European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in February 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;

- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Complete/modify the below section accordingly

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of BMO Global Asset Management. We have been involved in SRI since 1984 and welcome the European SRI Transparency Code.
This is our third statement of commitment and covers the period 12 months from approval. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

BMO Global Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. BMO Global Asset Management meets the full recommendations of the European SRI Transparency Code.

June 2021

Eurosif classification of Sustainable and Responsible Investment[1] strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best- in-class, best-in-universe and best-effort.

1 Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances[2]. Investments are often project- specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires.*

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1. List of funds covered by the Code
2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
5. ESG controls
6. Impact measures and ESG reporting

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[2] Global Impact Investing Network (GIIN), "What is Impact Investing?", http://www.thegiin.org/cgi-bin/iowa/investing/index.html, 2012

1. List of funds covered by the Code

Name of the fund(s): BMO Responsible Global Equity					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	**Asset class**	**Exclusions standards and norms**	**Fund capital as at 31 December**	**Other labels**	**Links to relevant documents**
☐Best-in-Class Investment section ☒Engagement & Voting ☐ESG Integration ☒Exclusions ☐Impact Investing ☐Norms-Based Screening ✓ Leading to exclusions ✓ Leading to risk management analysis/engagement ☐Sustainability Themed	**Passively managed** ☐Passive investing - core benchmark: specify the index tracking ☐Passive investing - ESG/SRI benchmark: specify the index tracking **Actively managed** ☐Shares in a euro area country ☐Shares in an EU country ☒International shares ☐Bonds and other debt securities denominated in euro ☐International bonds and other debt securities ☐Monetary assets ☐Short-term monetary assets ☐Structured funds	☒Controversial weapons ☒Alcohol ☒Tobacco ☒Arms ☒Nuclear power ☒Human rights ☒Labour rights ☒Gambling ☒Pornography ☒Animal testing ☐Conflict minerals ☒Biodiversity ☒Deforestation ☒CO2 intensive (including coal) ☒Genetic Engineering ☒Global Compact ☐OECD Guidelines for MNCs ☒ILO Conventions ☒Other (Please refer to our Responsible Investment: Summary criteria)	€1,192.0mn	☐French SRI ☐label ☐French TEEC label ☐French CIES label ☐Luxflag Label ☒FNG Label ☐Austrian Ecolabel ☐Other (please specify)	- (KIID) - Prospectus - Management report - Financial and non-financial reporting - Corporate presentations - Other (please specify) Please refer to Key Documents and Literature via the following link: https://www.bmogam.com/gb-en/intermediary/capabilities/responsible-investing/

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

BMO Global Asset Management.

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Please provide a hyperlink to any of the company's sustainable investment webpages. https://www.bmogam.com/gb-en/intermediary/capabilities/responsible-investing/

BMO Global Asset Management has been a pioneer and leader in responsible investment for more than three decades. Responsible investment is central to our corporate identity and integral to our overall investment philosophy. We are, therefore, fully committed to integrating ESG factors into our investment processes. We take ESG issues seriously, both as part of our responsibility as an investor and a participant in the global financial system. Importantly, we see the identification and, where possible, mitigation of ESG risks as part of a robust investment process underpinning long-term returns.

Our 21-strong Responsible Investment team is an in-house source of experience and expertise on the implications of ESG issues for investment. Responsible Investment team members and fund managers collaborate closely, including through joint company meetings and regular internal seminars discussing key ESG trends, such as climate change, bribery and corruption, and tax policies, and their relevance to company valuation and active ownership activities.

With regards to integrating ESG factors into our investment analysis across asset classes, including equities, corporate credit, sovereign credit, private equity, and real estate, we take a tailored approach depending on the nuances of each asset class. Our approach to integration is fund manager-led and based on identifying material ESG issues as part of the standard investment process.

Our research analysts and portfolio managers follow a process that considers the potential impact of ESG issues related to investments. They have access to a range of ESG data and research, including both third-party data and proprietary information, as well as support in interpreting this information, provided by the specialist Responsible Investment team. This analysis informs our asset allocation, stock selection, portfolio construction, and shareholder engagement and voting.

Our obligations as investors do not end at the point where an investment decision is made. Having identified the issues presenting the greatest threats to long-term investor value, we use in-depth dialogue to encourage investee companies to improve performance and move towards best practice in the management of ESG issues. Our engagement encompasses a broad spectrum of ESG issues, covering companies across sectors and geographies.

We use a range of engagement tools and methods, including in-person and phone meetings, and written correspondence and e-mails. We engage at different levels within our investee companies, including board directors, executive management, investor relations, and operational specialists. Typically, our engagement is one-to-one with companies, but where we see scope to collaborate with other investors or through stakeholder groups, we may do so if this is in line with our objectives and will be more effective in achieving the desired outcome. Our approach is based on constructive and confidential dialogue, and on building a relationship of trust, so that over time we gain a sound understanding of how key ESG issues fit into companies' business strategies.

