

Responsible Ownership Activity Report

BVV
2021



Contents

Welcome	3
Proxy voting in review	4
Our engagement highlights	5
Engagements and Sustainable Development Goals (SDGs)	6
Engagement and Sustainable Development Goals (SDGs)	7
Engagement and the environment	8
Engagement on social issues	10
Engagement on governance	12
SDG engagement appendix	14

Welcome

Welcome to our 2021 Responsible Ownership Activity Report, which outlines the engagement, public policy and proxy voting, if applicable, carried out by **reo**®.

The purpose of our **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 team does this through engaging with investee companies and voting proxies, if applicable on behalf of clients. We also work with the wider investment and policy community to address the systemic sustainability risks facing the economy and financial system. Ultimately, we view engagement not only as a tool to identify and manage ESG risks, but also as a mechanism to create positive impact for the environment and society.

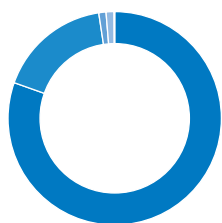
This report sets out detailed information about how we have engaged with companies on your behalf over the past year. In addition, the report details outcomes from engagement recorded as case studies and thematic updates.



Proxy voting in review

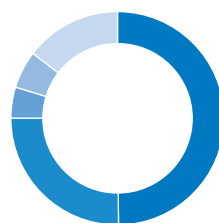
Exercising the right to vote is key to our stewardship responsibilities, and an opportunity to influence change. We engage companies before and after voting to explain our expectations and invite comment, and to explain any votes against management.

Share voting results *



Company meetings voted	1,991
Items voted	21,115
• For	80.5%
• Against	17.2%
• Abstain	1.1%
• Withhold	1.2%
• Do Not Vote	0.1%

Votes against and abstentions by category



• Directors & Board	49.9%
• Remuneration	25.2%
• Capital Raising	4.7%
• Shareholder Proposals	5.7%
• Other	14.6%

Source: BMO Global Asset Management, as at 31-Dec-21

Case studies

Electronic Arts Inc – AGM 12 Aug 2021

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

Microsoft Corporation: Annual Meeting – 30 November 2021

Microsoft has seen a number of shareholder resolutions at recent shareholder meetings. However, the 2021 AGM saw five proposals make it to the ballot. Of these, one actually received majority shareholder support. This was filed as precatory proposal asking the board to provide a report assessing the effectiveness of the company's workplace sexual harassment policies. Having reviewed content provided by the company and referred back to recent company engagement, we chose to support the shareholder proposal.

* This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed.

** ESG board oversight milestones relate to a specific collaborative project. The results of this project have been collated and recorded during the quarter.

Our engagement highlights



802 Engagements



372 Companies engaged

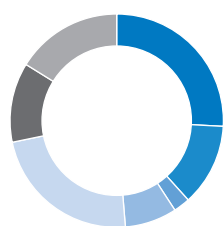


162 Milestones achieved



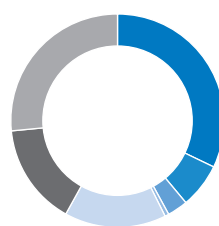
32 Countries covered

Engagements by theme *



Climate Change	327
Environmental Stewardship	157
Business Conduct	31
Human Rights	99
Labour Standards	291
Public Health	152
Corporate Governance	204

