

# BMO Responsible Global Equity Strategy

ESG Profile and  
Impact Report 2020



The Responsible Global Equity Strategy is part of a wider range of BMO sustainability-focused global equity products which follow our **Avoid – Invest – Improve** framework

## Investment Philosophy



**Avoid**  
Exclusions



**Invest**  
Sustainability-  
focused



**Improve**  
Driving change

Explicitly exclude companies based on clearly defined product & conduct ethical criteria

Invest in companies providing sustainability solutions and/or companies making a positive contribution to society and/or the environment

Engage to encourage companies to improve both their product and conduct, including supporting the ambitious UN Sustainable Development Goals

**BMO Responsible Global Equity**

BMO Sustainable Opportunities Global Equity

BMO SDG Engagement  
Global Equity

Active ownership – engagement and voting  
ESG integration  
Impact reporting

# Investing with **impact** in mind

We stand together at the start of a vital decade. With the creation of the Sustainable Development Goals (SDGs) five years ago, the world set itself some very stretching goals to achieve by 2030, and it feels like there is not a moment to lose if we are to get remotely close.

The global backdrop is not without its significant challenges. We are going to have to learn to live with elevated geopolitical tension created by Sino-U.S. rivalries, we are grappling with ambitious climate change objectives and we are conscious of multiple social inequalities that the past few decades have exacerbated. On top of this, the COVID-19 global pandemic has emerged as the most serious global public health challenge in living memory and has cast a completely new light on the range of challenges that we face together.

Nevertheless, we at BMO Global Asset Management are optimistic about the future, and we believe in the ability of society, companies and individuals to come up with sustainable products and solutions to respond to these challenges and create opportunity from adversity.

Our Responsible Global Equity Strategy, which is now into its third decade, strives to play its part in mobilising private capital towards securing a more sustainable future for all. Through our Strategy we continue to explore what kind of impact we can have by investing in listed equities, and our experience of recent years leaves us more convinced than ever that it is possible to deliver on our twin ambitions of delivering investment performance and achieving positive non-financial impact.

In pursuit of this we will continue our efforts to extend our investment horizon, to keep scouring the world for innovative companies that are changing the world for the better and to be more explicit in what we hope we can achieve through our targeted engagement activities.

This is our fifth annual report for this strategy, and in it we have taken the opportunity to refresh our SDG revenue alignment reporting, to now take into account both positive and negative impacts of our investee companies. Furthermore, we have expanded the report this year to provide more detailed information about all our investee companies and our interactions with them, setting this out in the multi-thematic framework which we invest through.

We hope you enjoy reading this report and welcome any feedback that you have.

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### Key risks

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

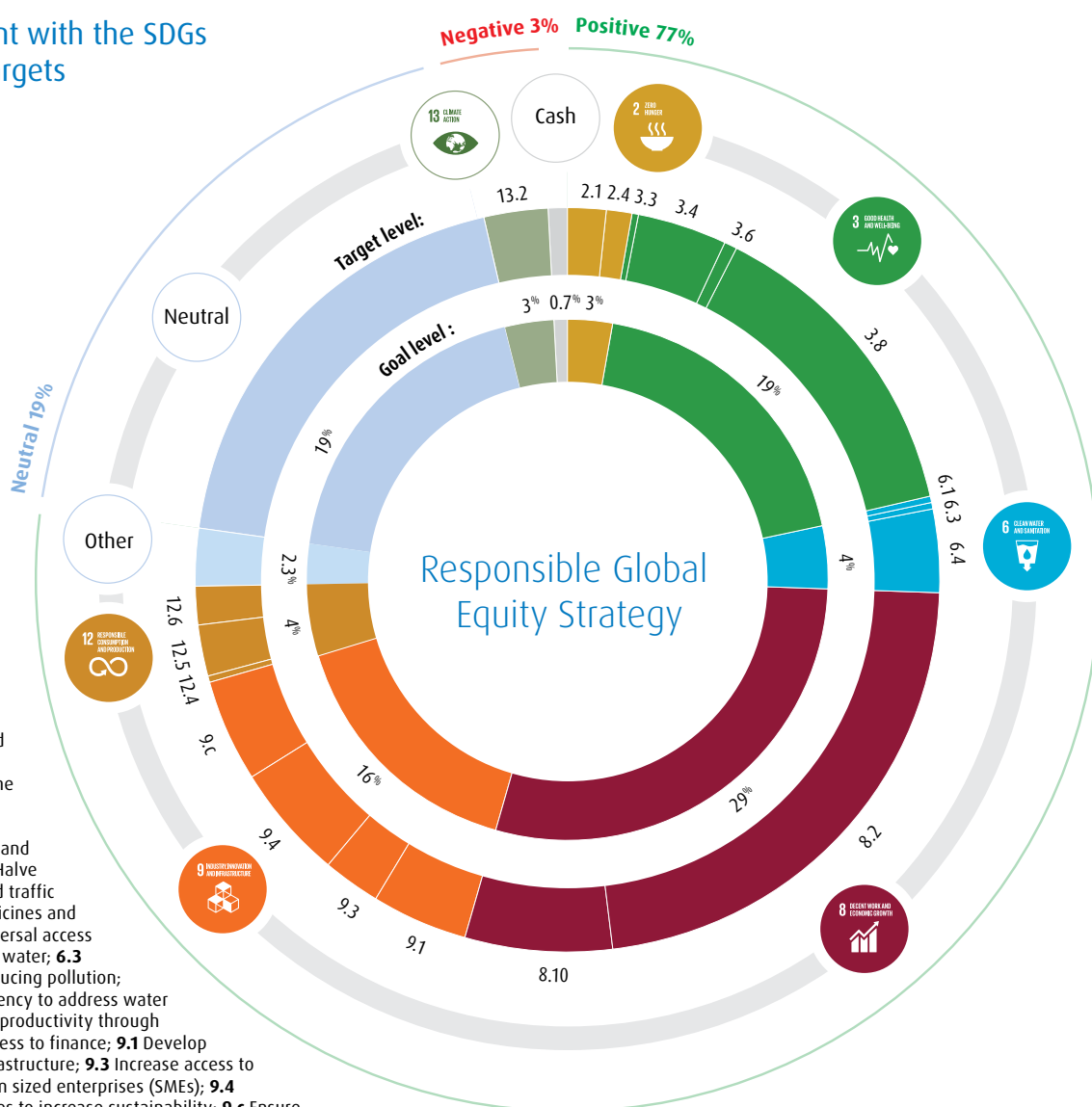
The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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

# Investing for a better future

The products and services that the companies held in our Responsible Global Equity Strategy provide can lead to positive impacts on the environment and/or society. We use the UN Sustainable Development Goals (SDGs) as our starting point to map such impacts.

## Strategy alignment with the SDGs and underlying targets



**2.1** End hunger and ensure access to safe and nutritious food; **2.4** Implement climate-resilient and sustainable food production; **3.3** End AIDS, TB, malaria and other water-borne and communicable diseases; **3.4** Reduce mortality from non-communicable diseases and promote mental health; **3.6** Halve deaths and injuries from road traffic accidents; **3.8** Access to medicines and health-care; **6.1** Achieve universal access to safe & affordable drinking water; **6.3** Improve water quality by reducing pollution; **6.4** Increase water-use efficiency to address water scarcity; **8.2** Achieve greater productivity through innovation; **8.10** Increase access to finance; **9.1** Develop resilient and sustainable infrastructure; **9.3** Increase access to finance for small and medium sized enterprises (SMEs); **9.4** Upgrade and retrofit industries to increase sustainability; **9.c** Ensure universal and affordable access to ICT; **12.4** Manage chemical usage and waste throughout their life cycle; **12.5** Reduce waste through prevention, reduction, recycling and reuse; **12.6** Encourage companies to adopt sustainable practices and enhance ESG reporting; **13.2** Integrate climate change plans into policies and strategies.

Source: BMO Global Asset Management, as at 31st December 2019, designed for illustrative purposes. Other: SDGs less than 2%. May not add up to 100% due to rounding.

As in past reports, we have assessed the connection between our Strategy and the SDGs, based on an analysis of the main sources of revenue for each of the companies in the strategy. Specifically, we measure how the individual sources of revenue for each company correspond to the 169 targets that underlie the goals – so that one company, depending on its mix of goods and services, may have links to more than one goal.

The results of this analysis are summarised here, with a full breakdown of the strategy and relevant SDG links provided in the following pages.

The strongest connections we have found are with SDG3 – Good Health and Well-being, and SDG8 – Decent Work and Economic Growth. The strategy has a number of healthcare and pharmaceutical companies that support targets within SDG3, including target 3.8, which sets an ambition of access to affordable healthcare for all.