2.3. How does the company formalise its sustainable investment process?

Please provide a link to the sustainable investment policy.

Please provide a link to the voting rights policy.
Please provide a link to the engagement policy[3].

Our approach towards responsible ownership and integrating ESG-criteria in our investment process is described in our Responsible Ownership Approach. The guidelines cover:

- integrating analysis of relevant ESG issues into investment processes, as appropriate
- engaging in dialogue with companies on significant matters related to ESG issues, so as to reduce risk, improve performance, encourage best practice and underpin long-term financial, social and environmental value creation
- voting in line with our corporate governance guidelines across global holdings
- taking a transparent approach to our responsible investment activities, both to clients and the wider public.

Our Global Corporate Governance Guidelines establish a consistent philosophy on what we expect of our investee companies in terms of their own corporate governance structure. The document also details guidelines for the exercising of voting rights in line with this philosophy.

All updates to our responsible investment approach and related policies are conducted by the Global Investment Committee (GIC), the members of which include our Global CIO, CIO North America, and other senior investment representatives from across BMO Global Asset Management representing our respective regulated entities.

2.4. How are ESG risks and opportunities - including those linked to climate change - understood/taken into account by company?[4]

As a long-term investor, we aim to build an understanding of the fundamental factors shaping the risks and opportunities of the companies we invest in. We believe that ESG issues can have a material impact on company performance and on the economy as a whole, and that robust ESG management by companies is an integral part of good risk management.

Companies that neglect ESG issues such as fraud, bribery and corruption, environmental compliance, human rights, labour standards, and public health, may suffer litigation and operational costs, damage to their reputation and brand value, and sometimes even a threat to their license to operate. Conversely, companies managing these issues well may be better placed to identify and act on ESG trends and turn these into business opportunities.

Portfolio managers, with the support of members of the Responsible Investment team, lead the integration of ESG factors into the investment process.

BMO Global Asset Management's response to climate change risks
BMO Global Asset Management, a founder signatory to the UN Principles for Responsible Investment, has a commitment to take financially-material ESG issues – including climate change – into account in all relevant investment strategies.

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[3] Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES
[4] Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

BMO Global Asset Management has responded by taking specific steps to address climate risk. These include:

- Publishing our engagement strategy document, summarising our approach to tackling climate change.
- Integrating ESG factors, including climate change, into the **investment analysis process** for all relevant asset classes.
- Support for the **Task Force on Climate-related Financial Disclosure.** Our parent company BMO Financial Group, has formally supported the TCFD recommendations, and this commitment covers BMO Global Asset Management as a subsidiary. BMO Global Asset Management is currently co-chairing a project by the Institutional Investors Group on Climate Change to develop a user guide to scenario analysis for investors, aimed at supporting the implementation of TCFD recommendations.
- Developing **investment products which allow investors to avoid exposure to companies with fossil fuel reserves** – for example our Responsible Funds range, which includes products in equity and fixed income.
- Developing **investment products which allow investors to direct capital towards climate solutions**. These include the Climate Opportunity Partners private equity fund, which is entirely invested in solution providers, and two dedicated Green Bond mandates for institutional investors.
- **Engagement and proxy voting** approach aimed at encouraging investee companies to address climate risks. BMO Global Asset Management is an active participant in the US$54trn Climate Action 100+ initiative, which aims to improve companies' governance, strategy and disclosure in relation to climate change.
- Support for **public policy statements** on climate change as well as interventions on specific policies such as European emissions trading reforms.
- **Transparency,** including the publication of carbon footprints for our Responsible Funds as part of wider impact reporting. BMO Global Asset Management has published its own TCFD statement.
- BMO GAM has joined the **Net Zero Asset Managers initiative** to target net zero greenhouse gas emissions by 2050 or sooner across all assets under management

2.5. How many employees are directly involved in the company's sustainable investment activity?

The Responsible Investment team is responsible for planning and implementing the firm's sustainable investment activity, with oversight from the Executive Committee.

Our dedicated in-house Responsible Investment (RI) team is one of the largest and most experienced teams of its kind in Europe. The 21-member team manages our dedicated engagement and voting service ***reo®*** and has been instrumental in the integration of ESG related considerations across a wide range of our investment processes. The team is co-led by Claudia Wearmouth and Alice Evans and is the 2018, 2019 and 2020 Investment Week Sustainable & ESG Investment Awards winner for Best Sustainable & ESG Research Team.

