



Proxy Voting Report

Q3 2023 Summary

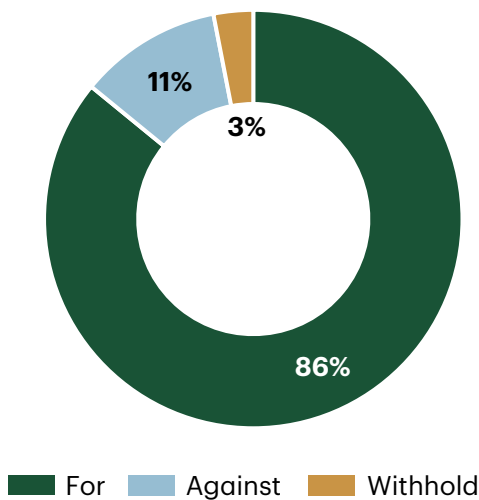


About the Report

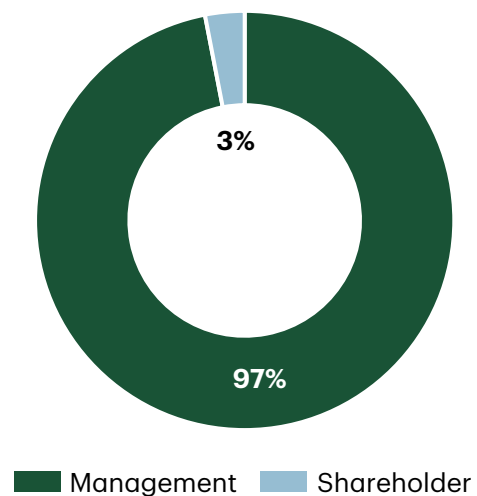
This report provides a summary overview of the proxy voting activity of the public equity portfolios managed by TD Asset Management Inc. (TDAM) in the U.S., Canada, and international markets for the period from May 1, 2023, to July 31, 2023. Proxy voting is an important part of TDAM's stewardship and active ownership efforts, particularly in the area of corporate governance and increasingly on financially material environmental and social issues. **For information on TDAM's proxy voting guidelines, please visit our [website](#) >.**

Figure 1: Basic Voting Activity

1.1 Vote Instructions¹



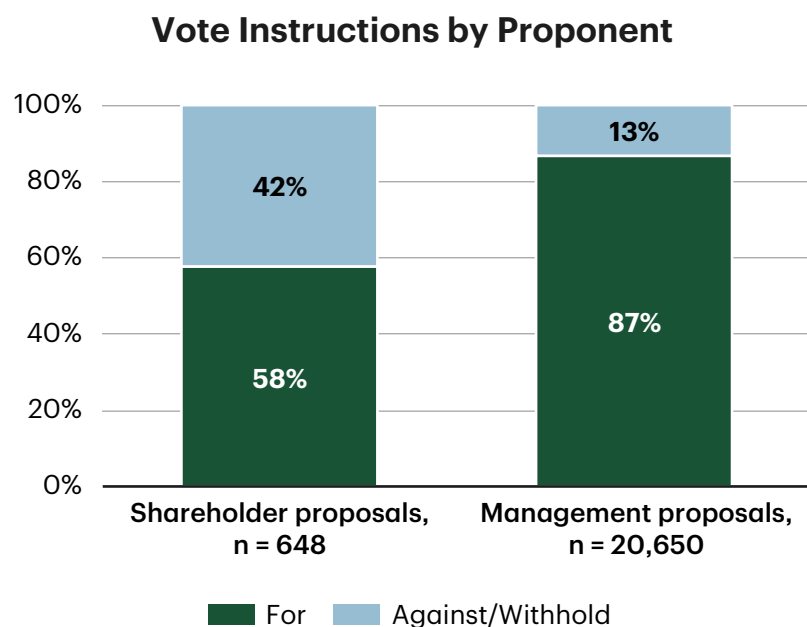
1.2 Proposals Voted by Proponent



Source: TDAM and Institutional Shareholder Services (ISS). As of July 31, 2023.

¹Vote instructions reflect votes across management and shareholder proposals.

