


BMO Sustainable  
Opportunities  
Canadian Equity Fund  
Responsible  
Investment Report  
2024





A photograph of three large white offshore wind turbines in a deep blue ocean under a clear blue sky. The turbines are spaced out, with one in the foreground and two in the background. The water is calm, reflecting the sky and the turbines. A large white circle with a blue border is overlaid on the right side of the image, containing text.

“We believe companies that  
combine strong financial and  
sustainability characteristics can  
create shareholder value.”

**Jennifer So, Portfolio Manager  
Canadian Fundamental Equities**

# Investing in sustainability

We are proud to present our second annual responsible investment report for the BMO Sustainable Opportunities Canadian Equity Fund ('the Fund'). We firmly believe that every industry and company can contribute in their own way to improving environmental, social and governance outcomes, from reducing their carbon footprint, improving efficiency, to increasing access to healthcare and infrastructure.

The Fund invests in high quality companies whose products or services help solve for sustainability challenges. We are looking for companies where sustainability and 'investability' intersect. We focus on companies that offer solutions to some of the most pressing environmental and social challenges, including the energy transition, sustainable finance, health and well-being, and sustainable cities and communities.

We believe the companies that make a positive impact are also well-positioned to capitalize on the growing demand for sustainable products and services, and increase shareholder value over the long-term.



**Jennifer So, CPA, CFA**  
Portfolio Manager  
Canadian Fundamental Equities  
BMO Asset Management Inc.



**Lutz Zeitler CFA**  
Managing Director & Portfolio Manager,  
Head of Canadian Fundamental Equities  
BMO Asset Management Inc.

# Our process: sustainability + fundamental

We invest using both a sustainability and fundamental framework. For inclusion in the Fund, companies must meet both criteria.

## Sustainability Framework

We invest in companies whose products or services address a sustainability challenge and link it to either revenue growth or cost reduction.



Sustainability  
Challenge



Revenue Growth  
Potential



Cost Reduction  
Potential

## Fundamental Framework

We invest in companies that meet five pillars: strong ESG conduct, durable moat, growth in earnings per share, strong management team and reasonable business value.



ESG



Economic  
Moats



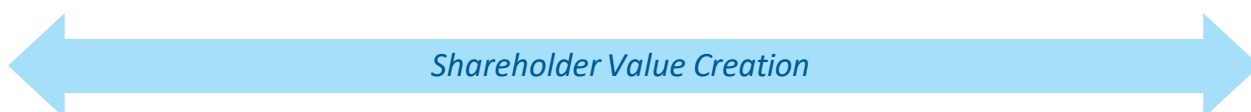
Growth  
Potential



Leadership



Business  
Value



# UN Sustainable Development Goals Addressed

## BMO Sustainable Opportunities Canadian Equity Fund

### Social

#### Digital Connection



**4** Quality Education



**8** Decent Work and Economic Growth

#### Health & Wellness



**2** Zero Hunger



**3** Good Health and Well-Being

#### Sustainable Cities & Communities



**6** Clean Water and Sanitation



**9** Industry, Innovation and Infrastructure



**11** Sustainable Cities and Communities

### Environmental

#### Energy Transition



**7** Affordable and Clean energy



**13** Climate Action

#### Resource Efficiency



**9** Industry, Innovation and Infrastructure



**12** Responsible Consumption and Production

#### Sustainable Finance



**8** Decent Work and Economic Growth



**9** Industry, Innovation and Infrastructure

### Governance

#### Engagement, Proxy Voting



**5** Gender Equality



**16** Peace, Justice and Strong Institution





# Sustainability themes

## Social – Health & wellness

Over time, the health and well-being of a society can improve economic and social outcomes.

Equitable access and provision of health care is an important facet of sustainability. Availability of medical services and pharmaceuticals, prevention and support for positive mental health, as well as fair spending on health and well-being can benefit future generations.



Jamieson Wellness manufactures and sells vitamins and herbal products in Canada and Internationally.