The team has extensive experience gained in financial services, charities, the media, consultancy, public policy, and industry, and is responsible for all ESG research, engagement, and voting activities. The Responsible Investment team forms part of the Investment Management department because we believe that the monitoring and analysis of ESG data is a core part of investment processes across our business. The heads of each investment desk, together with their analysts, are responsible for the ultimate implementation of ESG research and data into portfolio construction.

We organise the Responsible Investment team in a matrix structure:

- There are experienced **sector specialists** for the highest-risk sectors (e.g. oil & gas, mining, food & beverage, retail, pharmaceuticals, and financial services);
- **Regional specialists**, including team members originally from Hong Kong, Continental Europe, Colombia and North America with multiple language capabilities to effectively engage companies internationally;

- **Issue specialists**, focusing on corporate governance, climate change, human rights, business ethics, and labour standards;
- Eight members of the team conduct both **governance and voting**, with voting split by regional responsibility.

BMO Responsible Global Equity Fund
The fund is managed by three distinct teams with the process led by the Global Equities team, as follows:

1. The **Global Equities team** manages the strategy using fundamental, bottom-up research to construct a portfolio of companies from the acceptable universe. The investment team initially identifies companies for possible inclusion and they submit the companies to the Responsible Investment team for assessment against the Fund's product-based and conduct-based screening criteria. Following approval for inclusion in the Fund, the investment team is then responsible for deeper investment analysis, portfolio construction, and ongoing monitoring.
2. The **Responsible Investment team** (described above) undertakes extensive research on ethical, environmental, and social and governance issues for each company proposed for inclusion or actively held in the Fund as outlined above. The Responsible Investment team is then responsible for managing ongoing engagement and proxy voting for all companies held in the Fund.
3. The independent **Responsible Investment Advisory Council** is an external body of sustainability experts who provide advice on ethical and sustainability criteria, helping the firm maintain the integrity of the standards by which the funds are run.

Global Equities Team
The Global Equities team is based in our head office in London and led by co-Heads Jamie Jenkins and David Moss. Jamie Jenkins is lead manager of the Strategy with responsibility for ultimate decision making and portfolio construction, and Nick Henderson is the alternate manager of the Strategy, supported by Portfolio Managers Sacha El Khoury and Harry Waight. Day-to-day analytical responsibilities are divided by thematic specialisation across eight members of the team, which also includes dedicated analysts Stephen Hollis, Andy Penman, Laura Wood and Nitisha Bosamia.

The portfolio managers can also leverage the idea generation and research debate across the entire 15-strong global equities team, and indeed can draw on input from all active equities teams around the world, including those based in Chicago, Toronto, London and Hong Kong. Daily desk discussion of ideas and news-flow monitoring is supplemented by more formal weekly Stock Review, Stock Research and Portfolio Construction meetings; ensuring that monitoring and review at team level takes place. The wider Global Equities team is outlined in the table below:

Name	Title	Region	Years in Industry	Years at the Firm
David Moss	Managing Director, co-Head of Global Equities	Global	24	24
Jamie Jenkins	Managing Director, co-Head of Global Equities	Global	24	21
Philip Webster	Director, Portfolio Manager	Europe/UK	18	5
Nick Henderson	Director, Portfolio Manager	Global	13	13
Sacha El Khoury	Director, Portfolio Manager	Global	12	12
Harry Waight	Senior Associate, Portfolio Manager	Global	8	8
Julian Cane	Director, Portfolio Manager	UK	30	28
Matthew Parker	Vice President, Portfolio Manager	UK	20	15
Stephen Hollis	Director, Analyst	Global	35	24

Andy Penman	Director, Analyst	Global	28	10
Laura Wood	Senior Associate, Analyst	Global	9	6
Nitisha Bosamia	Associate, Analyst	Global	7	6
Charlotte Burrows	Associate, Analyst	Global	2	3
Marc Denney	Equity Fund Manager's Assistant	Global	15	7
Rhys Watkins	Equity Fund Manager's Assistant	Europe	8	3
Average			**17**	**12**

Source: BMO Global Asset Management (EMEA). As at 31 March 2021.

Responsible Investment Advisory Council

The Council is a six-member committee of experts, who are leaders in their fields and bring international experience across responsible investment, ethical, environmental, and social issues. Their primary role is to provide advice on the screening criteria for our specialist Responsible Fund range. The Responsible Investment team is also able to draw on their expertise in informing our broader engagement and responsible investment approach.

The Council's President is the Most Reverend Justin Welby, Archbishop of Canterbury. The Chair, who heads the quarterly meetings, is Howard Pearce, formerly Head of Environmental Finance and Pension Fund Management at the UK's Environment Agency Pension Fund (EAPF).

