

# **BMO Global Asset Management**

## **Proxy Voting and Engagement\***

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| \*Policy Excerpt

## Table of Contents

1. Introduction .....	3
1.1 Scope .....	3
2. Definition and Purpose .....	3
2.1 Definitions .....	3
2.2 Purpose .....	4
3. Principles.....	4
3.1 BMO GAM Proxy Voting Guidelines – Corporate Governance Guidelines .....	4
3.2 Appointment of third-party to execute proxy voting .....	5
3.3 Standing Policy for Routine and/or Non-Routine Matters .....	5
3.4 Deviate from Standing Policy on Routine and/or Non-Routine Matters .....	6
3.5 Engagement Activities .....	6
3.5.1 Proactive Engagement Activities .....	6
3.5.2 Reactive Engagement Activities .....	6
3.6 Client Directed Proxy Voting .....	7
3.6.1 BMO GAM as Proxy Voting Delegate of the BPIC Managed Accounts .....	7
3.6.2 BMO GAM as Proxy Voting Delegate of the BMO Nesbitt Burns Inc. Accounts .....	7
3.6.3 BMO GAM as Proxy Voting Delegate of the BMO GAM Separately Managed Accounts (SMA) .....	7
3.7 Conflict of Interest Matters .....	7
3.7.1 BMO Relationship .....	8
3.7.2 Corporate Actions .....	8
3.7.3. BMO GAM Employee Affiliation .....	8
3.7.4 Favouring a Fund .....	9
3.7.5 Portfolio Manager Direction .....	9
3.8 Posting proxy voting records – BMO GAM as manager.....	9
3.9 Oversight of the Proxy Voting Activities .....	9
3.9.1 Voting According to Instructions of the Funds and/or Managed Accounts .....	9
3.9.2 Third Party Portfolio Adviser Oversight.....	9

## 1. Introduction

Voting proxies and engaging with investee companies provides BMO Global Asset Management (BMO GAM) with an opportunity to maximize shareholder value and preserve and expand the power of shareholders in areas of corporate governance.

This policy on proxy voting and engagement of issuers (the “**Policy**”) outlines the procedures in place to ensure that proxy voting and engagement activities undertaken by BMO GAM as a Portfolio Adviser/manager/proxy voting delegate are in the best interests of the Fund/Account, address material conflicts of interest that may arise, and aims to facilitate BMO GAM’s compliance with applicable Canadian securities legislation regarding the requirement to maintain and make available a proxy voting record in respect of each of the BMO Mutual Funds and the BMO ETFs., which are subject to NI 81-106.

### 1.1 Scope

This document sets out the policy of BMO GAM, acting in its capacity as:

- the Portfolio Adviser of a BMO NI 81-102 Fund, a BMO AM Pooled Fund, and a BMO AM Managed Account in respect of proxy voting and engagement of issuers
- the manager of the BMO Mutual Funds, the BMO ETFs, and the BMO AM Pooled Funds, in respect of providing oversight over a Portfolio Adviser that is responsible for proxy voting and engagement activities, and
- as proxy voting delegate of the BMO Private Investment Counsel (BPIC) Managed Accounts and BMO Nesbitt Burns Inc. (BMO NB) client managed accounts.

## 2. Definition and Purpose

### 2.1 Definitions

**BMO AM Pooled Funds:** The non-public investment funds for which BMOAM Inc. acts as the manager and the Portfolio Adviser, which are not subject to NI 81-102 or NI 81-107 in respect of proxy voting and engagement of issuers.

**BMO AM Managed Account:** The account of a client for which BMOAM Inc., acting in its capacity as the Portfolio Adviser of such client, has discretion to trade in securities for that account without requiring the client’s express consent to a transaction.

**BMO GAM:** BMO Investments Inc. (**BMOI**), acting in its capacity as manager, and BMO Asset Management Inc. (**BMOAM**), acting in its capacity as a manager and/or Portfolio Adviser.

**BMO NI 81-102 Funds:** The public investment funds for which BMO GAM acts as the manager and/or Portfolio Adviser, which are subject to NI 81-102 and NI 81-107, and fall under the mandate of the IRC of the BMO Mutual Funds, the BMO ETFs, and the BMO Private Portfolios.