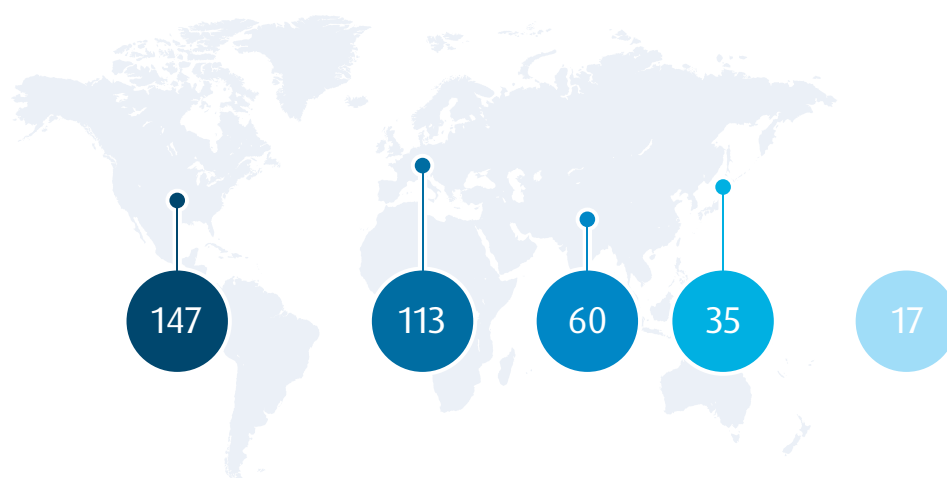
Milestones achieved by theme



Climate Change	52
Environmental Stewardship	11
Business Conduct	5
Human Rights	1
Labour Standards	25
Public Health	25
Corporate Governance	43

Companies engaged by region

- North America
- Europe
- Asia (ex Japan)
- Japan
- Other



Source: BMO Global Asset Management, 31-Dec-21

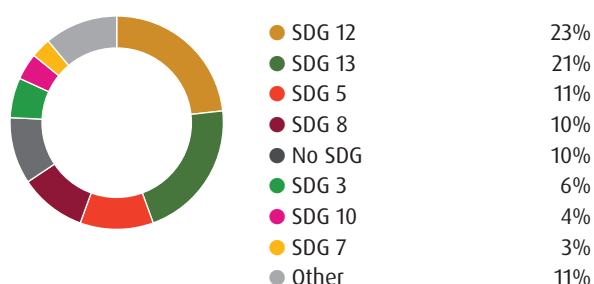
*Companies may have been engaged on more than one issue.

Engagements and Sustainable Development Goals (SDGs)

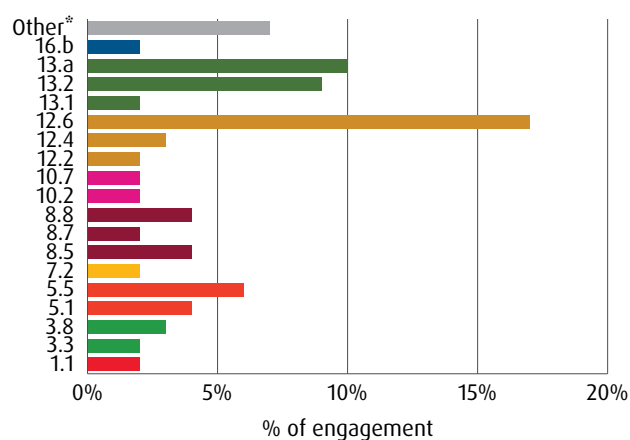
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

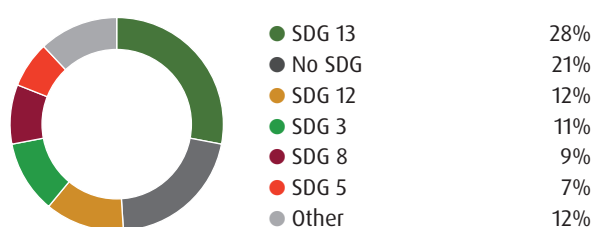
Engagement: SDG level



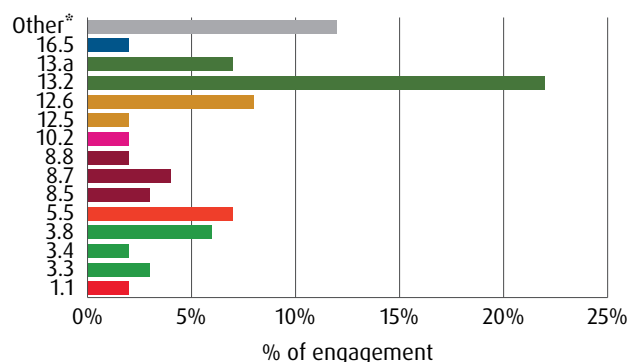
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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

Engagements and the Sustainable Development Goals (SDGs)

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.