**Case Study:** Jamieson's products help maintain overall health with daily multivitamins for all age groups, letter vitamins, digestive, heart health and immune support formulas.



Telus is the second-largest telecom company in Canada with wireless, wireline and adjacent businesses (health, customer experience, etc.)

**Case Study:** TELUS Health is a global healthcare provider that covers 68 million lives. This includes employer-sponsored programs, virtual care, virtual pharmacy and mobile health clinics.

## Social – Sustainable cities & communities

The concept of sustainable cities and communities means creating communities that are enjoyable to live in, where people can thrive. A high-quality environment can encompass infrastructure, housing, and climate resiliency.



**Intact Financial**<sup>1</sup> is the largest provider of property and casualty insurance in Canada and a leading provider of global specialty insurance.

**Case Study:** To support climate resilience, Intact supports various nature-based projects that provide downstream protection against flooding. A partnership with Wildlife Trusts provides natural flood management interventions to support biodiversity and helps communities downstream protect against flooding.



CANADIAN APARTMENT  
PROPERTIES • REIT

**Canadian Apartment Properties REIT (CAP REIT)** owns a large portfolio of multi-unit residential properties across Canada.

**Case Study:** Housing affordability is a hot button topic in Canada. CAP REIT provides multi-family housing at reasonable rent-to-income ratios. In Toronto, Montreal and Vancouver, CAP REIT's rent-to-income ratio is ~30% compared to the market rent-to-income ratio of over 50%<sup>2</sup>. The Company also works with more than 53 municipalities and community groups to house 2,181 of the most vulnerable<sup>2</sup>.

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## Social – Digital connection

Digital connection and sustainability are strongly interrelated. Digital connection refers to the use of technology to communicate, collaborate and create with others across different locations and contexts. Digital connection can have positive impacts on sustainability, such as reducing emissions, improving education, enabling commerce, and fostering innovation and creativity.



Docebo creates software, solution and support systems to help customers teach and train their employees and customers.

**Case Study:** Docebo is on the forefront of new technology using automation and generative AI to help every learner create and experience high quality, relevant and personalized learning content.



Shopify is a multinational e-commerce platform.

**Case Study:** Shopify's products enable small and medium sized businesses to access customers globally, which promotes sustainable economic growth regardless of location. With every order on Shop Pay, Shopify funds carbon removal to counteract the impact on the planet at no extra cost to the merchant.

<sup>1</sup> <https://www.intactfc.com/about-us>

<sup>2</sup> Canadian Apartment Properties REIT, Investor Presentation, November 9, 2023.





## Environmental – Energy transition

Countries around the world have adopted the Paris Agreement and committed to net zero emission targets in a concerted effort to limit global warming to 1.5 degrees Celsius. Net-zero commitments are pledges to reduce greenhouse gas emissions to as close to zero as possible and to offset any remaining emissions by removing them from the atmosphere.

Over the past couple of years, net-zero commitments have rapidly shifted from aspirations to implementation. Many countries, including Canada, have enshrined their commitments into legislation and have provided regulatory guidance and incentives to companies in support of the energy transition. As companies work to reduce their climate risk exposure by investing in their own emissions reductions, asset managers are similarly working towards reducing the carbon footprint of their portfolios.

The transition to net-zero will involve transitioning baseload capacity from fossil fuels (coal, gas) into cleaner alternatives such as hydro and nuclear, and increasing exposure to intermittent sources of energy (wind, solar) as well as energy storage solutions. Some of these energy sources will come from established energy technologies but also emerging ones such as hydrogen and nuclear (small modular reactors). The energy transition will involve the entire supply chain including the extraction and storage of various critical mineral components.



Cameco is one of the world's largest producers of uranium. It also owns 49% of Westinghouse – a nuclear power services provider to ~50% of the global reactor fleet<sup>3</sup>.

