

In focus Green Bonds

April 2019

Responsible Investment is central to the identity of BMO Global Asset Management. We have constructed a Green Bond Strategy that is underpinned by a robust screening process, upholding high ESG and Green Bond Standards, while meeting the investment criteria pioneered by our expert fund managers and responsible investment specialists.

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Strong heritage in responsible investments

For over 35 years, we have taken a leadership approach in developing sustainable investment strategies, making responsible investment a core competency. We have a large and highly experienced Responsible Investment team (16 persons) for conducting global screening and engagement.

Robust screening and engagement process

We screen every bond by evaluating the overall ESG profile of the issuer and the issuance's alignment with the Green Bond Principles (GBPs). Through engagement, we encourage issuers to improve their management of ESG-risk and adherence to the GBPs. Our aim is to maximise positive impacts and avoid green-washing.

Integrated investment teams and ESG resources

Green bond management at BMO integrates portfolio managers from the 3 specialisations required, responsible, credit and interest rate analysis. These portfolio managers will draw on the wider resources within their respective teams at BMO when creating green bond strategies.

Comprehensive reporting

To maximise transparency, we provide extensive reporting on:

- Investments
- Engagement
- Green bond impact and alignment with SDGs

Green bonds:

- Are issued to finance projects with environmental benefits
- Projects include renewable energy, water conservation and energy efficiency, amongst others
- No additional credit risks
- Rapidly growing market, raising capital for a transition to a low-carbon economy

Key risks

The value of investments and any income from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

The income and capital due from bonds is dependent upon the issuing company's ability to pay and any default will adversely affect the value of your investment. Changes in interest rates can reduce the value of your investment.



We aim to maximise positive impact and avoid greenwashing with a strictly screened and diversified green bonds portfolio

Thomas Hassl, Responsible Investment Analyst

Making an impact ... aligning with the Sustainable Development Goals

The proceeds of the Green Bonds we invest in are allocated to projects which have a positive environmental impact. As part of our assessment of each Green Bond issuance, we carefully consider the issuer’s alignment with the Green Bond Principles. We also evaluate the positive impacts of our Green Bond investment and map the use of proceeds of our Green Bond investments to the SDGs. We report on the Fund’s alignment with the SDGs and provide case studies of how the proceeds of our Green Bond investments have been allocated to projects which have positive impacts.

Via our engagement we encourage issuers to improve their long-term management of ESG risks and, where applicable, to strengthen their adherence to the Green Bonds Principles.

BMO Green Bond Strategy

Structures: discretionary mandate and pooled solution

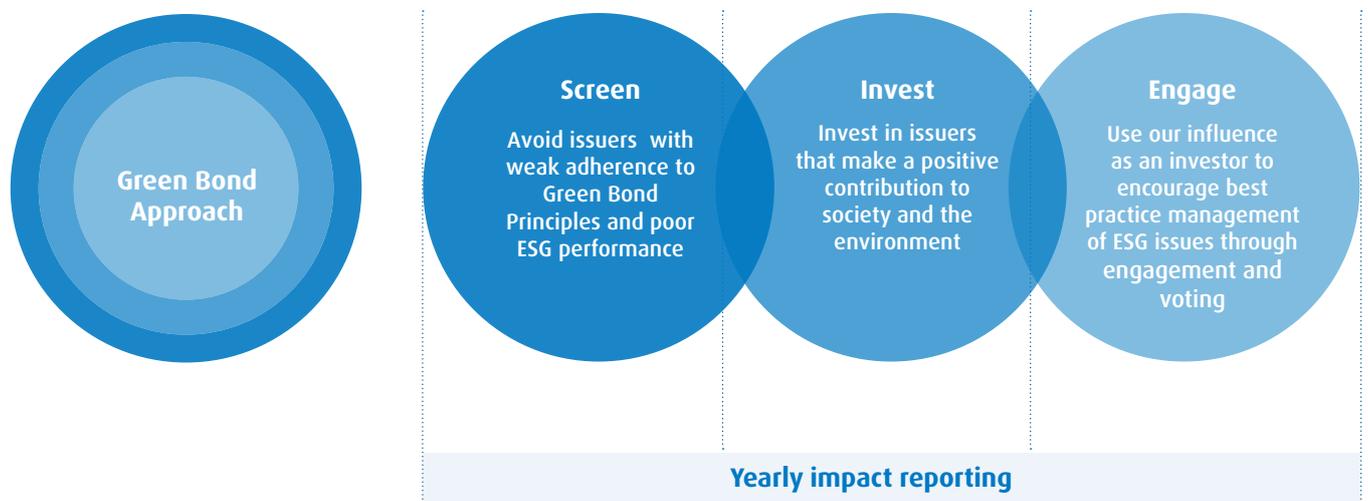
Objective: outperform green bond benchmark while exerting positive impact on the environment

Currency: EUR (Non-EUR exposure hedged back to EUR)

Universe: Corporate, government-related, supranational and sovereign debt that meet our green bond criteria

Benchmark: ICE BAM: Green Bond Index

Our investment approach for green bond portfolios



Source: BMO Global Asset Management. For illustrative purposes only

Reporting on impact

We value and encourage transparency in the reporting of issuers and provide our investors regularly with an overview of projects linked to Green Bond issuances we have invested in. Please find two short examples of reports on projects below.

Société du Grand Paris

The Grand Paris Express
(Paris)



27 million metric tonnes of CO₂ saved by 2050

Equivalent to c. 5.7 million passenger vehicles driven for one year

Asian Development Bank

Agricultural and municipal waste to energy project
(People's Republic of China)



1,240 gigawatt hours of clean energy production annually

Equivalent to c. 153,000 homes' electricity use for one year

Portfolio Link to SDGs (by portfolio weight)



Source: BMO Global Asset Management; HSBC Green, Social, Sustainability Bond database – based on Dealogic, CBI, Bloomberg – including Green Bonds and their Use of Proceeds. For Green Bonds with multiple projects that link to different SDGs, we assumed an equal allocation of proceeds to those projects.

BMO Global Asset Management

We believe that our role is to successfully connect our clients with the outcomes they want to achieve. Our aim is to understand your objectives, appreciate the challenges you face and help you grasp the right investment opportunities through our worldwide capabilities.

A strong parent company

Established in 1817, our parent company – BMO Financial Group – is a diversified financial services provider based in North America. The Group has more than 45,000 employees and offers products and services to over 12 million customers. It has the longest-running dividend pay-out record of any company in Canada, at 189 years.

Source: BMO Financial Group, 200th Annual Report 2017

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any stocks or products that may be mentioned.