Top 5 SDGs and targets by engagement



257 engagements

Target 12.6 | 186 engagements

Encourage companies to adopt sustainable practices and enhance ESG reporting



227 engagements

Target 13.a | 106 engagements

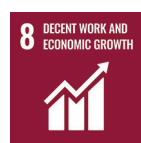
Address climate change mitigation for developing countries



121 engagements

Target 5.5 | 70 engagements

Ensure full equality of opportunity for women, including at leadership levels



114 engagements

Target 8.8 | 46 engagements

Protect and promote safe working environments for all workers



66 engagements

Target 3.8 | 35 engagements

Access to medicines and health-care

Top 5 SDGs and targets by milestones



46 milestones

Target 13.2 | 35 milestones

Integrate climate change plans into policies and strategies



19 milestones

Target 12.6 | 13 milestones

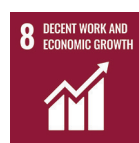
Encourage companies to adopt sustainable practices and enhance ESG reporting



18 milestones

Target 3.8 | 9 milestones

Access to medicines and health-care



15 milestones

Target 8.7 | 6 milestones

Eradicate forced labour, modern slavery & human trafficking



11 milestones

Target 5.5 | 11 milestones

Ensure full equality of opportunity for women, including at leadership levels

This is not an exhaustive list of all engagements had and milestones achieved. Please see our SDG engagement appendix page for a full list of targets we engaged on this quarter.

Engagement on the environment

To secure a sustainable future, we must take better care of our planet. We engage companies on environmental issues, including climate change, deforestation and plastic pollution.

Big Oil's bad day

Shareholder activism

May 26, 2021 might go down in history as a day of climate reckoning for the traditional fossil fuel industry, when three of the world's largest oil companies received blows that could force them to re-think their business models. In a watershed moment, investors at Exxon and Chevron voted with overwhelming majority for measures that should prompt the companies to take responsibility for lowering the emissions of its products (Scope 3). In an unprecedented proxy fight driven by climate action concerns, Exxon investors voted in three dissident candidates to the Exxon board hoping to push the company in a more sustainable direction. On that same day, a court in the Netherlands ordered Shell to set much higher emission reduction targets.

The shareholder activism success at Exxon in particular could set a precedent for US oil majors that generally tend to lag European peer companies in addressing climate change. The proxy fight was launched by Engine No. 1, a small hedge fund, which proposed four independent director candidates with experience in oil and gas, climate change, renewable energy and business transformation. We have been voting against Exxon directors for climate-related concerns and unresponsiveness to shareholder engagement for the past three years. As three of the four Engine No. 1 candidates have now been confirmed to the board, we are curious to see what Exxon will do next.

Meanwhile, Shell was ordered to reduce emissions from its operations and customers by 45% by 2030, 5 years earlier than the company planned in its Powering Progress strategy. The strategy, which the company submitted for an advisory vote at the AGM, includes targets to reduce the carbon intensity of energy products it sells by 6-8% by 2023, 20% by 2030, 45% by 2035 and 100% by 2050.

Investor net zero commitments

A major theme of the COP26 climate conference was finance. Financial institutions representing \$130 trillion made net zero emissions commitments in the run-up to the meeting, as part of the Glasgow Financial Alliance for Net Zero. Asset managers were an important part of this effort, with the Net Zero Asset Managers Initiative now having the support of 220 signatories with a total of \$57 trillion under management.

Focus is now shifting to implementation, and to the credibility and robustness of these commitments. Methodologies for net zero in finance are still relatively nascent and issues such as data availability abound. BMO GAM has taken a leadership role in working to come up with industry standards, working closely with the Institutional Investors Group on Climate Change and the Paris Aligned Investment Initiative. We have co-chaired the Implementation Working Group for the Net Zero Investment Framework, which has been working intensively on issues and questions around how the methodology should be applied in practice.

November also saw the publication of a progress report from the Net Zero Asset Manager's Initiative, in which BMO GAM and others set out their targets and methodologies.



