

Q2 2023

CORPORATE ENGAGEMENT PROGRESS REPORT: **BANK OF MONTREAL**

Sector

Financial services

Focus theme; sub-theme(s)

Nature; deforestation

Related UN Sustainable Development Goal(s)



Engagement activity

Investor collaboration

Responsiveness

Highly responsive

Holding status (subject to change without notice)

NEI Canadian Bond Fund; NEI Fixed Income Pool;
NEI ESG Canadian Enhanced Index Fund

BMO in early stages of assessing exposure to commodity-driven deforestation

Objective: To share guidance and expectations so that BMO can better understand and disclose its exposure to commodity-driven deforestation and influence clients in its lending portfolio.

Like many banks, BMO carries out a range of lending and financing activities around the world for many different clients. Through these activities, the bank is exposed to the actions undertaken by the companies it loans money to, and that includes deforestation risks. We are particularly concerned with agricultural commodity-driven deforestation, with a focus on palm oil, soy, cattle, and pulp and paper, as specified by the Finance Sector Deforestation Action (FSDA) initiative, to which we are signatory.

We met with BMO alongside another investor to better understand the steps the bank is taking to manage

its deforestation risks, and we are pleased with the progress to date. BMO has started to leverage technology tools in its analysis to try to collect geospatial data on clients' physical operations. We encouraged them to make an overall deforestation and land conversion-free commitment and provided guidance on deforestation risk management to help them strengthen their lending policies, and to begin requiring that their clients meet specific FSDA expectations. We support the bank's efforts on deforestation risk assessment and we further encouraged them to assess and disclose specific commodity-related risks in their supply chain.

We should note that BMO is exhibiting strong leadership on the theme of biodiversity, as they chair the Global Cross-Sector Biodiversity Initiative, are actively involved in the Taskforce on Nature-


related Financial Disclosures, play a lead role in the biodiversity working group for the UN Principles for Responsible Banking, and are the first Canadian financial institution to join the Partnership for Biodiversity Accounting Financials.

Next steps: We look forward to following up with BMO on their progress and will review their published reports for enhanced disclosure around deforestation risks and mitigation tactics.

Leadership in corporate engagement

Our goal is to protect shareholder value while influencing accountability to all stakeholders.

We believe the most effective tool for achieving that goal is corporate engagement. We talk directly with companies—alerting them to ESG risks, encouraging them to improve their ESG performance, and influencing how they are run. The NEI approach to corporate engagement is a proprietary model that incorporates internationally recognized principles and frameworks such as the Principles for Responsible Investment, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the UN's Sustainable Development Goals.



Talk to your advisor today about how responsible investment solutions from NEI can help you achieve your goals.

This report is based on NEI records, research and impressions gathered during company engagements. Unless otherwise indicated, no company identified in this report reviewed its contents before publication.

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