2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
☐ECCR - Ecumenical Council for Corporate Responsibility ☐EFAMA RI WG ☐European Commission's High-Level Expert Group on Sustainable Finance ☒ICCR - Interfaith Center on Corporate Responsibility ☐National Asset Manager Association (RI Group) ☒PRI - Principles For Responsible Investment ☒SIFs - Sustainable Investment Fora ☐Other (please specify)	☒CDP - Carbon Disclosure Project (please specify carbon, forest, water etc.) ☐Climate Bond Initiative ☒Green Bond Principles ☒ IIGCC - Institutional Investors Group on Climate Change ☐ Montreal Carbon pledge ☐ Paris Pledge for Action ☐ Portfolio Decarbonization Coalition ☐ Other (please specify)	☒ Access to Medicine Foundation ☒ Access to Nutrition Foundation ☒ Accord on Fire and Building Safety in Bangladesh ☐ Other (please specify)	☒ ICGN - International Corporate Governance Network ☐ Other (please specify)

We are currently members of the organisations in the table below. In addition, we also work collaboratively with other investors and with NGOs on an issue-by-issue basis.

Organization / Initiative	Key Areas of Focus	Start date
ICCR - Interfaith Center on Corporate Responsibility	Coalition of over 300 global institutional investors currently represents more than $500 billion in managed assets focusing on shareholder advocacy.	2020
Investor Alliance on Human Rights	Investor initiative with the focus on development of tools for investors on human and labour rights aspects of investments, as well as engagement working groups	2020

Platform Living Wage Financials	Coalition of financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains.	2020
UN Principles for Responsible Investment (UN PRI)	The world's leading organization for responsible investors. We were a founder signatory.	2006
Carbon Disclosure Project (CDP)	Global disclosure system for companies, cities, states and regions to manage their environmental impacts and for investors or purchasers to access environmental information for use in financial decisions.	2000
Institutional Investors Group on Climate Change (IIGCC)	Provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that addresses long-term risks and opportunities associated with climate change. Vicki Bakhshi, RI team member, serves on the Board.	2001
Global Network Initiative (GNI)	GNI seeks to safeguard freedom of expression and personal privacy against government restrictions. The protections are facilitated by a coalition of companies, investors, civil society organizations, academics, and other stakeholders.	2008
Eumedion	Eumedion is an independent foundation, whose objective is to maintain and further develop good corporate governance in the area of the responsibility of asset owners and asset managers established in the Netherlands.	2009
International Corporate Governance Network (ICGN)	Key network for monitoring global policy developments and best practice.	2007
Asian Corporate Governance Association (ACGA)	Essential source of information on Asian corporate governance.	2004
Global Investor Governance Network (GIGN)	Key network for monitoring global policy developments and best practice.	2006
Council of Institutional Investors (CII)	Focused on US governance. David Sneyd, RI team member, sits on the CII Corporate Governance Advisory Council.	1996
The UK Sustainable Investment & Finance Association (UKSIF)	Network focused on the UK sustainable investment market. Vicki Bakhshi, RI team member, chairs the Policy Committee.	2000
Investor Forum	Facilitates comprehensive, proactive engagement between companies and investors. The intention is to address mid- to long-term issues at an earlier stage and to identify solutions that enhance value.	2005
Responsible Investment Association (RIA)	Canada's membership association for Responsible Investment (RI). Members include mutual fund companies, financial institutions, asset management firms, advisors, consultants, investment research firms, asset owners, individual investors and others interested in RI.	2016
Corporate Governance Advisory Committee (QCA)	Independent membership organization comprising corporates and investors that champions the interests of small to mid-size quoted companies.	
30% Club	Campaigns for greater representation of women on company boards.	
Investment Association	Member of the Remuneration and Share Schemes Committee.	

Source: BMO Global Asset Management, 31 March 2020.

2.7. What is the total number of SRI assets under the company's management?

€9,426 million as at 31.03.2021 (based on AuM in the Responsible Fund range and other dedicated ESG strategies).

Within the Responsible Fund range, we currently manage €5,117 million (as at 31.03.2021) in the following strategies:

- BMO Responsible Global Equity
- BMO Responsible Global Emerging Market Equity
- BMO Responsible UK Equity Growth
- BMO Responsible UK Income
- BMO Responsible Sterling Corporate Bond
- BMO Responsible Euro Corporate Bond
- BMO LGM Responsible China A-Shares Equity Fund
- BMO LGM Responsible Asia Fund

We also offer the following dedicated ESG strategies:

- BMO Sustainable Opportunities Global Equity
- BMO Sustainable Opportunities European Equity
- BMO Sustainable Opportunities Canadian Equity Fund
- BMO Green Bond
- BMO Emerging Market Debt – screened
- BMO Women in Leadership
- BMO SDG Engagement Global Equity
- BMO Sustainable Multi Asset

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

We believe ESG can be a source of investment return in that a full analysis of material ESG issues enriches the analytical process, and on occasion may reveal longer term opportunities. We believe that prudent management of ESG issues can have an important impact on the creation of long-term investor value. Companies that successfully manage their ESG risks, and proactively follow ESG best practices, may experience risk-adjusted outperformance over the longer-term. This belief underpins our commitment to being a responsible investor.

