Expectations for environmental practices

October 2024

BMO Global Asset Management (BMO GAM) 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 optimize 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.

Our expectations leverage internal subject matter expertise, industry-specific guidance, and international frameworks such as the UN Global Compact, International Financial Reporting Standards Foundation Sustainability Disclosure Standards, Taskforce on Nature-related Financial Disclosures and CDP.

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 goal of limiting global warming to 1.5°C in accordance with the **Paris Climate Agreement**[1]
- Measuring, reporting and minimizing **greenhouse gas emissions**
- Improving **energy efficiency** and reviewing energy sourcing practices
- Reducing strain on shared **water resources** by balancing their own water use with the needs of communities and nature
- Eliminating **deforestation** and **land degradation**, rehabilitating degraded land and protecting soils
- Maintaining or enhancing the **ecological** and **biodiversity** support functions of air, land and water resources

[1] 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.

- 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
- Assessing climate-related risks through scenario analysis
- Maintaining contingency plans for preventing and mitigating serious **environmental damage** from accidents or emergencies
- Actively engaging with regulators, investors, customers, employees, and civil society, and
- Aligning lobbying efforts consistent to these goals

To meet these expectations, companies should have a robust policy and governance framework which supports 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.

BMO GAM recognizes that exposure to these issues differ according to their industry, size and location, and that companies will be at different stages of progress towards achieving our expectations.

As long term investors, we will use our influence as active owners to encourage ongoing adoption of policies and practices which support these expectations through our investee engagement and voting activities.

This document will be reviewed annually by BMO GAM's Responsible Investment team in conjunction with our Climate Action Approach, and published externally following approval by the Investment Committee's Responsible Investment Working Group.