Company case study: Mondelez International Inc (Public)



Sector: Consumer Staples

Theme: Environmental Stewardship

SDG: 14

Response to engagement: Good

Issue: Pollution Impacts, Natural Resources – Biodiversity, Oceans

Target: 14.1

Background

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

Action

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

commitment to the Plastics Pacts Network.

Verdict

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

Engagement on social issues

Historically difficult for investors to define and quantify, social issues are now among the most pressing issues for companies globally.

Our continuing work on living wages

Engagement update

An important element of our living wage engagement has been the work of collaborative initiatives we are part of. To celebrate our one-year anniversary of being members of the Platform Living Wage Financials (PLWF), we hosted the initiative's plenary meeting for the first time and invited a representative from the UN Principles for Responsible Investment (PRI) to speak about developments around the EU Social Taxonomy. The PLWF working groups are now working on streamlining assessment methodologies for retail, garment and apparel, agriculture and food companies, all in preparation for the company assessments in the fall.

We also have ongoing dialogues on fair wages, freedom of association, employee engagement and enhanced transparency (i.e., participation in the Workforce Disclosure Initiative) with several companies in North America. Overall, there is limited progress to report.

Collaborating for robust human rights due diligence


Engagement collaboration

All companies should have a robust approach to minimising and remediating adverse human rights impacts, in alignment with the UN Guiding Principles for Business and Human Rights. However, the 2020 Corporate Human Rights Benchmark (CHRB) found that 95 out of 230 companies failed to score any points on the human rights due diligence indicator.

As such, we joined 208 institutional investors representing \$5.8 trillion in AUM in signing a statement expressing concern for these low CHRB scores, calling on companies to improve their human rights due diligence approaches and setting out investor expectations. Coordinated by the Investor Alliance for Human Rights, where we serve on the Advisory Committee, this letter was sent to the 95 companies in May 2021.



Company case study: Eli Lilly & Co (Public)

	Sector: Health Care	Theme: Public Health	SDG: 3
	Response to engagement: Good	Issue: Access to Healthcare	Target: 3.8

Background

Eli Lilly is one of the world's largest pharmaceutical companies, with a market cap of c. USD 230 billion. In recent years we became increasingly concerned about the company's approach to and disclosure on access to medicine, which we regard as a highly material issue for the pharmaceutical industry. Following the publication of the Access to Medicine Foundation's 2018 Access to Medicine Index (ATMI), in which Eli Lilly ranked last, we resolved to ramp up our engagement with the company.

Action

We continue to recognise the value of engaging Eli Lilly both collaboratively and on a one-to-one basis. Previously, we participated in a collaborative call with other investors about access to medicine and were positively surprised by the participation of the newly appointed Head of ESG Strategy at Eli Lilly. We discussed the company's approach to expanding access to insulin against the backdrop of the pandemic, including the introduction of the Lilly Insulin Value Program in April 2020, enabling people in the U.S. – regardless of their insurance status – to fill their monthly prescription of insulin for only \$35. We took this opportunity to encourage the company to disclose metrics to facilitate analysis of the company's access to medicine initiatives. We commended the company's efforts to address insulin access and affordability, but expressed our concern about its poor performance in the ATMI, and highlighted the reputational risks of failing to be transparent about access to medicine initiatives. In our most recent meeting with the company, we were informed that Eli

Lilly is considering participating in the data collection process for the next ATMI, which would help to bolster its credibility.

Verdict

The appointment of a Head of ESG Strategy has undoubtedly resulted in positive change at Eli Lilly from an access to medicine perspective. The company has already improved its reporting on not only access to medicine but also other material ESG issues, and we are hopeful that this increased willingness to be transparent will translate into an enhanced reputation and a higher ranking in the next ATMI. Moreover, Eli Lilly can more clearly demonstrate its alignment with Sustainable Development Goal (SDG) 3 – Good health and well-being – by continuing to strengthen its access to medicine initiatives.