By integrating ESG factors, we aim to build an understanding of the fundamental factors shaping the risks and opportunities of the companies we invest in. We believe that ESG issues can have a material impact on company performance and on the economy as a whole, and that robust ESG management by companies is an integral part of good risk management.

Companies that neglect ESG issues such as fraud, bribery and corruption, environmental compliance, human rights, labour standards, and public health, may suffer litigation and operational costs, damage to their reputation and brand value, and sometimes even a threat to their license to operate. Conversely, companies managing these issues well may be better placed to identify and act on ESG trends and turn these into business opportunities.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Our in-house Responsible Investment team conducts in-depth research into every company considered for the Fund. We also use ESG research providers to complement the in-house research. These include:

- MSCI – MSCI ESG is our primary source for ESG data. We use ESG research providers as a starting point in our analysis, but make sure that our investment desks – in collaboration with our ESG experts in the Responsible Investment team – verify and complete the data with additional information gathered through in-house research, engagement, participation in industry groups, and multiple research providers.
- Institutional Shareholder Services (ISS) - ISS supplies us with custom research based on our own in-house corporate governance guidelines (which are updated annually based on country-specific best practice standards). Research provided by ISS is used to inform our vote execution as well as company engagement.
- Broker Research – The team uses this content to stay on top of market trends, identify companies for engagement and to inform company-, market- or topic-specific research.
- Sustainalytics – We use Sustainalytics for controversial weapons screening.
- Bloomberg – Bloomberg terminals are used to perform qualitative as well as quantitative analysis on a multitude of topics. For example, Bloomberg has proved useful for linking ESG issues with financial data to determine the materiality of key issues.
- Non-Governmental Organisations (NGOs) – Examples include Transparency International (anti-corruption), Oxfam, CERES, and Human Rights Watch.
- Other – Our research is also informed by our networks that may provide briefings and publications, including the UN PRI, International Corporate Governance Network (ICGN), and Asian Corporate Governance Association (ACGA).

The Responsible Investment team also draws on the aforementioned independent Responsible Investment Advisory Council, a group of experts who are leaders in their fields, bringing international experience across responsible investment, environmental, social, and ethical issues.

3.3. What ESG criteria are taken into account by the fund(s)?

We have developed detailed product-based and conduct-based criteria to determine if companies are eligible for inclusion in the Fund: Responsible Investment Strategies: Summary criteria. Companies are screened by the Responsible Investment team to ensure that they meet these criteria.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?[5]

We believe companies that are contributing to solutions to key sustainability challenges, such as climate change, and building successful business models around this will see a long-term tailwind to their growth opportunities. We identify key themes such as resource efficiency, water management, waste and recycling, health and wellness and responsible finance. The identification of themes helps to focus our analytical efforts rather than imposing a strict thematic structure on the portfolio.

All stocks considered for investment first undergo screening by members of the Responsible Investment team, to determine if they meet the criteria for inclusion in the portfolio's investable universe. Our Responsible Fund Range employ the following exclusion criteria, linked to climate change:

Product-based exclusions

Fossil Fuels

Achieving the Paris goal of keeping climate change below 2 degrees Celsius requires transformational change in the way the world produces and uses energy. We will exclude companies:

[5] Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697

- With ownership of geological reserves of oil/gas/coal.
- That derive over 50% of revenue from oil refining or equipment and services for the exploration and production of oil, and/or any revenue from exploration and production in areas of high environmental sensitivity, including the Arctic.

Electricity Generation
All our responsibly labelled funds exclude:
- Electricity utilities with coal in their electricity generation mix, unless they commit to the objective of phasing out unabated* coal-fired power by 2030 for OECD countries and 2050 for non-OECD countries.

Additionally, for the BMO Responsible Global Equity Fund and the BMO Responsible Global Emerging Markets Equity Fund, we also exclude electricity utilities:
- With a carbon intensity greater than 393 gCO_2/kWh. The maximum carbon intensity permitted will be reviewed on an annual basis and revised downwards in accordance with a below 2 degrees scenario.
- With expansion plans that would increase their negative environmental impact(s) and/or are contrary to a below 2 degrees scenario.
- Constructing any coal-fired power stations.