Our investments in technology and industrial companies providing sustainability solutions align with Target 8.2, which calls for technological innovation to support increased productivity and economic growth. This includes companies providing, for instance, testing and measurement services; energy-efficient electronic components; and software designed to improve business efficiency. Several companies also support SDG9 – Industry, Innovation and Infrastructure, including banks providing finance to small and medium-sized enterprises, supporting target 9.3 on improving access to finance for such companies.

Since our methodology is based on the analysis of revenue streams, it does not recognise all the ways that companies in the strategy contribute to the SDGs. Companies also have an impact – either positive or negative – on the SDGs through the way they treat their staff and wider stakeholders, and how they manage their own environmental footprint. We aim to capture this through the strategy metrics on Pages 18-19, as well as through our engagement.



### Negative links

For the first time, we have taken up the challenge in this year's report of identifying and outlining some of our companies' negative contributions to the SDGs. That is, those products or services that companies in our Strategy offer which might hinder the achievement of some of the SDGs. This is our first attempt; as such, it is still subject to further development.

Whilst the strategy screens remove many such companies (such as tobacco or weapons producers), we did still identify some negative links. These include vehicle production by **Toyota Motor**, where in the absence of data on how revenues are split between conventional and hybrid/electric vehicles, we have classified all revenues as negative; and business lines at chemicals firm **Linde** and industrials company **Roper Technologies**, which support the energy sector.

## Responding to the COVID-19 pandemic

The 2020 COVID-19 pandemic is having an impact on all the companies we invest in, through the effects on their staff, customers, supply chains and wider communities.

Many of the companies in our Health and Well-being theme are directly involved in finding treatments and solutions to the crisis:

- **Becton Dickinson, QIAGEN and Thermo Fisher Scientific** have all produced COVID-19 diagnostic products to enable rapid testing, with results generated in as little as one to four hours.
- **CSL** is collecting blood plasma samples from recovered COVID-19 patients, which contain antibodies that may be able to be used as a treatment. It is sharing its experience with other plasma specialists through the CoVlg-19 Plasma Alliance.
- **Fresenius SE** is scaling up the production of drugs used in the treatment of COVID-19 patients, including sedation and pain management drugs, and has established a process to purify reusable protective masks at its hospitals.
- Retail pharmacy chain and health insurer **CVS Health** has announced a number of different initiatives, including hiring an additional 50,000 staff, providing bonuses to frontline workers, removing various COVID-19 charges to commercial members, and opening drive-through testing sites.
- Health insurer **Humana** has eliminated all costs charged to its members (most of whom are American seniors) for COVID-19 health care, such as for doctor tele-health consultations, testing and hospital stays.
- In addition, industrial gas company **Linde**, which is in our energy transition theme, is increasing its production of oxygen to ensure hospitals have sufficient supply, and is working with hospitals on the use of inhaled nitric oxide as a treatment.

# Health & Well-being

Countries across the world, particularly during the COVID-19 pandemic, are witnessing the limits of their healthcare systems. Health care costs continue to rise with the increasing prevalence of non-communicable diseases and an ageing world population.



A communicable virus like COVID-19 is proving to exacerbate these already challenging circumstances. Some developed market countries, such as the United States, are witnessing a notable lack of access to affordable healthcare, considering the significant system cost and incomplete insurance coverage, while other developed market countries, such as the United Kingdom, are struggling with stretched public health systems. Many emerging market countries suffer from gravely insufficient healthcare funding. According to the World Health Organization, as many as five billion people will

still lack access to healthcare in 2030 if current global trends persist<sup>1</sup>.

The Responsible Global Equity Strategy aims to invest in companies seeking to tackle these issues through a range of initiatives, enabling critical clinical research, drug development, affordable medicines, quality treatments, and insurance coverage. These include companies that develop and provide life-saving drugs, quality hospital care, dialysis and home care; companies that support life sciences innovation through consistent launches of new analytical, diagnostics and next-generation sequencing products; exposure to technology companies taking steps to capture healthcare data digitalisation opportunities; and providers of health insurance coverage and services, particularly to senior citizens. Together, our healthcare holdings are actively contributing towards the targets of SDG3 – Good Health and Well-being.

Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Becton Dickinson and Co</b> Health Care Equipment & Services UNITED STATES	70,093	Medical technology company which provides a range of medical services and devices such as diagnostic systems, drug delivery systems and infection control products.	<ul style="list-style-type: none"> <li>⊕ <b>Target 3.4; Share of company revenue 23%</b> Helps tackle non-communicable diseases with the manufacture of vascular, oncology, urology and surgical products</li> <li>⊕ <b>Target 3.8; Share of company revenue 77%</b> Provides access to healthcare through the production of essential medical supplies such as needles and syringes</li> </ul>	0
<b>CSL Ltd</b> Pharmaceuticals, Biotechnology AUSTRALIA	25,000	Producer of pharmaceutical and diagnostic products derived from human blood plasma, including vaccines and disease treatments.	<ul style="list-style-type: none"> <li>⊕ <b>Target 3.3; Share of company revenue 11%</b> Produces vaccines for influenza and other communicable diseases</li> <li>⊕ <b>Target 3.4; Share of company revenue 84%</b> Supports the treatment of non-communicable diseases through the development of a range of innovative biotherapy treatments</li> </ul>	0
<b>CVS Health Corp</b> Health Care Equipment & Services UNITED STATES	290,000	Operator of retail pharmacies, mainly in the US.	<ul style="list-style-type: none"> <li>⊕ <b>Target 3.8; Share of company revenue 98%</b> Provides access to healthcare through its retail pharmacy stores and clinics</li> </ul>	1: Public health, Corporate governance

<sup>1</sup> Source: World Health Organization, Universal Health Coverage Monitoring Report, 22 September 2019. <https://www.who.int/news-room/detail/22-09-2019-countries-must-invest-at-least-1-more-of-gdp-on-primary-health-care-to-eliminate-glaring-coverage-gaps>

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues

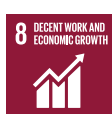


Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Fresenius SE &amp; Co KGaA</b> Health Care Equipment & Services GERMANY	294,134	International health care group whose specialisations include dialysis and related technologies.	<p>⊕ <b>Target 3.4; Share of company revenue 49%</b> Provides products and services for patients with chronic kidney failure</p> <p>⊕ <b>Target 3.8; Share of company revenue 51%</b> Supports access to healthcare through the provision of private hospital and care centres, pharmaceutical products and service provision for healthcare providers</p>	4: Labour standards, Public health, Corporate governance
<b>Henry Schein Inc</b> Health Care Equipment & Services UNITED STATES	19,000	Distributor of healthcare products and services, including dental and pharmaceutical products, to healthcare practitioners.	<p>⊕ <b>Target 3.8; Share of company revenue 68%</b> Provides access to healthcare through the provision of dental health services and healthcare products</p> <p>⊕ <b>Target 8.2; Share of company revenue 4%</b> Supports economic productivity through software solutions</p>	0
<b>Hoya Corp</b> Health Care Equipment & Services JAPAN	37,412	Manufactures electronic and optics products including eyeglasses and contact lenses, medical products, and other industrial solutions.	<p>⊕ <b>Target 3.8; Share of company revenue 66%</b> Provides access to healthcare through the production of eyeglass and lens products, and of medical endoscopes</p> <p>⊕ <b>Target 8.2; Share of company revenue 33%</b> Enables gains in economic productivity through technologies used in a range of digital products such as phones</p>	5: Climate change, Human rights, Labour standards, Public health, Corporate governance
<b>Humana Inc</b> Health Care Equipment & Services UNITED STATES	46,000	US health insurance company, with individual, corporate and government-sponsored clients.	⊕ <b>Target 3.8; Share of company revenue 100%</b> Provides access to healthcare through its medical insurance products	0
<b>Kerry Group PLC</b> Food, Beverage & Tobacco IRELAND	25,255	International food corporation, whose products include ingredients as well as a wide range of ready-made foods and snacks.	⊕ <b>Target 2.1; Share of company revenue 80%</b> Provides affordable, safe and nutritious food all year round	3: Climate change, Environmental stewardship, Public health, Corporate governance
<b>QIAGEN NV</b> Pharmaceuticals, Biotechnology NETHERLANDS	5,100	Specialises in testing technologies, particularly disease testing in the pharmaceutical, life sciences and healthcare areas.	⊕ <b>Target 3.8; Share of company revenue 100%</b> Provides access to healthcare through the sale of a range of diagnostic and sampling services and equipment	2: Environmental stewardship, Public health, Corporate governance
<b>Shimano Inc</b> Consumer Durables & Apparel JAPAN	11,380	Manufacturer of products for cycling, rowing and fishing.	n/a	0
<b>Thermo Fisher Scientific Inc</b> Pharmaceuticals, Biotechnology UNITED STATES	75,000	Manufacturer of a wide range of scientific instruments, chemicals and related products to the medical and scientific communities.	<p>⊕ <b>Target 3.4; Share of company revenue 39%</b> Produces a range of products and services aimed at the treatment of non-communicable diseases</p> <p>⊕ <b>Target 3.8; Share of company revenue 61%</b> Supports access to healthcare via its range of analytical and data tools</p>	0
<b>VF Corp</b> Consumer Durables & Apparel UNITED STATES	75,000	Apparel company, particularly well-known for its leisure and sports clothing and footwear.	n/a	2: Environmental stewardship, Labour standards

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues

# Technological innovation

Meeting the Sustainable Development Goals will require action on several fronts, including harnessing and maximising the potential of technological innovation.