Engagement on governance

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

US update – What a difference a year makes

Regulatory update

In 2021, we attended the spring conference of the US Council of Institutional Investors (CII), albeit virtually for the second year. We received updates on the current US regulatory agenda, as well as investor engagement campaigns in advance of the forthcoming US proxy season. We also contributed to the work of the CII's Corporate Governance Advisory Committee, providing feedback to the CII board on its campaigns and priorities. In contrast to the last few years, there was a renewed sense of optimism at the conference over the regulatory outlook in the US market since the Biden Administration came into power. In turn this has led to changes to the leadership and overall agenda at the SEC, which has spoken much more positively regarding the responsible investment industry and using proxy voting to promote better ESG performance. By means of example, they appointed a new role of climate czar and have encouraged companies to better disclose climate-related risks to investors.

Alongside this, we saw the U.S. Department of Labor (DOL) issue a non-enforcement notification regarding its two anti-ESG rules that came into force in the last few days of the Trump Administration. Although these rules are still legally binding, and therefore cannot be outright dismissed, it will give some comfort that the DOL will not investigate or overly-scrutinise investors on the ESG investing and proxy voting activities.

My face, my rights

Engagement collaboration

Robust human rights due diligence is especially important to prevent unintended human rights consequences of emerging technologies, many of which develop so rapidly that regulators have a hard time catching up. One such technology is facial recognition technology. Facial recognition technologies' accuracy rates can be questionable, yet they are increasing used for surveillance purposes. They can have built-in ethnic and racial biases and be misused by authoritarian regimes, adversely impacting already vulnerable people. Most of the data and pictures used for the technology is harvested without explicit consent from individuals, creating privacy concerns. Some of the world's big tech companies have developed their own facial recognition products and services over the last few years, such as Amazon's Rekognition. At the same time, several US states and cities have banned the use of this technology, and in Europe the EU Commission is proposing a first legal framework on Artificial Intelligence Regulation.

With this context in mind, we joined 50 investors with over \$4.5 trillion in AUM by signing an Investor Statement on Facial Recognition, calling on companies to proactively assess, disclose, mitigate and remediate human rights risks related to their facial recognition products and services.

Signatories to the statement will be collaboratively engaging companies developing or using facial recognition technology. Asks include disclosing the accuracy of the technology and the sources of their databases, as well as demonstrating that the technology is monitored to detect biases, that proper due diligence is done of clients before making the technology available to them, and that grievance mechanisms are in place to enable victims to report consequences and have access to remedies.



Company case study: Haier Smart Home Co Ltd (Public)



Sector: Consumer Discretionary

Theme: Corporate Governance

SDG: 16

Response to engagement: Good

Issue: ESG Oversight

Target: 16.6

Background

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

Action

We had a meeting with both Haier Smart Home and Haier Electronics to share our expectations on the post-merger corporate governance structure, including the board’s overall independence, the composition of individual committees and board members’ expertise. We also had a deep discussion about its internal ESG governance structure and its response to the alleged use of forced labour in its supply chain. The company is aware of the growingly complex and sizeable supply chain, which it has a strategy to further simplify in the near term. The company also talked us through the forced labour issue in its Chinese supply chain, which is a politically sensitive subject. The company has clarified their policy over forced labour and will continue to assess its exposure in the future. In March 2021, after our meeting, the company tabled a proposal at its general meeting to create an ESG committee

at board level. It is a specific working body established to evaluate the company’s working progress on ESG risk management, and to formulate its long-term ESG vision, goals and strategies.

