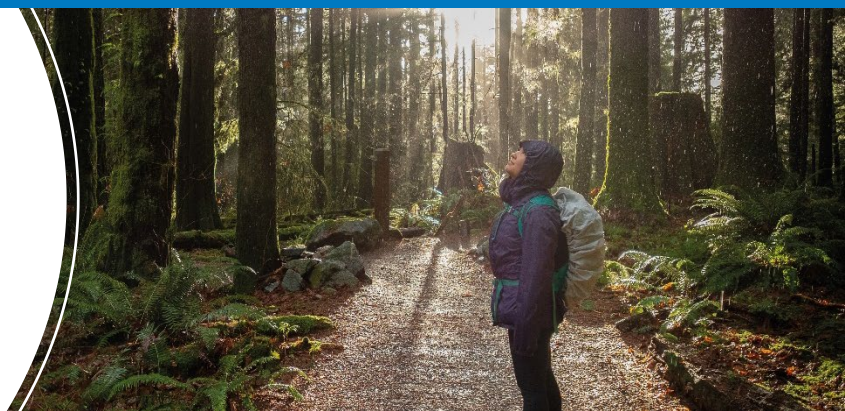


Responsible Investment Stewardship Report

Calendar Q1 YTD 2024



About

This quarterly report summarizes year-to-date Stewardship activities undertaken across BMO Global Asset Management's (BMO GAM) managed assets. Being responsible stewards of our clients' assets is a cornerstone of our responsible investment approach. Our Stewardship activities fall into four categories: **Engagement**, **Proxy Voting**, **Policy Advocacy**, and **Industry Collaboration**.

To learn more about our policies, approaches, or annual reporting, visit us at <https://www.bmogam.com/ri/>.

Summary YTD'24

Engagement

275

engagement activities

56

milestones reached

Industry Collaboration

19

memberships & initiatives

Proxy Voting

760

meetings voted

14%

votes against management

Policy Advocacy

4

policy activities

Engagement Activity – Q1 2024

Engagement activities are any interaction where we ask a company to improve or share our expectations of best practices, alone or in collaboration with other investors. This is done through meetings, calls, letters, emails, surveys, site visits and/or roundtables.