Figure 2: Voting Activity



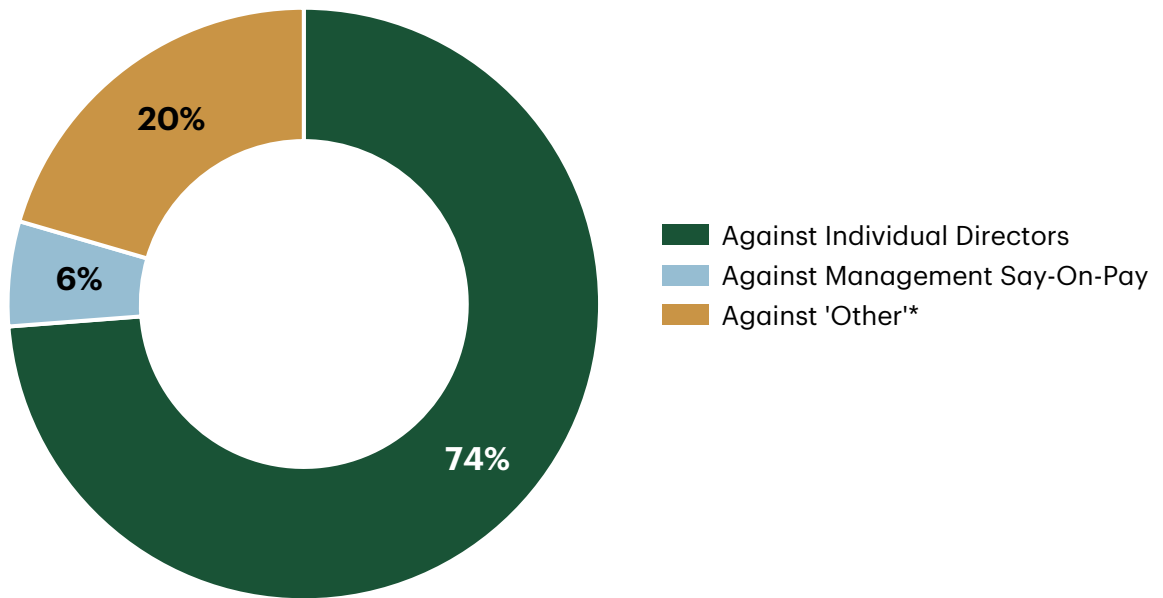
Source: TDAM and ISS. As of July 31, 2023.