**Case Study:** Nuclear energy provides baseload power with no carbon emissions. In fact, 50% of Ontario's grid is powered by nuclear<sup>4</sup>. The global nuclear industry is experiencing a rebirth amid the global energy transition. Cameco's uranium production and Westinghouse services create a full-service nuclear company and may benefit from increased investments in the sector over time.

<sup>3</sup> <https://www.cameco.com/media/news/cameco-and-brookfield-complete-acquisition-of-westinghouse-electric-company>

<sup>4</sup> <https://www.opg.com/power-generation/our-power/nuclear>

## Teck

Teck resources is one of the world's largest copper and zinc concentrate producers.

**Case study:** Copper is a critical component in the transition to net zero. It's high electrical and thermal conductivity make it an ideal component in solar panels, wind turbines, energy storage systems and electric vehicles.

S&P Global's study "The Future of Copper" estimates copper demand to double by 2035 whereas global copper production is not expected to keep pace, therefore creating strong demand conditions.



# Environmental – Sustainable finance

Sustainable finance can mobilize and reallocate capital towards renewable energy, electrification, and operational efficiency which can drive significant progress in reducing greenhouse gas emissions and promoting sustainable development.



Bank of Montreal is a large North American bank with \$1,325 billion<sup>5</sup> in assets under management.

**Case Study:** BMO's sustainable finance program focuses on developing the BMO Climate Institute (brings science, analytics, experience and partners to manage climate change risks and opportunities), mobilizing \$300 billion for sustainable lending, underwriting, investments and advisory services, and a \$194 million (within Case Study – BMO) investment fund<sup>6</sup> to help support sustainable outcomes for businesses.

## Brookfield

Brookfield Asset Management is a global asset manager with ~US\$900 billion<sup>7</sup> in assets under management.

**Case Study:** Brookfield manages ~US\$79 billion<sup>8</sup> in assets under management that is dedicated to renewable power and transition assets. Brookfield is also raising its second Global Transition Fund, which provides capital to help companies decarbonize their operations.

# Environmental – Resource efficiency

The essence of resource efficiency is doing more with less in an effort to use and reuse our limited resources in the most efficient manner. Examples include companies whose products or services help customers reduce consumption, and also companies that reduce their own resource consumption by doing more with less.



Descartes provides logistics and supply chain management solutions.

**Case Study:** Descartes enables supply chain efficiency for their customers. In 2023 the company's supply chain and logistics solutions have helped customers save ~2 million tons of CO<sub>2</sub> and ~941 million litres of fuel.<sup>9</sup>



WASTE CONNECTIONS, INC.

Waste Connections<sup>10</sup> is the third largest waste company in North America.

**Case Study:** Waste Connections is a leader in landfill management across North America. They seek to minimize their impact on the environment by diverting waste, capturing renewable natural gas, and working towards the electrification of their vehicle fleet.

<sup>5</sup> as of Q1 2024

<sup>6</sup> [https://our-impact.bmo.com/wp-content/uploads/2024/04/BMO\\_2023\\_SR\\_EN\\_AODA.pdf](https://our-impact.bmo.com/wp-content/uploads/2024/04/BMO_2023_SR_EN_AODA.pdf) (page 8).

<sup>7</sup> <https://bam.brookfield.com/sites/brookfield-bam/files/BAM-IR-Master/Press-Releases/2024/2023%20-%20Q4%20Press%20Release%20-%20BAM%20VF.pdf> (page 7) as of Q4 2023.

<sup>8</sup> as of September 2023. Investor day presentation:

<https://bam.brookfield.com/sites/brookfield-bam/files/BAM-IR-Master/Events/2023/BAM%20IR%20Day%20-%20Consolidated%20-%20VF%20-%2009.14.2023.pdf> (page 30).

<sup>9</sup> see 2024 Descartes Environment, Social and Governance Report May 1, 2024.

