

# Review of 2020 **reo**<sup>®</sup> Projects and Priority Companies





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# Introduction

At BMO we invest with a purpose – to boldly grow the good. **reo**® mobilises the combined weight of our client’s assets to help solve the great sustainability issues the world faces today. We do this through engagement and voting on behalf of our 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 environmental, social and governance (ESG) risks, but also as a route to create positive impact for the environment and society by supporting the achievement of the United Nations Sustainable Development Goals (SDGs). This report provides a summary review of the **reo**® engagement activities undertaken in 2020 for:

- ▶ Projects
- ▶ Priority Companies

All information in this report can also be found on the **reo**® Client Partner Portal under the relevant company or project tabs.

In addition to this end-of-year review, please also see a separate publication providing an overview of projects and priority company engagement we are planning for 2021.



**Alice Evans**  
Managing Director,  
Co-Head, Responsible  
Investment



**Claudia Wearmouth**  
Managing Director,  
Co-Head, Responsible  
Investment



I am incredibly proud of our dedicated Responsible Investment team, which is made up of inspiring, bright and motivated individuals.

**Claudia Wearmouth, Managing Director, Co-Head, Responsible Investment**

# Projects Review

Discover the progress we made with our thematic engagement projects over the past year. Where applicable, we have referenced Viewpoints – click on these links to learn more about our engagement.

## Antimicrobial Resistance

### SDG Goal



Against a backdrop of a high proportion of patients admitted to hospital with COVID-19 being given antibiotics to treat or prevent secondary bacterial infections, potentially exacerbating antimicrobial resistance (AMR), we recognise the need to continue our engagement on this global threat to public health. In 2020, the Investor Year of Action on AMR, we raised awareness via a [podcast](#) and an in-depth [Viewpoint](#).

In Q1 2020, we wrote to the major pharmaceutical companies included in the Access to Medicine Foundation's 2020 AMR Benchmark. We commended companies for best practices, and highlighted areas of improvement in manufacturing and stewardship, an umbrella term to describe the responsible use of antimicrobials. In Q3 2020, we initiated dialogue with eight animal health companies which sell antibiotics. We stressed the importance of addressing AMR, and flagged our key focus areas, including Research & Development, and marketing and distribution. We also contacted HealthforAnimals, the global animal health association, to improve

our understanding of how its members are combatting AMR.

Overall, despite the COVID-19 pandemic, we are encouraged by the progress which pharmaceutical companies and animal health companies are making in some key areas. Several pharmaceutical companies, including **Pfizer**, **GSK** and **Novartis**, supported the launch of the AMR Action Fund, which aims to bring new antibiotics to market, and the potential environmental risks from antibiotic manufacturing continue to be reduced. The members of HealthforAnimals are following a roadmap to reduce the need for antibiotics, and progress will be reported in 2021.

In addition to continuing our engagement with animal health companies with FAIRR's support, we will initiate dialogue with diagnostic companies manufacturing tests to distinguish between bacterial infections and viral infections, and water utility companies purifying wastewater to remove antibiotics.

“ ”

Pharmaceutical companies' efforts to meaningfully contribute to the war against AMR must go hand-in-hand with solutions to reduce the need for antibiotics in the first place.

**Catherine McCabe, Senior Associate, Responsible Investment Analyst**



## Banks and climate

In 2020 we engaged with 29 banks worldwide to encourage them to enhance climate risk management practices in their lending and underwriting activities. Specifically, we discussed banks' climate strategies, governance and risk management systems and whether any scenario stress testing that resulted in relevant business metrics had been performed. During the year, our engagement approach evolved to better understand any considerations around net zero commitments and their thorough implementation.

Banks' responses to the increasing pressure they face from regulators (e.g. the UK has made TCFD reporting mandatory for financial institutions by 2025), investors, employees and other stakeholders to address climate risks vary widely. A small group of institutions are leading the way, including **Barclays**, **Santander**, the **Commonwealth Bank of Australia**, **UBS** and **JPMorgan Chase**. We are particularly positive about Barclays' early net zero commitment and leading efforts to disclose climate risk metrics not only for their lending, but also for their underwriting portfolio.

Banks across Asia have started to wake up to the challenge. In emerging Asia, banks in Southeast Asia, including Malaysia's **CIMB**, Thailand's **Kasikornbank** and Indonesia's **Bank Mandiri**, while still early on their climate journey, are generally ahead of peers in China and India. As for developed Asia, Japanese and South Korean banks continue to lag their peers in other developed countries. To support our individual engagement in the region, we joined an initiative led by the consultancy Asia Research & Engagement (ARE) targeting the largest Japanese and Chinese banks and will continue our active participation in the PRI Palm Oil Investors Working Group that addresses South East Asian banks' contributions to deforestation and climate change through their lending and underwriting activities.

We also became members of the new Institutional Investors Group on Climate Change (IIGCC) Working Group on banks' climate risk management, which will seek to standardise assessment of banks' climate risk practices and encourage their alignment with the goals of the Paris Agreement.

### SDG Goal



## Climate Action 100+

The Climate Action 100+ initiative overall saw significant progress at its target companies, as set out in detail in the 2020 Progress Report. At the time of writing, 43% of the 160 companies engaged had set a net zero target for 2050 or sooner. All target companies are currently in the process of being assessed for the new Company Benchmark, which will be made public in Q1 2021. This public ranking will further increase pressure on laggard companies, alongside engagement escalation strategies being employed by CA100+ supporters including further filings of shareholder resolutions and AGM statements.

BMO GAM is either co-leading or supporting 26 of these individual company engagements. We have seen at these companies a similar level of momentum, with key milestones including net zero emissions commitments by multinational mining giants **Rio Tinto**, **BHP Billiton** and **Glencore**; and a major new commitment to electrification by **General**

**Motors**, including a \$7bn fund. Oil majors did not stay behind, as indicated by **BP's** net zero plan, backed up by significant new commitments to diversify its business, **Occidental's** ambition to become the first net zero CO<sub>2</sub>-emitting major US oil company, and **Total's** clear trajectory for intensity reduction of products by 60% by 2050. As for power generation companies, we highlight the adoption of a net zero emissions target by major US electric utility **Vistra Energy**.

Some companies remain more challenging, such as Korean utility **KEPCO** and Chinese mining giant **China Shenhua**. However, even here we are seeing the prospects for progress improving as their respective governments adopt net zero emissions goals in the run-up to the key climate negotiations in 2021. We will continue to press for stronger climate strategies as the CA100+ initiative moves into the new year.

### SDG Goal



## Coal phase-out

The focus of this project in 2020 was on multinational miners, and on mining and power companies in China and the US, as well as certain strategically important companies elsewhere.

