consumer Staples				●				●
Nissan Motor Co Ltd	Japan	Consumer Discretionary								
Notre Dame Intermedica Participacoes SA	Brazil	Health Care				●				
Pfizer Inc	United States	Health Care							●	
RioCan Real Estate Investment Trust	Canada	Real Estate		●						●
Saputo Inc	Canada	Consumer Staples		●	●					
SmartCentres Real Estate Investment Trust	Canada	Real Estate		●						●
Suzuki Motor Corp	Japan	Consumer Discretionary	✓	●		●				
Tokyo Electric Power Co Holdings Inc	Japan	Utilities		●						

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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Universal Robina Corp	Philippines	Consumer Staples		●	●			●		
Vistra Energy Corp	United States	Utilities		●				●		
Volkswagen AG	Germany	Consumer Discretionary		●			●	●		
Waste Connections Inc	United States	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: 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 Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Air Canada	Canada	Industrials		●						●
Alimentation Couche-Tard Inc	Canada	Consumer Staples		●						●
Atco Ltd/Canada	Canada	Utilities		●						●
Bank Mandiri Persero Tbk PT	Indonesia	Financials						●	●	●
Bank of America Corp	United States	Financials				●		●		●
Bayer AG	Germany	Health Care						●		●
BCE Inc	Canada	Communication Services		●						●
BR Malls Participacoes SA	Brazil	Real Estate				●				●
Braskem SA	Brazil	Materials				●				●
Canadian National Railway Co	Canada	Industrials		●						●
Canadian Pacific Railway Ltd	Canada	Industrials		●						●
CCR SA	Brazil	Industrials				●				●
Cemex SAB de CV	Mexico	Materials	✓	●	●					●
Centrais Eletricas Brasileiras SA	Brazil	Utilities				●				●
China Shenhua Energy Co Ltd	China	Energy		●	●					●
Cogna Educacao	Brazil	Consumer Discretionary				●				●
Costco Wholesale Corp	United States	Consumer Staples		●	●			●		●
Discovery Ltd	South Africa	Financials						●	●	●
Duke Energy Corp	United States	Utilities		●						●
Edison International	United States	Utilities		●	●			●		●
Fevertree Drinks PLC	United Kingdom	Consumer Staples		●				●		●
Glencore PLC	Switzerland	Materials		●						●
Godrej Consumer Products Ltd	India	Consumer Staples		●	●			●		●
Hoya Corp	Japan	Health Care		●	●		●	●	●	●
IA Financial Corp Inc	Canada	Financials		●						●
ICICI Bank Ltd	India	Financials			●					●
Japan Exchange Group Inc	Japan	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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Kirkland Lake Gold Ltd	Canada	Materials		●						●
Korea Electric Power Corp	South Korea	Utilities		●						
Kraft Heinz Co/The	United States	Consumer Staples		●	●					
Melrose Industries PLC	United Kingdom	Industrials								●
Mondelez International Inc	United States	Consumer Staples	✓	●	●					
Onex Corp	Canada	Financials		●						●
Petroleo Brasileiro SA	Brazil	Energy				●				
Restaurant Brands International Inc	Canada	Consumer Discretionary		●						●
Twitter Inc	United States	Communication Services				●				●
Vitasoy International Holdings Ltd	Hong Kong	Consumer Staples		●	●					●
Woolworths Group Ltd	Australia	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: 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 Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Archer-Daniels-Midland Co	United States	Consumer Staples		●	●					
Barclays PLC	United Kingdom	Financials	✓	●						●
BHP Group Ltd	Australia	Materials		●						
BP PLC	United Kingdom	Energy		●						●
Canadian Apartment Properties REIT	Canada	Real Estate		●						●
China Construction Bank Corp	China	Financials	✓	●	●	●				●
Coles Group Ltd	Australia	Consumer Staples		●	●					
Conagra Brands Inc	United States	Consumer Staples		●	●					
Credicorp Ltd	Peru	Financials			●	●				●
Devon Energy Corp	United States	Energy		●						
Empire Co Ltd	Canada	Consumer Staples		●						●
Energisa SA	Brazil	Utilities				●				
Engie SA	France	Utilities		●						
Equatorial Energia SA	Brazil	Utilities				●				
Facebook Inc	United States	Information Technology				●				●
Fomento Economico Mexicano SAB de CV	Mexico	Consumer Staples								●
Goldman Sachs Group Inc/The	United States	Financials		●	●		●			
Hershey Co/The	United States	Consumer Staples		●	●					
Itau Unibanco Holding SA	Brazil	Financials		●	●		●			
Johnson & Johnson	United States	Health Care							●	
KAZ Minerals PLC	United Kingdom	Materials		●	●	●				
Koninklijke Ahold Delhaize NV	Netherlands	Consumer Staples		●	●					
Kroger Co/The	United States	Consumer Staples		●	●					
Lojas Renner SA	Brazil	Consumer Discretionary				●				
Melhanex Corp	Canada	Materials		●						●
Mitsubishi Corp	Japan	Industrials		●						●
Novartis AG	Switzerland	Health Care							●	