<https://www.descartes.com/sites/default/files/inline-content/2024-descartes-environmental-social-and-governance-report.pdf>

<sup>10</sup> <https://investors.wasteconnections.com>

# Governance – Driving change through our engagement and proxy voting

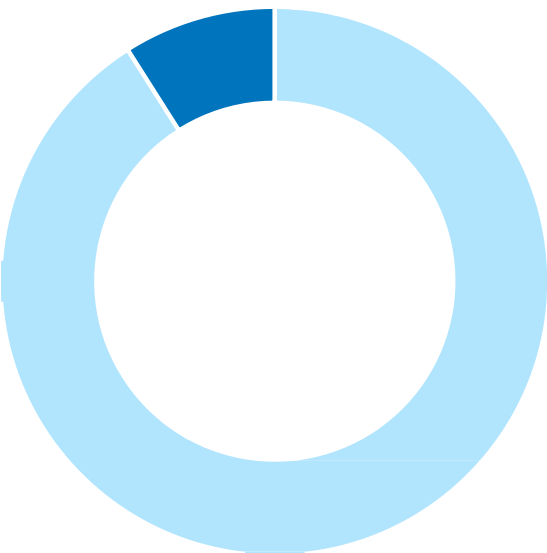
Stewardship is a cornerstone of our responsible investment approach. We believe that our responsibility as investors does not end when an investment is made. We are active owners of our investments – using thoughtful engagement and proxy voting to influence positive change and reduce risk. We engage on company-specific issues as well as broader thematic and policy issues. We believe these initiatives enhance the long-term performance of the companies in the Fund.

## Voting for change

The shareholder right to vote is an opportunity to influence change. Before voting, we engage with companies to clearly communicate our expectations. We are transparent in reporting our voting activity, including reasons for votes against management.

## Proxy voting dashboard

Our voting activity in 2023 resulted in us opposing management on 9% of the Fund’s voting items – significantly lower than our average votes against, which suggests our companies in the Fund may have better governance practices on average than in years past.



- For Management 91%
- Against Management 9%

## Engagement dashboard

We engaged with 89% of the companies held in the Fund with the aim of improving the management of environmental, social and governance issues. We conducted 69 engagement activities across 37 companies held in the Fund. Key topics included climate, Indigenous reconciliation, human rights, biodiversity, and governance.

We reached 6 milestones (when a company makes tangible positive improvements related to our engagement) at 4 companies.



- Environmental 30%
- Social 20%
- Governance 50%



# Investor engagement

Below are highlights of company engagements regarding ESG initiatives.

## Teck

We engaged Teck on human rights due diligence and commitments to free, prior and informed consent for Indigenous peoples. The company employs many best industry practices, but we encouraged further disclosure on grievance mechanisms.



We engaged WSP as part of its materiality assessment. WSP has both near-term and long-term net-zero 2040 targets that are science-based, including Scope 3 emissions. We advised climate resilience as a key priority for infrastructure design.

## ThermoFisher SCIENTIFIC

We engaged ThermoFisher on the importance of diversity in clinical trials and encouraged trust-building with historically underrepresented trial participants and collaboration with industry and patient groups.

## Brookfield Infrastructure Partners

We engaged Brookfield Infrastructure Partners through Climate Engagement Canada (CEC), discussing its path to attain net zero. Parent company Brookfield is committed to the Net Zero Asset Manager's initiative.



We engaged Loblaws on supply chain, human rights and climate. Loblaws is making strong progress on decarbonization, plastics reduction and food waste. We reached a milestone when Loblaws disclosed the results of its first human rights impact assessment.



We engaged CN Rail after the resignation of its Indigenous Advisory Council and discussed its continued commitment to Indigenous reconciliation. We also shared best practice materials on human rights due diligence.

## Nutrien™

As part of our participation in CEC, and to help the company progress on its journey to net zero by 2050, we engaged Nutrien on its emissions reductions, science-based targets, their use of offsets, carbon credits, and their overall decarbonization strategy.



We engaged Tricon on green building performance and renovation standards. We encouraged establishing strong performance targets and maintaining a strong LEED approach to all new developments.



WASTE CONNECTIONS, INC.