Our December 2020 [Viewpoint](#) gives a detailed account of progress achieved, which has been mixed. We have seen some important commitments from the large diversified miners, such as the announcements by both **BHP Billiton** and **Anglo American** that they intend to sell their coal assets. We have also seen **Glencore** announcing its 2050 net zero ambition, which will be achieved by depleting its coal reserves. The response by pureplay coal miners has, unsurprisingly, been much less robust – however, China’s announcement of a net zero target for 2060, and the Biden win in the US, change the political landscape and may put more pressure on these companies.

In the power sector, the improved economics of renewable energy, combined with subnational and national regulations, have proven powerful levers for change. We have seen net zero goals adopted by many European and US companies, accompanied by increased investment in renewable energy and storage. Firm, time-bound coal phase-out plans have been less common, however, with many companies still planning to run coal plants to the end of life – and a few, notably in Japan, still building new coal-fired power. There is still much to be done in further pressing for coal phase-out plans across these sectors, and our work will continue into 2021. We will continue focusing on the US and China in particular, but also expanding to India as another heavy coal user. The COP26 meeting at the end of 2021 will provide a critical focus point for our engagement efforts.

### SDG Goal



## Living Wage

This multi-year engagement project focuses on 10 large retail companies from the US, the UK, Canada, Japan, and Germany, including **Walmart**, **Tesco**, **Loblaw Companies**, **Fast Retailing** and **Ceconomy**. Most companies were responsive to our engagement efforts – we had over 80 interactions, including virtual meetings, while others such as **Ceconomy**, were not responsive at all.

We discussed companies’ reaction to Covid-19, including efforts to protect the health and safety of their workers and their business continuity plans. We continued to stress that workers’ wage levels can impact long-term business success and encouraged enhanced disclosure on firm-wide wages. For some companies, we started a collaborative engagement with other investors to increase pressure, particularly on disclosure. Read more in our [Viewpoint](#).

In addition to the above, we supported collaborative engagement efforts with companies across other industries. Efforts include ShareAction’s Good Work Coalition, which focuses on Living Wage and Living

Hours commitments of FTSE100 companies, and the Platform Living Wage Financials initiative, which engages companies across garment, retail and agribusiness on living wage.

We were pleased to see that companies like **Tesco**, **Costco**, **Sysco**, **Loblaw**, **Dollar General**, and **Walmart** all increased – at least for a limited time – hourly pay or provided hazard bonuses. Others such as **Fast Retailing** provided financial and organisational support to its supplier partners. However, there is still resistance on the part of many of the retailers, particularly those in the US, to commit to paying living wages going forward.

We plan to continue and expand on our engagement on living wage issues, both individually and collaboratively. We will also expand on and leverage our work so far to engage companies in other industries and address issues around freedom of association and collective bargaining, which can help workers reach agreements on a living wage.

### SDG Goal



## Marine transport

The companies we targeted via this engagement project, including **A.P. Moller Maersk**, **Mitsui OSK** and **Nippon Yusen**, have translated the climate strategy of the International Maritime Organisation (IMO) into company-specific targets. IMO's strategy aims to reduce CO<sub>2</sub> intensity by at least 40% by 2030 and 70% by 2050, compared to 2008. Most companies in the engagement project also joined the Getting to Zero coalition, which aims to develop a commercially viable zero-emitting ship by 2030.

Because of the credible commitments and support for innovation, we decided to end this engagement project, also because of the limited weight of the sector in our clients' portfolios.

We will continue the dialogue with several companies in the sector to monitor implementation of their commitments and to push for net-zero commitment by 2050. We will also continue to address the effects of Covid-19 on health and safety of crews.

### SDG Goal



## Responsible drug pricing

At the beginning of 2020, we planned to engage on responsible drug pricing, focusing on Europe. When COVID-19 began to spread rapidly across the globe in the first half of 2020, pharmaceutical companies came under intense scrutiny, with the result that one-to-one engagement became increasingly challenging. We resolved to continue engaging major pharmaceutical companies by joining two collaborative engagement initiatives: one co-ordinated by Achmea Investment Management, and the other by the IOPA (Investors for Opioid Accountability).

Both engagement initiatives emphasised the importance of responsible business practices during the pandemic. There were key areas of overlap between the two initiatives, namely responsible human capital management, health & safety, and measures to ensure supply chain continuity. The Achmea-led initiative also focused on equitable global access to health products.

We contributed to the Achmea initiative by

leading engagement with **AstraZeneca** and **GSK**, and to the IOPA initiative by engaging **Endo International**, a generics and specialty branded pharmaceutical company. We and the other investors participating in these collaborative initiatives shared insights, which we used – bolstered by our research – to write a [Viewpoint](#) about how the pharmaceutical industry is responding to COVID-19.

Our key findings were that pharmaceutical companies have introduced excellent initiatives to protect and support their employees and responded rapidly to mitigate supply chain risks. However, approaches to broadening access are on a spectrum. Both AstraZeneca and GSK are prioritising access, while Gilead, for example, has been reluctant to adjust its pricing strategy to remove barriers to access in developing countries.

In 2021, we recognise the need for continued engagement on pricing and access strategies as treatments and vaccines are rolled out globally.

### SDG Goal



“Across the financial sector, there is growing recognition that whilst of course delivering financial returns is our objective, we also need to analyse how our actions – or inactions – have an impact on meeting the world’s needs.”

**Alice Evans, Managing Director,  
Co-Head, Responsible Investment**

## Sustainable food systems

### SDG Goal

In 2020, we engaged 52 companies to drive more sustainable practices in food production and consumption. We recorded a total of 103 engagement activities on issues like deforestation, climate adaptation strategies, water management, and alternative proteins. Our engagement has indicated that food producers and retailers generally recognise the risks to their businesses from climate change and biodiversity loss, among other environmental factors, as well as the impacts of their operations. However, most companies still struggle to implement changes to significantly curb runaway environmental degradation. Our [Viewpoint](#) considered these issues in detail.

The impacts of agriculture on biodiversity have become increasingly serious, particularly in some of the world’s most fragile biomes. We made deforestation into a separate workstream due to the impacts of soy, palm oil and beef production on the health of rainforests and other ecosystems and, ultimately, on climate change. As part of this workstream, we built constructive relationships with global traders such as **ADM**, **Bunge** and **Cargill**. We also saw meatpacking giants **Marfrig**

and **JBS** announce plans to launch beef supply chain traceability systems and join collaborative initiatives to address deforestation. We also highlight FAIRR’s engagement collaboration on sustainable proteins, which we are members of and which targets 25 food retailers and producers. Leading companies like **Tesco** and **Unilever** have set sales targets for plant-based meat alternatives to drive consumer uptake and help address public health and environmental impact. We discussed this in full with FAIRR in a recent [podcast episode](#).

