



# **TD Asset Management Proxy Voting Guidelines**



# Introduction

TD Asset Management Inc.<sup>1</sup> (TDAM), as an asset manager, has a fiduciary duty to exercise the voting rights attached to the securities in the investment funds we manage. Share ownership often carries with it the right to vote on various corporate matters of public companies. Generally, investors of TDAM's investment funds transfer their right to vote on such matters to TDAM, and therefore TDAM will exercise voting rights on behalf of all investor accounts, including investment funds and segregated accounts, unless instructed otherwise. TDAM seeks to vote in a manner that is most likely to enhance the economic value of the underlying securities.

Proxy voting is a central part of our stewardship toolbox, and we approach this responsibility with a commitment to long-term value on behalf of our

investors. We consider proxy voting and engagement to be complementary strategies and aim to employ both, as needed, in exercising our responsibilities as shareholders.

This document sets forth our expectations of investee companies when it comes to its governance practices and oversight of material risks, including environmental and social risks. It aims to provide transparency to our clients and investee companies about how TDAM is likely to vote on key items and emerging issues.

For more information on the stewardship and sustainable investing practices at TDAM, please visit our [Sustainable Investing page >](#).

## Proxy Voting Process

TDAM uses its best efforts to vote all applicable proxies it receives.<sup>2</sup> To ensure proxies are voted in the best interests of our investors and their investment accounts, we have implemented a robust process to inform our decisions. This process is grounded on a principles-based approach, as outlined below in the Proxy Voting Guidelines section. It also reflects our commitment to quality research, data, and due diligence – by way of in-house expertise and third-party research.

TDAM retains the services of an external proxy consultant to assist in executing the voting of ballots and other procedural responsibilities, such as maintaining vote records, and delivering reports on detailed voting activity. The external proxy consultant also provides us with research and voting recommendations on proxy resolutions. While we consider these recommendations, the ultimate vote decision rests with TDAM, and votes are cast in accordance with TDAM's proxy voting guidelines and custom instructions.

Voting records for most of our investment funds are available publicly on TDAM's website and upon request. TDAM also periodically publishes proxy voting reports, which provide insights on our voting activity at the firm level, and how we voted on key issues and resolutions. Additional information about our proxy voting activities can be found on our [Sustainable Investing page >](#).

Proxy voting at TDAM is overseen and governed by the Proxy Voting Sub-Committee. The Proxy Voting Sub-Committee is responsible for reviewing and approving our proxy voting guidelines and identifying key or emerging proxy issues. The Proxy Voting Sub-Committee is comprised of members from our portfolio management and Sustainable Investment teams, including TDAM's Chief Investment Officer.

More information on the governance of TDAM's proxy voting practices can be found in the [TD Asset Management Proxy Voting Policy & Procedures >](#) document, which is complementary to the guidelines contained in this document.

<sup>1</sup>TD Asset Management Inc. is a wholly-owned subsidiary of The Toronto-Dominion Bank. The TD Asset Management Proxy Voting Guidelines apply to TD Asset Management Inc.

<sup>2</sup>Our active ownership efforts include voting proxies related to any securities lent, as part of TDAM's securities lending program, as those securities are recalled for a short period ahead of an issuer's annual meeting to ensure vote eligibility.

# Proxy Voting Guidelines

TDAM's proxy voting guidelines<sup>3</sup>, as specified below, are framed, and anchored by clear principles. We evaluate both management and shareholder proposals through this principles-based lens, as it encourages consistency in how we exercise our votes across companies and regions, recognizing that there may be unique circumstances that prompt us to diverge from these established guidelines. Furthermore, while the guidelines address key voting areas – for example, director elections and environmental and social shareholder

and management proposals, and many specific resolutions, such as say on pay proposals – they are not an exhaustive representation of every voting item that may arise at our investee companies. For voting decisions on items outside the scope of this document, we will lean heavily on our research, principles and governance process.

These proxy voting guidelines are reviewed at least annually. Questions or comments on our proxy voting guidelines or about our voting activities can be sent to [proxyvoting@tdam.com](mailto:proxyvoting@tdam.com).

