Bank of Montreal 1972 UK Pension Plan

Annual Engagement Policy Implementation Statement

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee for the Bank of Montreal 1972 UK Pension Plan (the "Plan") has been followed during the year to 31 October 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Funds (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives

The Trustee's primary objective is to invest the Plan's assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries to ensure pension obligations can be met as and when they are due.

The Trustee has invested the majority of the Plan's assets in a bulk annuity contract with an insurer, Rothesay Limited ("Rothesay"). The contract with Rothesay is a buy-in policy. In addition to the buy-in policy, there is a small balance in a Sterling Liquidity Fund, which is used to meet future benefit accrual, ongoing expenses, final wind-up costs of the Plan and any imminent member payments/ adjustments.

For members with Additional Voluntary Contributions ('AVCs'), the Trustee has a policy of making available a range of funds which serve to meet the varying investment needs and risk tolerances of these members. However, from April 2006 the AVC facility has been closed to new contributions.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The following sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Voting

The Trustee expects the Plan's investment manager to evaluate ESG factors, including climate change considerations, when making investment decisions. The Trustee also expects the relevant investment manager to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Voting Activity

The Trustee has delegated their voting rights to the investment manager. Where applicable, the investment manager is expected to provide voting summary reporting on a regular basis, at least annually.

BMO

Continued

The Plan's voting rights are exercised by the investment manager (and the annuity provider) in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code (the Code). It is important to note that neither the Sterling Liquidity assets with BMO GAM, nor the underlying assets managed by Rothesay, are invested in equities as at the date of this document.

The Trustee does not use the direct services of a proxy voter.

Therefore, given the nature of the underlying assets, voting activity does not apply.

Engagement

The Trustee has given BMO GAM and Rothesay full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Given that the majority of the Plan's assets are held with Rothesay in the form of an insurance policy, an adapted extract of Rothesay's 2020 ESG report has been included below.

Rothesay ESG Policy[1]

Environmental

Given the scale of Rothesay's balance sheet, they invest in a diversified portfolio of securities, including regulated infrastructure such as water, energy and transportation. Rothesay do not operate any blanket sectoral (e.g. oil & gas) exclusion policies that might be found, for example, at a specialist ESG fund, as they do not believe that rapid total divestment is the optimal strategy for either limiting climate change, or indeed other ESG impacts, such as poverty brought about by a domino effect of unemployment. The unsustainable approach of instantly shuttering key sectors of the economy has been highlighted during the COVID crisis.

Rothesay does however limit its investments in the most carbon intensive sectors in order that the emissions of the portfolio as a whole can be aligned with their climate goals. Furthermore, within each carbon intensive sector, Rothesay try to identify those firms most likely to adapt to a low carbon world. They are also alert to risks associated with companies that, while not highly emitting themselves, have significant emissions in their supply chain.

This involves detailed credit work with the addition of a climate lens. Where Rothesay identify climate risk, they limit their investments in both size and maturity while lending in the most liquid corporate bond format so that adjustment can be made when outlooks or circumstances change long before default or downgrade. Within the timespan covered by much of Rothesay's corporate bond portfolio, the risk is less to the vulnerability of a company's buildings and plant to physical climate risk (such as flood or storm damage) than to the impact of governments regulating the transition to a low carbon economy and change in consumer preferences. However, where it is important, we also consider the location and vulnerability of key assets, particularly infrastructure.

Social

The Board have confirmed that Rothesay has issued a Modern Slavery Statement, which sets out Rothesay's commitment to ensuring that the highest professional standards are met at all times and their close monitoring of the performance of their suppliers.

Governance

Rothesay believe that responsible corporate behaviour with respect to ESG factors can have a positive impact on long-term financial performance, recognising that the importance of ESG factors varies across industries, geography and over time. By taking financially material ESG factors, including climate change, into account in their investment process, they believe that Rothesay better manages risk and is better positioned to deliver their long-term investment objectives.

ESG considerations are integrated into the investment process, including consideration through specific dedicated sections of committee approval papers for new investments.

Rothesay's in-house team, is required to report to the Board Risk Committee on a regular basis on their responsible investing and engagement activities.

Further details on Rothesay's ESG metrics, results and policy is available here:

https://www. rothesay.com/media/3vzau33b/rothesay-esg-report-2020_final.pdf

Further details on Rothesay's Corporate Social Responsibility Policy is available here:

https://www. rothesay.com/media/d5dhvhio/csr-policy.pdf

BMO

Source: Investment Managers.

[1] Adapted from Rothesay's 2020 ESG report: https://www.rothesay.com/media/3vzau33b/rothesay-esg-report-2020_final.pdf

Mercer Limited, has been appointed by the Trustee as administrator of trustee bank account of the Plan and are responsible for the safekeeping of these holdings.