The Covid-19 pandemic had a major impact on the food system and compounded some of the existing issues such as food waste due to lack of labour or transport disruptions. In doing so, it highlighted the need for a system overhaul and will hopefully contribute to increased efforts toward greater sustainability.

We will continue our engagement with the food industry in 2021 to drive stronger practices around climate change and biodiversity that improve the resilience and long-term sustainability of companies whilst protecting the planet.





# Priority Companies Review

This section provides a detailed list of the 41 companies we prioritised for engagement in 2020. This assessment provides a general summary of progress.

ANTA SPORTS PRODUCTS LTD				
ISIN	Industry	Country	Engagement Theme	
KYG040111059	Apparel	HK	Labour standards, corporate governance	
Engagement objectives		Progress	Description	Milestone
Appoint additional, independent non-executive directors		Strong	Two independent directors were appointed to the board.	Yes
Set up policies and procedures to protect migrant workers in the supply chain from exploitative recruitment practices		Medium	The company developed a set of principles for suppliers that cover issues around labour standards and human rights, and strengthened audit requirements. However, we have questions re. implementation.	Yes
Establish and disclose risk assessments on its supply chain		Medium	The company has improved practices to identify and manage ESG risks from suppliers, but does not disclose results from these risk assessments.	No
Improve disclosure on outcomes from supplier/ OEM audits		Poor	While supplier ESG audits are in place, the company does not disclose results.	No
Summary				
We have been actively engaging with Anta for over two years, focusing on board composition and supply chain labour standards. The latter issue has been a challenging one to engage on, as the company does not consider its supply chain to be significantly exposed to social risks. However, it has been reluctant to provide sufficient disclosure to support that claim. We will continue asking for better transparency on the results of risk and audit assessments undertaken.				

GENERAL MOTORS COMPANY				
ISIN	Industry	Country	Engagement Theme	
US37045V1008	Automobiles & Components	US	Business conduct, climate change	
Engagement objectives		Progress	Description	Milestone
Implement decarbonisation strategy, including fleet emission reduction targets, scenario analysis and CAPEX plans with regards to alternative fuel vehicles		Strong	General Motors has upped its commitment to electrification, announcing that it is investing another \$7 billion in electric and autonomous technologies. GM also announced that it will have 30 electric vehicles on the market by 2025; two-thirds of those will be available in North America.	No
Improve supply chain management strategy for high risk commodities such as conflict minerals, cobalt, lithium, rubber and leather		Medium	The company has a zero-tolerance policy for child labour in its supply chain and continues to rely heavily on industry collaboration in its due diligence through the audit process, mainly tools and resources developed by the Responsible Minerals Initiative (RMI) of which GM is a member. In addition, it launched an internal human rights due diligence exercise during 2020 that will cover its supply chain in order to assess if extra processes are required.	No
Summary				
We had numerous interactions with General Motors over the course of the year. These included, two meetings and volunteering as lead investor of PRI's collaborative engagement initiative on responsible sourcing of cobalt. GM was open to our engagement and transparent in its explanations. With regards to its decarbonisation strategy, the company announced new targets for electrification and autonomous driving. With regards to supply chain management, we expect to see progress in the near future				



## PORSCHE AUTOMOBIL HOLDING

ISIN	Industry	Country	Engagement Theme	
US73328P1066	Automobiles & Components	GE	Business conduct, climate change	
Engagement objectives		Progress	Description	Milestone
Implement decarbonisation strategy, including fleet emission reduction targets, scenario analysis and CAPEX plans with regards to alternative fuel vehicles		Strong	Volkswagen, Porsche Holdings' major asset outlined its plans to become net CO <sub>2</sub> -neutral by 2050, in line with its "goTZero" environmental mission statement. VW is focusing on the electrification of its fleet to reduce CO <sub>2</sub> emissions and has been developing the modular electric platform, MEB, since 2016. Porsche Holding, used its influence of majority shareholder of VWs ordinary shares to support this step.	Yes
Carry out governance reforms and the strengthening of internal controls following emissions manipulation scandal		Medium	While some progress has been made with regards to oversight reforms, more could be done on the top level of the organisation to strengthen its corporate governance profile.	No
Summary				
Despite some initial reluctance we managed to secure a meeting with representative of Porsche Automobil Holdings to discuss its role in shaping the sustainability strategy of Volkswagen, Porsche Holdings major asset. Amongst the topics we discussed with Porsche were governance reforms following the emissions manipulation scandal and VW's decarbonisation strategy. We were positively surprised by the knowledge and insights the Porsche representative had on VWs strategy and processes as well as the examples Porsche was able to provide on cases where they engaged VW.				

## SUZUKI MOTOR CORPORATION

ISIN	Industry	Country	Engagement Theme	
US73328P1066	Automobiles & Components	JP	Labour standards, business conduct, climate change	
Engagement objectives		Progress	Description	Milestone
Carry out governance reforms and the strengthening of internal controls following emissions manipulation scandal		Poor	We continue to see Suzuki's product quality management framework to be weak. In particular, we think the lack of shared accountability between product R&D, supply chain and production to be critical.	No
Implement decarbonisation strategy, including fleet emission reduction targets, scenario analysis and CAPEX plans with regards to alternative fuel vehicles		Poor	The company has disclosed some greenhouse gas reduction initiatives, but lacks a systematic approach to managing this important issue.	No
Develop and implement human capital management strategy with focus on talent attraction and retention		Medium	There has been some minor, improved disclosure on human capital management strategy, focusing on health and safety, compared to last year. We do not think health and safety should be the definition of human capital management, let alone the raising accident frequency rates in recent years. We will continue to engage with the company on this issue.	No
Summary				
Suzuki is a good example of an inward-oriented Japanese company that is known for its reluctance to discuss company matters with investors. Whilst there has been progress made in the past year, we do not think it was sufficient to alter its fundamental ESG performance. We will continue to engage with this company in 2021.				



## BANCO SANTANDER, S.A.

ISIN	Industry	Country	Engagement Theme	
ES0113900J37	Banks	ES	Climate change, Environmental stewardship	
Engagement objectives		Progress	Description	Milestone
Implement strong environmental and social risk management system, including policies on climate, deforestation, human rights		Strong	Strong risk management system in place, with further improvements in all key areas planned.	No
Improve climate-related risk disclosures		Strong	2021 climate disclosure will be further enhanced.	No
Develop lending policies for companies in industries with high environmental or social impacts		Strong	Strong lending policies in place, underwriting to be amended.	No

### Summary

Our engagement clearly indicated that the bank is better positioned to manage environmental and social risks, as well as climate-related risks, than anticipated through existing disclosure. We are confident that the bank will further enhance its overall approach to climate and E&S risk management and disclosure going forward. Strong policies and management systems are in place in regards to deforestation risks in its South American lending and underwriting portfolio.

