

BMO Global Asset Management

Conflicts of Interest Policy – Proxy Voting

April 2020

We¹ seek to act in the best interests of our clients (retail and institutional investors, including corporate pension funds) in our investment management business. We recognise conflicts of interest may arise in our investment activities. We seek to identify, prevent, and/or manage potential conflicts to serve our clients' best interests.

We believe that robust engagement and voting by institutional investors is critical to the health of financial markets and long-term value creation. Accordingly, we aim to vote at all shareholder meetings where our clients authorize us to vote for them as part of our portfolio management services. In addition, we offer various services to clients seeking responsible investment solutions. These services include proxy voting, engagement services (including our responsible engagement overlay service (**reo**®²)), ethical and sustainable investment funds, and tools for integrating environmental, social, and governance (ESG) factors into investment analysis.

This policy outlines how we deal with potential conflicts of interest in equity proxy voting and engagement across all asset classes.³

How we determine how to vote, conflict or otherwise

Overall, we follow our publicly-available Corporate Governance Guidelines (CGG) on how to vote the securities of companies in our client portfolios (including investment funds we manage). Our CGG set out what we expect of companies in terms of good governance. We apply our CGG to all client portfolios unless an institutional client instructs us otherwise.

If an institutional client instructs us to vote differently from our standard approach, we vote their securities as specifically requested and continue to follow our standard approach for our other clients.

Our third-party independent proxy voting administrator (Institutional Shareholder Services (ISS)) auto-executes, without our further guidance, the majority of votes in accordance with our standing voting directions which reflect our CGG. When ISS needs guidance on our standing voting directions or we wish to further consider how to vote on certain matters, ISS consults

with us and obtains our instructions on how to proceed.

In executing votes, where a company puts forward a strong case for not complying with our CGG, we consider this and adjust our vote if we believe the company is still acting in the best interests of shareholders.

We apply our CGG to client portfolios in a manner that considers our clients' respective investment objectives and best interests. This could result in our voting on a matter the same way or differently for different clients.

Potential material conflicts relating to proxy voting and how we manage them

When we become aware of any vote that presents a conflict of interest, we must vote in the best interests of our clients.

Voting at a client's meeting: We could vote at a company meeting where the company is a client of, or has another type of business relationship with, BMO Financial Group.

We manage this conflict by treating all our clients equally in our voting activities. We do not alter our position on a vote due

to a business relationship that a company may have with BMO Financial Group. Unless an institutional client instructs us otherwise, we apply our CGG to all client portfolios in a manner that considers our clients' respective investment objectives and best interests.

Voting at a BMO meeting (including meetings of investment funds Global Asset Management manages) or where BMO is a party: We could vote at a company meeting of Bank of Montreal, any of its affiliates, or an investment fund BMO GAM or an affiliate manages. We could also vote at a company meeting relating to a corporate action (for example, a merger or

¹ BMO Global Asset Management (BMO GAM) is the brand name for various affiliated entities of BMO Financial Group that provide investment management services. BMO Financial Group is a service mark of Bank of Montreal.

² **reo**® services are not offered in the U.S.

³ This policy does not apply to Pyrford International Limited and BMO Global Asset Management Portugal S.A. This policy applies when we have the exclusive authority to determine how to vote the securities of companies in our client portfolios (including investment funds we manage). For example, this policy does not apply to a sub-adviser to whom we have delegated portfolio management responsibilities for all or a portion of a client portfolio.

acquisition) involving the company (or any of its affiliates) and a member of BMO Financial Group.

We manage this conflict by using ISS as our proxy voting administrator, to auto-execute all relevant votes in accordance with the ISS proxy voting policy. ISS executes votes without our further guidance, except where we have specific instructions from a client. This can result, for example, in our votes not supporting specific resolutions at a company meeting of Bank of Montreal.

However, for our investment funds that are subject to Canadian securities laws that hold securities of an affiliated investment fund, we 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 our typical practice.

Voting at a meeting involving a BMO officer, director or employee: We could vote at a company meeting where an officer, director or employee of BMO GAM is nominated for election or serves on the board of that company.

We manage this conflict by using this and other BMO policies specifically relating to BMO employees with relationships with companies. For example, BMO's Code of Ethics requires our employees to declare and disclose their outside business interests. In cases where there is a significant conflict, we may determine that it is inappropriate for such employees to direct the voting at meetings of certain companies in which our clients invest.

Where an officer, director or employee of BMO GAM is nominated for election to the board of directors of a company, we also manage this conflict the same way as we do for company meetings of Bank of Montreal: we use ISS, as our proxy voting administrator, to auto-execute the vote in accordance with our standing voting directions without our further guidance. Please see the discussion above under "Voting at a BMO Meeting..." for more details.

Voting to favour one client over another: We could vote on a matter at a company meeting with a potential voting outcome that would favour one of our clients over another.

We manage this conflict by treating all clients equally in our voting activities. Unless an institutional client instructs us otherwise, we apply our CGG to all client portfolios in a manner that considers our clients' respective investment objectives and best interests. This could result in our voting on a matter the same way or differently for different clients.

Voting to favour one portfolio manager over another: We could vote at a company meeting where different BMO GAM portfolio managers prefer different voting outcomes.

We manage this conflict by having an internal consultation process where 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. The Global Investment Committee (GIC) oversees the PWG. The GIC members include our Global CIO, CIO North America and other senior investment representatives from across BMO Global Asset Management representing our respective regulated entities.

This internal consultation process allows divergent views to be considered, but does not occur at the expense of the best interest of our clients. We treat all clients equally in our voting activities. Unless an institutional client instructs us otherwise, we apply our CGG to all client portfolios in a manner that considers our clients' respective investment objectives and best interests. This could result in our voting on a matter the same way or differently for different clients.

Other conflict management tools in proxy voting

Our Responsible Investment (RI) Team: We have a team of ESG experts who work alongside, but independently from, the portfolio management teams. The RI team supports the development of our CGG and undertakes proxy voting research and analysis.

Oversight: The GIC oversees this policy to ensure BMO GAM effectively addresses conflicts of interest. The GIC is committed to safeguarding the integrity and independence of our RI team. Our compliance department, as well as, where applicable, our investment fund boards or independent review committees, may also periodically review our compliance with this policy.

Our Compliance and Data Protection Systems: We have strict firewalls to keep client holdings data confidential and protected at all times, separating holdings of clients with managed portfolios from those of clients who subscribe only to our *reo*^{®2} services. We also have access restrictions to ensure that members of BMO Financial Group who are not part of BMO GAM's proxy voting process cannot access client holdings other than to ensure enterprise compliance with regulatory shareholder disclosure obligations.

Transparency and disclosure: We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts. Our regular reporting to clients includes both our public vote record and our annual responsible investment report on BMO GAM's voting activities with companies and public policy makers.

Kristi Mitchem
Chief Executive Officer
April 2020