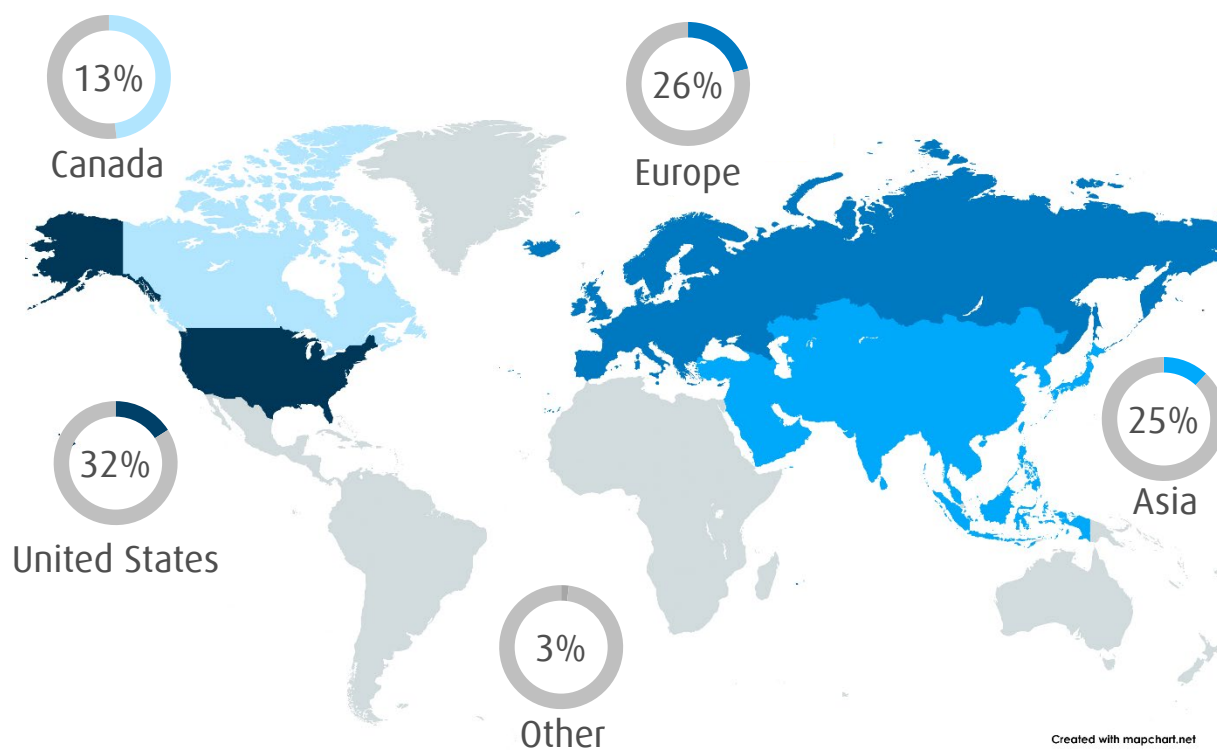
Q1 2024

	# engagements	# companies engaged	# countries	# milestones
BMO GAM	32	21	2	3
reo®	243	213	28	53

Yearly Progress

	Q1'24	Q2'24	Q3'24	Q4'24	Year to Date
# engagements	275	-	-	-	275
# companies engaged	231	-	-	-	231
# countries	28	-	-	-	28
# milestones	56	-	-	-	56

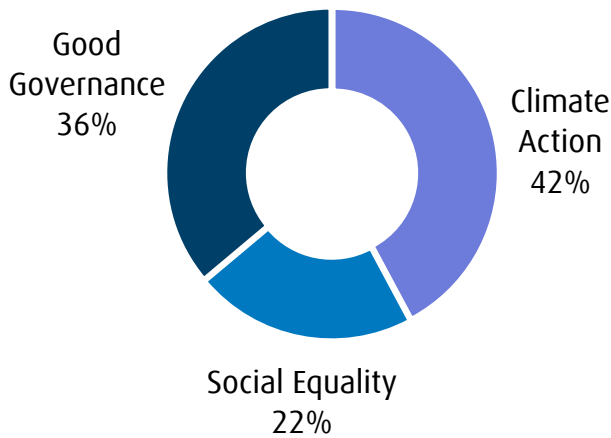
Engagements by Region YTD'24



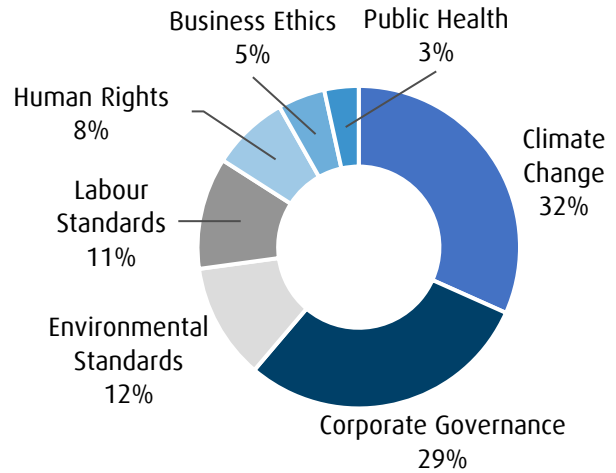
Created with mapchart.net

Engagement Activity – Q1 2024 (cont'd)

