

Remuneration to top agenda in 2017 voting season

Momentum on climate change continues for responsible investing

London, 21 March 2017 – Remuneration is set to be top of the shareholder agenda this voting season. Significant policy development and company engagement is being undertaken ahead of the 2017 AGM season, according to BMO Global Asset Management (EMEA).

This marks a continuing trend. In its Responsible Investment Annual Report, BMO Global Asset Management (EMEA) reports that it voted on more than 93,000 resolutions at nearly 9,000 company meetings in 73 countries worldwide in 2016. Executive remuneration continued to be the most contentious issue dividing investors and management. BMO Global Asset Management (EMEA) voted against management at 52% of these resolutions around the world, an increase of eight percentage points compared to 2015.

The report highlights 17% of pay-related resolutions were voted against in the UK, a slight increase from 16% in 2015, which reflects a year of highly contentious remuneration proposals at large UK companies. The main concerns with pay arrangements were: excessive payouts demonstrating a weak link between corporate strategy and key performance indicators used in pay plans; weak performance targets and payouts inconsistent with achieved performance levels; and excessive focus on short-term outcomes.

2016 voting patterns differed significantly across countries. In the key European markets, we voted against 4.0% of management resolutions in the UK, 15% in Germany, 31.4% in France, 15.0% in Switzerland, 19.8% in Spain and 24% in Italy. The low level of support in France was the result of governance concerns across a range of issues, including remuneration, board independence and capital structure.

The report also details BMO Global Asset Management (EMEA)'s engagement with over 700 companies in 52 countries. This engagement covered key environmental, social and governance (ESG) issues impacting companies across sectors, based on a view that sound management of these issues can help to reduce risk and support long-term performance. Key topics reported this year include climate change, where we engaged extensively with companies in the extractives, utilities and industrial sectors; labour standards, where we engaged with major multinationals that have faced public controversy; and business ethics, including in the automotive sectors. The report contains case studies of our engagement progress with individual companies.

Impact is also an important theme of the report. For the first time we have mapped how our investor engagement supports the 17 Sustainable Development Goals (SDGs) developed by the United Nations. Links are particularly strong in relation to the goals around Decent Work, Climate Action, and Peace, Justice and Strong Institutions.

Vicki Bakhshi, Head of Governance and Sustainable Investment, BMO Global Asset Management (EMEA), said: "Remuneration continues to attract significant attention from both the investment community and wider public. Throughout 2016, we used voting to send a clear message to the board and management of companies where we see a misalignment between pay and long-

term performance. Whilst we focus on remuneration arrangements of companies globally, 2017 will be a particularly significant year in the UK for the approval of binding remuneration policies at companies.

“As a whole, responsible investment continues to gain traction, with a key driver for this being the realisation that the consideration of ESG issues does not harm long-term financial performance. Issues such as corporate governance, labour and environmental standards are not just ethical issues, but should also be considered financial issues. Going forward, we see the focus of responsible investors shifting from risk to opportunity and impact. Awareness of the United Nations Sustainable Development Goals (SDGs) grew rapidly last year, and we see engagement with companies as an important way for the investor community to contribute to the achievement of these goals.”

How BMO Global Asset Management voted in 2016

How we voted	Number of resolutions actually voted	Votes with management	Votes against management	No vote¹
Board Elections	51,817	72.11%	26.93%	0.96%
Capital Structure	7,029	76.34%	22.36%	1.29%
Remuneration	8,875	46.45%	52.11%	1.43%
Routine & Other Business	23,749	90.69%	6.86%	2.45%
Shareholder Proposals	1,862	66.54%	25.83%	7.52%
All Proposals	93,332	74.60%	23.85%	1.54%

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Notes to editors

The report covers the ownership activities of BMO Global Asset Management (EMEA). Separate ownership policies currently apply to some assets managed by LGM Investments, Pyrford International, Thames River (Thames River Capital LLP and Thames River Multi-Capital LLP), F&C Portugal, Gestão de Patrimónios, S.A. and BMO Real Estate Partners. In some cases clients may not mandate us to vote or engage within a segregated account.

About BMO Global Asset Management

¹ The majority of ‘no votes’ take place in markets that employ shareblocking, where most clients elect not to vote so as not to constrain their investment decisions. The ‘routine & other business’ category also includes non-voting proposals which is the reason for the relatively high proportion of no votes.

BMO Global Asset Management is a global investment manager with offices in more than 25 cities in 14 countries, delivering service excellence to clients across five continents.

Our four major investment centers in Toronto, Chicago, London and Hong Kong are complemented by a network of world-class boutique managers strategically located across the globe: BMO Real Estate Partners, LGM Investments, Money, Inc., Pyrford International Ltd., and Taplin, Canida & Habacht, LLC. BMO Global Asset Management is a signatory of the United Nations-supported Principles for Responsible Investment initiative (UNPRI).

BMO Global Asset Management is a part of BMO Financial Group, a highly diversified financial services provider based in North America with total assets of CDN \$692 billion as of January 31, 2017, and over 45,000 employees. BMO Wealth Management has worldwide assets under management of CDN \$402 billion as of January 31, 2017.