Through CEC, we led engagement with Waste Connections regarding climate targets, Scope 3 accounting, and renewable energy opportunities. We reached a significant milestone when the company committed to set a science-based emissions reduction target.

## Climate Engagement Canada

Climate Engagement Canada (CEC) is a collaborative investor initiative representing ~\$4 trillion in assets to engage the country's largest emitters in promoting a just transition to a net-zero economy. As a founding signatory and member of CEC's Steering Committee, BMO Global Asset Management (BMO GAM) welcomed the launch of CEC's collaborative engagements in 2022. BMO GAM is leading five collaborative engagements and supporting other lead investors on an additional seven engagements.

# Measuring real-world results

Companies' operations, products and services can have significant effects on the environment and/or the lives of stakeholders such as customers, employees, suppliers and communities. Expectations of companies' measurement and reporting on their environmental and social outcomes continue to grow. While significant advances have been made, challenges remain. Below we have selected some examples from the Fund that illustrate these companies' environmental and social progress.

## 77 million

tons of CO<sub>2</sub> equivalent avoided emissions, equivalent to removing 16 million vehicles from the road

– Brookfield Renewable Partners  
ESG Report 2022

## 26%

reduction in total scope 1, scope 2 (market-based) and scope 3 GHG emissions (vs 2018 base year)

– WSP Global  
ESG Report 2022

## 75%

Increase in client originations for electric vehicles

– Element Fleet management  
ESG 2022 Report

## Every 10 seconds

TELUS Health is caring for or supporting someone around the world

– Telus  
[www.telus.com/en/health](https://www.telus.com/en/health)

## \$500 billion

committed to sustainable finance by 2025

– RBC  
ESG Performance Report 2022

## 42%

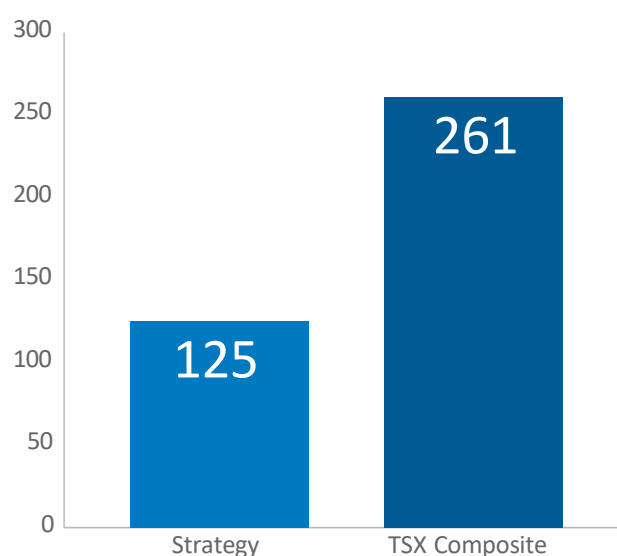
of suites are considered affordable housing units

– Canadian Apartment Properties REIT  
ESG report 2022

## BMO Sustainable Opportunities Canadian Equity Fund's Footprint

The portfolio-weighted carbon footprint is significantly below the benchmark.<sup>11</sup>

Portfolio-Weighted Carbon Intensity  
(tonne per company revenue)



<sup>11</sup> Data calculated as tonnes of scope 1 & 2 carbon emissions per \$1M revenue, as of December 31, 2023. Source: Impact Cubed, BMO GAM.