Q3 Proxy Voting Activity

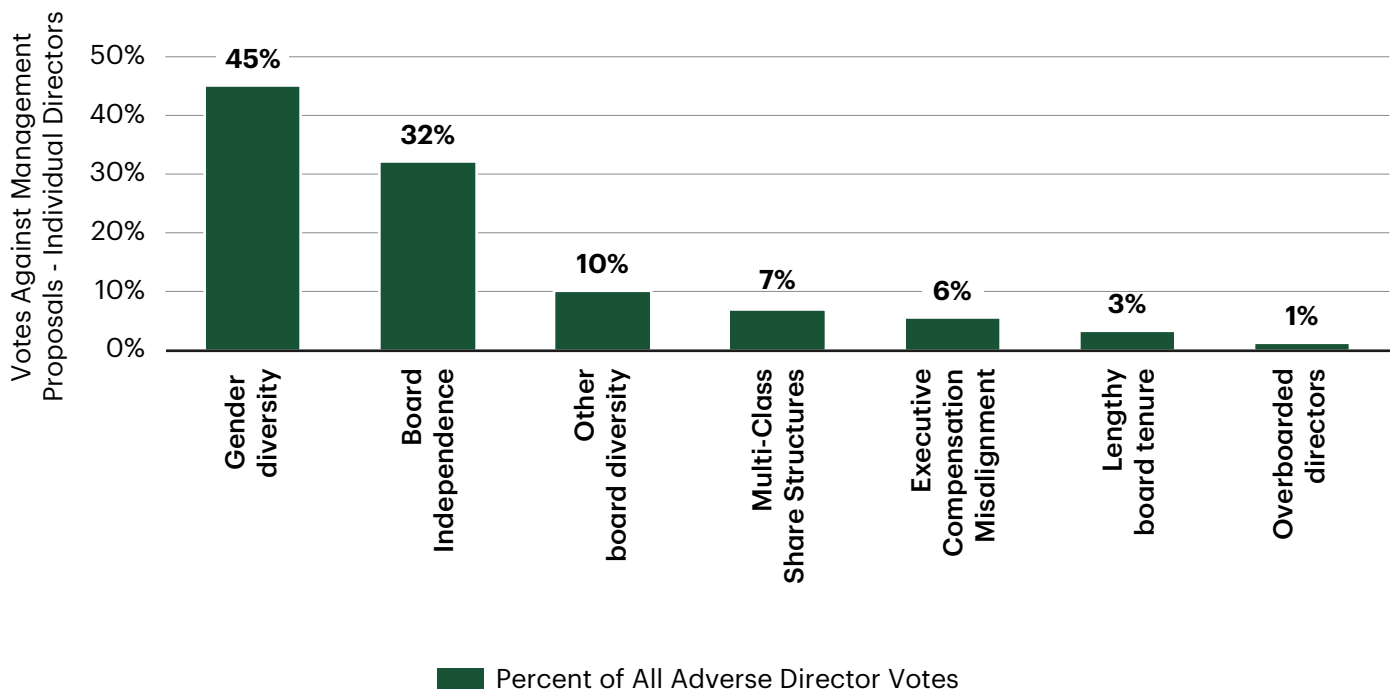
- This quarter represents the peak of the proxy season, when a significant number of companies hold their annual meetings. During the quarter, TDAM voted on a total of 21,815 proposals, voting against 13% of management proposals and 42% of shareholder proposals.
- In accordance with our proxy voting guidelines, TDAM withheld support for directors on specific issues, including, but not limited to, board independence, executive compensation, board diversity and multi-class shareholding structures. Directors held accountable for maintaining strong governance and oversight amounted to 74% of our "against" votes in Q3 2023.
- We continued to respond to a lack of representation from key demographic segments, such as women and racial/ethnic minorities, at boards, with 55% of the adverse director votes cast (at 412 companies) on board diversity. In North America, a small subset of 27 companies were flagged for both a lack of gender and racial/ethnic diversity within their boards of directors, including 17 Canadian companies.
- Other predominant rationales for votes against directors included a lack of board independence, multi-class share structures and executive compensation concerns. A lack of board independence drove 32% of adverse director votes. This represents adverse director votes at 251 companies.
- Upholding the principle of "one share, one vote," 7% of our adverse director votes (at 42 companies) accounted for multiple-class share structures.
- We continue to analyze executive compensation, with compensation concerns seen at 67 companies, resulting in our casting adverse director votes, and voting against Management Say-on-Pay (MSOP) proposals.
- TDAM voted on a total of 648 shareholder proposals and supported 58% of them (375 shareholder proposals). This included 124 proposals which focused on social issues and 67 which focused on environmental issues. In cases where we found a shareholder proposal overly prescriptive or misaligned with our proxy voting guidelines, we did not vote in support of it.

Figure 3: Votes Against Management Proposals

3.1 Vote Against Management Proposals – Overview



3.2 Votes Against Management Proposals – Individual Directors²



^{*}Other corporate governance matters
 Source: TDAM and ISS. As of July 31, 2023.

² Some Directors may have received an "against/withhold" vote due to more than one rationale (i.e., lack of gender diversity and lack of board independence).