## 1. Shareholder Rights and Protections

The ability to vote as shareholders is important to our role as stewards of our investor's capital. We believe in the principle of equal voting rights – the rule of one share, one vote – and will support proposals that seek to protect and enhance the rights of minority shareholders. Conversely, we will vote against any proposals that may restrict or subvert shareholder rights and authority to hold management and boards accountable. Shareholders should be provided with timely and clear disclosures on matters that are material to the company and should be able to participate in these decisions in a way that is commensurate with their ownership.

**1.1 Equal voting rights and dual-class stock:** TDAM believes that shareholder voting rights should be proportionate to shareholders' economic interests and share ownership; companies should not have multiple classes of shares with different or unequal voting rights, as we see this to be counter to principles of good governance. We recognize that dual and multiple class structures already exist, but we encourage companies with such structures to review these on a regular basis and to be transparent with shareholders on why this system is in the best interest of the firm's long-term value.

**GUIDELINE:** We will generally vote against proposals to create a new class of common stock with subordinate voting rights, as well as proposals to preserve or strengthen existing dual-class structures where the voting power of certain common shareholders is further diminished.

We would support proposals that seek to unify multiple classes of shares and/or adopt sunset provisions on existing dual or multi-class structures.

In addition, to further demonstrate our principled position on this issue, we may vote against or withhold from relevant directors at companies where dual-class or multi-class share structures exist.

**1.2 Virtual meetings and meeting format:** We recognize that the use of virtual technology in shareholder meetings may be beneficial as it can expand participation to those who are unable to attend in person. However, we expect companies to afford the same rights and opportunities to virtual participants as the rights they would have if they were physically present in the meeting (e.g., the ability to communicate and ask questions to management and the board).

Furthermore, while we have concerns about shareholder rights and board accountability in virtual-only meetings, we recognize that these formats may be necessary in certain or extraordinary circumstances (e.g., in the interest of public health concerns). In these situations, companies should have clear and robust disclosures on how shareholders can effectively and meaningfully participate in the meeting, as well as the infrastructure and technological preparation to ensure that any impediments to shareholder-company interaction are eliminated or limited. Companies should also clearly explain to shareholders through disclosure in its proxy circular the reason why it is necessary for it to conduct a virtual-only shareholder meeting.

<sup>3</sup>These guidelines are in effect as of February 1, 2026.

**GUIDELINE:** TDAM is generally supportive of hybrid meetings (i.e., virtual and in-person), if shareholders' ability to present proposals and communicate with the board are not restricted in a way that impacts the integrity of the meeting. If the meeting format negatively impacts shareholder rights, we may consider withholding support for the chair of the board and/or the chair of the governance committee. In general, we are supportive of shareholder proposals which seek to limit a company's use of the virtual-only meeting option in the absence of certain necessary or extraordinary circumstances.

**1.3 Quorum:** A company's quorum requirement should be set at a level reasonable enough to ensure a broad range of shareholders are represented, but to also allow for business to transact efficiently. TDAM generally believes that a majority of shares entitled to vote – either in person or by proxy – should constitute a quorum, although we recognize that different jurisdictions may allow for quorum flexibility in a company's by-laws.

**GUIDELINE:** We will vote against by-law amendments that seek to lower quorum requirements for shareholder meetings below two shareholders holding 25% of the eligible votes/shares outstanding. For smaller companies, this should not be less than 10% of the shares outstanding. The quorum for a meeting of directors should not be less than 50% of the number of directors.

**1.4 Supermajority approval:** While we favor a simple majority vote requirement for matters presented to shareholders for approval, we recognize that supermajority requirements may be in place for certain fundamental company changes under local corporate law.

**GUIDELINE:** TDAM will generally oppose resolutions where management seeks to increase the number of votes required on an issue above the level provided for under local law. We support proposals to lower existing supermajority vote requirements.

**1.5 Bundled proposals:** Bundled or linked proposals combine more than one item that may or may not be related. They can often include matters that are expected to be supported and others that are not. We discourage this practice. Shareholders should be able to vote on proposals individually.

**GUIDELINE:** TDAM will generally oppose proposals which link two or more unrelated elements, except where the two issues being linked are both beneficial to shareholders.

**1.6 Proxy access:** Subject to reasonable provisions, we believe that significant shareholders should have the right and opportunity to nominate their own director candidates via the management proxy card (i.e., outside of a proxy contest). We expect disclosure about shareholder nominees to be set out in the company's proxy circular in the same manner and location as company nominees.