## BARCLAYS PLC

ISIN	Industry	Country	Engagement Theme	
GB0031348658	Banks	GB	Corporate governance, Climate change, Environmental stewardship	
Engagement objectives		Progress	Description	Milestone
Implement strong environmental and social risk management system, including policies on climate, deforestation, human rights		Medium	While climate policies were strengthened, efforts on human rights and deforestation still lag behind.	No
Improve climate-related risk disclosures		Strong	Industry leading climate risk disclosure published in Q4.	Yes
Develop lending policies for companies in industries with high environmental or social impacts		Medium	Good set of policies in place, more depth and detail needed.	No
Improve broader board effectiveness, including governance and board capabilities around climate issues		Medium	Good progress but more evidence needed regarding effectiveness.	No

### Summary

We had six interactions with the bank over the year. While the bank has not been overly responsive to our direct engagements, we have seen considerable improvement over the last 12 months, specifically in the area of climate risk management. In Q4 2020 the bank has published an industry leading approach on managing and mitigating climate risk related to their lending and underwriting efforts. We are still expecting some movement in regards to human rights and deforestation policies.

CAPITAL ONE FINANCIAL CORPORATION			
ISIN	Industry	Country	Engagement Theme
US14040H1059	Banks	US	Business conduct, corporate governance
Engagement objectives	Progress	Description	Milestone
Address governance concerns at board level	Poor	The company was not responsive to our engagement efforts.	No
Improve structure and disclosure of executive remuneration	Poor	The company was not responsive to our engagement efforts.	No
Strengthen approach to management of cybersecurity risks and related disclosure	Poor	The company was not responsive to our engagement efforts.	No
Summary			
The company was not responsive to our expectations for governance improvements and strengthening its approach to management of cybersecurity risks.			

CHINA CONSTRUCTION BANK LTD			
ISIN	Industry	Country	Engagement Theme
CNE100000742	Banks	CN	Environmental stewardship, corporate governance
Engagement objectives	Progress	Description	Milestone
Strengthen approach to management of cybersecurity risks and related disclosure	Poor	The company was not responsive to our engagement efforts.	No
Improve climate-related disclosures	Poor	The company was not responsive to our engagement efforts.	No
Develop and disclose lending policies for companies in industries with high environmental or social impacts	Poor	The company was not responsive to our engagement efforts.	No
Summary			
Aside from emails acknowledging our requests for engagement and related questions, the bank was not willing to engage in dialogue with us. This might be due to the language barrier and/or that it is still very new to shareholder engagement. We have joined a collaborative effort to engage with Chinese banks, China Construction Bank included, to drive robust climate change management practices.			

DANSKE BANK A/S			
ISIN	Industry	Country	Engagement Theme
DK0010274414	Banks	DK	Business conduct, corporate governance
Engagement objectives	Progress	Description	Milestone
Provide details of improved IT capabilities, AML/KYC training and cultural programmes	Strong	IT capabilities, AML/KYC processes have been improved and training and cultural programmes are in place.	No
Demonstrate these are delivering results across the bank's operations	Strong	Work continues following discovery of data errors in the bank's debt collection system.	No
Summary			
After an initial delay, the company became forthcoming to engagement requests in the second half of 2020. We have been pleased with the overall progress the bank has demonstrated and believe that it is on the right path, having recognised its deficiencies in the DCS systems, risk management, compliance and culture. New dedicated senior hires, improvements to IT infrastructure and staff training programme stand in evidence.			



DNB ASA			
ISIN	Industry	Country	Engagement Theme
N00010031479	Banks	NO	Business conduct, corporate governance
Engagement objectives	Progress	Description	Milestone
Strengthen AML/KYC procedures and disclose progress	Poor	The company was not responsive to our engagement efforts.	No
Have a governance and pay structure that supports compliance	Poor	The company was not responsive to our engagement efforts.	No
Summary			
The company has not yet responded to our expectations for improved disclosure on how AML/KYC procedures and systems, including through employee training, and how governance and pay structure are designed to support compliance.			

WELLS FARGO & COMPANY			
ISIN	Industry	Country	Engagement Theme
XS1400169931	Banks	US	Business conduct, corporate governance
Engagement objectives	Progress	Description	Milestone
Enhance disclosure on company culture and regulatory compliance	Medium	Disclosure has been refocused to ESG investors but still few measurable KPIs.	No
Establish appropriately aligned compensation for new CEO	Strong	Generous sign-on awards for new CEO was disappointing, but ESG features in go-forward policy.	No
Improve disclosure on diversity and pay-equity within the business	Medium	Could be further improved but further commitments given to improve disclosure on race diversity.	No
Summary			
Dialogue continued to be open and constructive this year. Having got a new CEO in 2019, the bank appointed a new Chair in 2020 in a further effort to reset its relationship with regulators. In our meeting with the new Chair, he made it clear that continuing to improve internal governance and improve relationship with regulators remain a priority. Disclosure has been more focused, but it could improve further.			

FMC CORPORATION			
ISIN	Industry	Country	Engagement Theme
US3024913036	Chemicals	US	Environmental stewardship
Engagement objectives	Progress	Description	Milestone
Strengthen its climate change management approach by aligning itself to the recommendations of the TCFD	Strong	During our pre-engagement research we learnt that FMC committed to reporting aligned with TCFD.	No
Improve water management practices and disclosure for high risk areas	Poor	No change during year.	No
Summary			
The company did not respond to our engagement efforts this year.			

CEMEX S.A.B. de C.V.			
ISIN	Industry	Country	Engagement Theme
MXP225611567	Construction Materials	MX	Environmental stewardship, climate change
Engagement objectives	Progress	Description	Milestone
Strengthen its climate change management approach by aligning itself to the recommendations of the TCFD	Strong	Updated its strategy to address climate change with two ambitious targets, including one to reduce CO <sub>2</sub> emissions by 35% by 2030 and one to deliver net-zero CO <sub>2</sub> concrete by 2050. CEMEX also took first steps to align its reporting with the recommendations of the TCFD.	Yes
Improve water management practices and disclosure for high risk areas	Medium	Cemex included information about its 2019 water stress assessment in its 2020 annual report and shared with us its intention to develop a roadmap for water reduction measures across sites in areas with high water stress.	No
Summary			
Overall, we are of the opinion that CEMEX made considerable progress in its sustainability practices and disclosure. While not yet state of the art, we are confident that CEMEX is moving in the right direction with regards to management and disclosure of key ESG risks. We will review any upcoming disclosure and react with engagement if appropriate.			