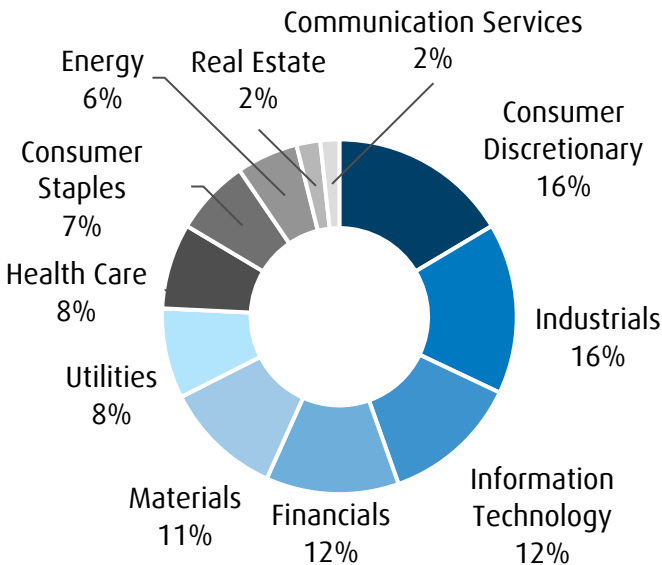
Engagements by Theme



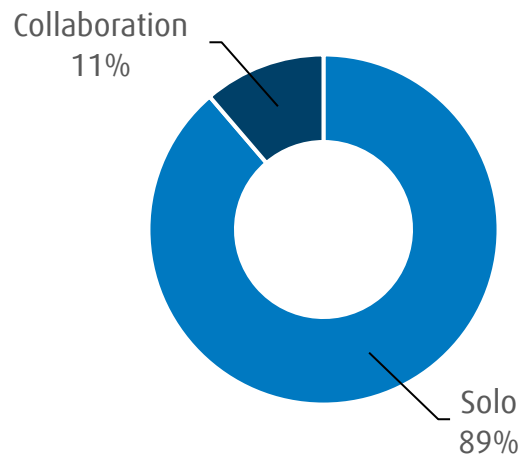
Engagements by Topic



Companies Engaged by Sector



Engagement by Type



Partnership with *reo*[®]

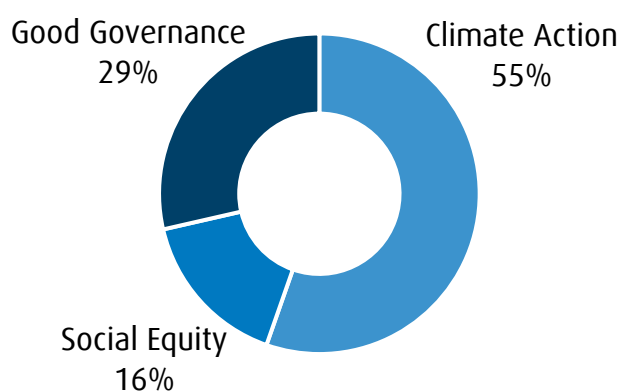
Responsible Engagement Overlay (*reo*[®]) is a third-party pooled engagement service provider retained by BMO GAM to ensure that our coverage extends to international markets. BMO GAM's Responsible Investment (RI) team votes on and engages with companies primarily in Canada, whereas *reo*[®] focuses largely on international markets. The BMO GAM RI team monitors and can override any vote instructions by *reo*[®] across all markets. *reo*[®] has dedicated engagement and voting analysts, who are specialists on a diverse range of Environmental, Social, and Governance (ESG) issues, sectors and geographies, and are actively involved in global collaboration groups with expertise on governance and related public policy issues.