**BPIC Managed Account:** An account of a client of BMO Private Investment Counsel Inc. (BPIC) for which BPIC has full discretion to make the investment decisions, including the decision to trade in securities, without requiring the client's express consent to a transaction.

**BMO Nesbitt Burns Inc. Managed Account:** An account (managed sleeve of the Architect and BluePrint Programs) of a client of BMO Nesbitt Burns Inc. (BMO Nesbitt Burns) for which BMO Nesbitt Burns has full discretion to make the investment decisions, including the decision to trade in securities, without requirement the client's express consent to a transaction.

**Engagement Activities:** Constructive dialogue with an issuer in which a Fund or Account is invested on environmental, social and governance (ESG) factors that can impact the issuer's business and, where necessary, encourage improvement in its management practices.

**IRC:** Independent Review Committee of the BMO Mutual Funds, the BMO ETFs, and the BMO Private Portfolios.

**Manager:** means an Investment Fund Manager

**NI 81-106:** National Instrument 81-106 *Investment Fund Continuous Disclosure* and Companion Policy 81-106CP.

**NI 81-107:** National Instrument 81-107 *Independent Review Committee for Investment Funds* and Companion Policy 81-107CP.

**Portfolio Adviser:** A person or company that provided investment advice to a Fund or provided investment advice or portfolio management services under a contract with the investment fund or with the manager of the investment fund.

## 2.2 Purpose

The purpose of this Policy is to ensure that any conflict of interest and/or perceived conflict of interest when BMO GAM, acting in its capacity as the Portfolio Adviser, determines whether, and how, to vote on any matter for which a fund/account receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer, is addressed in the best interests of the fund/account.

In addition, this Policy aims to facilitate BMO GAM's compliance with applicable Canadian securities legislation regarding the requirement to maintain and make available a proxy voting record in respect of each of the BMO Mutual Funds and the BMO ETFs.

## 3. Principles

### 3.1 BMO GAM Proxy Voting Guidelines – Corporate Governance Guidelines

BMO GAM voting guidelines are drawn from the Corporate Governance Guidelines (CGG) document created by the BMO GAM Responsible Investing Team (RI Team). The CGG's voting policies are applied to all listed equity client portfolios.

CGG includes, but not limited to, the following sections:

- (i) Role, structure and operation of boards,
- (ii) Board Committees
- (iii) Compensation
- (iv) Audit, risk and control
- (v) Shareholder rights
- (vi) Reporting
- (vii) Social and environmental factors
- (viii) Voting matters

The RI Team reviews the CGG on an annual basis, including final approval from the Investment Committee Responsible Investment Working Group (RIWG)

### **3.2 Appointment of third-party to execute proxy voting**

In providing proxy voting services to Funds and/or Managed Accounts including accounts where BMO GAM has been appointed as a proxy delegate, BMO GAM employs International Shareholder Services (ISS), a third-party independent proxy voting administrator (the “Proxy Agent”) who auto-executes the vote in accordance with voting directions reflected in the CGG.

The RI Team focuses on corporate engagement with North American investee companies and actively votes at company meetings for the Canadian market.

Further, BMO GAM has retained -third party engagement service provider Responsible Engagement Overlay (**reo**) to ensure our coverage extends to international markets and to execute votes on our behalf and in line with our CGG. This enables BMO GAM to affect a positive change at a global scale.

The RI Team monitors and can override any vote instructions by reo across all markets where BMO GAM manages Funds and SMAs, where we have voting rights.

### **3.3 Standing Policy for Routine and/or Non-Routine Matters**

BMO GAM has established CCG for dealing with routine and non-routine matters on which the BMO GAM Account or Fund will vote.

Routine matters

- The election of directors
- The appointment of auditors
- The issuance of shares, and
- Changes in capital structure

Non-routine matters

- Mergers and acquisitions, spin-offs, and other corporate actions
- Shareholder rights matters (other than the issuance of shares)
- Issuer's code of corporate governance
- Compensation
- Social and environmental responsibility, and
- Shareholder proposals

**Whether to Vote:** BMO GAM aims to always vote on routine and non-routine matters in accordance with CGG.

### **3.4 Deviate from Standing Policy on Routine and/or Non-Routine Matters**

Under certain circumstances, the RI Team may deviate from its standing policy on routine and/or non-routine matters. For example, in collaboration with the portfolio manager, if appropriate, the RI Team may choose to support the election of certain directors even if not aligned with the good governance principles set out in the CGG, when information gathered via engagement on the election of directors indicate that BMO GAM's governance concerns will be addressed.