In the event that carbon intensity data are not available, we do not invest in electricity utilities for these Funds where:
- More than 10% of the power production is based on coal. In line with the criteria outlined above, if a company has any coal-fired power production, we need it to commit to a phase out by 2030 for OECD countries and 2050 for non-OECD countries.
- More than 30% of the power production is based on oil and gas

Deforestation
Exclude companies that derive:
>10% of revenue from the production of palm oil – or sales/product ranges reliant on palm oil – and are not members of the Roundtable on Sustainable Palm Oil (RSPO)*.
>10% of revenue from the production of soy and are not members of the Roundtable on Responsible Soy (RTRS)*.
>10% of revenue from the production of sugar and are not members of Bonsucro*.
>10% of revenue from timber-related activities and do not use FSC-/PEFC-certified timber*[6] .

<u>Conduct-based exclusions</u>
We exclude companies in high impact sectors that do not have comprehensive climate change strategies that seek to measure and control their greenhouse gas emissions, as well as those in their supply chains, and demonstrate an understanding of the impact of climate change on their business strategy.

3.5. <u>What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?</u>

The investment process starts with idea generation within the investment team. We find a rich source of ideas comes from considering long term social and environmental themes, looking across industries and along value chains. We believe companies that are contributing to solutions to key sustainability challenges, and building

* As members, if companies become involved in any significant environmental and/or social controversies then they need to take adequate corrective action.

[6] Timber companies, homebuilding companies, and paper products companies are in-scope. NB. Retirement housing developers and housing associations are not in-scope.

successful business models around this will see a long-term tailwind to their growth opportunities. We identify key themes such as resource efficiency, water management, waste and recycling, health and wellness and responsible finance. The identification of themes helps to focus our analytical efforts rather than imposing a strict thematic structure on the portfolio.

We additionally try to look for companies who are leaders, or have the potential to show meaningful improvement, in how they manage key ESG issues, whether or not their business fits a particular theme. Additional input into idea generation comes from the experience available through other internal equity teams. Research and company meetings are shared across all equity desks. External input includes sell-side research, conferences, industry experts and macro considerations. Any companies not already in the acceptable universe are then put forward to the Responsible Investment team for screening against the fund acceptability criteria.

BMO Responsible Investment Screens

All companies considered for investment must undergo screening by members of the Responsible Investment team. The Responsible Investment team has created a thorough and robust process to determine whether companies meet the Fund's product-based and conduct-based criteria:

- The Fund excludes companies with exposure to any business activities deemed to be socially or environmentally damaging, with specific revenue thresholds. These excluded activities have evolved over time.

- The Fund also excludes companies which do not meet sufficiently high standards in how they operate, based on a detailed assessment of their policies and performance with respect to overall sustainability management. BMO Global Asset Management has established positions on a range of relevant issues, such as climate change, and what we consider to be progressive approaches to these issues by companies. Our views are based on a range of inputs, including: evolving international norms and agreements; extensive primary research; and the input of our Responsible Investment Advisory Council.

As a result of the screening process, there are structural biases, such as being underweight relative to the benchmark in extractive industries, but we do not consider it necessary to actively monitor the extent to which the investment universe is restricted as a consequence of our robust investment process incorporating screening as a key step. We are focused on identifying companies with proven business models delivering consistent returns and stable cash flows, where management team members have proven themselves to be responsible capital allocators setting high sustainability standards.

3.6. <u>How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?</u>

International codes and standards

In assessing ESG practices we refer to international codes and standards where relevant, such as the International Labour Organization Core Conventions, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the Norges Bank excluded companies list and the UN Global Compact.

Ongoing monitoring

The screening criteria evolve over time, and individual criteria points are updated after careful consideration by the Responsible Investment team and feedback provided by the Responsible Investment Advisory Council.

To ensure companies held in the Responsible strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Each quarter we review whether companies continue to meet the criteria; any involvement in recent controversies that might indicate poor ESG practices; and any merger and acquisition activity that might change our ratings. Furthermore, held companies are monitored quarterly for new or ongoing UN Global Compact breaches. All breaches are assessed by the Responsible Investment team. If a breach is assessed as genuine, the issuer is re-rated as “Unacceptable” and must be sold within 6 months. If a breach is not assessed as genuine, the issuer is engaged by the Responsible Investment team in order to evaluate and improve the management of the underlying issue(s). Failure to respond to engagement would result in an issuer being re-rated as “Unacceptable”.

In addition, the Global Equities team reviews each company (which includes assessing ESG) every 12 months, or more frequently as required by outsized stock move, corporate action, thesis drift.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

The output of the fundamental analysis forms the basis of portfolio construction. The members of the Global Equities team consider ESG factors directly in their analysis of a company’s business model and in their assessment of management quality. They flex assumptions and discount rates based on these factors where appropriate.