Engagement Milestones – Q1'24

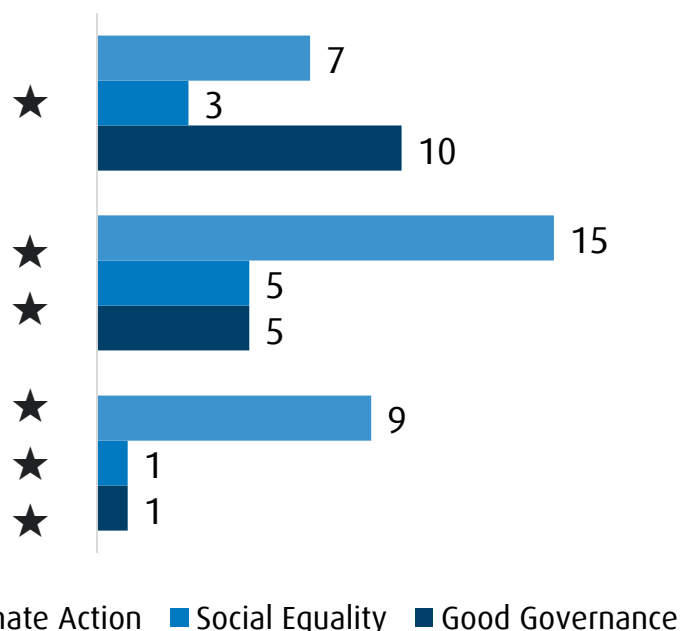
A milestone is considered when a company makes tangible improvements in its policies and practices that align with our voting and engagement activities. Milestones are ascribed using a three-star rating system to indicate the significance and impact of the improvement for a company.

- ★ = Small change
- ★★ = Moderate change
- ★★★ = Significant change

Milestones by Theme



Milestones Star Ratings by Theme



■ Climate Action ■ Social Equity ■ Good Governance

Featured Milestone – Social

Canadian mining company – Remediation

As part of our collaboration with the [PRI Advance Initiative](#), we are co-leads engaging a Canadian diversified base metals mining company with operations in Latin America on human rights and have been discussing their approach to engaging with an affected community near one of their mining sites to provide remediation. As part of our efforts to align with the [UN Guiding Principles for Business and Human Rights](#), we also sought to understand the perspectives of said community. With a mining history itself, the community is not opposed to mining but calls for mining activities to be conducted in a responsible manner, including with minimal impact to clean water sources and air quality.

In April, the company shared that it had agreed to invest in the community's health care and water infrastructure to address concerns as part of its response to a legal complaint. We will continue to seek views from the community to understand if these remediation efforts address their concerns.

Milestone Rating: ★★★/★★★

Engagement in Progress

Climate Action Subthemes:



Attaining net-zero emissions



Climate resiliency



Clean energy transformation



Advancing a circular economy



Protecting nature

● Advancing Circularity in Consumer Goods

- **Theme:** Climate Action
- **Subtheme:** Advancing a circular economy
- **Type:** BMO GAM RI Engagement Campaign
- **Sector in Focus:** Consumer Discretionary
- **Scope:** Five holding companies where a circular approach can reduce supply chain risks
- **Aim:** This campaign goes beyond the 3R's to consider how resource use can shift from "take, make, dispose" to a circular model, in which resources are retained in useful economic service. Materials sourcing, product design, waste minimization, and material recovery are specific themes.
- **Phase:** **New** / Ongoing / Closed



We engaged with a large retailer on improving circularity through **product design, supplier sourcing, and standards**. With over 200,000 products on their shelves, the company regularly audits manufacturers and suppliers. The company has made progress in expanding **supply chain disclosures** focusing first on owned brands, and now discloses Tier 1 textile suppliers publicly. The company is managing waste-related risks through participation in the **Canada Plastics Pact** and **Circular Economy Leadership Canada**.

● Valuing Water Finance Initiative (VWFI)

- **Theme:** Climate Action
- **Subtheme:** Protecting nature
- **Type:** Collaborative Investor Initiative
- **Sector in Focus:** Various
- **Scope:** Companies with a high-water footprint
- **Aim:** The VWFI is a new global investor-led effort to engage companies with a high-water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. The initiative, supported by 100 investors with \$17T in AUM, calls on companies to meet Corporate Expectations for Valuing Water that align with the United Nations' 2030 Sustainable Development Goal for Water (SDG6)
- **Phase:** **New** / Ongoing / Closed



We met with a large quick service restaurant company headquartered in Canada to discuss **water management** and risks related to their reliance on water quality and quantity and the findings of their own water life cycle analysis. With multiple brands and locations in 100 countries globally, we shared findings of **VWFI's** benchmark water assessment, comparing their progress to peer companies.