The pace of these advances is picking up with unprecedented speed and an increasingly concentrated number of large companies are wielding enormous global influence. Consequently, we expect our investee companies to acknowledge this dynamic, and to take their wider stakeholder responsibilities into account when they conduct their business.

We aim to find companies working on disruptive innovations for transformative change – helping their clients make productivity advances right across the economic landscape, in areas like automation,

e-commerce, energy efficiency, emissions reduction, healthcare and payments. Our Strategy also actively seeks out companies providing their customers with mission-critical digital infrastructure and services and, in doing so, helping to create a more flexible and more resilient global economy. Importantly, we also look for companies offering digital communications solutions to improve connectivity for all, which is particularly important in providing platforms for education and financial services across the globe.



We aim to find companies working on disruptive innovations for transformative change.

Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Accenture PLC</b> Software & Services IRELAND	509,000	Global management and technology consulting firm, with a wide range of specialisms.	n/a	0
<b>Apple Inc</b> Technology Hardware & Equipment UNITED STATES	137,000	Designer and manufacturer of computers, mobile phones and related devices, accessories and software services.	<p>⊕ <b>Target 8.2; Share of company revenue 31%</b> Enables gains in economic productivity through the use of technology and payment services</p> <p>⊕ <b>Target 9.c; Share of company revenue 62%</b> Supports access to information and communications technology through its iPhone product</p>	2: Business conduct
<b>Crown Castle International Corp</b> Real Estate UNITED STATES	5,100	Real Estate investment trust, specialising in infrastructure for wireless communications in the US and Australia.	⊕ <b>Target 9.1; Share of company revenue 100%</b> Provides digital infrastructure through the installation of fibre networks	0
<b>eBay Inc</b> Retailing UNITED STATES	13,300	Global e-commerce company, offering a platform for both individuals and corporates to buy and sell both new and second-hand goods.	n/a	4: Business conduct, Labour standards, Corporate governance

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues



Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Intertek Group PLC</b> Commercial & Professional Services BRITAIN	44,775	Provider of product inspection services, such as safety checks, across a wide range of goods.	<p>⊕ <b>Target 12.6; Share of company revenue 83%</b> Enables companies to better monitor and manage their sustainability impact with services including sustainability analysis and supply chain audits</p> <p>⊖ <b>Target 13.2; Share of company revenue 17%</b> Provides services to the energy resources industry</p>	1: Corporate governance
<b>Keyence Corp</b> Technology Hardware & Equipment JAPAN	7,941	Developer and manufacturer of sensors and measuring instruments for a wide range of leisure and industrial applications.	⊕ <b>Target 8.2; Share of company revenue 100%</b> Supports economic efficiency by producing sensors, lasers and measuring equipment to make manufacturing and research processes more effective	3: Human rights, Labour standards, Corporate governance
<b>Mastercard Inc</b> Software & Services UNITED STATES	18,600	Financial transaction processing company, with services including payment processing for credit and debit cards.	⊕ <b>Target 8.2; Share of company revenue 85%</b> Supports economic efficiency through the provision of payment services	3: Business conduct, Labour standards, Corporate governance
<b>Mettler-Toledo International Inc</b> Pharmaceuticals, Biotechnology UNITED STATES	16,200	Industrial company specialising in the production of weighing instruments and measurement technologies.	⊕ <b>Target 8.2; Share of company revenue 100%</b> Contributes to economic efficiency through its range of testing products and services	3: Environmental stewardship, Labour standards, Public health
<b>Microsoft Corp</b> Software & Services UNITED STATES	144,000	Develops, manufactures, licenses, sells, and supports software products, including operating systems as well as various business and consumer applications.	<p>⊕ <b>Target 8.2; Share of company revenue 64%</b> Offers cloud computing storage, enabling more energy efficiency in IT systems</p> <p>⊕ <b>Target 9.c; Share of company revenue 36%</b> Supports access to information and communications technology through its Windows platform and other software and hardware products</p>	5: Business conduct, Human rights, Labour standards, Corporate governance
<b>PayPal Holdings Inc</b> Software & Services UNITED STATES	23,200	Provider of technology platforms allowing online, digital and mobile payments.	⊕ <b>Target 8.2; Share of company revenue 100%</b> Supports economic efficiency through the provision of payment services	2: Labour standards, Corporate governance
<b>Roper Technologies Inc</b> Capital Goods UNITED STATES	16,460	Manufacturer of various industrial control devices, in areas including pumps, medical and scientific devices and communications, together with related software solutions.	<p>⊕ <b>Target 3.8; Share of company revenue 29%</b> Provides access to healthcare through its medical and scientific imaging services</p> <p>⊕ <b>Target 8.2; Share of company revenue 42%</b> Enables greater economic productivity by providing communications and software solutions</p> <p>⊕ <b>Target 9.1; Share of company revenue 17%</b> Supports more resilient infrastructure by providing water meters and related technologies</p> <p>⊖ <b>Target 13.2; Share of company revenue 12%</b> Provides services to the energy industry</p>	0
<b>SAP SE</b> Software & Services GERMANY	100,330	Multinational software company with a particular focus on business users.	⊕ <b>Target 8.2; Share of company revenue 96%</b> Produces a wide range of software solutions designed to support business efficiency	5: Business conduct, Labour standards, Corporate governance
<b>SCSK Corp</b> Software & Services JAPAN	12,365	Information technology service provider, with services including packaged software for businesses and data centres.	⊕ <b>Target 8.2; Share of company revenue 99%</b> Supports economic productivity by providing a wide range of IT systems and solutions	1: Corporate governance
<b>Taiwan Semiconductor Manufacturing Co Ltd</b> Semiconductors & Semiconductor Equipment TAIWAN	48,752	Manufacturer of semiconductors for a wide range of electronic and industrial applications.	⊕ <b>Target 8.2; Share of company revenue 100%</b> Supports greater energy efficiency in a wide range of technologies through the production of semiconductors	1: Environmental stewardship
<b>Wolters Kluwer NV</b> Commercial & Professional Services NETHERLANDS	18,361	Global information services and solutions provider, serving markets including health, accounting, compliance, finance, and legal.	⊕ <b>Target 8.2; Share of company revenue 100%</b> Provides a range of legal, tax, compliance and consulting services to support business efficiency	4: Business conduct, Labour standards, Public health, Corporate governance

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# Resource efficiency

The world has a finite pool of resources, and one of the great challenges facing societies is how to drive economic growth without straining these resources to breaking point, or degrading our environment through their usage.



This is the art of doing more with less, and doing it cleanly and sustainably. Examples of resource inefficiency are distressingly common. Only 50% of the edible food we produce is ever actually eaten. In the UK, trucks on average carry only a 27% load factor, meaning a remarkable 73% of haulage capacity is wasted. Despite being the most abundant

compound on the planet, one in nine people do not have access to clean, safe water.

Corporations can and must be at the forefront of driving a more efficient use of energy, water and other vital materials, whether at the stage of extraction, transport or consumption. In our Responsible Global Equity Strategy, we are invested in some of the world's most innovative companies whose products and services are driving resource efficiency. An outstanding example is **Xylem**, whose mission statement is simply "to solve water". **Xylem** helps companies acquire, move, treat and test water efficiently, minimising losses. Driving resource efficiency not only brings about a more sustainable planet; it can also make businesses less wasteful and more profitable.

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Our global economy was built on a linear system, where we use resources once and then dispose of them – we urgently need to shift to a circular economy.