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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Nutrien Ltd	Canada	Materials		●						●
Persimmon PLC	United Kingdom	Consumer Discretionary			●					●
POSCO	South Korea	Materials	✓	●						●
Qatar National Bank QPSC	Qatar	Financials		●	●					●
Quebecor Inc	Canada	Consumer Discretionary		●						●
STERIS PLC	United States	Health Care			●			●		●
Suez	France	Utilities			●					●
Unilever PLC	United Kingdom	Consumer Staples		●	●			●		●
Walmart Inc	United States	Consumer Staples		●	●					●
WEG SA	Brazil	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

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 Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	
Accenture PLC	Ireland	Information Technology									
Acuity Brands Inc	United States	Industrials									
Algonquin Power & Utilities Corp	Canada	Utilities		●							
Alphabet Inc	United States	Information Technology				●					
Banco Bradesco SA	Brazil	Financials									
Bank of Nova Scotia	Canada	Financials		●							
Bank Rakyat Indonesia Persero Tbk PT	Indonesia	Financials			●						
BNP Paribas SA	France	Financials				●					
Boliden AB	Sweden	Materials		●	●						
Bristol-Myers Squibb Co	United States	Health Care							●		
Brookfield Asset Management Inc	Canada	Financials		●							
Bunge Ltd	United States	Consumer Staples		●	●						
Canadian Imperial Bank of Commerce	Canada	Financials		●							
Carrefour SA	France	Consumer Staples		●	●						
Casino Guichard Perrachon SA	France	Consumer Staples		●	●						
Cenovus Energy Inc	Canada	Energy		●							
Clicks Group Ltd	South Africa	Consumer Staples			●				●		
CLP Holdings Ltd	Hong Kong	Utilities		●							
Covivio	France	Real Estate									
CRH PLC	Ireland	Materials									
Danone SA	France	Consumer Staples									
Enbridge Inc	Canada	Energy		●							
Equinor ASA	Norway	Energy		●							
Euromoney Institutional Investor PLC	United Kingdom	Consumer Discretionary									
Fortis Inc/Canada	Canada	Utilities		●							
Franco-Nevada Corp	Canada	Materials		●							
General Mills 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: ●

Milestones and Your Fund

Environmental

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 or enhances investor value. For full details of our engagements which led to one and two star milestones please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged					
					Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health
☆☆☆										
Barclays PLC	United Kingdom	Financials	✓	●	●					
BP PLC	United Kingdom	Energy		●	●					
Dominion Energy Inc	United States	Utilities		●	●					
Eni SpA	Italy	Energy		●	●					
Rio Tinto Ltd	United Kingdom	Materials		●	●					
Teck Resources Ltd	Canada	Materials		●	●					
☆☆										
Cemex SAB de CV	Mexico	Materials	✓	●	●					
Cenovus Energy Inc	Canada	Energy		●	●					
China Shenhua Energy Co Ltd	China	Energy		●	●					
Glencore PLC	Switzerland	Materials		●	●					
JPMorgan Chase & Co	United States	Financials		●	●					
Kerry Group PLC	Ireland	Consumer Staples		●	●	●				
Lloyds Banking Group PLC	United Kingdom	Financials		●	●					
PTT PCL	Thailand	Energy		●	●					
Royal Bank of Scotland Group PLC	United Kingdom	Financials		●	●					
Swiss Re AG	Switzerland	Financials		●	●					
Teck Resources Ltd	Canada	Materials		●	●					
Tyson Foods Inc	United States	Consumer Staples		●	●	●				
UBS Group AG	Switzerland	Financials		●	●					
Wells Fargo & Co	United States	Financials	✓	●	●					
☆										
Alleghany Corp	United States	Financials	✓	●	●					
Breedon Group PLC	United Kingdom	Materials		●	●					

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: ●

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Kerry Group PLC	Ireland	Consumer Staples		●		●					
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	Germany	Financials		●	●						
PepsiCo Inc	United States	Consumer Staples		●		●					
Smurfit Kappa Group PLC	Ireland	Materials		●	●						

Environmental

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: ●

ESG Viewpoint

January 2020





Nina Roth
Director, Analyst, Responsible
Investment



Tenisha Elliott
Senior Associate, Analyst, Responsible
Investment

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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.