**GUIDELINE:** We will generally support proposals to adopt proxy access with the following terms:

- Shareholders (individual or group of shareholders) must own at least 3% of a company's voting shares for a minimum of three consecutive years.
- The number of directors to be nominated via proxy access does not exceed the greater of two or 20% of the board.

We will not support proposals or by-law amendments that unreasonably restrict shareholders' ability to nominate directors via the proxy access mechanism.

**1.7 Advance notice provisions:** Advance notice provisions were first introduced to protect against last minute or stealth proxy contests brought forth by dissident shareholders at the AGM. They outline certain requirements and a process by which shareholders can nominate directors. However, there is concern that advance notice policies may also be used to impede shareholders' ability to nominate directors to the board by placing unreasonable restrictions or conditions, and therefore are ultimately detrimental to shareholder rights.

**GUIDELINE:** TDAM will vote on proposals to adopt or amend advance notice policies on a case-by-case basis to ensure that such policies are aligned with market expectations, i.e., that the purpose of advance notice requirements is to prevent stealth proxy contests, offer a reasonable framework for shareholders to nominate directors, and provide all shareholders with sufficient information about potential nominees. We will generally oppose advance notice proposals that include problematic features, such as (but not limited to):

- The inability of the board to waive the advance notice policy (the "Policy") in its sole discretion.

- The Policy does not have acceptable time frame provisions, as prescribed by the applicable provincial or federal statute.
- The Policy requires nominee candidates to comply in writing with all board policies and guidelines of the company that are applicable to directors.
- The text of the Policy is not provided in the circular and a summary is not otherwise available.

**1.8 Acting by written consent:** The ability to act by written consent allows shareholders to raise important issues outside of the annual meeting cycle or a special meeting via signed consent. We expect the thresholds for consent to be aligned with the normal proxy voting process.

**GUIDELINE:** TDAM will generally support proposals that grant or protect shareholder rights to act by written consent and will typically oppose those that pursue the contrary.

**1.9 Right to call special meeting:** Shareholders that meet reasonable ownership thresholds should have the right to call special meetings outside the regular annual meeting cycle. This is in addition, rather than as an alternative, to the right to act by written consent, which TDAM also supports as a shareholder right.

**GUIDELINE:** TDAM will generally vote for proposals to provide shareholders with the ability to call special meetings, where the shareholder owns 10% or more of the company's outstanding shares. We will vote against proposals that seek to prohibit or restrict a shareholder's right to call a special meeting.

**1.10 Exclusive forum provisions:** While there may be legitimate reasons for adopting an exclusive forum provision as it relates to legal actions brought against the company, we are mindful that this may also negatively impact shareholder rights and the ability to hold boards and management accountable via the judicial system (e.g., increased, or unnecessary cost).

**GUIDELINE:** TDAM will vote on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision on a case-by-case basis. We expect companies to provide a clear and compelling rationale for seeking an exclusive forum provision; in the absence of such transparency, and if the company cannot demonstrate that the policy is in the interests of all shareholders, we will typically oppose the proposal.

**1.11 Other business:** TDAM expects clear disclosures from a company on all matters being put up for shareholder approval. Proposals solely identified as "other business" do not meet this expectation, as shareholders do not know the substance of the issues or measures classified in this way and therefore cannot make an informed voting decision.

**GUIDELINE:** TDAM will oppose proposals relating to unspecified 'other business.'

**1.12 Shareholder vote disclosure:** TDAM believes that a company should be transparent and forthcoming to shareholders about vote results and we consider verification by independent third parties to be best practice.

We expect high-level results (i.e., percentage for, against, withheld and abstain) to be available promptly after meetings. We further encourage companies with multiple share classes to provide a more granular breakdown of votes by class, while keeping in mind shareholder confidentiality.

**GUIDELINE:** We may consider voting against the chair of the board if disclosure of vote results were not provided following the previous shareholder meeting.

## 2. Board Of Directors

The board of directors has a responsibility to act in the best interests of the corporation over which it governs. Our expectations of boards are aligned with commonly understood principles of good corporate governance. This includes, but is not limited to, a board that:

- Stands for re-election on an annual basis and is composed of majority independent directors who are diverse in skills, relevant experience, and personal and professional backgrounds.
- Demonstrates transparency about a company's governance practices, including clarity about how it manages risk and handles conflicts of interests – as well as clearly defined roles and responsibilities of board committees.