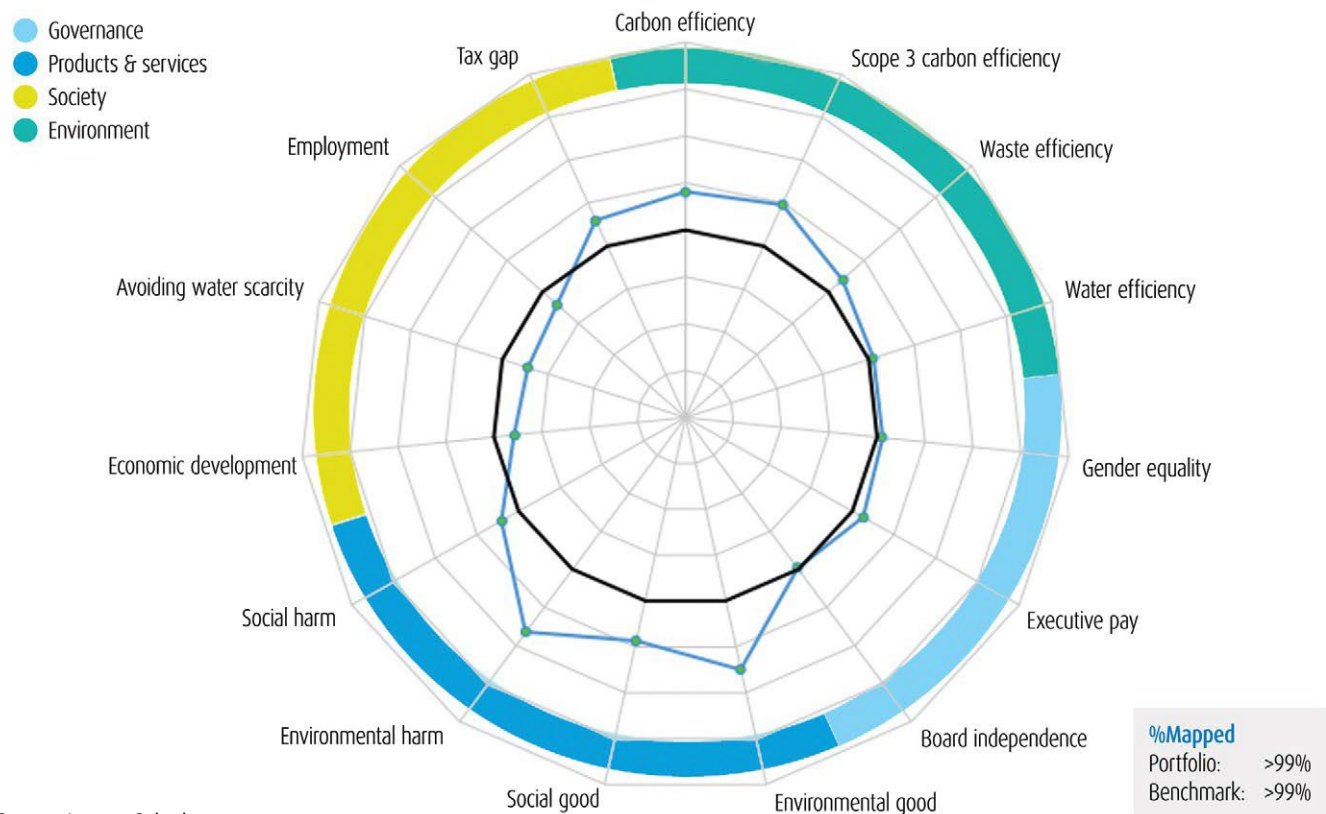
# Measuring Impact

Impact Cubed assesses the BMO Sustainable Opportunities Canadian Equity Fund against 15 sustainability metrics relative to the Funds benchmark (S&P/TSX Composite Total Return Index (C\$)). The Fund performs better than the benchmark in 11 out of the 15 assessed metrics with avoiding Environmental Harm, Scope 3 carbon efficiency and Social Good among the top scored areas reflecting the strong ESG tilt of the Fund.

We monitor our companies’ metrics to understand the Fund’s weaker exposures against its benchmark:

“Avoiding water scarcity”: explained by a higher geographic distribution of our companies’ operations in regions with higher water scarcity, against the benchmark, as measured by the World Resource Institute. (Ex. Southwestern US)

“Employment”: explained by a higher geographic distribution of our companies’ operations in regions with lower unemployment rates than the benchmark. (i.e. lower exposure to multinational companies operating in countries with high unemployment rates.)