BURFORD CAPITAL			
ISIN	Industry	Country	Engagement Theme
GG00B4L84979	Financials	GB	Corporate governance
Engagement objectives	Progress	Description	Milestone
Address structural governance concerns at board level	Strong	Three new independent directors have now been appointed.	Yes
Significantly improve disclosure provided to investor in annual report, particularly around governance and executive remuneration	Strong	Disclosure has improved and so have pay practices as evidenced by changed to the proposed plans at the 2020 AGM.	Yes
Summary			
The company has been open to constructive engagement and has welcomed BMO's input on board refreshment and ESG disclosure in particular. This has developed over the past year and we are now seeing significant momentum building for genuine change.			

MONSTER BEVERAGE CORP.			
ISIN	Industry	Country	Engagement Theme
US61174X1090	Food & Beverage	US	Environmental stewardship, public health
Engagement objectives	Progress	Description	Milestone
Improve disclosure on ESG issues – namely around water, nutrition and packaging where policies should exist	Poor	The company is planning to produce a dedicated sustainability report in 2021.	No
Strengthen approach to marketing to children given the highly caffeinated and sugary nature of the drinks	Poor	The company has identified the need to address marketing and nutrition of its products but no concrete plans have been disclosed.	No
Summary			
Despite several attempts, the company did not respond to our engagement efforts. However, its investor relations firm has provided assurances that it is developing an ESG report and will work to improve accessibility to investors.			

MONDELEZ INTERNATIONAL			
ISIN	Industry	Country	Engagement Theme
US6092071058	Food & Beverage	US	Environmental stewardship, labour standards
Engagement objectives	Progress	Description	Milestone
Strengthen approach to supply chain labour management	Medium	Conducted study on migrant workers and engaging with Malaysian government to strengthen control. Engaging in PPP to strengthen livelihoods for farmers. Need to assess the broader supply chain for risk.	No
Further innovate on packaging	Medium	The company has started to implement a plan to directly address recycling infrastructure in selected markets and improved recycling labelling to support consumers.	No
Summary			
The company was open to dialogue. It has a strong governance of ESG issues and is taking steps to address systemic issues by engaging in partnerships. While it recognises living wage issues and works to address those through farmer support, it is unclear how purchasing practices will change. Packaging targets need to be strengthened, which the company has committed to do.			

ANTHEM, INC.			
ISIN	Industry	Country	Engagement Theme
US0367521038	Healthcare	US	Public health
Engagement objectives	Progress	Description	Milestone
Improve disclosure on data privacy & security	Medium	In response to COVID-19, Anthem has increased virtual-care access and coverage. The company acknowledges that data privacy and security issues are highly material, and has publicly stated that its telehealth service is secure. We would welcome additional disclosure on the management of data privacy and security risks.	No
Enhance data-related training for employees	Medium	The company discloses the average hours of training and development per associate on an annual basis. The figure for 2020 has not yet been published, and we would welcome more granular information about the nature of the training provided to employees.	No
Publish detailed customer satisfaction metrics	Poor	Although Anthem has a robust grievance and appeals process, the company has not disclosed detailed customer satisfaction metrics.	No
Summary			
Our dialogue with Anthem was constructive and informative. We think that the company's response to COVID-19 has been robust, and are impressed by its customer-centric approach. The company appears to be managing material ESG issues well, and its positive progress should be better reflected in its reporting. We concluded that further dialogue is not needed at this stage.			



The consideration of ESG issues is an essential part of what it means to be an investor in the 21st century.

**Kristi Mitchem, CEO, BMO Global Asset Management**

BAUSCH HEALTH COMPANIES INC.			
ISIN	Industry	Country	Engagement Theme
CA0717341071	Healthcare	CA	Business conduct
Engagement objectives	Progress	Description	Milestone
Strengthen compliance policies and procedures, and disclose progress	Medium	Bausch Health continues to strengthen its compliance policies and procedures, which are frequently reviewed and updated if necessary. The Chief Compliance Officer reports directly to the Chairman of the Board and CEO of Bausch Health. We would welcome enhanced disclosure.	No
Improve strategies to increase employee engagement and retention	Strong	Bausch Health conducted its annual employee engagement survey in 2019. The results revealed year-over-year improvement in five out of six survey categories. The company also established a Diversity & Inclusion strategy, which will prioritise developing female talent.	Yes
Publish company-wide employee turnover statistics	Medium	We were informed that employee turnover has remained stable during the COVID-19 pandemic, however, Bausch Health has not yet published company-wide employee turnover statistics.	No
Summary			
Bausch Health was not particularly receptive to dialogue. However, we concluded that its management of material social and governance issues is sound. We are particularly encouraged by the steps which have been taken to increase employee engagement and retention. The disclosure of company-wide employee turnover statistics would be a positive next step. We concluded that further dialogue is not needed at this stage, however, we recognise that any significant controversies need to be investigated, and the company engaged if necessary.			

UNITEDHEALTH GROUP INCORPORATED			
ISIN	Industry	Country	Engagement Theme
US91324P1021	Healthcare	US	Public health
Engagement objectives	Progress	Description	Milestone
Strengthen compliance policies and procedures, and disclose progress	Medium	UnitedHealth published its inaugural Sustainability Report in 2020, which includes a section about Compliance and Ethics. The company has committed to publish the percentage of employees who complete ethics and compliance training per year.	No
Publish high-level audit results and the steps taken if remedial action is required	Poor	UnitedHealth may disclose this information in its next Sustainability Report.	No
Increase the Board's gender diversity	Poor	Three out of ten Board Directors are women. We still have concerns about certain long-term Directors on the Board.	No
Summary			
Our dialogue with UnitedHealth was highly insightful. The company's inaugural Sustainability Report is undoubtedly a positive development. Going forward, we hope that the company will prioritise disclosure on highly material issues, including compliance and ethics and quality of care. We flagged the importance of publishing quantitative data to facilitate period-over-period analysis, and encouraged the disclosure of goals. One topic which merits further engagement is Board diversity. We will continue engagement with UnitedHealth in 2021.			



The debate on ESG has moved beyond risk and opportunity. The more fundamental question now being asked is what is the role of the financial sector in creating a fairer and more sustainable society?

