

Shropshire County Council

Q2 2021

The purpose of the **reo**[®] (responsible engagement overlay) * service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**[®] approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Engagement in review

Ten years ago, the United Nations formalised the responsibility of business, including institutional investors, to respect human rights via the launch of the Guiding Principles on Business and Human Rights. Since then, expectations from employees, suppliers, clients, governments and wider society have only increased. The climate emergency, widening economic inequality and the global COVID-19 pandemic have played a significant role in driving those expectations even higher in the past year.

Considering investors' role in helping prevent and mitigate actual and potential negative outcomes for people, BMO GAM has in the past year increased its engagement activities around human rights. This quarter alone, we participated in a handful of collaborative engagement projects addressing issues such as human rights due diligence, impacts of facial recognition technologies, potential human rights abuses from operations in Myanmar, and challenges staff in nursing homes face. Read below to learn more about these initiatives.

On climate, big oil faced a day of reckoning on May 26, 2021. That day, **ExxonMobil**, **Chevron** and **Royal Dutch Shell** received blows, led by shareholders in the cases of Exxon and Chevron, that could force them to re-think their business models. After years of engaging with these companies on their approach to decarbonisation and wider climate change management issues, we joined the chorus of investor discontent by escalating our engagement at the ballot box.

Collaborating for robust human rights due diligence

Engagement collaboration

All companies should have a robust approach to minimizing and remediating adverse human rights impacts, in alignment with the UN Guiding Principles for Business and Human Rights. However, the 2020 Corporate Human Rights Benchmark (CHRB) found that 95 out of 230 companies failed to score any points on the human rights due diligence indicator. As such, we joined 208 institutional investors representing \$5.8 trillion in AUM in signing a statement expressing concern for these low CHRB scores, calling on companies to improve their human rights due diligence approaches and setting out investor expectations. Coordinated by the Investor Alliance for Human Rights, where we serve on the Advisory Committee, this letter was sent to the 95 companies in May 2021.

My face, my rights

Engagement collaboration

Robust human rights due diligence is especially important to prevent unintended human rights consequences of emerging technologies, many of which develop so rapidly that regulators have a hard time catching up. Facial recognition technologies' accuracy rates can be questionable, yet they are increasing used for surveillance purposes. They can have built-in ethnic and racial biases and be misused by authoritarian regimes, adversely impacting already vulnerable people. Some of the world's big tech companies have

developed their own facial recognition products and services over the last few years, such as Amazon's Rekognition. With this context in mind, we joined 50 investors with over \$4.5 trillion in AUM by signing an Investor Statement on Facial Recognition, calling on companies to proactively assess, disclose, mitigate and remediate human rights risks related to their facial recognition products and services.

COVID 19 – the precarious position of staff at nursing homes

Engagement collaboration

In March 2021 we signed an investor expectations statement¹ for labour standards in the nursing home sector with 94 other investors with a combined US\$3.34 trillion in assets under management. The statement was initiated by UNI Global Union, a global union federation for the skills and services sectors. On the back of the statement, we have reached out to 13 health care providers and real estate companies that are running nursing homes, requesting dialogues to discuss adequate staffing levels, expanded collective bargaining, improved health and safety, liveable wages, as well as enhanced quality of care.

Big Oil's Bad Day

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

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

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

¹https://collaborate.unpri.org/system/files/2021-06/investor_statement_-_facial_recognition_human_rights_0.pdf

²https://www.uniglobalunion.org/sites/default/files/imce/investor_statement_for_quality_care.pdf

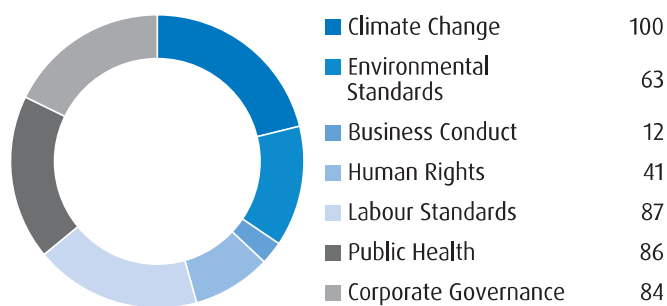
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
209	82	32

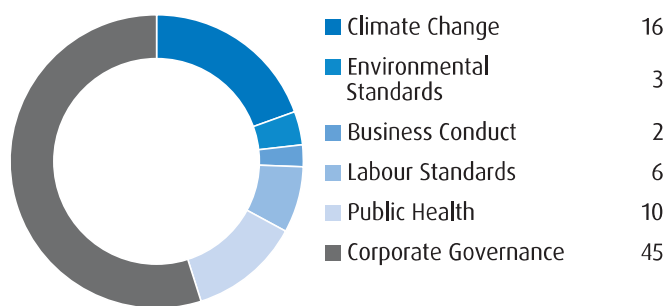
Companies engaged by region



Companies engaged by issue **



Milestones achieved by issue



* **reo** is currently applied to £269bn / €316bn / US\$370bn* as at 31 March 2021.

