

BMO Proxy Voting Policies and Procedures

The current edition vs. the prior edition: voting centralised, and one shareholder-rights promise dropped

BMO Investments Inc. / BMO Global Asset Management

Proxy Voting Policies and Procedures (mutual fund disclosure)

Current edition (file last modified November 2020) compared with the prior edition (file last modified June 2016)

BMO moved from "each portfolio manager decides" to a single house policy executed largely on autopilot by ISS - and in the process deleted the only sentence that promised to back shareholder rights.

Source: the two published policy documents, read in full. Neither carries a printed revision date; the dates above are taken from the PDF file properties. Every quotation below is verbatim.

proxyvotesnow.com

Read this first: what these two documents are

These are the proxy voting disclosures BMO Investments Inc. publishes for its Canadian mutual funds. They are short - roughly two pages each - and they describe process rather than voting positions. Neither prints a revision date, so this report is titled by the dates in the PDF file properties: the current document was last modified in November 2020, the one it replaced in June 2016.

Two things are worth flagging about the underlying files, because they bear on how much weight to give this comparison.

- The current document has not been revised since 2020. The file BMO publishes today is byte-for-byte identical to the versions archived in 2021 and 2023. Whatever the last five years did to proxy voting elsewhere, this disclosure did not move.
- A previously published comparison on this site was built against a 2022 capture that is not a policy at all - the archived file is a BMO "404 Error / Erreur 404" page. That comparison was therefore meaningless and this report replaces it.

Direction of travel

Towards centralisation and specialisation on the one hand - a dedicated ESG team, a published house guideline, a named proxy agent - and towards management on the other, since the document's one explicit pro-shareholder presumption was replaced by a pro-management one. A quarterly compliance certificate also lost its deadline.

1. From many portfolio managers to one house policy

The older document is a delegation document: the Manager hands voting to each fund's portfolio manager and keeps an eye on it. The current one describes an actual voting machine.

Three layers were added that did not exist before. First, a specialist team:

Current edition, new:

"Certain of our affiliated portfolio managers and sub-advisors have appointed our affiliate, BMO Asset Management Limited (formerly, F&C Management Limited), to provide proxy voting services using its Responsible Investment Governance Team ("RI Team") (formerly called the Governance and Sustainable Investment Team or GSI Team), comprising environmental, social, and governance ("ESG") experts, and any other existing or future resources appropriate for this purpose. The ESG experts work alongside, but independently from, the portfolio management teams."

Second, a written house standard. The RI Team "supports the development of BMO Global Asset Management's publicly available Corporate Governance Guidelines," and the Manager's Proxy Voting Guidelines are now defined as including those guidelines plus standing voting instructions. The prior document had no external reference point at all - it simply said the Manager had established policies "to be considered, in conjunction with the portfolio manager's own policies and procedures."

Third, and most operationally significant, an execution agent:

Current edition, new:

"BMO Asset Management Limited employs International Shareholder Services ("ISS"), a third-party independent proxy voting administrator (the "Proxy Agent") who auto-executes, without further guidance, the majority of votes in accordance with the Proxy Voting Guidelines."

Why this matters

"Auto-executes, without further guidance, the majority of votes" is an unusually frank admission and the single most useful sentence in the document. It tells you that for most resolutions at most companies, no BMO human looks at the ballot - the outcome is determined by the Corporate Governance Guidelines as coded into ISS's platform. Human judgement enters only where "the Proxy Agent needs guidance" or "the RI Team wishes to further consider how to vote." If you want to know how a BMO fund votes, the Corporate Governance Guidelines, not this document, are the thing to read.

There is also a new statement about the other half of the fund range. For sub-advisers outside BMO GAM, voting "has been outsourced to the applicable non-BMO GAM portfolio manager or sub-advisor, who has adopted similar proxy voting policies and procedures," and those managers "will vote the proxies in the best interests of the fund without reference to, or influence from the Manager, unless such third party portfolio manager or sub-advisor has agreed to also consider the Proxy Voting Guidelines." So the house policy is explicitly not applied across the whole platform.

2. The shareholder-rights promise was replaced by a management one

Both documents illustrate how they handle non-routine matters with one worked example. The example changed, and with it the only stated presumption in the document.

The worked example for non-routine matters

Prior edition:

"For example, with respect to shareholders rights, the Proxy Voting Guidelines provide that the funds will typically vote in favour of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights."

Current edition:

"For example, with respect to mergers and acquisitions, spin-offs and other corporate restructurings, the Proxy Voting Guidelines provide that the funds will typically support incumbent management provided that the financial terms, synergistic benefits and management quality are sound."