### **3.5 Engagement Activities**

The RI Team undertakes Engagement Activities in respect of listed equity securities, corporate bonds, and government bonds to address ESG risks at the issuer level. The purpose of undertaking Engagement Activities is to encourage issuers to move towards best practices in managing ESG factors.

The RI Team prefers to undertake Engagement Activities by engaging in constructive, confidential dialogue with an issuer to build trust with the issuer as a long-term investor. Engagement Activities target different levels of the issuer, depending on the nature of the objective, including the issuer's board of directors, executive management, investor relations, sustainability leadership or operational specialists.

#### **3.5.1 Proactive Engagement Activities**

The RI Team prioritizes its efforts based on the analysis of an issuer's exposure to and management of ESG factors. The RI Team undertakes Engagement Activities on key issues that have broad relevance across issuers and sectors (top-down) and to identify issuers held by Clients that present the highest ESG risk (bottom-up).

#### **3.5.2 Reactive Engagement Activities**

The RI Team initiates dialogue with issuers to encourage issuers to take the appropriate action to address the consequences of adverse impacts to people from human or labour rights violations, large scale environmental pollution, or significantly lagging ESG performance and ESG-related controversies, and to improve their business practices.

## **3.6 Client Directed Proxy Voting**

### **3.6.1 BMO GAM as Proxy Voting Delegate of the BPIC Managed Accounts**

Pursuant to an investment advisory agreement executed between BPIC and BMO GAM, BPIC has delegated to BMO GAM the responsibility for exercising voting rights attached to the securities held in BPIC Managed Accounts in which BMO GAM has been set up as the proxy voter. The RI Team maintains the evidence of vote activity for BPIC, including providing quarterly reporting for a specific segregated mandate upon request.

Mandate Compliance submits client instructions to ISS and sends back email confirming the ballot was voted in accordance with BPIC client's instructions.

### **3.6.2 BMO GAM as Proxy Voting Delegate of the BMO Nesbitt Burns Inc. Accounts**

BMO Private Wealth Investment Management team have delegated the proxy voting accountabilities for all BMO Nesbitt Burns Inc. Architect (managed sleeve only) and BluePrint accounts to BMO GAM. BMO GAM's RI team will exercise all proxy voting ballots in accordance with this Policy. The RI Team instructs NB shares and certifies on a quarterly basis that these votes are in fact actioned in accordance with the client's instructions.

### **3.6.3 BMO GAM as Proxy Voting Delegate of the BMO GAM Separately Managed Accounts (SMA)**

Clients of BMO GAM SMAs may exercise their own voting rights if they choose to do so. Currently none of the BMO GAM Managed accounts chooses to exercise their own proxy voting rights.

## **3.7 Conflict of Interest Matters**

When RI team becomes aware of any engagement or proxy voting activities that present a conflict of interest, RI team must vote in the best interests of our investment funds and clients.

The RI team maintains two Conflict of Interests list that are reviewed and updated annually:

- (1) ISS, as proxy advisor, maintains an ongoing list of all BMO related publicly traded entities (corporate and mutual funds) and automatically ensures these are voted according to the ISS Benchmark policy rather than the CGG to minimize conflict of interest, ie. that BMO GAM has not constructed or seem to have constructed the CGG in a manner that would be favourable to BMO.
- (2) The RI team maintains a list (updated annually) of BMO board directors and executives serving on other public boards. This list is maintained internally and uploaded into the ISS voting platform as a watchlist. The RI team conducts an annual review to ensure ISS auto-execute the vote in accordance with the CGG without further guidance from BMO GAM.

### **3.7.1 BMO Relationship**

The RI Team may engage with a company or vote at a company meeting where the company is a client of, or has another type of business relationship with, BMO Financial Group (BMO FG). BMO FG manages this conflict by voting in accordance with our CGG unless instructed otherwise by the clients.

Unless a client of a BMO AM Managed Accounts instructs us otherwise, The RI Team applies the CGG in a manner that considers the respective investment objectives and best interests of its clients, including the investment funds BMO GAM manages.