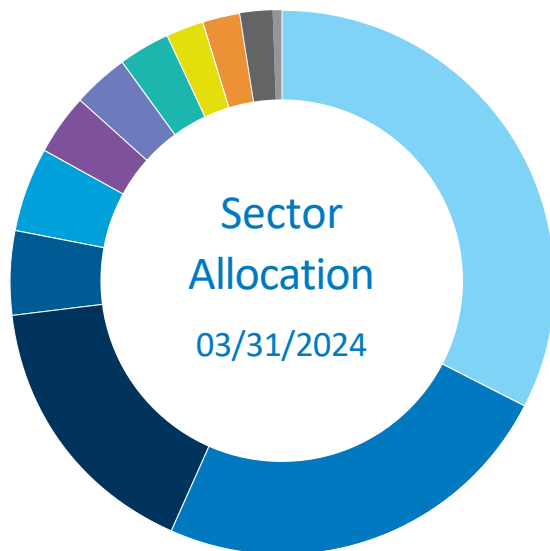
Source: Impact Cubed

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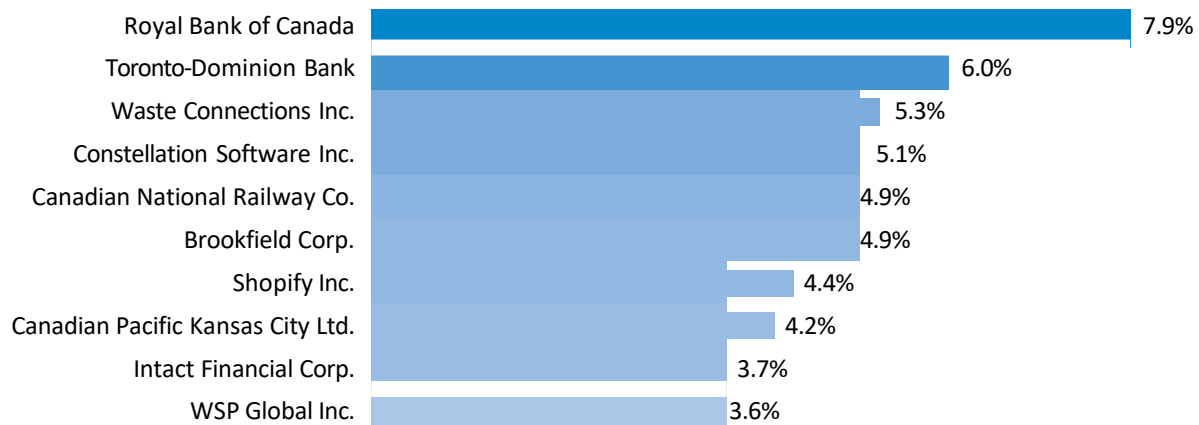
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# BMO Sustainable Opportunities Canadian Equity Fund



Financials	32.7%
Industrials	24.2%
Information Technology	16.5%
Real Estate	4.9%
Utilities	4.9%
Materials	3.7%
Health Care	3.1%
Consumer Staples	3.1%
Energy	2.4%
Communication Services	2.1%
Consumer Discretionary	1.9%
Cash	0.5%

## Portfolio Holdings



**Top Holdings (% of Fund) 49.8**

**Total Fund Holdings 38**

As of March 31, 2024. The portfolio holdings are subject to change without notice and only represent a small percentage of portfolio holdings. They are not recommendations to buy or sell any particular security.

## Codes and Fees

Series	Code	MER*
A Series - Bank Branch	BMO70111	1.83%
Advisor	BMO99111	1.80%
F (Fee Based)*	BMO95111	0.69%

\* Annual Management Expense Ratios (MERs) are as of September 30, 2023.

\* Series F units are only available to Investors who participate in eligible wrap programs or flat fee accounts with their registered dealers that have entered into Series F Agreement with BMO Investment Inc.







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BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal.

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