- Regularly engages shareholders and is responsive to shareholder concerns as expressed via proxy votes.
- Executes its responsibility with integrity and commitment to ethical corporate behaviour.

Furthermore, while its fiduciary duty is to the corporation, the board should also consider other stakeholders, such as shareholders, employees, customers, and the communities and environment in which the company operates, in decisions related to the strategic direction of the firm. Considering the diverse viewpoints of all a company's stakeholders is critical to long-term success and sustainable value creation.

Below, we outline in greater detail the key criteria we believe are characteristic of effective, high-performing boards, as well as other guidance related to the election of directors.

**2.1 Independence of the board of directors:** The independence of a board of directors is a cornerstone of good corporate governance. TDAM expects boards to be at least two-thirds independent in the interest of governance best practices. Directors are considered independent if they do not have any linkage to management that could interfere with their ability to act in the best interest of the corporation and its shareholders.

**Direct relationships** – and therefore non-independence – includes current executives or officers of the company or its affiliates, former executives, and officers (subject to certain exceptions), significant shareholders (more than 50% of outstanding voting rights), relatives of executives, and professional service and material transaction relationships. Former Chief Executive Officers (“CEO”) may be considered independent after a five-year cooling off period; former non-CEO executives and officers are generally considered independent after three years.

**GUIDELINE:** TDAM will generally vote against or withhold votes on non-independent director nominees, except for the current CEO, if the proposed board is less than two-thirds independent.

We recognize that boards of directors of companies in other global markets may reflect different independence standards and jurisdictional norms, which continue to evolve. TDAM will consider local practices and expectations in its vote decisions.

**2.2 Independence of the chair/separation of the CEO and chair:** The roles and responsibilities of the CEO and board of director's chair are distinct and therefore should be held by different leaders. Separating the positions of chair of the board and the corporation's CEO is preferred by TDAM, and the chair should be an independent director. Where these roles are currently combined and held by the same person, we expect there to be a lead independent director appointed, and we also expect key board committees to be fully independent.

**GUIDELINE:** TDAM will support proposals to separate the chair and CEO roles. Where the roles are currently combined, we will generally withhold or vote against the nominee who is both the chair and CEO, unless either the board has an independent lead director, or the corporate governance committee is comprised solely of independent directors.

**2.3 Committees of the board:** High-performing boards have clear roles and responsibilities. At a minimum, companies should establish key committees to oversee critical functions, such as an audit committee, a compensation committee, and a nominating and governance committee; TDAM expects these committees to be fully comprised of independent directors. Companies may also choose to organize into other specialized committees to provide oversight of other specific and important business areas, such as sustainability or data privacy, for example. All committees should have detailed terms of references or charters that are transparent to shareholders.

**GUIDELINE:** TDAM will vote against or withhold support for non-independent nominees that serve on the audit, compensation, or nominating/governance committees.

**2.4 Board diversity:** TDAM believes that diverse backgrounds, perspectives and professional experiences contribute to a high performing board that can provide strong oversight of material risks and opportunities for our investee companies. We believe that a board (and a company's workforce) that is reflective of its customer base and the societies in which it operates can better understand the company's operating environment and lead to long-term corporate performance.

In line with this rationale, we expect that boards should strive to continually assess their composition with a view to be high-performing and diverse based on a wide variety of experiences, views and backgrounds, including, but not limited to, people of all genders, people of colour and of various ethnicities, Indigenous peoples, sexual orientation, and persons with disabilities.

Furthermore, companies should strive to establish and implement firm-wide policies, goals and timelines that promote an inclusive, equitable and diverse culture. Companies should also provide transparency by disclosing diversity data and metrics, with consideration to the local jurisdictional laws, standards, and practices. We believe that to achieve long term business success, such policies, goals, and timelines should be applied at the board, senior management and workforce levels to reflect the diversity of communities in which the company operates and derives revenues and growth from.

**See section 8 - Environmental and Social Issues** for further information on our expectations and guidelines on diversity and inclusion.