Engagement in Progress (cont'd)

Social Equality Subthemes:



Human Rights



Indigenous Rights



Just transition



Diversity, equity, and inclusion



Wealth inequality

● PRI Advance Initiative

- **Theme:** Social Equality
- **Subtheme:** Human Rights
- **Type:** Collaborative Investor Initiative
- **Sector in Focus:** Materials
- **Scope:** Three Canadian mining companies with significant operations outside Canada
- **Aim:** To advance human rights due diligence by investee companies and more equitable social outcomes by focusing on adoption and implementation of the **United Nations Guiding Principles (UNGPs)** and promoting practices that support decent work and responsible political engagement.
- **Phase:** New / **Ongoing** / Closed



Early engagements focused on strengthening three investees' human rights policies and practices. The issuers have important mining operations in the Global South where human rights risks are often greater. We are encouraging an issuer for stronger public policy commitments and alignments with the **UNGPs** and **United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)**, including ongoing maintenance of **Free, Prior and Informed Consent (FPIC)**. We encouraged remediation after a local rights holder representative flagged ongoing community concerns about historical, un-remediated environmental impacts from mining activities. Finally, we have requested of a third issuer disclosure of the most salient human rights risks by site and disclosure of the firm's initial and ongoing due diligence processes when deciding to partner with state entities as per **UNGPs** expectations.

● Human Rights Due Diligence

- **Theme:** Social Equality
- **Subtheme:** Human Rights
- **Type:** BMO GAM RI Engagement Campaign
- **Sector in Focus:** Various
- **Scope:** Canada's largest companies in sectors where value chains are most at risk of significant human rights impacts
- **Aim:** To advance Canadian company awareness, adoption and implementation of best practices on **human rights due diligence (HRDD)** to prevent and mitigate adverse human rights impacts and investment risks.
- **Phase:** New / **Ongoing** / Closed



In 2022, we benchmarked 29 of Canada's largest companies on their adoption and implementation of **HRDD** considering incoming (and now enacted) domestic and international laws to prevent and mitigate adverse human rights impacts from business activities. The anonymized research was published in early 2023 and has informed this campaign. Thus far, we have had **83 engagements** with **24 companies** and in Q1'24 conducted **9 engagements** with **4 companies**. Initial discussions focused on investor expectations on **UNGPs** aligned with **HRDD**, mandatory human rights corporate accountability laws, among others. In 2024, we will follow companies' progress and provide insights and recommendations based on company reports filed under **Canada's Forced Labour and Child Labour in Supply Chains Act (Bill S-211)**.

Industry Collaboration



New 2024 Initiatives

Spring is PRI's stewardship initiative for nature, convening investors to use their influence to halt and reverse global biodiversity loss by 2030. The worldwide deterioration of nature is a source of risk for institutional investors, as their ability to create long-term value is dependent on a wide range of ecosystem services through the issuers that they invest in. As a result, planetary risks, encompassing climate change, biodiversity loss, and pollution, present a systemic and financially material risk to both issuers and institutional investors.

We signed to Spring in support of biodiversity protection and nature-positive outcomes, aligned with the [Kunming-Montreal Global Biodiversity Framework](#). As of May 2024, **Spring** is endorsed by 198 investors totaling \$15 trillion in AUM.

