

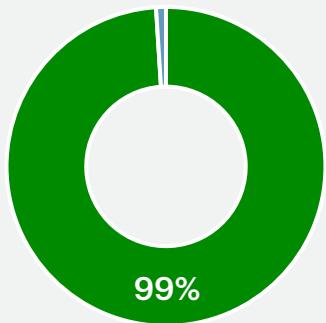
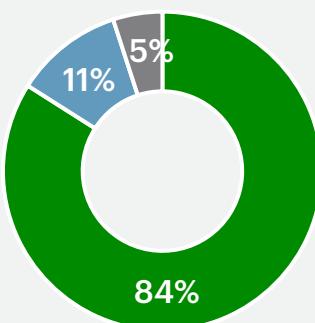
# Proxy Voting Report



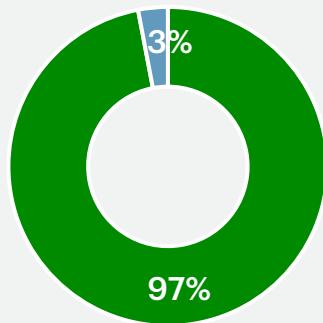
## About the Report

- This report provides a summary view of the Q2, 2021 proxy voting activity across all TD Asset Management Inc. (TDAM) managed portfolios in the U.S., Canada and international markets. Proxy voting is an important part of our stewardship efforts; it's a means to influence company practice, particularly in the area of good governance and on environmental and social issues and carry out our fiduciary duty and responsibility as active owners.

## Basic Voting Activity

Q2 Voteable<sup>1</sup> vs. Voted<sup>2</sup>Q2 Vote Instruction<sup>3</sup>

Proposals Voted by Proponent



■ Voted  
■ Voteable

■ For  
■ Against  
■ Withhold

■ Management  
■ Shareholder

<sup>1</sup>Meetings (n=1,989), ballots (n=12,991), and proposals (n=26,599)

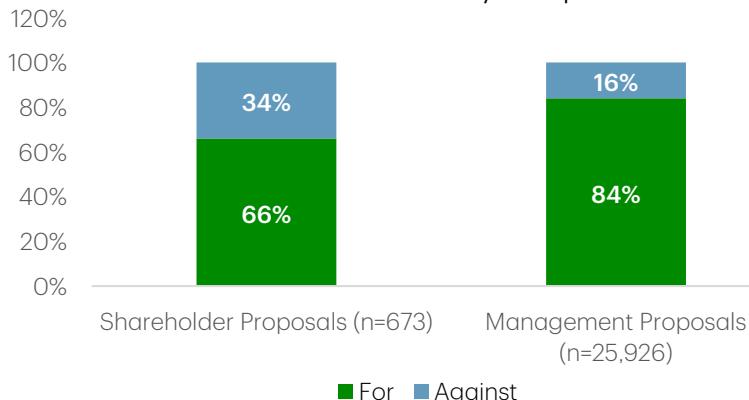
<sup>2</sup>Percentage of voted meetings, ballots and proposals

<sup>3</sup>'Other' vote instructions (e.g., including abstain) less than 1%

Source: TDAM, As of June 30, 2021

## ESG-Related Voting Activity

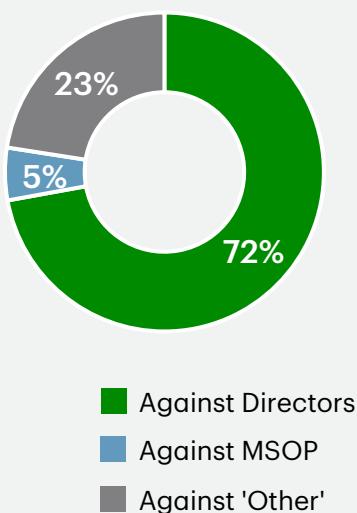
Vote Instructions by Proponent



Source: TDAM, As of June 30, 2021

- Executive compensation and board diversity were key environmental, social and corporate governance (ESG) focus areas this proxy season and were the primary factors determining most of our votes against management, specifically in director elections.
- Our current proxy voting guidelines outline expectations for board diversity – both gender diversity and racial or ethnic diversity; the latter of which was first implemented in Q2, 2021.
- Most environmental shareholder proposals put forth were related to climate change. We expect this trend to continue to increase.