Living wage in the retail sector

The way we shop has changed radically over the past decade. The growth of low-cost online retailers has put unprecedented pressure on the margins of high street stores. Many have had to respond by cutting costs to stay in business, which can mean squeezing the wages of workers and of those in their supply chains.

The short-term alleged cost benefits of a low-wage strategy need to be weighed against longer-term costs. Poor wages can result in higher worker attrition and lost productivity, not only from depleted morale but also a constant need to train new starters.¹ This in turn can lead to a decline of the in-store shopping experience, further damaging the business prospects for high street retailers.

Our engagement on living wages has sought to bring companies' attention to these less immediate issues and encourage them to take a progressive long-term strategic approach to human capital management, which recognises the benefits of a stable and motivated workforce. This engagement supports various Sustainable Development Goals (SDGs), the strongest links relating to SDG 1 – No Poverty; and, in particular, target 1.2, which relates to halving families living in poverty; and SDG 8 – Decent Work and Economic Growth, within which Target 8.5 focuses on decent and productive work for all. In addition, given that women are often disproportionately represented in low wage jobs, engagement on living wages also supports SDG 5 – Gender Equality.

“ ”

Our engagement on living wages has sought to encourage companies to take a progressive long-term strategic approach to human capital management.

¹ <https://www.pile.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity>

What is living wage?

There is often confusion around the term "living wage", with many confusing it with nationally mandated minimum wages. Whilst a minimum wage is the lowest level that an employer can legally pay their worker, this is often, in practice, not enough to support basic needs. According to the Global Living Wage Coalition², a living wage is:

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

Living wage levels are not uniform globally, but are calculated according to national or regional costs of living.³

Companies engaged

Our engagement focused on ten large (>50,000 employees) retailers, chosen to represent five we judged as leaders on ESG and five laggards, based on an initial analysis of public information.

This approach resulted in ten companies to focus on: Costco, Dollar General, Dollar Tree, Sysco, Walmart (all US), Tesco (UK), Fast Retailing (Japan), George Weston and Loblaw (Canada), and CECONOMY (Germany).

In total, these companies employ approximately 3.7 million people.

Engagement expectations

Our engagement with these ten focus companies commenced at the beginning of 2019. Our strategy has been to start with a focus on raising awareness on the living wage, understanding of

companies' positions on wage levels in their own operations, and encouraging enhanced disclosure on wage levels.

As the engagement progresses, we plan to ask for time-bound plans for adjustments in wage levels and benefits, and for companies to consider wage levels in their supply chains.

Ultimately our aspiration is that all engaged companies have set time-bound plans and have adjusted wage levels to living wage for applicable scopes of employees.

If during the engagement process we judge that a company is responding well and on track to deliver a good living wage strategy, we may remove them from the engagement and initiate dialogue with another company.

Our 2019 engagement dialogue focused on the following:

- ✦ Raising awareness about the concept of a living wage and the benefits it provides to employees, as well as for the business as a whole
- ✦ Encouraging companies to consider how workers' wage levels are relevant to long-term business success
- ✦ Asking whether, and how, companies assess the financial consequences of a wage level adjustment across their operations
- ✦ Asking for enhanced disclosure on (a) average wage levels per business section and region; (b) a list of benefits and to which employees they apply; and (c) wider workforce issues, through the Workforce Disclosure Initiative survey

Observations, challenges and best practice

Seven out of the ten focus companies were responsive to our engagement. Despite several follow-ups, Walmart, George Weston and CECONOMY did not respond to our outreach efforts⁴.