The Responsible Investment team and the Global Equities team work together to fully incorporate ESG risks and opportunities into the fundamental valuation of each company. This might be via flexing revenue and profitability assumptions across different “bull/bear” scenario outcomes, or they will be incorporated through our proprietary “alternate weighted average cost of capital” (ALT-WACC) used as a discount rate within our DCF analysis. Within the ALT-WACC, we assess various factors, both operational and ESG, providing us with an aggregate assessment of quality, whereby higher quality companies warrant a lower discount rate applied to the DCF which ceteris paribus drives a higher intrinsic valuation. Similarly, within relative valuation work, ESG leaders and improvers will deserve a premium valuation relative to peers, which again will be reflected in the generated valuation assessment.

We believe that higher quality companies justify a larger active position in the portfolio. Timing, regional, sector, and aggregate risk are considered.

ESG analysis does not stop at the company research level; within the portfolio construction process, portfolio-level ESG metrics such as carbon intensity are considered, and ESG issues as well as other portfolio level considerations are weighed up alongside the company specific considerations in order to optimize the positioning of the portfolio to embrace ESG opportunities and reduce exposure to ESG risks.

We are able to leverage our internal resources to look at the broad portfolio level ESG risk levels through our ESG Analytics Reports. The reports are based on the BMO ESG scores and provide a portfolio view across each of E, S, and G, as well as granular breakdown to the sectoral and stock level contributors to those scores. We therefore use this as an additional portfolio construction tool, allowing us to continue to optimize ESG risk exposures across the portfolio. We do not have any formal ESG risk limits imposed upon the portfolio, but we are highly conscious of our risk exposures and continually work to optimize those over time, both through portfolio construction and through our active ownership and engagement activities.

4.2. How are criteria specific to climate change integrated into portfolio construction?[7]

We assess the climate change risks and opportunities facing each company on a case-by-case basis. This may involve assessing the extent to which a company is exposed to carbon emissions, and the potential long-term costs of those carbon emissions, considering the regulatory outlook and carbon pricing. Equally, we will also look

[7] Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

at how a company might be positively positioned to capitalise on evolutions in energy production. The range of potential outcomes for companies is embedded into fundamental valuation work through the “bull/bear” scenario analysis and ALT-WACC as per question 4.1.

As above, this analysis is then integrated into portfolio construction through the risk-adjusted intrinsic fair values built up through the bottom-up stock selection process, combined with conviction about the sustainability and visibility of earnings of each company in order to build the portfolio.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?[8]

Please specify how much the funds can hold.

Not applicable. All companies considered for investment must undergo screening by members of the Responsible Investment team to determine whether they meet the Fund’s product-based and conduct-based screening criteria.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

As ever, in the last 12 months we continue to pursue best practice in the identification of companies truly addressing long term sustainability challenges and we have recently developed and integrated a framework whereby we assess the sustainability A.I.M. (*Additionality*, *Intentionality* & *Materiality*), of companies’ products and services. It is through this assessment, which has a direct impact on company valuations, we ensure portfolio and therefore client exposure continues to be companies truly at the forefront of addressing long term sustainability challenges around the world, and therefore potentially benefitting from these structural tailwinds. This is purely an refinement to company ESG analysis, and not a material change to investment philosophy and process.

Our search for companies’ positive sustainability credentials has intensified: we seek to identify companies proactively and effectively managing their own ESG risks and opportunities, and having a positive impact on the world. We are not currently implementing, nor do we envisage for the near future, any material changes to the investment process.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

Yes. The fund ultimately seeks to invest in companies making a positive contribution to society, while avoiding investment in companies with damaging or unsustainable business practices.

We find a rich source of ideas comes from considering long-term social themes, looking across industries and along value chains. Key themes include health and wellness and responsible finance. The identification of themes helps to focus our analytical efforts rather than imposing a strict thematic structure on the portfolio.

We additionally try to look for companies who are leaders, or have the potential to show meaningful improvement, in how they manage key ESG issues, whether or not their business fits a particular theme. Additional input into idea generation comes from the experience available through other internal equity teams. Research and company meetings are shared across all equity desks. External input includes sell-side research, conferences, industry experts and macro considerations.

[8] Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

In encouraging companies to move towards best practice in the management of ESG issues, we make reference to international codes and standards where relevant, such as the UN Sustainable Development Goals (SDGs), International Labour Organization Core Conventions, UN Guiding Principles on Business and Human Rights and UN Global Compact. However, any such standards are often only a starting point, as our engagement is highly tailored to individual companies and to how the ESG issues under discussion apply to their own specific circumstances.

4.6. <u>Does (do) the fund(s) engage in securities lending activities?</u>

No.

If so,

(i) is there a policy in place to recall the securities so as to exercise the voting rights?

N/A.

(ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

N/A.

4.7. <u>Does(do) the fund(s) use derivative instruments?</u>

If so, please describe

(i) their nature;

(ii) their objectives;

(iii) the potential limits in terms of exposure;

(iv) if appropriate, their impact on the SRI nature of the fund(s).