**Vicki Bakhshi, Director, Analyst, Responsible Investment**



UNIVERSAL HEALTH SERVICES, INC.				
ISIN	Industry	Country	Engagement Theme	
US9139031002	Healthcare	US	Public health, corporate governance	
Engagement objectives		Progress	Description	Milestone
Strengthen compliance policies and procedures, and disclose progress		Poor	Universal Health Services did not respond to our request for dialogue.	No
Publish detailed patient satisfaction metrics		Poor	Universal Health Services did not respond to our request for dialogue.	No
Improve strategies to increase employee engagement and retention		Poor	Universal Health Services did not respond to our request for dialogue.	No
Summary				
Unfortunately, Universal Health Services did not respond to our request for an engagement call. Given that the company has been involved in severe controversies, and its disclosure on ESG issues is comparatively poor, we will continue to attempt engagement in 2021.				

CARNIVAL CORPORATION				
ISIN	Industry	Country	Engagement Theme	
PA1436583006	Hotels & Travel	US	Climate Change	
Engagement objectives		Progress	Description	Milestone
Set CO <sub>2</sub> -emission intensity reduction targets in line with the International Marine Organisation's roadmap: 40% by 2030 and 70% by 2050		Strong	Carnival formally adopted the decarbonisation strategy and roadmap of the International Marine Organisation.	No
Summary				
Carnival has been open to our engagement. We were able to discuss the climate strategy of the company, but also emerging issues like crew safety and tax transparency. We will continue the dialogue with a focus on crew safety when operations resume. We will also ask for more leadership in decarbonisation. The cruise industry should lead early decarbonisation and aim for net zero shipping well before the end of the century - their current ambition: around 2050.				

Mitsui OSK Lines				
ISIN	Industry	Country	Engagement Theme	
JP3362700001	Transportation	Japan	Climate change	
Engagement objectives		Progress	Description	Milestone
Set more ambitious long term greenhouse gas emission targets: 50% absolute reduction by 2050		Strong	MOL set an ambition to reduce GHG emissions from ships by 50% in 2050. This is an absolute target. MOL also aims for Net Zero GHG Emissions this century.	No
Provide more clarity on the strategy - including investment program - to achieve current targets		Medium	MOL provides information about efficiency and clean projects. A strategic approach with criteria for capital investments is lacking.	No
Summary				
MOL has not responded to our request for information and dialogue. The company did improve its climate change approach and targets. It also had to manage two crises this year: health and safety of crews as a result of Covid-19 and the Wakashio Incident where a MOL-chartered bulk carrier ran aground in Mauritius, resulting in an oil spill. We will continue approaching the company to have a constructive dialogue about its climate strategy, remediation of the incident and health & safety of crews.				

MARRIOTT INTERNATIONAL, INC.			
ISIN	Industry	Country	Engagement Theme
US5719032022	Hotels & Travel	US	Labour standards
Engagement objectives	Progress	Description	Milestone
Improve quality of labour standards, including that of contract workers	Medium	Training programme being expanded in scale and scope though could be more targeted towards contract working conditions.	No
Implement new strategies and metrics to ensure this is able to be tracked effectively	Poor	Tracking of cases and remediation lacking, partly due to business model.	No
Summary			
The company furloughed its entire CSR department due the low level of business as a consequence of the COVID-19 pandemic, so engagement was not possible until later in the year. It made progress on its training programme for identifying forced labour and has further developed its hotline. ESG governance seems well established and effective, but implementation is challenging due to lack of feedback from franchises, which is unlikely to change in the short term.			

ALLEGHANY CORPORATION			
ISIN	Industry	Country	Engagement Theme
US0171751003	Insurance	US	Climate change
Engagement objectives	Progress	Description	Milestone
Have climate risk management procedures in place including a governance structure, targets, and detailed metrics	Medium	Alleghany's reinsurance business - TransRe - had stepped up efforts around climate risk management.	Yes
Enhance disclosure on the company's sustainability efforts, going beyond the existing short section in their 10-k	Medium	Further enhanced disclosure expected only in Q1 2021.	No
Summary			
Over the year 2020 our engagement focused on Alleghany's re-insurance business TransRe, which makes up the majority of the portfolio. While parts of the company's senior leadership are still doubtful of climate change impacting their business model, other parts engage in industry working groups to address the topic, and further educate the organisation. More efforts need to be put into streamlining climate risk management and human rights considerations across all portfolio companies.			

OCCIDENTAL PETROLEUM CORPORATION			
ISIN	Industry	Country	Engagement Theme
US6745991058	Integrated Oil & Gas	US	Climate change
Engagement objectives	Progress	Description	Milestone
Set medium- and long-term CO <sub>2</sub> emission reduction targets including metrics on product use	Strong	Occidental set targets for net zero operational emissions by 2040 and net zero emissions including product use by 2050.	Yes
Explain how the targets and the strategy (including Capex) are aligned with the goal of the Paris Climate Agreement	Medium	The target is aligned. However, it depends heavily on carbon capture, use and storage, which requires additional explanation.	No
Lobbying transparency: company position and alignment of industry groups	Medium	Occidental has pledged to disclose alignment of lobbying by industry groups going forward.	Yes
Summary			
Occidental was one of the first major US oil and gas companies to set a net zero emission reduction target that includes the use of its products. By doing so, the company joined its European peers. Occidental is open to engagement about its climate strategy. We will continue the dialogue through leading involvement in the Climate Action 100+ initiative.			



“The world is facing a climate crisis. Waiting for action by governments is not enough – investors and corporates need to take bold and ambitious action.”

**Vicki Bakhshi, Director, Responsible Investment**

CHEVRON CORP			
ISIN	Industry	Country	Engagement Theme
US9139031002	Integrated Oil & Gas	US	Climate change
Engagement objectives	Progress	Description	Milestone
Set medium- and long-term CO <sub>2</sub> emission reduction targets including metrics on product use	Poor	Chevron continues to limit its CO <sub>2</sub> emissions reduction targets to its own operations.	No
Explain how the targets and the strategy (including Capex) are aligned with the goal of the Paris Climate Agreement	Medium	The company accepts the Paris Agreement and claims its activities contribute to its achievement. It does not explain quantitatively how.	No
<b>Summary</b> Chevron is open to our engagement, which resulted in multiple interactions in 2020. Unfortunately, management has not shown any willingness to follow Chevron's European peers to include product use in its long-term climate strategy. We plan to continue our engagement to push for a Paris-aligned long term energy transition strategy. We expect the engagement to be closely aligned with our voting activities.			