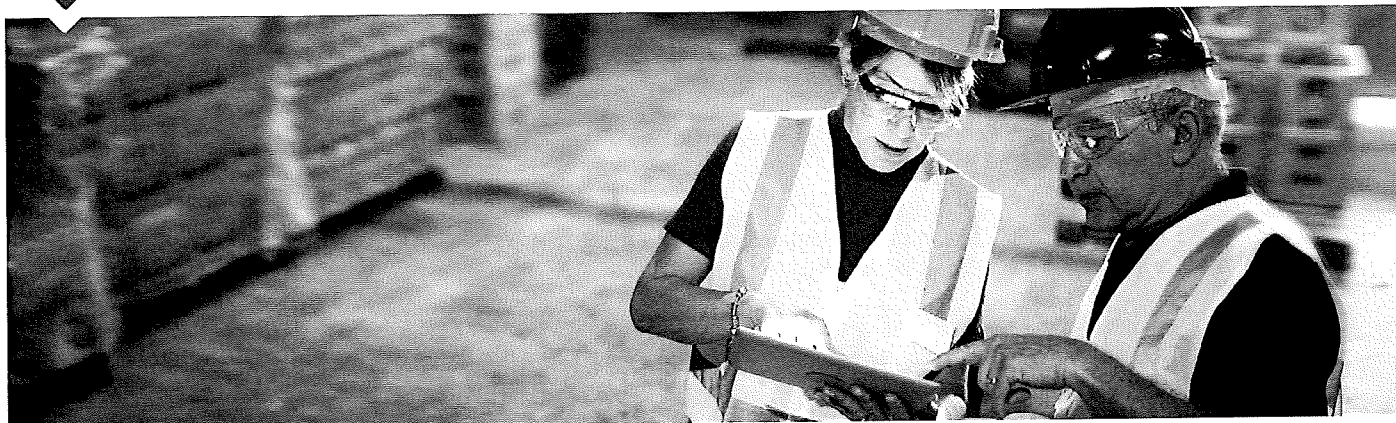
With the responsive companies, we spoke at a range of different levels. At one we spoke with the CEO; at others, our dialogue took place with representatives including the head of HR, head of Compensation and Benefits, sustainability experts, as well as Investor Relations.

Most discussions were open, though the information provided was limited overall, with one very positive exception: Tesco. All companies highlighted the need to pay appropriate wages, though interpretation varied as to what this meant in practice. Only one company, again Tesco, had pilots running for living wage payments in their supply chain. In addition, for their own staff, their new 2019 payment scheme – when combining base pay and other benefits – was forecast to reach UK living wage levels.

² <https://www.globallivingwage.org/>

³ There are various methodologies to measure local and regional living wage. Among them are ISEAL Alliance – A Shared Approach to Estimating Living Wages (the Anker methodology), MIT's Living Wage Calculator, Centre for Policy Dialogue Bangladesh and Berenschot.

⁴ As of December 19th, 2019



Whilst all companies assured us that they regularly assess wage levels, they also made it clear that the main criteria for pay decisions were inflation and pay rates at competitors. There was no information from any company that they would include social considerations – such as retention rates, health implications or customer satisfaction – in their methodologies.

Some of the companies we spoke with perform regular employee surveys, which include questions on overall satisfaction with pay and benefits packages. None of the companies disclose the results, even in an aggregated manner. We will continue to push for regular and transparent employee engagement surveys, which help detect areas and themes of dissatisfaction.

The current overall level of workforce disclosure by the retailers we engaged was very poor. Enhanced disclosure on workforce aspects, including wage level data, is needed

to allow us to compare best practice, frame engagement asks in a more targeted way and take better informed investment decisions.

Outlook

We will continue in 2020 to engage the focus companies on their attitude to paying a living wage and on enhanced workforce data disclosure. We will also start asking for targets for adjustments in remuneration and social benefits.

In addition, to build the case for action, we are working with a group of companies, NGOs and an agency for international development cooperation to develop and pilot a methodology for 'social opportunities scenario analysis', which would help companies to consider the trade-offs between short-term cost management and long-term employee satisfaction and performance in a more structured way.

Living Wage – disclosure and jurisdictional availability

Issuer	HQ country	Platform Living Wage Financials ⁵ methodology score (Maximum = 40)	Workforce Disclosure Initiative (WDI) ⁶ disclosure 2019
Costco	USA	3.8	No
Dollar General		1	No
Dollar Tree		1.9	No
Sysco		1.9	No
Walmart		1.5	No
Tesco	United Kingdom	10.3	Yes
Fast Retailing	Japan	6.8	No
George Weston	Canada	1	No
Loblaws		1.9	No
CECONOMY	Germany	0	No

⁵ The Platform Living Wage Financials is an alliance of investors that encourages and monitors investee companies to address the non-payment of living wage in global supply chains. The Platform's rating methodology is aligned with the UN Guiding Principles on Business and Human Rights and has eight overarching categories covering various aspects of best practice. We used this methodology to score companies, using publicly available information, i.e. the company's annual and sustainability reports as well as their websites. Scores cover own operations and supply chains, and have been weighted and rounded to one decimal place.

⁶ The Workforce Disclosure Initiative (WDI) is a project run by UK-based NGO ShareAction that aims at improving data from listed companies on how they manage workers in their direct operations and supply chains. The survey covers themes including human rights, diversity, pay ratios to overall wage levels, turnover rates, training, occupational health and safety, freedom of association, whistleblowing, structure of the company's supply chain as well as sourcing procedures. An ESG Viewpoint on our WDI-related engagement from November 2019 can be found here: <https://www.bmogam.com/gb-en/intermediary/news-and-insights/esg-viewpoint-the-quest-for-workforce-disclosure/>

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