Other Engagement Collaborations



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Funds in Focus

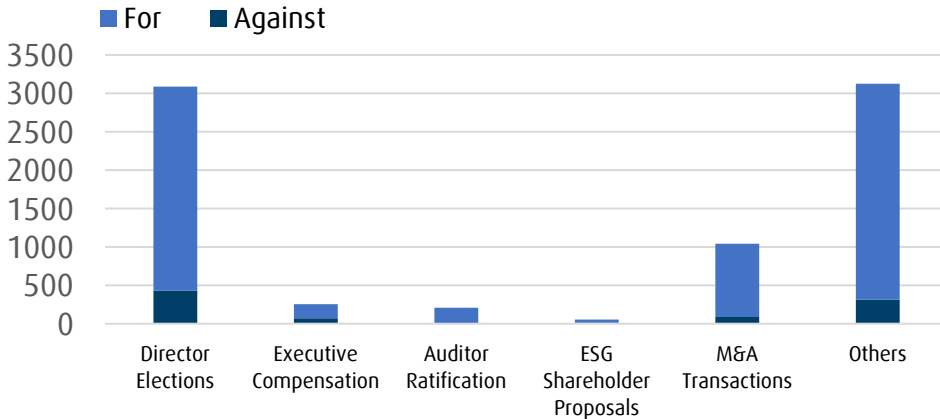
Our engagement activities cover many BMO GAM public and private fund holdings. Here are some highlights of the past calendar quarter by relevant fund. Each quarter we may choose different funds in focus based on activities and relevant milestone achievements. We categorize our engagement efforts into seven topics: **Corporate Governance**, **Business Ethics**, **Climate Change**, **Environmental Standards**, **Human Rights**, **Labour Standards**, and **Public Health**.

Q1'24	# Companies engaged	Main engagement topic	# Milestones achieved	Milestone Highlight <i>A company in this fund has:</i>
BMO MSCI USA ESG Leaders Index ETF (ESGY)	28	Corporate Governance	3	Published climate transition plan
BMO Balanced ETF Portfolio	215	Business Ethics	48	Improvement of gender diversity on the board
BMO AM Canadian Smart Alpha Equity Fund <i>Institutional product</i>	14	Climate Change	1	Achieved 30% representation of women on the Board
BMO MSCI EAFE ESG Leaders Index ETF (ESGE)	22	Climate Change	4	Set absolute emissions reduction targets and SBTi commitment
BMO Diversified Income Portfolio	164	Labour Standards	12	Committed to disclose on climate lobbying
BMO Balanced ESG ETF (ZESG)	67	Climate Change	14	Committed to being "nature-positive" by 2030
BMO Dividend Fund	11	Corporate Governance	2	Auditor independence disclosure enhanced

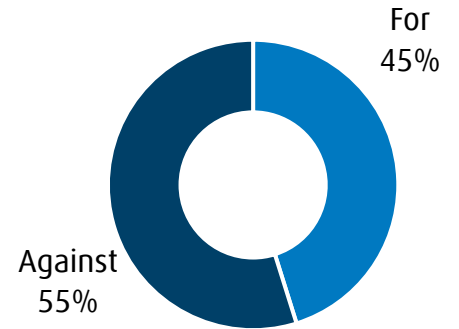
Proxy Voting – Q1'24

760 meetings voted **6,834** items voted **14%** votes against mgmt.

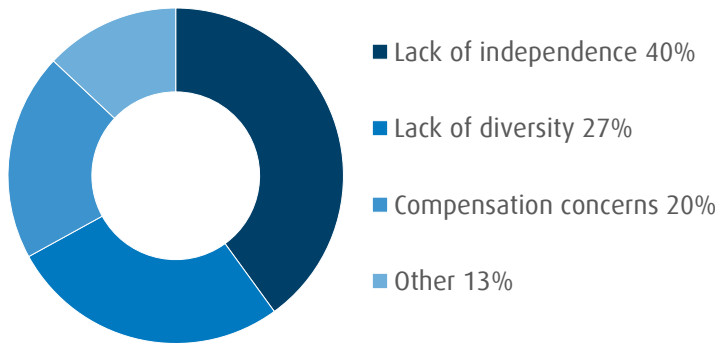
Votes by Item



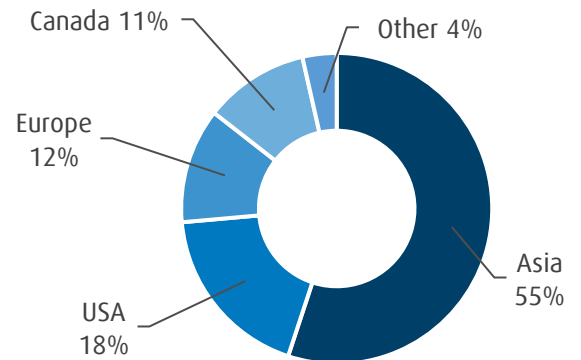
Shareholder Proposals



Votes Against Directors



Votes by Market



Proxy voting (In Progress)