RELIANCE INDUSTRIES LTD			
ISIN	Industry	Country	Engagement Theme
INE002A01018	Integrated Oil & Gas	IN	Climate change, corporate governance
Engagement objectives	Progress	Description	Milestone
Separate CEO/Chairman	Poor	Engagement on this issue suspended. No appetite from the company to alter the leadership structure in the near future.	No
Continue board refreshment by appointing new independent directors	Medium	The board appointed a new non-independent, non-executive director, and informed us it is searching for additional new directors.	No
Set up air and carbon emissions reduction target	Strong	The company announced a net-zero goal by 2035; however, details on the emissions reduction pathway were scant.	Yes
Improve climate-related disclosures	Medium	Some improvement achieved, but there is still work to do.	No
Address Scope 3 emissions	Medium	The company committed to address scope 3 emissions as part of its net-zero goal.	No
<b>Summary</b> The company was open to engagement; however, it was resistant to discuss details of the strategy to achieve its net-zero goal – partly because it is still working on such strategy, but also due to it being relatively new to shareholder engagement. We plan to build up our relationship with Reliance going forward, both individually as well as collaboratively: we have joined the Climate Action 100+ investor group leading engagement with the company.			

“Engagement helps to mitigate portfolio climate risk and drive enhanced value creation by asking companies to manage transition and adaptation risks and opportunities strategically.”

**Pieter van Stijn, Director, Responsible Investment**

#### ROYAL DUTCH SHELL PLC

ISIN	Industry	Country	Engagement Theme
GB00B03MLX29	Integrated Oil & Gas	GB	Climate change

Engagement objectives	Progress	Description	Milestone
Provide clarity on alignment of the Net Carbon Footprint ambition with limiting global temperature rise well below 2 degrees	Strong	Shell updated its Net Carbon Footprint ambition to become net CO <sub>2</sub> -neutral by 2050, including product use by clients.	Yes
Provide clarity on mechanisms used to align the NCF ambition with the pace of global decarbonisation efforts	Medium	Unlike several peers, Shell has not published its medium term strategy to achieve its carbon footprint ambition. This is expected in Q1 2021.	No

#### Summary

Shell continues to be one of the most pro-active companies in engaging its shareholders, enabling a constructive and in-depth dialogue with management and Board. The company lived up to its promise to update its CO<sub>2</sub> emission reduction targets; however, the lack of clarity on its medium term strategy and investment program results in Shell no longer leading the sector on climate ambition. We will continue the engagement with Shell to discuss its climate strategy, but also its operations in Nigeria.

#### FREEPORT-MCMORAN INC.

ISIN	Industry	Country	Engagement Theme
US35671D8570	Metals & Mining	US	Environmental stewardship, labour standards

Engagement objectives	Progress	Description	Milestone
Improve and uphold environmental standard (especially on tailings management) during the Grasberg mine transition	Strong	Freeport has committed to implement the new Global Tailings Standard as part of the ICMM effort to vastly improve the industry practice. We view that as a positive development and will examine the result of the upcoming implementation phase. Milestone will be logged once the assessment result is published.	No
Implement stronger health and safety management practices & relevant targets	Medium	There has been some minor improvements on its health and safety record. However, given the scale of its operations, for example the Grasberg mine, there is still a lot of improvements required to bring down the injury and incident records.	No
Increase employee benefit protection	Poor	No change during the year. There has been employee strike in late Q4 2020 and we will continue to engage with the company.	No

#### Summary

The company was open to engagement, and we have made pretty good progress on having Freeport to commit on tailings safety. However, the social management framework needs to be further strengthened.





## JIANGXI COPPER COMPANY LTD

ISIN	Industry	Country	Engagement Theme
US6745991058	Metals & Mining	CN	Environmental stewardship, Human rights
Engagement objectives	Progress	Description	Milestone
Tailing facility disclosure and management	Medium	The company has improved the disclosure on tailing facility management, but its still not ideal. The company has not been responsive to our request for dialogue.	No
Improve grievance mechanism and transparency	Poor	The company has not been responsive to our request for dialogue. Transparency is still low.	No
<b>Summary</b>			
The company has not responded to our engagements in 2020. From public disclosures, we believe that it has been slowly improving on these issues. However, considering the scale of the challenges it faces, we do not believe that the improvements were significant enough.			

## POSCO

ISIN	Industry	Country	Engagement Theme
KR7005490008	Metals & Mining	KR	Environmental stewardship, labour standards
Engagement objectives	Progress	Description	Milestone
Board level oversight of climate change issues	Medium	Oversight of climate change currently sits with the CEO. Ideally an independent director or committee would have oversight of the issue and receive regulator reports.	No
Update emission reduction targets to align them with a 2-degree climate scenario	Strong	Committed to reduce greenhouse gas emissions, including a 2050 carbon neutrality goal - in line with a 2-degree climate scenario.	Yes
Increase transparency around internal scenario analysis used to assess climate related risks and opportunities	Strong	POSCO published its first ever climate report. The report describes climate-related risks and opportunities with scenario analyses in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).	Yes
<b>Summary</b>			
Our experience engaging POSCO has been all but straightforward. After a series of unanswered meeting requests in 2018, we decided to escalate our engagement and volunteered as lead-investors for the Climate Action 100+ initiative. This allowed us to initiate dialogue with the company. Following multiple escalations, POSCO eventually produces a detailed "Climate Action Report" at the end of 2020, including a new target to reduce scope 1 and 2 emissions by 50% by 2040 and a net zero ambition for 2050. The report is also aligned with the recommendations of the TCFD.			

SOUTHERN COPPER CORPORATION			
ISIN	Industry	Country	Engagement Theme
US84265V1052	Metals & Mining	US	Labour standards, Environmental stewardship
Engagement objectives	Progress	Description	Milestone
Uphold the principle of freedom of association and collective bargaining	Poor	The company has not been responsive to our request for dialogue. Transparency is still low.	No
Improve health and safety management framework	Poor	The company has not been responsive to our request for dialogue. Transparency is still low.	No
Improve environmental impact assessment and disclosure on both existing and new projects	Poor	The company has not been responsive to our request for dialogue. Transparency is still low.	No
Summary			
The company did not respond to our engagement efforts this year.			

VALE S.A.			
ISIN	Industry	Country	Engagement Theme
BRVALEACNORO	Metals & Mining	BR	Environmental stewardship, Human rights
Engagement objectives	Progress	Description	Milestone
Strengthen tailing facilities' management standard, post- Brumadinho tailing disaster	Strong	The company has implemented a new tailings safety management framework after the disaster. We have also witnessed a fundamental shift of management philosophy at Vale, as it has placed much stronger attention to all the ESG issues.	Yes
Improve community relations, focusing on compensation and restoration of habitats and livelihoods	Medium	Vale has been proactively engaging with the community and has been restoring the natural habitats damaged during the disaster. However, there are still alleged outstanding compensation made to some community members.	No
Summary			
There have been a lot of changes at Vale since the tailings dam disaster, from senior management, accountability throughout the organisation, to the management system the company is implementing on the ground. We view these as positive and necessary improvements.			