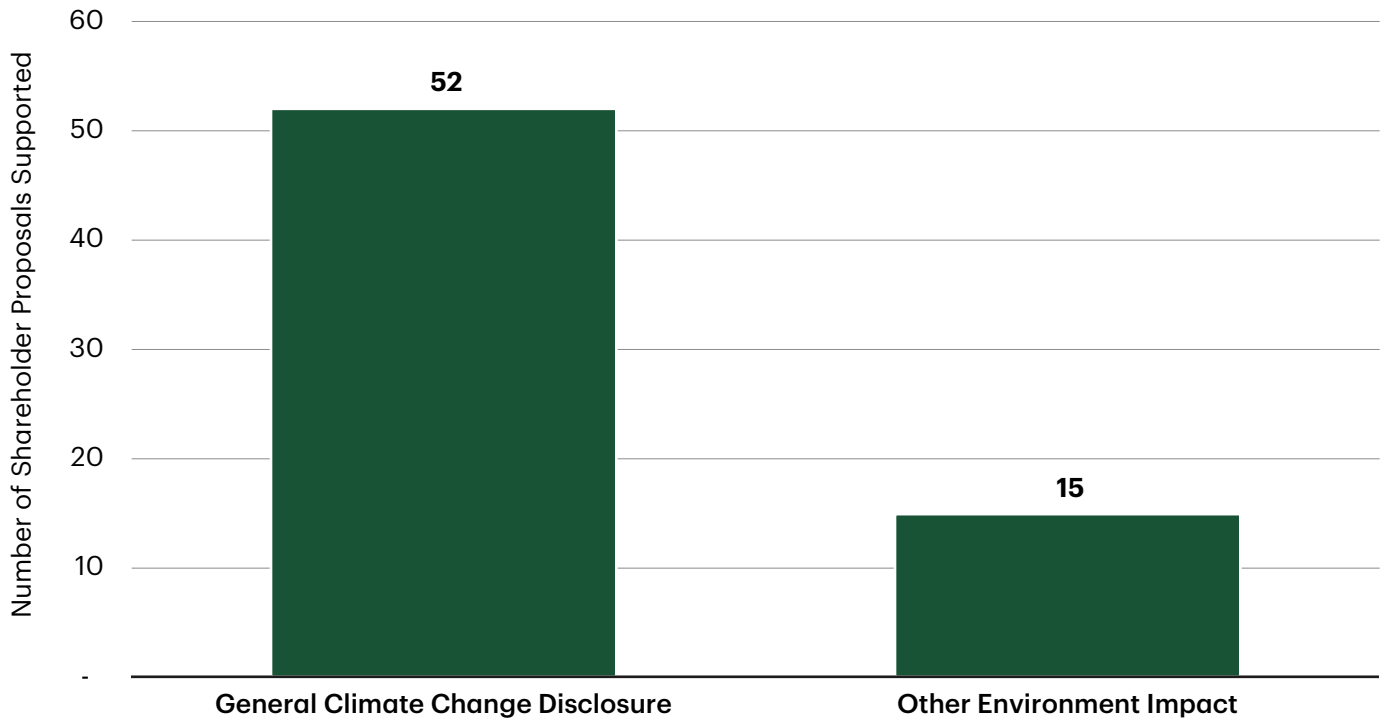
Shareholder Proposals Supported – Environmental and Social

Key Takeaways from Shareholder Proposals

- TDAM supported 67 of the environmental shareholder proposals that were put forward (53% of all environmental shareholder proposals) at 47 companies. These proposals sought enhanced disclosure of company climate risks and opportunities, including disclosure of company-set carbon reduction targets, emissions metrics and the strategies aimed at moving those targets forward - as well as disclosures related to the capex allocated towards achieving targets. Several proposals were also aimed at building transparency around company efforts to reduce plastic waste and related risks.
- In terms of social proposals, we supported 124 shareholder proposals (78% of all social proposals) at 76 companies. These proposals included requests for enhanced disclosure around political and lobbying activities, appropriate disclosures on company diversity, equity, and inclusion efforts, as well as efforts to mitigate human rights risks that may negatively impact the company's current and future outlook. These also included proposals requesting companies to undergo independent assessments of their supply chain human rights due diligence, workplace safety conditions, labour rights policies and independent racial equity audits. These various types of assessments aim to provide transparency and improved management of human rights risks stemming from worker, customer and community relations.