## Vote Against Management<sup>4</sup>



## Vote Against Directors<sup>5</sup>



<sup>4</sup> MSOP = Management Say on Pay

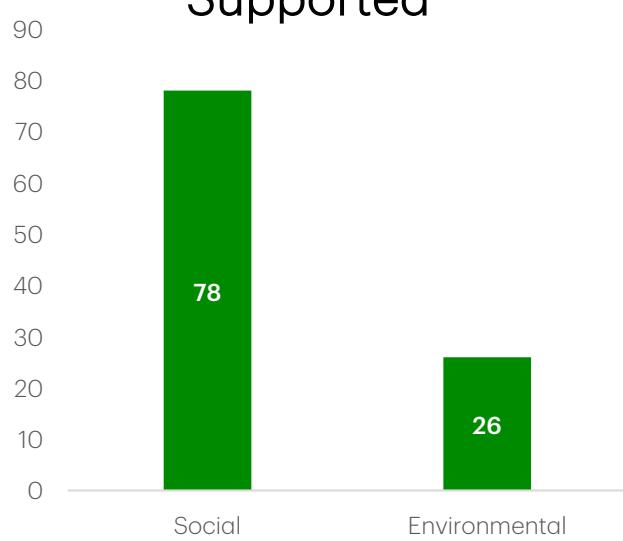
<sup>5</sup> Some Directors may have received an AGAINST/WITHHOLD vote due to more than one rationale (e.g., lack of gender diversity AND lack of racial or ethnic diversity on the board)

\* Racial or ethnic diversity voting policy was only implemented in mid Q2

\*\* Generally attributed to involvement in moderate or severe controversies.

Source: TDAM, As of June 30, 2021

## Environmental & Social Shareholder Proposals Supported



## Key Takeaways from Shareholder Proposals

- Most shareholder proposals requested that companies improve disclosures on ESG factors, a practice TDAM generally supports.
- Disclosures on political contributions and lobbying accounted for ~46% of all social shareholder resolutions; greater transparency on diversity and racial equity in the workplace also made its way onto meeting agendas across industries (~23%).
- While environmental shareholder resolutions focused heavily on climate change disclosures in general, we also saw a few pushing companies to address the impacts of plastics and packaging materials.

Source: TDAM, As of June 30, 2021

# Engagement and Proxy Voting in Action

ESG Research and Engagement Team at TDAM ("We") reviews upcoming AGM meetings on a regular and rolling basis throughout the year. While TDAM has established custom auto-vote instructions for most routine agenda items, we will monitor non-routine and ESG-related issues. These items may require / trigger additional research. On occasion we may determine that an engagement meeting would be beneficial prior to making our final vote decision. Below are several case studies from Q2.

## Case Study A: Financial Service Company, April 2021

<b>Engagement Topic(s)</b>	Board Gender Diversity
<b>Goals/Driver</b>	This company was flagged for dipping below 30% board gender diversity. Per current proxy voting policy, TDAM will vote against the incumbent nominating committee members if this threshold is not met. Given the issuer's strong track record in board gender diversity, we engaged to better understand why it was not meeting the threshold at this time.
<b>Key Takeaways</b>	The company noted that one of its female directors had stepped down due to early retirement. While the board did not necessarily anticipate this as part of its succession planning, the company explained that they are looking to punch beyond a minimum 30% gender diversity in the future, looking to pursue a balanced board instead. Some of the questions TDAM raised in the discussion included the timeline for meeting the target, as well as the process around planning for director retirement to ensure there are not periods of diversity gaps.
<b>Outcome / Next Steps</b>	Although we believe the company is ambitious in its future board diversity goals, for this year, TDAM decided to maintain our voting policy and vote against the election of the incumbent nominating committee members. We would have expected the company to be better prepared in its succession planning in the event of director retirement. We will continue to monitor the firm's progress against its newly set targets.