**Nick Henderson, Director, Portfolio Manager, Global Equities**



Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>AO Smith Corp</b> Capital Goods UNITED STATES	15,100	Manufacturer of residential and commercial water heating and water treatment equipment.	<ul style="list-style-type: none"> <li>+ <b>Target 6.4; Share of company revenue 100%</b> Enables greater water efficiency through the provision of water filtration products</li> </ul>	3: Climate change, Labour standards, Corporate governance
<b>Kubota Corp</b> Capital Goods JAPAN	41,027	Manufacturer of farm machinery and industrial machinery, and associated products.	<ul style="list-style-type: none"> <li>+ <b>Target 2.4; Share of company revenue 83%</b> Supports sustainable food production through the sale of agricultural machinery</li> <li>+ <b>Target 9.1; Share of company revenue 16%</b> Promotes sustainable infrastructure, particularly in water where it has a range of engineering solutions and products</li> </ul>	1: Climate change, Environmental stewardship, Corporate governance
<b>Rotork PLC</b> Capital Goods BRITAIN	3,686	Specialist in actuators, systems and related products to the valve industry.	<ul style="list-style-type: none"> <li>+ <b>Target 9.1; Share of company revenue 100%</b> Supports more resilient infrastructure through the production of a wide range of industrial instruments and products</li> </ul>	4: Climate change, Labour standards, Corporate governance
<b>Smurfit Kappa Group PLC</b> Materials IRELAND	46,000	Manufacturer of a range of paper packaging products.	<ul style="list-style-type: none"> <li>+ <b>Target 12.5; Share of company revenue 100%</b> Provides environmentally sustainable paper-based packaging, reducing waste generation</li> </ul>	4: Environmental stewardship, Labour standards, Corporate governance
<b>Suez</b> Utilities FRANCE	88,576	Global waste and water utility company. The company collects, treats, and distributes drinkable water, and provides services for waste collection, recycling, recovery, treatment and disposal.	<ul style="list-style-type: none"> <li>+ <b>Target 6.1; Share of company revenue 27%</b> Supports universal access to affordable water through its water utility services, including customers in emerging markets and low-income countries</li> <li>+ <b>Target 6.3; Share of company revenue 14%</b> Improves water quality through its water technology solutions</li> <li>+ <b>Target 6.4; Share of company revenue 23%</b> Tackles water scarcity through its operations in emerging markets and low-income countries</li> <li>+ <b>Target 12.4; Share of company revenue 36%</b> Provides waste and recycling services</li> </ul>	5: Environmental stewardship, Business conduct, Labour standards, Public health, Corporate governance
<b>Tractor Supply Co</b> Retailing UNITED STATES	16,000	Farm and garden retailer in the United States.	n/a	0
<b>Xylem Inc/NY</b> Capital Goods UNITED STATES	17,000	Equipment and service provider for water and wastewater applications across the full cycle of water services.	<ul style="list-style-type: none"> <li>+ <b>Target 6.4; Share of company revenue 71%</b> Enables greater water efficiency through its comprehensive range of water solutions</li> <li>+ <b>Target 9.4; Share of company revenue 29%</b> Supports greater water resource efficiency by producing measurement and control systems</li> </ul>	1: Environmental stewardship, Labour standards, Public health

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# Access to finance

The financial sector is uniquely positioned to adapt and promote innovation to address global sustainability challenges — including climate change, population growth and resource scarcity.



By integrating sustainability into their business strategies and decision-making processes, financial institutions can play a significant role in promoting activities that support goals such as financial inclusion, environmental stewardship and respect for human rights through their internal practices and through the enterprises they finance. Importantly, financial institutions have a significant role to play in accelerating the transition to a low carbon economy.

We will, therefore, aim to invest in financial institutions that see strong sustainability and governance practices as essential to effectively managing ESG risks and opportunities, maintaining their social license to operate and, ultimately, creating long-term shared value.

We are particularly interested in financial inclusion for our Strategy. Over 1.5 billion people and countless businesses remain excluded from traditional banking systems, particularly across emerging markets. By increasing efforts to reach the unbanked and underbanked, including through leveraging technological advances, the finance sector can help eliminate poverty, create jobs and promote gender equality. Ultimately, financial institutions can help propel rapid expansion and development of high-potential economies, while profitably growing their own customer and revenue base.

Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Allianz SE</b> Insurance GERMANY	142,460	Insurance and financial services company; also offers fund management services.	<ul style="list-style-type: none"> <li>⊕ <b>Target 3.8; Share of company revenue 42%</b> Provides access to healthcare through its medical insurance products</li> <li>⊕ <b>Target 8.10; Share of company revenue 51%</b> Provides access to financial services through its range of insurance and savings products, including in emerging markets</li> <li>⊕ <b>Target 12.6; Share of company revenue 6%</b> Promotes responsible investment through providing asset management services with ESG integration, and specialist SRI funds</li> </ul>	4: Labour standards, Corporate governance
<b>DNB ASA</b> Banks NORWAY	9,020	Commercial bank with services across retail, commercial, corporate, and investment banking, and life, pension, and non-life insurance.	<ul style="list-style-type: none"> <li>⊕ <b>Target 8.10; Share of company revenue 35%</b> Promotes access to financial services for all through its retail banking operations</li> <li>⊕ <b>Target 9.3; Share of company revenue 22%</b> Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises</li> </ul>	2: Business conduct, Corporate governance
<b>HDFC Bank Ltd</b> Banks INDIA	104,154	Provides general banking services serving corporate, commercial and SME, retail and microfinance, and treasury customers.	<ul style="list-style-type: none"> <li>⊕ <b>Target 9.3; Share of company revenue 22%</b> Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises, including affordable credit</li> <li>⊕ <b>Target 8.10; Share of company revenue 40%</b> Promotes access to financial services for all through its retail banking operations, including a particular focus on rural customers</li> </ul>	3: Climate change, Environmental stewardship, Business conduct, Labour standards, Corporate governance
<b>ING Groep NV</b> Banks NETHERLANDS	54,514	Global financial institution, providing a wide range of banking and finance products to individual and institutional clients.	<ul style="list-style-type: none"> <li>⊕ <b>Target 8.10; Share of company revenue 67%</b> Promotes access to financial services for all through its retail banking operations</li> <li>⊕ <b>Target 9.3; Share of company revenue 33%</b> Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises</li> </ul>	3: Climate change, Environmental stewardship, Business conduct, Corporate governance

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues



Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Intercontinental Exchange Inc</b> Diversified Financials UNITED STATES	5,989	Operator of global commodity and financial products marketplaces, including a wide range of commodity markets.	n/a	0
<b>Japan Exchange Group Inc</b> Diversified Financials JAPAN	1,110	Operates a marketplace for the trading of equities, futures, and options.	n/a	4: Business conduct, Labour standards, Corporate governance
<b>Principal Financial Group Inc</b> Insurance UNITED STATES	17,601	Provider of financial products and services to businesses, individuals, and institutional clients.	<ul style="list-style-type: none"> <li>+ <b>Target 3.8; Share of company revenue 16%</b> Provides access to healthcare through its medical insurance products</li> <li>+ <b>Target 8.10; Share of company revenue 12%</b> Provides access to financial services through its range of insurance products</li> <li>+ <b>Target 17.5; Share of company revenue 9%</b> Offers financial services products in emerging markets, including least developed markets</li> </ul>	1: Environmental stewardship, Labour standards, Corporate governance
<b>Prudential PLC</b> Insurance BRITAIN	18,125	Provider of a wide range of insurance products, as well as other financial products including pensions and mortgages.	<ul style="list-style-type: none"> <li>+ <b>Target 8.10; Share of company revenue 94%</b> Provides access to financial services through its range of insurance and savings products, including in emerging markets</li> </ul>	2: Business conduct, Public health
<b>SVB Financial Group</b> Banks UNITED STATES	3,564	Holding company for Silicon Valley Bank, a US institution which serves customers in the technology and life sciences industries.	<ul style="list-style-type: none"> <li>+ <b>Target 9.3; Share of company revenue 78%</b> Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises</li> </ul>	2: Climate change, Environmental stewardship, Labour standards, Corporate governance
<b>US Bancorp</b> Banks UNITED STATES	74,000	US financial services company whose products include credit card services, mortgage banking and insurance, as well as corporate and investment management services.	<ul style="list-style-type: none"> <li>+ <b>Target 8.10; Share of company revenue 27%</b> Provides payment services which facilitate access to finance</li> <li>+ <b>Target 9.3; Share of company revenue 17%</b> Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises</li> </ul>	3: Labour standards, Corporate governance



New financial technologies, institutions and markets have great potential to extend financial inclusion and to facilitate investment.