BMO GAM's engagement and proxy voting activities are executed by the RI Team and its third-party service providers - reo and ISS- independently from BMO FG.

### **3.7.2 Corporate Actions**

BMO GAM could vote at a meeting of shareholders of BMO FG or any of its affiliates, or at a meeting of securityholders of an investment fund managed by BMO GAM or an affiliate. BMO GAM could also vote at a meeting of shareholders of a company relating to a corporate action (for example, a merger or acquisition) involving the company (or any of its affiliates) and a member of BMO FG.

BMO GAM uses ISS to auto-execute the vote in accordance with the ISS benchmark proxy voting policy that is aligned with the CGG, without further guidance from BMO GAM, except where there are specific instructions from a client of a BMO GAM SMA. This can result, for example, in the votes not supporting specific resolutions at a meeting of shareholders of BMO FG.

However, in accordance with NI 81-102 – Section 2.5 (6) for our investment funds that are subject to Canadian securities laws that hold securities of an investment fund managed by BMO GAM, BMO GAM will not vote the top fund's holdings in the underlying fund. We may instead arrange for investors in the top fund to vote the securities of the underlying fund. In light of the cost and complexity in doing so, this is not BMO GAM's typical practice.

### **3.7.3. BMO GAM Employee Affiliation**

BMO GAM could engage with or vote at a meeting of shareholders of a company where an officer, director or employee of BMO GAM or BMO FG serves on the board or is nominated for election to that company.

Where an officer, director or employee of BMO GAM serves on the board of a company or is nominated for election to the board of directors of a company, BMO GAM manages this conflict by using ISS to auto-execute the vote in accordance with the CGG, without further guidance from BMO GAM, except where BMO GAM has specific instructions from a client of a BMO GAM SMA.



### **3.7.4 Favouring a Fund**

BMO GAM could engage with a company or vote on a matter at a company meeting with a potential voting outcome that would favour one of BMO GAMs clients over another.

BMO GAM manages this conflict by treating all clients equally in the engagement or proxy voting activities. Unless a client of a BMO GAM SMA instructs BMO GAM otherwise, BMO GAM applies the CGG in a manner that considers the respective investment objectives and best interests of BMO GAM clients, including the investment funds BMO GAM manages.

### **3.7.5 Portfolio Manager Direction**

BMO GAM could vote at a company meeting where different BMO GAM portfolio managers prefer different voting outcomes. BMO GAM manages this conflict by having an internal consultation process where BMO GAM portfolio managers can advocate for their views through our Proxy Working Group (PWG). Its members are senior experts in governance and sustainable investment within BMO GAM.

BMO GAM's Investment Committee (IC) oversees the PWG. The IC members include BMO GAM Chief Investment Officer and senior investment representatives from across BMO GAM.

### **3.8 Posting proxy voting records – BMO GAM as manager**

ISS will post proxy voting records on BMO GAM designated website before the August 31st deadline. Product Implementation Team ensures each BMO Mutual Fund and each BMO ETF has a proxy voting record posted before the deadline.

### **3.9 Oversight of the Proxy Voting Activities**

#### **3.9.1 Voting According to Instructions of the Funds and/or Managed Accounts**

On a quarterly basis, the RI Team generates a report from the ISS platform that shows all voting activity, including the percentage of votes cast in accordance with instructions of each Fund/Account. After its review, the RI Team maintains evidence that BMO GAM has voted portfolio securities held by the Funds or Accounts in accordance with the instructions of the respective Fund or Account.

ISS will post proxy voting records on BMO GAM designated website before the August 31 deadline in accordance with section 10.4 of NI 81-106. Product Implementation Team ensures each BMO Mutual Fund and each BMO ETF has a proxy voting record posted before the deadline. In addition, the RI Team may update the vote records on a quarterly basis.

#### **3.9.2 Third Party Portfolio Adviser Oversight**

BMO GAM as the manager of the BMO Mutual Funds and the BMO AM Pooled Funds, has delegated the responsibility of voting proxies to a Portfolio Adviser other than BMO GAM. In this circumstance, BMO GAM requires each of its Portfolio Advisers to provide a copy of its

proxy voting policy. BMO GAM 2<sup>nd</sup> Line Compliance will confirm that the Portfolio Adviser's Policy is similar to BMO GAM Policy in all material aspects and adequately addresses conflicts of interest.