No.

4.8. <u>Does (do) the fund(s) invest in mutual funds?</u>

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

No.

5. ESG controls

5.1. <u>What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?</u>[9]

To ensure companies held in the Responsible strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Each quarter we review whether companies continue to meet the criteria; any involvement in recent controversies that might indicate poor ESG practices; and any merger and acquisition

[9] Reference to Article 173 of the French TECV Act

activity that might change our ratings. Furthermore, held companies are monitored quarterly for new or ongoing UN Global Compact breaches. All breaches are assessed by the Responsible Investment team. If a breach is assessed as genuine, the issuer is re-rated as “Unacceptable” and must be sold within 6 months. If a breach is not assessed as genuine, the issuer is engaged by the Responsible Investment team in order to evaluate and improve the management of the underlying issue(s). Failure to respond to engagement would result in an issuer being re-rated as “Unacceptable”.

The approved list of companies is hard-coded into our dealing system to avoid inadvertent investment in securities which are not approved for the Fund.

6. *Impact measures and ESG reporting*

6.1. How is the ESG quality of the fund(s) assessed?

- The Responsible Investment team maintains a list of the companies which are acceptable for the fund (i.e. meet the screening criteria) and those which are not.
- We use a proprietary system to generate an ESG portfolio analytics report. This report contains information about:
  - The companies with the highest and lowest ESG scores in the universe
  - The largest upward and downward momentum shifts over the previous quarter, including new controversies
- We map the activities of the companies we invest into the underlying targets of the Sustainable Development Goals (SDGs), using an in-house methodology. Considerations such as revenue and strategy determine whether or not we link specific business segments to SDG targets. Using this detailed and comprehensive methodology we build up a clear picture of the extent to which portfolio holdings, and the Strategy as a whole, are contributing to a more sustainable future.

6.2. What ESG indicators are used by the fund(s)?[10]

Carbon performance; water intensity; waste intensity; gender diversity; executive pay; economic development; employment; alignment with the SDGs

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

As well as regular interactions with our client base, the following documentation is available through our company website (https://www.bmogam.com/gb-en/intermediary/capabilities/responsible-investing/):

Annual Responsible Investment Review: This is an annual report (https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2021/04/bmo-gam-responsible-investment-review-%E2%80%93-full-report.pdf) which reviews our responsible investment activities and achievements over the year. Topics include:

- Investor engagement and engagement outcomes for the year;
- Voting and corporate governance activity over the year;
- Public policy interactions;
- A discussion of themes to watch in the upcoming year.

Responsible Funds Summary Criteria: Each company considered for the Fund is screened by the Responsible Investment team to ensure that it meets the Fund’s product-based and conduct-based criteria:

[10] Reference to Article 173 of the French TECV Act

https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2020/02/responsible-investment-strategies-summary-criteria.pdf.

ESG Profile and Impact Report: We recognise the importance of identifying and reporting on impact. Our ESG Profile and Impact Report for the BMO Responsible Global Equity Strategy (https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2021/06/bmo-responsible-global-equity-strategy-impact-report.pdf) is intended as a contribution to the debate on how we can apply some of the lessons from impact investing to listed equities. It provides investors with more information on the ESG performance of this strategy, highlighting leaders and laggards, as well as the impact its holdings are having on the world. The report also describes our engagement activities with companies, and shows areas where we could influence positive change. Furthermore, it looks at the carbon intensity of the Fund relative to the MSCI World benchmark, as well as the carbon emissions of the Fund relative to the benchmark. We disclose the holdings with the highest and lowest carbon risk management scores as well as case studies across our six investment themes: technological innovation; health & well-being; access to finance; sustainable mobility; energy transition; and resource efficiency. We aim to publish this report annually, and continue to enhance and develop the ESG performance and impact data for the Fund.

Webinars: ESG issues, including engagement insights, are discussed during regular webinars, which are available via our website (https://www.bmogam.com/gb-en/intermediary/webinars/).

6.4. Does the fund management company publish the results of its voting and engagement policies?[11]

If so, please include links to the relevant activity reports.

Voting: We believe in a transparent approach to responsible investment and publish all our voting decisions, as well as the rationale for these. We have been publishing statistics of our annual voting activities for the past 17 years. All of our votes are publicly disclosed on the following webpage the day after the shareholder meeting, with voting records available back to 2012:

http://vds-staging.issproxy.com/SearchPage.php?CustomerID=3660&StagingPassword=TRiTenpXpo

Engagement: We publish an annual Responsible Investment Review which contains an overview of our engagement activities, outcomes during the year, and upcoming themes.

[11] Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

Past performance should not be seen as an indication of future performance. The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. 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.