**António Guterres, UN Secretary General**

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues

# Energy transition

The energy transition is the pathway towards transforming the global energy sector from fossil-based systems of energy production and consumption — including oil, natural gas and coal — to zero-carbon energy sources, such as solar and wind, and increasing the efficiency with which energy is used. This is an essential part of achieving the goals of the Paris climate agreement.



The increasing penetration of renewable energy into the energy supply mix was initially driven by government policies as they sought to implement measures towards a carbon-neutral economy, but is now also being driven by economics, following a dramatic fall in the cost of many renewable energy technologies.

Power generation, however, is only part of this energy transition. A transformation is needed across all types of energy use, with transport being another key area. With the cost of rechargeable batteries falling sharply as a result of improvements in technology, economies of scale and government support, companies and consumers alike are increasingly turning to electrification for transportation, making the transition to electric vehicles one of the largest potential areas for electrification. We

have sought investment opportunities for companies providing battery materials, for example.

Until all electricity is completely decarbonised, improving the rate of energy efficiency remains a critical part of efforts to tackle climate change. We see opportunities in industrial gas companies, which have a role to play here in assisting global industrial customers reduce emissions. This is particularly relevant for developing economies, who are trying to determine how to increase energy access and sustain development while also transitioning toward cleaner energy sources.



Until all electricity is completely decarbonised, improving the rate of energy efficiency remains a critical part of efforts to tackle climate change.

Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Acuity Brands Inc</b> Capital Goods UNITED STATES	12,000	Lighting company, which produces a full range of indoor and outdoor lighting and control systems for both residential and commercial use.	<ul style="list-style-type: none"> <li>⊕ <b>Target 7.3; Share of company revenue 100%</b> Supports improvements in energy efficiency through providing efficient lighting solutions</li> </ul>	0
<b>Linde PLC</b> Materials BRITAIN	80,820	Large industrial gas and engineering company, with a wide range of end markets including healthcare, electronics manufacturing and energy.	<ul style="list-style-type: none"> <li>⊕ <b>Target 3.8; Share of company revenue 7%</b> Supports access to healthcare through the sale of medical gases such as oxygen and nitrogen to hospitals and healthcare providers</li> <li>⊕ <b>Target 9.4; Share of company revenue 60%</b> Produces a range of industrial gases which are used to make industrial processes more efficient</li> <li>⊖ <b>Target 13.2; Share of company revenue 19%</b> Provides services to the energy and aerospace industries</li> </ul>	5: Labour standards, Corporate governance
<b>Umicore SA</b> Materials BELGIUM	11,152	Materials technology company, whose products include a range of advanced materials and precious metals for applications such as batteries.	<ul style="list-style-type: none"> <li>⊕ <b>Target 9.4; Share of company revenue 79%</b> Produces catalysts and filters to reduce local air pollution from transportation, and electric vehicle batteries which support the transition towards electrified transport systems</li> <li>⊕ <b>Target 12.5; Share of company revenue 21%</b> Recycles precious metals, supporting a circular economy</li> </ul>	1: Environmental stewardship, Labour standards

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues

# Sustainable mobility

Transport is an essential part of our daily lives, and is necessary for individuals to participate in economic activities, get access to essential services as well as to establish, maintain and foster social relationships. It is equally important for our global economy where opportunities are increasingly related to the mobility of people and freight.



However, there are direct environmental and societal challenges stemming from current transportation networks as transportation ranks as one of the most material contributors to carbon emissions globally, at around 25%. Equally, with increasing urbanisation, congestion in cities both stifles economic activity and leads to poor health and fatalities, both directly through road traffic accidents, with around 1.3 million fatalities per year as a direct result of traffic related incidents, and indirectly through air and noise pollution.

The disruption during the COVID-19 pandemic has drawn attention to the wastefulness of some of our transportation use, and could lead to permanent changes in areas such as home working and business travel. Some governments have also been

prompted to invest more in areas such as cycling infrastructure to enable more sustainable transportation patterns. There are a multitude of different ways in which companies around the world are addressing this challenge, and we see long-term structural growth opportunities as a result. We particularly look for opportunities in the areas of electric vehicle technology, cycling, autonomous driving, safety technology, shared mobility and mass transportation, and energy efficient freight haulage. These solutions directly address the underlying targets of SDG11 – Sustainable Cities and Communities, as well as a number of other SDGs, ranging from SDG3 – Good Health and Well-being to SDG13 – Climate Action.



Transportation ranks as one of the most material contributors to carbon emissions globally.

Company	No. of employees	Company description	SDG Alignment	Number and subject of engagement(s)
<b>Aptiv PLC</b> Automobiles & Components IRELAND	141,000	Vehicle component manufacturer, whose products include lightweight wiring as well as safety equipment.	<p>⊕ <b>Target 3.6; Share of company revenue 28%</b> Supports the reduction in injury and death from road accidents through the provision of safety systems</p> <p>⊕ <b>Target 9.4; Share of company revenue 72%</b> Manufactures a range of vehicle powertrain solutions which can help improve transport energy efficiency</p>	2: Climate change, Labour standards, Public health
<b>ComfortDelGro Corp Ltd</b> Transportation SINGAPORE	24,513	Provider of land transport services included buses, taxis, rail and car rentals.	<p>⊕ <b>Target 3.6; Share of company revenue 4%</b> Supports the reduction in injury and death from road accidents through the provision of inspection and testing services</p> <p>⊕ <b>Target 11.2; Share of company revenue 72%</b> Promotes more sustainable transportation through its public transport services</p>	1: Corporate governance
<b>Toyota Motor Corp</b> Automobiles & Components JAPAN	372,636	Automotive designer and manufacturer, producing passenger cars as well as commercial vehicles including trucks and buses.	<p>⊖ <b>Target 13.2; Share of company revenue 100%</b> Negative climate impact through the continued production of internal combustion energy vehicles. Hybrid and electric cars should have a positive SDG link but the revenue split is not publicly available</p>	0

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues

# Impact metrics

Expectations of companies' measuring and reporting on the environmental and social impacts of their businesses continue to grow. While significant progress has been made, challenges remain.

Impact metrics differ from other ESG performance indicators mainly because they are built to track the outcomes that a company's operations, products or services have for the environment or on the lives of stakeholders, such as workers, suppliers, and customers. In practice, many companies focus on their own actions as a proxy for impact (e.g. 5,000 new microloans disbursed), rather than diving deeper and using metrics to demonstrate these actions have had a positive effect (e.g. new microloans improved borrowers' income by x%).

Ideally, impact metrics should also address the multiple dimensions of impact, as set out by the Impact Management Project. We would like companies to consider not just **what** type of impact they have but also **how much; who**

is affected (e.g. marginalised groups, low-income countries); the **contribution** their actions have beyond what would have happened anyway; and, where they are forecasting future impacts, the **risk** that these may not materialise as planned.

We fully acknowledge the significant challenges companies face when trying to develop environmental or social impact metrics that they can effectively track and measure. We have been engaging with companies in the strategy to discuss these challenges and offer our support in identifying best practice. Examples in 2019 included a discussion with **Prudential** on how it captures the impact of its financial inclusion initiatives, and with **Suez** on how it reports the impact of its work providing access to water in water-scarce countries, particularly in Africa.

We have selected some examples from companies in the strategy that report impact-related outputs or outcomes to illustrate some of the different metrics being used.

**4.1 million women**

impacted by Sustainable Livelihoods Initiative, which aims to promote financial inclusion amongst families in underbanked areas.

**HDFC Bank**

**90 million tons CO<sub>2</sub>**

emissions were avoided by its customers through a subset of products and applications - more than twice the GHG emissions of all its operations.

**Linde**

**3.5 million people**

in 55 countries provided with safe water and sanitation through the Watermark corporate responsibility programme. The programme responded to over 40 water-related disasters with clean water infrastructure.

**Xylem**

**43.8 million people**

on low incomes in Asia, Africa and Latin America provided with affordable micro-insurance and micro-savings solutions.

**Allianz**

**34 million households**

reached through the 'Cha-Ching' financial education TV programme.

**Prudential**

**10,400 jobs created**

through \$92.6 million of loans to women-led businesses by Grameen America Los Angeles, funded by SVB.

**SVB Financial Group**

**300,000 children**

provided with free oral health care.