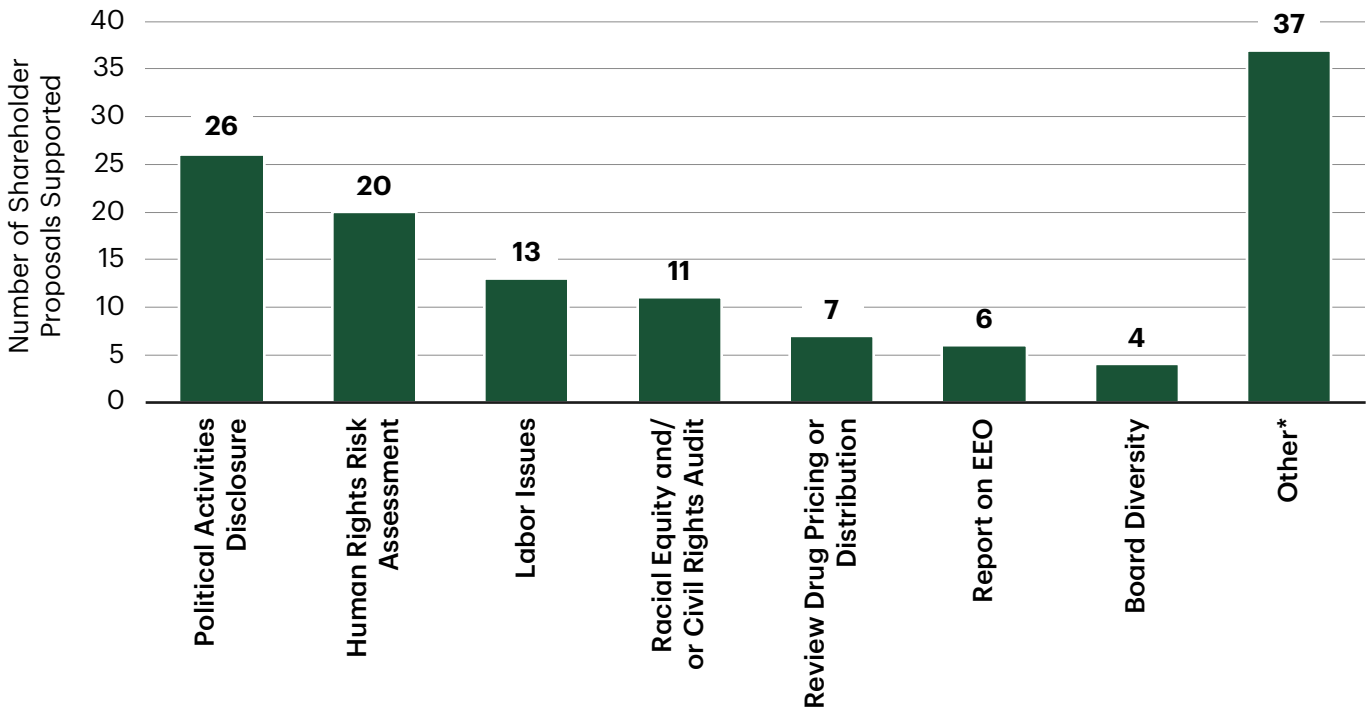
Social
Proposals

Figure 4: Shareholder Proposals Supported - Environmental



Source: TDAM and ISS. As of July 31, 2023.

Figure 5: Shareholder Proposals Supported – Social



*The Other category includes proposals on various other topics, including issues related to employee health and safety as well as product safety.

Source: TDAM and ISS. As of July 31, 2023.

Engagement and Proxy Voting in Action

Below are a few examples of proxy votes that were cast during the quarter in scope. We look at proxy voting, as well as engagement, as a means to drive forward the principles we see relevant in managing various risks and opportunities.

Scope 3 Emissions Disclosure – Canadian Energy Company

Background	Outcome/Next Steps
<p>A Canadian midstream energy company faced a shareholder proposal asking it to annually disclose all of its Scope 3 emissions using accepted definitions and in absolute terms. TDAM had previously engaged with the company multiple times and had raised the issue of incomplete Scope 3 disclosures. Additionally, TDAM has emphasized the importance at other energy companies for full disclosure, with reasonable assurance, of all Scope 3 emissions. It is important to note that Scope 3 emissions make up a significant portion of a company's total emissions, upwards of 70% according to the UN Global Compact³. From TDAM's perspective, companies that take action to measure, monitor and manage their Scope 3 emissions will be able to better manage risks associated with the climate transition, as well as capture potential opportunities.</p> <p>TDAM engaged with the company in advance of the vote to better understand its perspective. During the engagement, the company reiterated the challenges and uncertainties that midstream companies like themselves face confidently disclosing an absolute Scope 3 emissions figure. The company also shared that it was working with other recognized authorities in developing guidance for the midstream sector. However, the company was unable to commit to publicly reporting an absolute Scope 3 emissions figure, covering the material categories of Scope 3 emissions, at any point in the future.</p>	<p>Given the details above and considering our engagement history on this topic, TDAM voted for this shareholder proposal. TDAM understands the challenges associated with measuring Scope 3 emissions for a midstream company. However, the company does not seem to be any closer to publishing a figure than when we began engaging with it several years ago. In our view, disclosure with appropriate guidance on the methodology, assumptions and estimations used is an important first step, and we recognize that over time there may be improved methods for determining this figure. In the end, the proposal received 29% shareholder support. We will remain engaged with this company in advance of its next Annual General Meeting (AGM).</p>