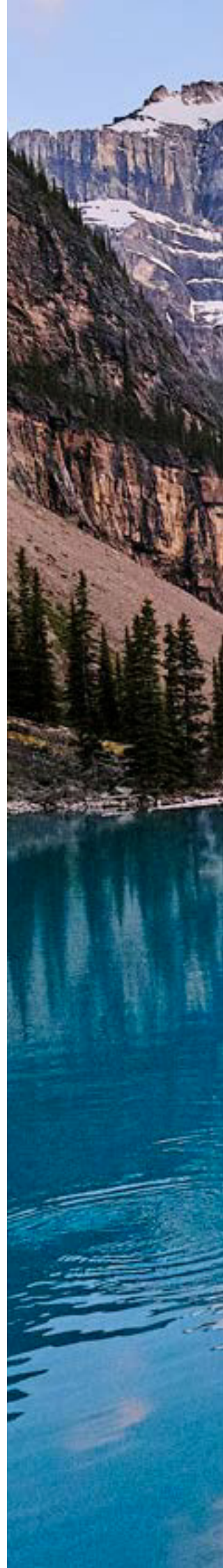
Verdict

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

SDG engagement appendix

Discover the full list of SDG targets that we engaged on during 2021

1.1 Eradicate poverty and ensure a living wage for all; **1.3** Implement social protection systems for all; **2.1** End hunger and ensure access to safe and nutritious food; **2.2** End all forms of malnutrition, particularly for children and women; **3.1** Substantially reduce maternity mortality rates; **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; **3.8** Access to medicines and health-care; **3.9** Reduce deaths and illnesses from pollution and contamination; **3.b** Support research into vaccines and medicines for diseases primarily in developing countries; **4.6** Increase youth and adult literacy and numeracy rates; **5.1** End all forms of discrimination against women and girls; **5.2** Eliminate all forms of violence against women; **5.5** Ensure full equality of opportunity for women, including at leadership levels; **5.c** Leverage enforceable legislation; **6.3** Improve water quality by reducing pollution; **6.4** Increase water-use efficiency to address water scarcity; **6.6** Protect and restore water-related ecosystems; **7.1** Ensure universal access to modern energy services; **7.2** Substantially increase the global share of renewable energy; **7.3** Double the global rate of improvement in energy efficiency; **8.2** Achieve greater productivity through innovation.; **8.5** Achieve full and productive employment for all; **8.6** Reduce the proportion of youth not in employment or education; **8.7** Eradicate forced labour, modern slavery & human trafficking; **8.8** Protect and promote safe working environments for all workers; **9.1** Develop resilient and sustainable infrastructure; **9.4** Upgrade and retrofit industries to increase sustainability; **10.2** Empower and promote inclusivity for all; **10.3** Ensure equal opportunity and legislation for all; **10.4** Adopt policies to progressively achieve greater equality; **10.5** Improve the regulation and monitoring of financial markets; **10.7** Facilitate safe migration through managed policies; **11.4** Strengthen efforts to safeguard the world's natural heritage; **11.5** Reduce social and economic losses caused by disasters; **11.6** Reduce the negative environmental externalities of cities; **12.2** Sustainably manage and make efficient use of natural resources; **12.3** Halve global food waste at the production and consumer level.; **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; **12.c** Removal of market distortions such as fossil-fuel subsidies; **13.1** Strengthen adaptive capacity to climate-related events; **13.2** Integrate climate change plans into policies and strategies; **13.a** Address climate change mitigation for developing countries; **15.1** Ensure sustainable usage of terrestrial freshwater ecosystems; **15.2** Promote the implementation of sustainable management of forests; **15.5** Take urgent action to reduce degradation of natural habitats; **15.a** Increase financial resources to conserve ecosystems; **15.b** Mobilise resources to finance sustainable forest management; **16.5** Reduce corruption and bribery in all their forms; **16.6** Develop effective, accountable and transparent institutions; **16.b** Promote non-discrimination laws for sustainable development.



Contact us

 Follow us on LinkedIn

 bmogam.com

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

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



Part of



©2022 BMO Global Asset Management. BMO Global Asset Management is a registered trading name for various affiliated entities of BMO Global Asset Management (EMEA) that provide investment management services, institutional client services and securities products. Financial promotions are issued for marketing and information purposes; in the United Kingdom by BMO Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EU by BMO Asset Management Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by BMO Global Asset Management (Swiss) GmbH, acting as representative office of BMO Asset Management Limited. These entities are all wholly owned subsidiaries of Columbia Threadneedle Investments UK International Limited, whose direct parent is Ameriprise Inc., a company incorporated in the United States. They were formerly part of BMO Financial Group and are currently using the "BMO" mark under licence. 170705 (03/22) This item is approved for use in the following countries: Australia, Austria, Canada, Denmark, France, Germany, Luxembourg, Netherlands, Portugal, South Korea, Switzerland.