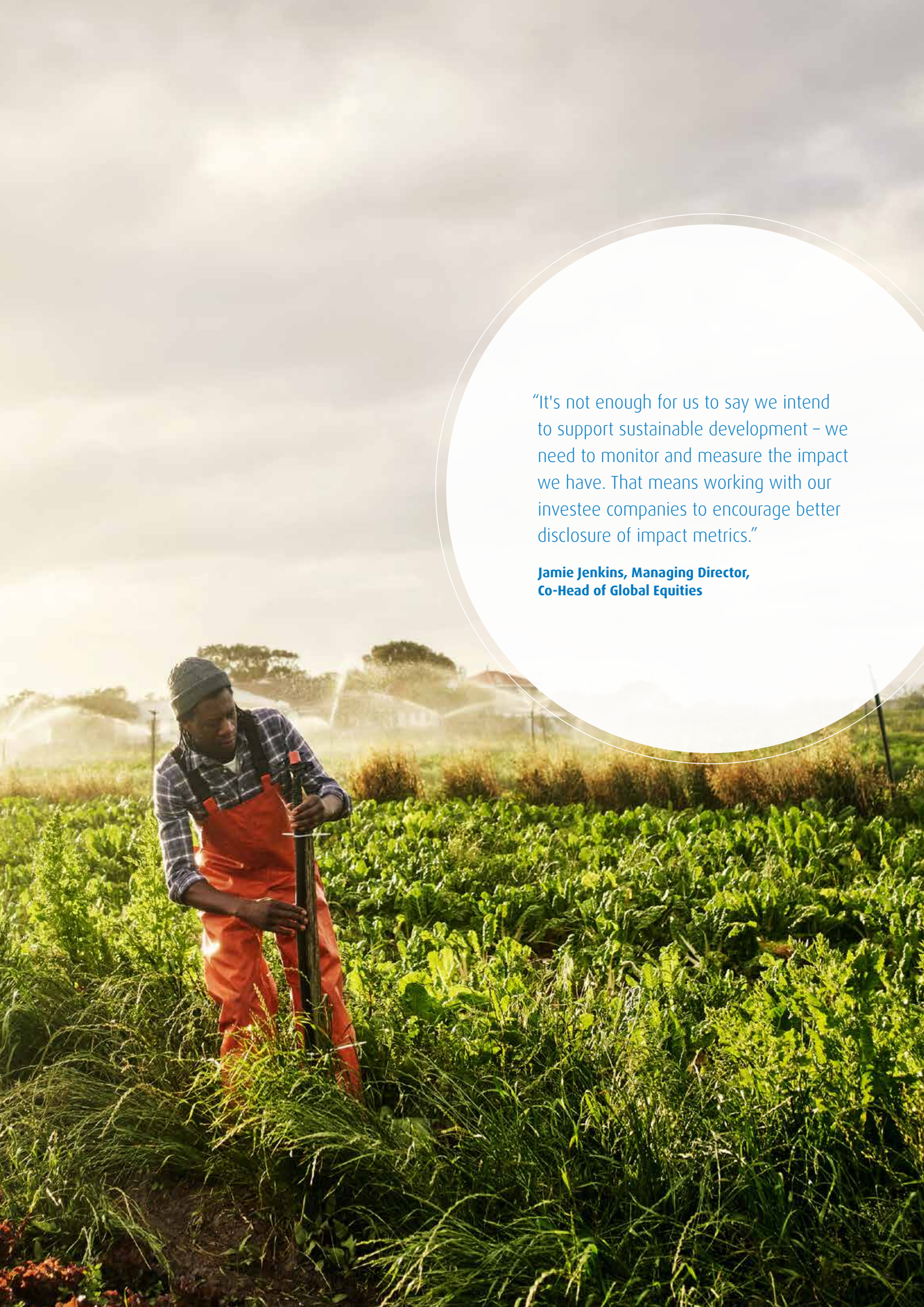
**Henry Schein**

**108 million tons**

of carbon saved through the sale of 15 million hybrid electric vehicles.

**Toyota**





“It’s not enough for us to say we intend to support sustainable development – we need to monitor and measure the impact we have. That means working with our investee companies to encourage better disclosure of impact metrics.”

**Jamie Jenkins, Managing Director,  
Co-Head of Global Equities**

# Strategy ESG metrics

We seek to measure how our Strategy performs on key ESG metrics so that we can address the risks, capitalise on opportunities, and promote change as an actively engaged investor. This year we have selected climate change, water consumption and gender diversity as topics of relevance to many of the companies in the strategy.

## Carbon footprint



### Our approach

We have a comprehensive climate change policy for the Responsible Global Equity Strategy, which includes full divestment from companies with fossil fuel reserves, investment in solutions and engagement<sup>2</sup>.

2019 saw BMO publish its framework for climate change engagement, where we clearly set out our expectation that companies should aim to align their businesses with the Paris climate agreement, as well as the practical steps we recommend companies take to achieve this.

We are committed to disclosure, and again this year publish our Strategy-weighted carbon intensity, in line with the recommendations of the Task Force on Climate-related Financial Disclosures.



As investors we need to use all the tools at our disposal to tackle climate change – divestment, engagement, and investment in solution providers.

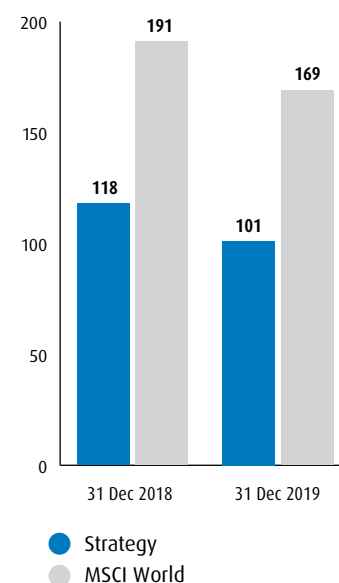
**Vicki Bakhshi, Director, Responsible Investment team**

### 2019 performance

The Strategy-weighted carbon intensity (Scope 1 and 2 emissions) declined by 14.4% year on year, falling from 118 tons CO<sub>2</sub>e/\$1m sales to 101 tons CO<sub>2</sub>e/\$1m sales, and remains well below the MSCI World benchmark figure, which itself declined by 11.5%, largely due to the stronger performance of lower-emissions sectors such as technology, giving them a higher weight in the index. This metric does not capture all aspects of climate risk, but it does provide an indication of the sensitivity of our investee companies to changes in emissions regulation, as well as a way to identify potential outliers.

The main reason for the difference between the strategy and benchmark remains sector allocation, with significant underweights to the energy-intensive energy and utilities sectors in particular. This is due to the ethical screens of the strategy, as well as the focus on positive sustainability themes. Chemicals company **Linde** remains one of the most significant contributors to the strategy's overall carbon footprint. However, the company received a 3 (out of 4) rating for its climate strategy by the Transition Pathway Initiative in 2019, and in early 2020 announced a further, ambitious set of new climate policies including a commitment to spend at least \$1bn in decarbonisation projects by 2038 and lower emissions intensity by 35% over the same period.

### Strategy-weighted carbon intensity (Tons CO<sub>2</sub>e/sales \$m)



Source: MSCI ESG and Bloomberg

<sup>1</sup> See BMO Responsible Funds and the transition to a low-carbon global economy (BMO GAM, 2017) and Climate Change Engagement: A framework for the future (2019) for details

# Water



## Our approach

We see investment water footprinting as a useful method to help us identify areas of water risk in our Strategy and manage those risks accordingly. The water usage metric that we disclose in this report is one of the tools we use to flag potential risks. To improve our understanding of the materiality of water to the strategy, we also assess water risk by industry and by geography. Ultimately, we aim to have a good picture of where key risks lie to focus on specific industries and companies for further water risk research and engagement.

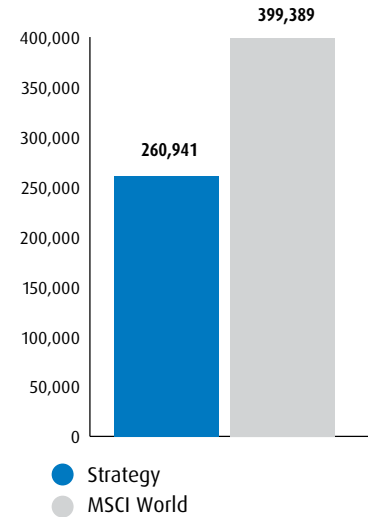
## 2019 performance

As in previous years, the weighted average water use is significantly below the benchmark. Low exposure to water-

intensive industries such as extractives and electric utilities is the main reason for this.

By far the largest contributor remains **Suez**, whose water processing activities involve a high water input, but whose aim is to enable its customers to use natural resources efficiently. Chemicals firm **Linde** also has a significant water footprint due to the nature of its production processes, but has water management plans in place at all high water-use sites in water-scarce areas. **Linde's** product range also includes various gases and technologies which are used to improve water quality, and the company has an objective to enable 250 million people to access safe drinking water.