Between January and March 2024, we voted just over **750 meetings**, the majority of which took place in Asian markets. The bulk of our votes were on director-related and other items. We voted in favour of approximately 45% and against 55% of **shareholder proposals** – these include proposals shareholders put forward on director elections and other governance items as common in certain Asian markets. We assessed a small number of **ESG shareholder proposals**; topics of note include emissions reduction, climate financing, country-by-country tax reporting and in-person shareholder meetings with optional virtual complement, among others. Proxy season in North America typically starts in April, by which we will see a larger uptick in North American meetings and ESG shareholder proposals.

Milestones: We are happy to see several enhanced proxy circular disclosures from Canadian issuers on ensuring auditor independence, especially when an auditor has been in place for more than twenty years. This is a topic we actively discussed with investee companies in 2023.

Please refer to our full proxy voting records for mutual funds [here](#) and ETFs [here](#).

Policy Advocacy – Q1'24

Engaging with policymakers and standard-setters is a way in which we can advocate for broad change across sectors, markets, or globally. This can sometimes be more effective and impactful than engaging companies one-by-one.

4 policy activities



ECCC submission on methane regulation in Canada



GRI (Global Reporting Initiative) submissions on Climate Change Standards and Energy Standards drafts



Signatory to the PRI Spring (initiative for nature) Investor Statement



Private feedback on Indigenous-led company disclosure framework for impact benefit agreements

● Featured Policy Advocacy activity

Canadian methane regulation

We sent a letter to **Environment and Climate Change Canada (ECCC)** in support of strong methane regulation in Canada. Methane is a potent greenhouse gas and has a global warming potential 84 times that of CO₂ over a 20-year period. The regulation **ECCC** proposed can help curb the most negatively impactful emission and is in line with what industry leaders in the oil and gas industry have already committed to. Such regulation also helps investors in their road to net zero by 2050.

We encouraged alignment with existing methane regulation by the **Environmental Protection Agency (EPA)** in the U.S., signalled support for phased-in requirements and asked for clarification on when exemptions would apply to remove ambiguities.

BMO GAM RI Engagers



Graham Takata
Director, Climate Change



Rosa van den Beemt
Director, Stewardship



Daniel Shannon
ESG Analyst



Sarah Morris Lang
Manager, Social Equality Initiatives



Ajit Singh
ESG and Proxy Voting Analyst

Appendix

Glossary

Engagement: Constructive interactions and dialogue conducted between an investor (or sometimes a third-party service provider, such as *reo*®) and an investee company to support long-term returns by mitigating risk and capitalizing on opportunities by improving management practices on ESG factors, making progress on sustainability outcomes, or improving public disclosure.

Proxy voting: The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters.

Policy advocacy: Engagement with governments, regulators, standard-setters, or industry bodies to influence regulations and policies that promote sustainable investment practices.

Stewardship: The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the value of common economic, social and environmental assets on which their interests depend.

Industry collaboration: Cooperation with other like-minded institutional investors through joint initiatives, industry associations and/or engagements to share knowledge with peers, address industry challenges and communicate broadly held expectations from the investor community to companies and/or standard setters.

Shareholder proposal: A proposal submitted by shareholders that provides a request or recommendation to the board of directors of a public company. Shareholders may vote on the resolution at the company's annual general meeting unless it is withdrawn.

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Commissions, management fees and expenses (if applicable) may be associated with investments in mutual funds and exchange traded funds (ETFs). Trailing commissions may be associated with investments in mutual funds. Please read the fund facts, ETF facts or prospectus of the relevant mutual fund or ETF before investing. Mutual funds and ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

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