Our expectations on environmental practices

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BMO Global Asset Management is committed to mitigating environmental impacts from our investment activities through research, portfolio construction and active ownership.

Well-run companies have formal systems to identify, assess and manage their exposure to risks and opportunities linked to environmental factors, including climate change, as well as the impacts of their operations on the environment and society. Good environmental stewardship can provide benefits to companies by helping optimise operating costs, ensure continuity in business operations and supply chains, avoid legal and regulatory fines, improve access to human and financial capital, achieve stronger customer loyalty, and improve community and public relations. Ultimately, it will contribute to sustainable long-term shared value creation.

We recognise that some of our expectations are aspirational and that different companies will be at different stages of managing environmental issues. Where relevant, we will use our influence as active owners to encourage stronger environmental practices through our engagement and voting activities.

Our expectations reference international standards[1] and industry commitments and are supported by internal guidance and training.

Core to our expectations on how companies should manage the environmental risks and opportunities of their operations and supply chains is a commitment to protect and preserve natural capital by:

- Aligning business strategies with the goals of the **Paris Climate Agreement**[2]
- Measuring, reporting and minimising **greenhouse gas emissions**
- Improving **energy efficiency** and reviewing energy sourcing practices
- Reducing strain on shared **freshwater resources** by balancing water use with the needs of communities and nature
- Eliminating **deforestation** and **land degradation**, rehabilitating degraded land and protecting soils
- Planning and managing their use of and impact on **marine resources** to ensure long-term sustainability
- Maintaining or enhancing the **ecological** and **biodiversity** support functions of air, land and water resources
- Controlling, treating and, where possible, reducing **harmful emissions** and **effluents** into air, water or land
- Limiting **waste**, and ensuring disposal that is safe to human health and the environment
- Incorporating **circular economy** principles into business strategies
- Maintaining contingency plans for preventing and mitigating serious **environmental damage** from accidents or emergencies
- Running effective **stakeholder engagement** strategies to discuss environmental issues, including with regulators, investors, customers, employees, and civil society

Our expectations will consider the fact that companies' exposure to these issues differ according to their industry, size and location.

To meet these expectations, companies should have a robust policy and governance framework which supports board oversight and effective implementation of environmental management and impact mitigation strategies, incorporates stakeholders' views, and ensures monitoring of and reporting on progress and performance. Corporate reporting should evidence strategies and targets to achieve good environmental practice and include a narrative account about the trends and factors affecting the performance and future development of the business.

1 Among them: UN Global Compact, OECD Guidelines for Multinational Enterprises, Taskforce on Climate-related Financial Disclosures, CDP, IFC Performance Standards

2 The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen countries' ability to deal with the impacts of climate change and support them in their efforts. The Agreement is the first-ever universal, legally binding global climate change agreement, adopted at the Paris climate conference (COP21) in December 2015.

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