This is a straight substitution, not an addition: the shareholder-rights sentence has no equivalent anywhere in the current document. Shareholder rights survive only as a category - "shareholder rights (other than the issuance of shares)" - with no stated position attached. In its place is a presumption in favour of incumbent management on takeovers and restructurings, qualified by three tests that management itself will usually assert are met.

Why this matters

These documents rarely contain hard commitments, so the ones they do contain carry weight. A fund that tells you it "will typically vote in favour of proposals that give shareholders a greater voice" has given you something to hold it to on proxy access, special-meeting rights and written consent. A fund that tells you it "will typically support incumbent management" on M&A has given management something to hold it to instead. The underlying guidelines may well still favour shareholder rights - but the published disclosure no longer says so.

3. Three narrower changes

The quarterly certificate lost its deadline

The compliance check on portfolio managers

Prior edition:

"This includes the requirement of each portfolio manager to provide to the Manager on a quarterly basis a certificate confirming that it has voted all securities held by the funds it manages in accordance with the Proxy Voting Guidelines."

Current edition:

"This includes the requirement of each portfolio manager or sub-advisor, as applicable, to certify to the Manager or portfolio manager, as applicable, that it has voted all securities held by the funds it manages in accordance with the Proxy Voting Guidelines and/or its own proxy voting policy, as applicable."

Three dilutions in one sentence. The quarterly frequency is gone, with no replacement frequency. The certificate can now be given to the portfolio manager rather than to the Manager, so the ultimate overseer need not receive it. And compliance can now be certified against "its own proxy voting policy" instead of the house guidelines. This is the clearest weakening in the document, and it is easy to miss because it is buried in a procedural paragraph.

The auditor test narrowed

When a fund may vote against the auditor

Prior edition:

"funds will typically support management's recommendations regarding the appointment of an auditor, but may vote against such a recommendation if the fees for services are excessive or if there are other reasons to question the independence or quality of the company's auditors"

Current edition:

"funds will typically support management's recommendation regarding appointing auditors, but may vote against such recommendation where auditor independence is in question"

Two grounds were deleted: excessive fees, and doubts about the quality (as opposed to the independence) of the audit. Audit fee ratios are one of the few objective, publicly disclosable tests available on an auditor ratification vote, and the current text no longer names it.

Conflicts of interest became concrete

This one runs the other way. The prior document described conflicts in the abstract - a portfolio manager with a business relationship with the company, or an employee with a personal interest. The current document lists five specific BMO situations: voting at a company that is a client of or has a business relationship with BMO Financial Group; voting at a Bank of Montreal shareholder meeting or at meetings of funds managed by the Manager or its affiliates; voting where a BMO GAM officer, director or employee is involved; voting where the outcome "favours one fund over another"; and voting "at a meeting where our affiliated portfolio managers prefer different outcomes."

Naming the parent bank's own AGM, and naming disagreements between affiliated managers, is more candid than the generic language it replaced. What the current document does not do is say how any of these are resolved - the prior edition at least required that a conflicted vote be cast "in a manner consistent with, and uninfluenced by considerations other than, the best interest of the fund and its securityholders," and that sentence is gone.

4. What did not change

- The basic architecture: the Manager delegates voting to each fund's portfolio manager or sub-adviser, subject to its continuing oversight, and they must vote in the best interests of the fund and its securityholders.
- The escape hatch: the Manager, portfolio manager or sub-adviser may still "depart from the Proxy Voting Guidelines or its own proxy voting policies and procedures ... in order to avoid voting decisions that may be contrary to the best interests of a fund and its securityholders."
- The disclaimer that the summary "is not exhaustive and is intended to provide guidance but does not necessarily dictate how each issue must be voted in each instance."
- The four-part structure of the guidelines - routine matters, deviations from routine, non-routine matters, and compliance procedures.
- Access to records: both editions give the same two phone numbers, the same King Street West address, the same June 30 record date, the same August 31 availability date and the same two websites.
- Social and environmental matters remain listed as non-routine, with no stated position in either edition - reworded only from "social and environmental issues" to "social and environmental responsibility."

The routine-matters list was trimmed from "election of directors; appointment of auditors; changes in capital structure; and an increase in authorized stock" to "election of directors, appointment of auditors and an issuance of shares." Capital structure changes therefore move out of the routine category and, by implication, into the non-routine one, where they are listed as "shareholder rights (other than the issuance of shares)." That is a reclassification rather than a change of position.

The bottom line

The current edition is a better description of a more professional process: a dedicated ESG team, a published guideline, a named execution agent, and an honest account of what is voted by machine. But on the two points where the older, cruder document actually committed to something - backing shareholder rights, and requiring a quarterly compliance certificate - the newer one commits to less. And because it has not been revised since 2020, it is now a five-year-old description of a fast-moving area.