## Total Water Use '000 cubic meters



Source: MSCI ESG and Bloomberg

# Gender diversity



## Our approach

We recognise the value that diversity in the boardroom and senior management can bring to an organisation. A relevant and suitably diverse mix of skills and perspectives helps enhance long-term performance and value creation. We, therefore, monitor the level of gender

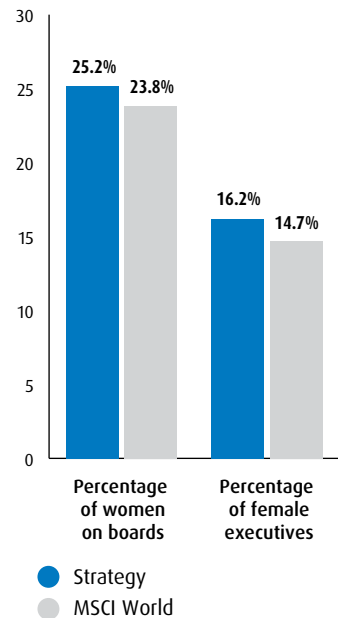
diversity at the board, management and all levels in our Strategy companies.

## 2019 performance

Many markets are seeing progress on gender equality in boards due to regulatory measures and investor pressure, but change is much slower at the senior executive level. Here we give metrics at both levels.

The strategy remains slightly better than benchmark on both metrics, but we still see significant scope for improvement. Dutch publisher **Wolters Kluwer** remains a leader in terms of both board and senior executives. We focused our diversity engagement this year particularly on German companies, which have lagged other markets in making progress. We engaged companies in the strategy including leaders in the market such as **SAP**, which in 2019 offered equal parental pay to male and female employees; alongside others such as **Fresenius SE** which have some female representation at board level, but less diversity amongst senior executives.

## Gender representation



Source: MSCI ESG and Bloomberg



Companies that are within the top quartile for gender diversity on their executive teams are 15%-24% more likely to achieve above-average profitability than companies in the fourth quartile.

**McKinsey, 2019**

# Impact through **our engagement**

Through engagement and voting, we seek to drive targeted improvement on how companies address ESG risks, opportunities and impacts. Our aim is to enhance long-term performance, reduce risk and encourage a positive contribution to broader environmental and social issues.

In 2019, we engaged with **76% of the companies held in the strategy**, with the aim of improving their management of ESG issues.

## US

- Spoke with the head of tax strategy at **Apple** to call for disclosure of tax payments at a country-by-country level.
- Asked **eBay** to improve its Board-level oversight and disclosure of cybersecurity risks, and discussed its workforce culture and approach to diversity.

- Asked **Microsoft** for further details of the proposed US JEDI cloud computing contract to understand sustainability implications.

- **VF Corp** announced that it would adopt a science-based emissions target, aligning its business strategy with the Paris climate agreement.

## Ireland

- **Smurfit Kappa** became a founding member of a new industry alliance on the sustainability of paper-based packaging.

## Germany

- **SAP** committed to align its business strategy with a maximum global temperature rise of 1.5°C.
- **Fresenius SE** improved its executive pay policies, following significant opposition from shareholders including BMO in 2018.

## Belgium

- Met the CEO of **Umicore** to discuss the ethical sourcing of cobalt.

## India

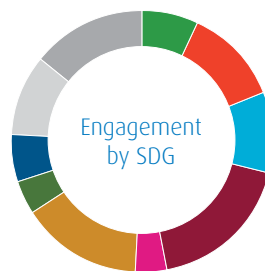
- Welcomed **HDFC Bank's** efforts to better measure the positive impacts of its financial inclusion initiatives and encouraged it to report on such impacts.

- Engagement
- Milestones

## Engagement

Our most frequent topics for engagement were labour standards (supporting SDG8 – Decent Work and Economic Growth), where we focused particularly on workforce diversity and on modern slavery; as well as corporate governance, including remuneration and board effectiveness.

- We engaged with a number of strategy companies including **TSMC**, **Kerry Group** and **Smurfit Kappa** on their water management strategies, particularly as climate change is likely to intensify these risks over time. This links to SDG6 – Clean Water and Sanitation.
- We recorded 15 milestones – instances of positive change following engagement – ranging across all environmental, social and governance (ESG) pillars. Climate change was a key area of progress, with several companies making important new commitments.
- Where we have persistent concerns on an ESG issue, but a company is not sufficiently responsive to our engagement, we may decide to sell our holding, as we did with **Amazon.com** in 2019.



SDG3	– Good Health and Well-Being	7%
SDG5	– Gender Equality	12%
SDG6	– Clean Water and Sanitation	10%
SDG8	– Decent Work and Economic Growth	18%
SDG10	– Reduced Inequality	4%
SDG12	– Responsible Consumption and Production	15%
SDG13	– Climate Action	4%
SDG16	– Peace, Justice and Strong Institutions	6%
Other		10%
No Link		14%

### Taiwan

- Discussed water source risk with **Taiwan Semiconductor Manufacturing Company (TSMC)**, which has high exposure but a market-leading approach to management.

### Japan

- Called on **Keyence** to improve board-level diversity and to keep revisiting its thinking around responsible capital allocation.
- **Hoya** set up a new high-level ESG Committee.

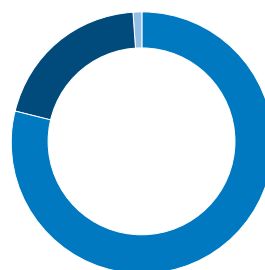
### Singapore

- Encouraged **ComfortDelGro** to improve its sustainability reporting, including reference to the Sustainable Development Goals.

## Voting

Our voting policies take account of local practices and are applied in a pragmatic fashion that reflects an integrated understanding of local and international good practice. In all cases, we aim to achieve the same result: the preservation and enhancement of long-term shareholder value through management accountability and transparency.

Our voting activity in 2019 resulted in us opposing management on almost 20% of resolutions, with remuneration and director elections the issues we most frequently had concerns on.



For management	78.7%
Against management	19.6%
Abstain	1.7%

Source: BMO Global Asset Management

# Company case studies

Our engagement approach varies by company and the ESG-related issues at hand, ranging from ongoing, constructive dialogue to dedicated site visits.



HOYA

## Hoya Corp

Modern slavery is a potential risk for all companies, but those with supply chains in high-risk countries need to be particularly careful to implement robust systems to avoid abuse.

**Background:** Electro-optics, eyeglass lens and medical devices manufacturer **Hoya** is headquartered in Japan, and has production facilities in countries including Thailand and the Philippines, where the risks of modern slavery practices such as forced labour are high. Our engagement seeks to ensure that the company has sufficient oversight of these specific risks, as well as applying adequate overall supply chain oversight.

**Engagement approach:** We engaged with **Hoya** on multiple ESG issues during 2019, including in-person meetings in the UK and Japan. Amongst other actions we included the company in a wider outreach to companies with potentially high exposure to modern slavery. The company sent a detailed response to our questions, providing information about how its Supplier Code of Conduct is used both to train staff internally and as a contractual requirement for new suppliers.

Following up on this, we had a call where we went into more detail on **Hoya's** strategy in emerging markets, both in terms of its supply chain as well as its end markets. The company sees growth opportunities in markets such as China for its products. We also discussed its most recent factory in Vietnam, which is an attractive country for manufacturing due to its cost advantages, but which comes with heightened risks.

We were reassured to hear that the company employs staff directly in Vietnam rather than outsourcing, and that audits are in place; but we recommended it takes further steps to

manage risk in Vietnam and elsewhere, in areas including the payment of recruitment fees or the surrender of identification documents by employees. We also called for stronger disclosure on this issue, and highlighted in particular the recommendations of NGO KnowTheChain, which had ranked **Hoya** 30th out of 40 companies in its benchmarking report due to a relative lack of detail in its modern slavery statement.

**Outlook:** In a market which is generally lagging other developed markets in its approach to sustainability, **Hoya** stands out as a company which was very responsive, with several engagements over the course of 2019. We have been pleased to see the company put in place a new ESG Committee, and we expect new sustainability goals to be published soon. On the key issue of modern slavery, we see the company's approach as robust, though there remains some room for improvement particularly around disclosure.

“ ”

In a market which is generally lagging other developed markets in its approach to sustainability, Hoya stands out as a company which has been very responsive.

Paper-based packaging has the potential to be an alternative to plastics – but comes with sustainability risks of its own, including raw material sourcing, energy intensity and water use.

**Background:** Smurfit Kappa is a specialist in paper-based packaging. Examples of its products include cardboard packaging for postal deliveries, industrial packaging, and food packaging. We wanted to engage the company to check that the claimed sustainability benefits compared with plastics were genuine, and that potentially problematic issues such as water use were being addressed.