ZIJIN MINING GROUP			
ISIN	Industry	Country	Engagement Theme
CNE100000B24	Metals & Mining	CN	Human rights
Engagement objectives	Progress	Description	Milestone
Improve human right and ethical business policies	Strong	The company has revamped its sustainability governance structure and published a new set of human rights policies.	Yes
Improve grievance mechanism and transparency	Poor	The company has revamped its sustainability governance structure and published a new set of human rights policies. However, it is still not entire clear about how it is managing grievances. Given the challenging operational environment of some of its assets, we believe further transparency is needed.	No
Summary			
Zijin has established a senior ESG committee to oversee the planning process and we view that as a strong signal of fundamental improvements in the future. Currently, its ESG policies, practices and performance lag its peers. We do believe that continued engagement is necessary given that it has been expanding overseas.			

PUBLIC STORAGE			
ISIN	Industry	Country	Engagement Theme
US74460D1090	Real Estate	US	Corporate Governance
Engagement objectives	Progress	Description	Milestone
Conduct board refreshment	Poor	No change during year.	No
Improve executive pay plans	Poor	No change during year.	No
Improve ESG disclosure	Poor	No change during year.	No
Summary			
The company has attracted the attention of Elliott Management, an activist investor. Elliott is pushing for significant change at the company which includes board refreshment, a strategic review and improved disclosures. It is unlikely that whilst the company is in discussions with Elliott, they will also engage openly with us.			

AMAZON.COM, INC.			
ISIN	Industry	Country	Engagement Theme
US023135AP19	Retail – Consumer Discretionary	US	Labour standards, environmental stewardship, human rights
Engagement objectives	Progress	Description	Milestone
Push for greater clarity on the implementation of its Climate Pledge	Medium	Ambition has been improved beyond original Climate Pledge, but details on strategy remain scant.	No
Enhance disclosure on its human capital management, particularly for fulfilment centre staff	Medium	COVID-19 statistics disclosed as first human capital KPI.	Yes
Establish a robust human rights policy with clear disclosure on its implementation	Strong	Disclosure improved to be aligned with UN Guiding Principles Reporting Framework.	Yes
Summary			
Although we have seen the company improve in several areas of ESG over the past year, the COVID-19 pandemic has further highlighted concerns about the conditions of the company's workers. With the appointment of a Head of ESG Engagement this year, the frequency and quality of engagements has also improved but overall the company continues to move too slowly given the scale of its influence and operations.			

NASPERS LTD			
ISIN	Industry	Country	Engagement Theme
ZAE000015889	Retail – Consumer Discretionary	ZA	Corporate governance
Engagement objectives	Progress	Description	Milestone
Better align pay with performance	Strong	Improvements are recognised in the remuneration policy in the form of a lower share usage limit and long-term incentive pay mix.	Yes
Improve board effectiveness	Poor	Board size remains too large and the audit committee is not fully independent.	No
Summary			
Recent actions to improve the composition of its board and its approach to executive remuneration, together with a more proactive and open attitude towards engagement with minority shareholders, signal that Naspers now acknowledges increasing investor expectations on corporate governance. We welcomed these developments and expect to see further improvements in the near future.			

ALIBABA GROUP HOLDING LIMITED			
ISIN	Industry	Country	Engagement Theme
US01609W1027	Retail – Consumer Discretionary	CN	Corporate governance, Labour standards
Engagement objectives	Progress	Description	Milestone
Improve board independence to protect minority shareholders	Poor	The level of independent representation remains unchanged as a minority.	No
Address concerns over human capital management and long work hours	Poor	Disclosure and company practice remain unchanged.	No
Summary			
We have been unsuccessful in initiating engagement with the company this year, with them not responding to any of our requests to do so. Although disappointing this is not surprising given the company's ownership structure and its reputation for not engaging with foreign investors. We have sent them more details on where we hope to see them improve and will monitor any future developments.			

HALMA PUBLIC LIMITED COMPANY			
ISIN	Industry	Country	Engagement Theme
GB0004052071	Technology Hardware & Equipment	GB	Human rights, Climate change
Engagement objectives	Progress	Description	Milestone
Enhance impact reporting relating to their products and services	Strong	Published measurable metrics of the positive impact that specific products.	Yes
Improve emission management through the introduction of reduction targets	Medium	Strategy development underway with announcement in FY21.	No
Introduce a conflict mineral policy and additional supply chain due diligence	Medium	Due diligence conducted during the year with results pending.	No
Summary			
Despite some delayed implementation due to COVID-19, dialogue with the company has been constructive this year and we have seen improvements in all of our areas of focus. For FY21 we will continue to monitor developments, particularly its forthcoming carbon reduction program and supply chain monitoring.			

SEMPRA ENERGY			
ISIN	Industry	Country	Engagement Theme
US8168511090	Utilities	US	Climate change
Engagement objectives	Progress	Description	Milestone
Execute plans to reduce wildfire risks	Strong	Evidence of long-term systematic risk management, based on significant investment in internal capacity and external partnerships.	No
Reduce disruption arising from pre-emptive power cuts	Strong	Strong wildfire planning and prediction systems have helped to reduce the need for shutdowns.	No
Enhance climate policy and disclosure in line with TCFD, including medium and long-term emissions targets	Medium	Information is disclosed according to the TCFD framework, though Sempra is not officially listed as a supporter. It has a net zero emissions target for 2045 (in line with Californian regulations) but its 2030 targets only relate to specific parts of the business.	No
Summary			
Utilities with operations in the western US are subject to severe and rising risk of wildfire-related liabilities. Our engagement found Sempra Energy to be well-prepared for these risks, with a decade-long track record of investing in expertise and infrastructure to monitor and mitigate risks. Whilst the risks cannot be mitigated entirely we judge the company to be at the leading edge of responding to them, and we consider the engagement closed.			





“The world works best when we work together.”

**Darryl White, CEO of BMO Financial Group**

THAMES WATER				
ISIN	Industry	Country	Engagement Theme	
N/A	Utilities	GB	Corporate governance	
Engagement objectives		Progress	Description	Milestone
Address continued regulator pressure regarding operations		Medium	Improvements in some areas highlighted as weaknesses by regulators, such as leakages, but insufficient progress in others including customer service and pollution.	No
Understand how reputation damage is being addressed and how stakeholder engagement is utilised		Medium	Evidence of more systematic attempts to engage with local communities and pressure groups.	No
Summary				
2020 has again seen Thames Water the subject of criticism, with a negative review from regulator Ofwat and public criticism of its performance in relation to pollution in waterways from the discharge of raw sewage. Our discussions demonstrated that there have been areas of improvement, particularly in relation to leakage, as well as the investment in major sewage infrastructure in London. However progress is too slow on basic communications with local communities on pollution incidents.				

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