³ Source: <https://www.unglobalcompact.org.uk/scope-3-emissions/>

Transparency around Patent Strategies – Pharmaceutical Companies

Background

During this proxy season, several large pharmaceutical companies saw proposals requesting that they report on the risks associated with extended patent exclusivities on product access. Following a drug's primary patent, a company can apply for secondary patents related to drug formulations or methods of drug administration, for example. Concerns have been raised around the potential overuse of these secondary patents, as they could potentially limit innovation, produce anti-competitive practices, and/or heighten drug prices and impede access to needed medications.

The 2022 Inflation Reduction Act (IRA) drew additional attention to the issue - an example at the federal level in the U.S. to reduce prescription drug costs and improve patient access. The IRA contains provisions that could limit the ability for companies to increase drug prices. For example, certain drugs that make up a large portion of Medicare expenditures but have no generic equivalent despite being on the market for a number of years will undergo mandatory Medicare price negotiations. This new regulation has since been noted in various company annual reports as a pricing pressure.

As this significant piece of legislation and other regulatory efforts seek to limit drug costs, investors are looking for greater disclosure from companies on related strategies, risks and implications.

Outcome/Next Steps

TDAM values the protection of intellectual property and recognizes the value derived from various patents at different stages of product development as companies seek to further innovate, build new products, and ensure patients receive effective medications. We recognize and appreciate that patents can advance shareholder interests as well. However, we did think support for these shareholder proposals was warranted, as it too would provide further transparency around company approaches to patent use and management of associated risks, particularly in light of concerns about patient access and changing laws. Shareholder vote results demonstrate the investor support for additional disclosure on patent use: three of the seven proposals that went to shareholder vote garnered shareholder support between 29% and 31%, a substantial level of support. With this level of support, we will look to understand how these pharmaceutical companies respond and clarify their disclosures around their patent use.

On-hire Compensation Arrangements – A Global Consumer Discretionary Company

Background

A global company in the consumer discretionary sector recruited a non-CEO principal executive officer in the year of review and as part of the officer's compensation package, a large sign-on equity grant was made in the form of performance-vesting share awards and time-vesting stock options. The company also had a relatively unique program where the officer purchased shares on the open market, with the company matching the number of units bought as additional compensation. The totality of the equity awards had a grant date fair value in excess of \$100 million. While a substantial portion (approximately 50%) of the target awards granted were performance-vesting share awards, the vesting hurdles were based on hitting watermark price hurdles for 30 consecutive trading days, which become eligible to vest in the back half of a five-year performance period.

For an award of this amount, TDAM had concerns surrounding the rigour of relatively short share price sustainment hurdles. Notably, however, the proxy disclosure mentioned that the executive will not receive additional salaries or bonuses going forward. Additionally, the proxy also disclosed the hiring of a full-time CEO in addition to the non-CEO principal executive officer, which brings the company into a dual-leadership structure.

The company initiated an engagement with TDAM during the proxy season in advance of its AGM to solicit feedback and support for its Say-on-Pay vote. During the engagement, TDAM sought feedback on whether the company intends to grant long-term incentive awards to the executive going forward, how the company determined the grant value for the executive, and the rationale for a dual-leadership structure.

Outcome/Next Steps

The company confirmed that the non-CEO executive officer will not receive additional long-term incentive awards in the future (outside of base salaries and bonuses) which TDAM viewed as positive, but ultimately, after the engagement, we still had concerns about the determination of the grant amount, the ratcheting of executive pay with a dual-leadership structure, as well as the structure of the performance-vesting awards. As a result, TDAM voted against the Say-on-Pay vote at the company's AGM. Due to significant strategic shareholder(s) holding a toehold stake in the company in excess of 25% of the shares outstanding, the company's Say-on-Pay passed with support in the 70% range. However, the notable level of shareholder opposition to the Say-on-Pay warrants additional engagement, which TDAM intends to pursue in the following year.

Corporate Governance

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