**Engagement approach:** We had separate meetings with both the CEO and CFO in 2019, and in both cases used the opportunity to ask about water management. We were pleased to hear that the company recognises the importance of a proactive approach on water, including investing in wastewater treatment plants at some mills.

We also raised some wider sustainability issues, including encouraging greater disclosure on workforce management policies and performance.

**Outlook:** We were reassured to hear that water management is a priority at senior executive level, as evidenced by the quality of engagement responses from both the CEO and CFO. In late 2019, we were pleased to see the company named a founding member of a new industry alliance, 4evergreen, to boost the contribution of paper-based packaging in a circular and sustainable economy. More recently the company committed itself to set a science-based climate target. This positive momentum on ESG issues is encouraging.

## QIAGEN



Cutting-edge medical diagnostic technologies can be prohibitively expensive for lower-income countries. We encourage companies to explore a range of solutions that can provide affordable access to all who need it.

**Background:** QIAGEN specialises in molecular testing procedures designed to accurately diagnose a range of diseases, such as tuberculosis (TB). Our engagement sought to understand how the company is making these available in emerging markets.

**Engagement approach:** We met with QIAGEN’s Chief Financial Officer and had an in-depth discussion on the company’s emerging market strategy. We learned that it is pursuing a two-tier strategy in TB testing, with a base-level solution specifically designed for lower-income countries alongside its standard model for developed markets. It is also collaborating with the Gates Foundation in this area. Another area of focus is cervical cancer, currently one of the most preventable cancers. QIAGEN works with the Gates Foundation to provide tests for high-risk human papillomavirus (HPV), the primary cause of cervical cancer, in countries with limited healthcare resources in Africa, Asia and Latin America.

We also discussed some of the practical issues the company is working to overcome, such as a lack of refrigeration

facilities in some lower-income countries, which has led to work on chemicals which can be stored in ambient temperatures.

**Outlook:** We were pleased to see the company give a comprehensive response to the access issue, which should make it well-placed to benefit from the long-term growth trend in healthcare spending in emerging markets, as well as supporting target 3.8 on universal access to healthcare.



We were pleased to see the company give a comprehensive response to the access issue, which should make it well-placed to benefit from the long-term growth trend in healthcare spending in emerging markets.

# Strategy at a glance

	Strategy weight
Microsoft Corp	4.9%
Apple Inc	4.5%
Mastercard Inc	3.5%
Linde PLC	3.3%
Accenture PLC	2.9%
Thermo Fisher Scientific Inc	2.9%
Prudential PLC	2.8%
Crown Castle International Corp	2.6%
Xylem Inc/NY	2.6%
Roper Technologies Inc	2.5%
Taiwan Semiconductor Manufacturing Co Ltd	2.4%
VF Corp	2.3%
Intercontinental Exchange Inc	2.3%
Humana Inc	2.2%
Kerry Group PLC	2.2%
Hoya Corp	2.2%
Fresenius SE & Co KGaA	2.1%
Keyence Corp	2.1%
Wolters Kluwer NV	2.1%
SAP SE	2.1%
Mettler-Toledo International Inc	2.0%
Allianz SE	2.0%
PayPal Holdings Inc	1.9%
Aptiv PLC	1.8%
CVS Health Corp	1.8%
Intertek Group PLC	1.8%
Smurfit Kappa Group PLC	1.8%
Becton Dickinson and Co	1.7%
AO Smith Corp	1.7%

	Strategy weight
US Bancorp	1.6%
DNB ASA	1.6%
Kubota Corp	1.6%
eBay Inc	1.5%
HDFC Bank Ltd	1.5%
QIAGEN NV	1.5%
Principal Financial Group Inc	1.5%
Shimano Inc	1.5%
Acuity Brands Inc	1.5%
Toyota Motor Corp	1.5%
Tractor Supply Co	1.5%
CSL Ltd	1.5%
Umicore SA	1.4%
Henry Schein Inc	1.3%
Japan Exchange Group Inc	1.3%
ING Groep NV	1.2%
ComfortDelGro Corp Ltd	1.2%
SVB Financial Group	1.2%
Rotork PLC	1.1%
SCSK Corp	1.0%
Suez	0.9%

Source: BMO Global Asset Management. Data as at 31 December 2019.





"I am proud of our heritage and track record in responsible investing, which allow us to offer our clients a range of market-leading funds."

**Kristi Mitchem, Chief Executive Officer  
BMO Global Asset Management**

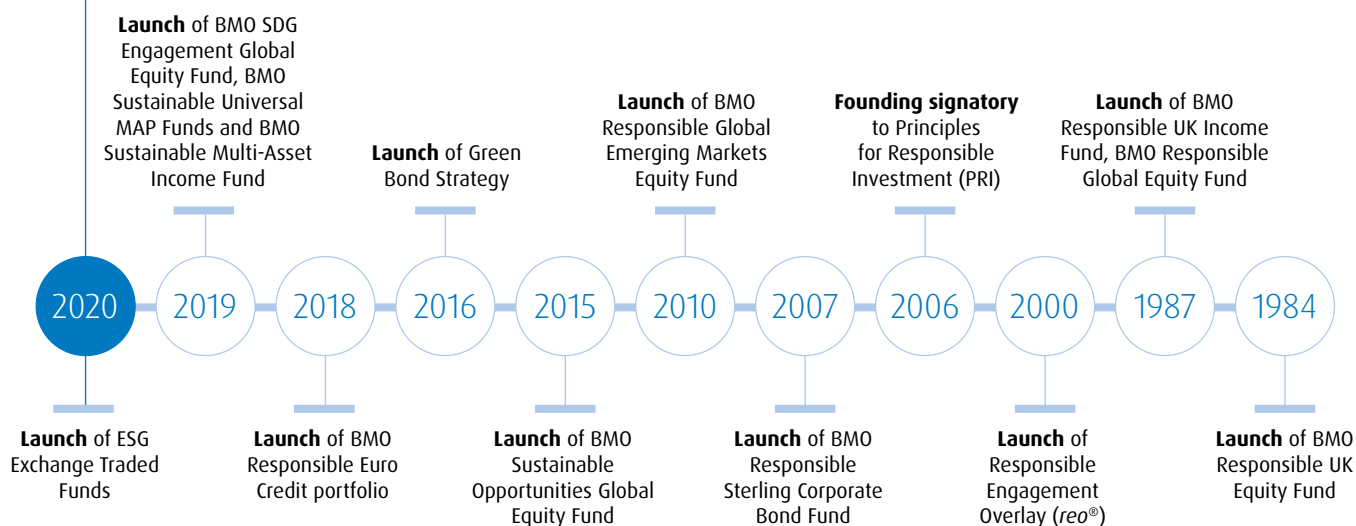
# Leaders in responsible investment

From the launch of Europe's first ethically screened fund in 1984 and our position as a founding signatory of the UN PRI, to the comprehensive suite of ESG specialist funds and services available today, we have a strong heritage in responsible investment.

## A history of innovation

A growing range of ESG orientated and client focused solutions

- 19 sustainability experts within our Responsible Investment team<sup>1</sup>
- A+ Rated for strategy and governance by UN Principles for Responsible Investment
- 35 years of investing responsibly
- USD\$5.1bn<sup>2</sup> under management in ESG specialist funds



## Award winning



<sup>1</sup> As at March 2020. In December 2019 the RI team was made up of 17 people  
<sup>2</sup> As at 31 January 2020  
<sup>3</sup> This is the second consecutive year that we have won this award

“Boldly Grow the Good in Business and Life: this is how we sum up BMO’s Purpose. By attaching intention to our strategic priorities, our Purpose informs every action we take to foster and accelerate positive change.”

**Darryl White, Chief Executive Officer, BMO Financial Group**

We believe that responsible investment is a mindset: as asset managers, we have a privileged and trusted position as stewards of capital, which gives us both influence and responsibility.

We take this responsibility seriously. We consider the impact of our investments on society and the environment, and the extent to which it affects long-term value creation. We work closely with the companies we invest in as active owners, to improve the management of ESG issues. We support this work with the thoughtful exercise of our voting rights. We strive to be thought leaders on these issues and their relevance to us as investors.

- **Thought leadership** – promoting and encouraging the development of responsible investment across the broader marketplace and industries.
- **Active ownership** – using our position as an asset owner to drive positive change through engagement and proxy voting.
- **ESG integration** – ensuring financially material ESG issues are considered within our active investment processes.
- **Funds and solutions** – offering a range of ESG orientated investment solutions built around a clear sustainability philosophy.



Photography: richardjohnson.ca

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