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

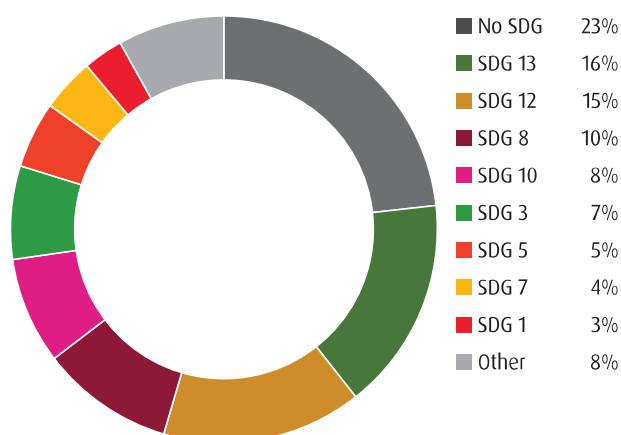
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed. Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the Fund are not guaranteed. They can go down as well as up and you may not get back the amount you invest.

Engagements and Sustainable Development Goals (SDGs)

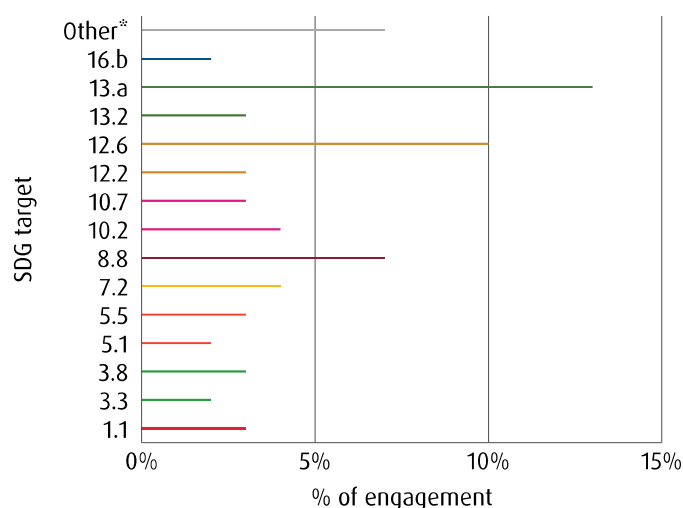
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

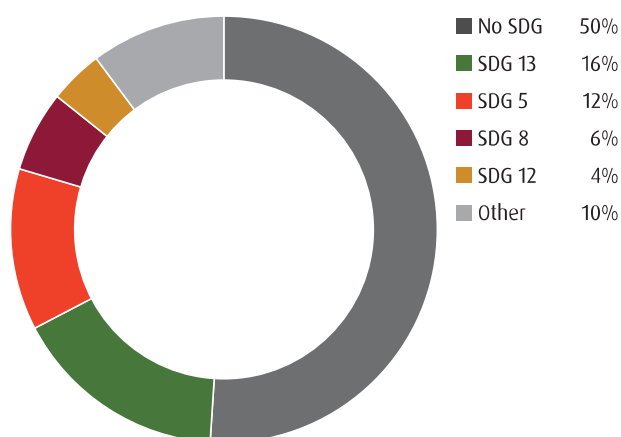
Engagement: SDG level



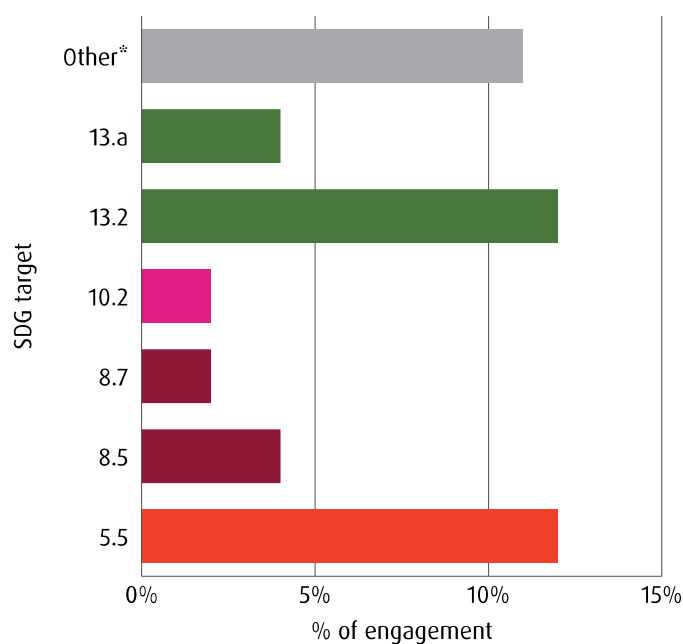
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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