## Case Study B: Financial Service Company, April 2021

Engagement Topic(s)	Executive Compensation
Goals/Driver	<p>Our internal research process/system flagged this company as high risk on our pay-for-performance screen, up from medium risk in 2020. It had ranked 6<sup>th</sup> (out of 6) on performance and 2<sup>nd</sup> on compensation in its peer group over the prior five years as well as on a one-year basis. As such, we proactively engaged the company to probe directly on the disconnect between performance and compensation. The goal was to get a better understanding of this prior to submitting our proxy votes.</p>
Key Takeaways	<p>The issuer acknowledged that 2020 was a particularly difficult year in the markets it operated in. It also noted that CEO compensation decreased by 7% and 12% over the prior two years. The company was open in sharing the formula for how it arrived at the CEO compensation level for 2020, affirming that the business performance factor that goes into the calculation was in line with peers in the industry; it did however suggest that perhaps it should have been lower given the underperformance on total shareholder return.</p>
Outcome / Next Steps	<p>Post-meeting, the TDAM team decided to adhere to our proxy position of not supporting the advisory vote on executive compensation at the company's AGM. Despite total compensation falling, total shareholder return had still underperformed relative to peers during this period and had been misaligned to performance for many years. TDAM did not feel the company went far enough to sustainably remediate this misalignment. We will continue to engage and monitor pay/performance going forward.</p> <p>2021 Advisory Vote on Executive Compensation Vote Result: 60.8% FOR, 39.2% AGAINST</p>

## Case Study C: Energy Company, May 2021

Engagement Topic(s)	Proxy Contest and Director Elections
Goals/Driver	<p>A hedge fund challenged this company in a proxy contest, proposing a slate of four new directors, citing lack of industry expertise on the existing board, as well as poor operational performance and poor preparation for the energy transition. TDAM met with the issuer to get its perspective on the proposed directors and the concerns raised by shareholders and analysis done by proxy advisory firm, Institutional Shareholder Services (ISS).</p>
Key Takeaways	<p>Our initial position was to vote the dissident proxy card; in general, we planned to support the hedge fund's slate of directors and were open about this with the company in the meeting. The issuer provided its direct response to dissident claims and reviewed its approach and plans to manage climate risk and the energy transition.</p>
Outcome / Next Steps	<p>While we welcomed the engagement with the company, TDAM portfolio managers decided to vote the dissident proxy card, aligned with ISS vote recommendations. We did not feel the issuer put forth a compelling case against the concerns raised by the hedge fund and believed that the new slate of directors had the experience to better navigate the transition.</p>

# Case Study D: Software & Services Company, June 2021

Engagement Topic(s)	Executive Compensation
Goals/driver	The main topic for discussion was the management-say-on-pay (MSOP) proposal. Proxy advisory firm, ISS, had recommended AGAINST the proposal, primarily citing adjustments made to targets. Given the company had not violated pay-for-performance principles, it had no major issues on pay in the past, and TSR had been in line with ISS methodology and shareholder expectations, we wanted to meet with the issuer to get more clarity how and why the adjustments were made.
Key Takeaways	The company explained that the target adjustments were largely COVID-19 pandemic related – they had promised no layoffs, extra insurance, extra leaves, and flexible work arrangements in lieu of adjustments in bonus across the organizations (for all employees, not just executives). In addition, the issuer noted that before revising any target, it first had to meet shareholder returns. The company's performance was in line or above expectations in all time periods observed.
Outcome/Next Steps	After discussion with the company, we decided to deviate from the ISS recommendation and vote FOR the MSOP proposal. We determined that the AGAINST recommendation appeared to be triggered by a technicality in the ISS process/policy. However, we were satisfied with the response and explanation from the company.  2021 MSOP Vote Result: 75.2% FOR, 24.5% AGAINST

▶ For more information, please contact your Relationship Management team.



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