**GUIDELINE:** TDAM will generally vote against or withhold support for incumbent members of the nominating committee in the case of inadequate board gender diversity based on market norms. In addition, we will also generally vote against or withhold support for the chair of the nominating committee if there are no apparent racially, Indigenous or ethnically diverse members.

We aim to apply our guidelines in a way that is most relevant to the standards of the region.

**2.5 Attendance:** Directors should attend all board and committee meetings. We expect attendance records to be disclosed.

**GUIDELINE:** TDAM will generally oppose or withhold support from nominees who have attended fewer than 75% of board and committee meetings in the period for which they serve without a valid reason.

**2.6 Over-boarding:** Serving as a director on a public board requires significant time and energy. Directors that serve on an excessive number of boards may not be able to fulfill their directorship duties effectively.

**GUIDELINE:** TDAM will vote against or withhold support for non-CEO director nominees if they serve on more than five public company boards. For nominees that are CEOs, we will vote against or withhold support if the CEO sits on more than two public company boards besides their own. We will withhold or vote against CEO directors only at their outside boards – i.e., not vote against directors when they sit on the board of their own company.

**2.7 Tenure:** Board renewal and refreshment is important to ensure boards remain effective and high-performing, and this process should be considered as part of the annual review of director nominations. While we recognize the value in having a director serve on the same board over multiple and consecutive years – from an experience, continuity, and strategic planning perspective – having a significant number of board members with long tenures (greater than fifteen years) may raise independence concerns and other governance risks associated with potential board entrenchment. It may also impede progress to improve board diversity.

**GUIDELINE:** While we are generally supportive of boards establishing a maximum length of service for directors, we will vote case-by-case on proposals that relate to setting specific term/tenure limits, taking into consideration the existing board evaluation process. However, we will generally vote against or withhold votes on the chair of the nomination committee if more than one-third of the board has tenure of more than fifteen years.

**2.8 Board size:** The optimal size of the board may depend on the nature of the company's business, its industry, and even market standards. However, in principle, TDAM believes boards should be large enough to allow for diversity in skills, thought, and demographics, but not so large as to prevent the board from operating effectively.

**GUIDELINE:** While TDAM is not prescriptive on the number of directors that should constitute a board, universally, a board with a maximum of 16 members is preferred. We may support proposals that would set the board size above 16 if the board is majority independent.

**2.9 Responsiveness:** Boards are accountable to their shareholders and should be responsive to shareholder feedback by way of engagement meetings and proxy votes. We encourage boards to proactively engage

its shareholder bases outside of the AGM period. In particular, we expect boards to meaningfully engage shareholders when results indicate significant dissatisfaction. TDAM further expects a board to be transparent about the steps it will take to address major shareholder concerns, e.g., following a defeated say on pay proposal or when shareholder proposals receive majority support. This should be done within a reasonable timeframe ahead of the next shareholder meeting.

**GUIDELINE:** Where a board fails to adequately respond to shareholder vote outcomes, we may vote against or withhold support for relevant incumbent directors. This includes failing to implement majority-supported shareholder proposals or insufficiently addressing executive compensation concerns for the period after a defeated say on pay proposal.

**2.10 Majority voting and director resignation policy:** Each director should have the confidence and support of a majority of the company's shareholders. This means that only directors who receive a majority affirmative support should be elected to the board. TDAM supports the adoption of a majority voting by-law for uncontested elections, especially where a majority-vote standard does not already exist in local law; this should apply to incumbent nominees as well as any new or future nominees. Incumbent directors that do not receive majority support should immediately resign, and the board should accept it without delay, barring any rare and exceptional circumstances, e.g., falling below the legally required number of board members or the brief time needed to replace a director with special expertise. This process should be clearly outlined in a director resignation policy.

**GUIDELINE:** TDAM will generally vote for proposals requesting companies to establish a majority voting policy and/or director resignation policy for uncontested elections. If a director that did not receive majority affirmative votes in the previous election remains on the board without sufficient explanation, we will consider this to be a lack of responsiveness to shareholders and may withhold support from the director in question, as well as other relevant directors (e.g., on the nominating committee).

**2.11 Cumulative voting:** In certain circumstances, cumulative voting can be beneficial. It can be a safeguard for minority shareholders to have board representation where that may otherwise be difficult, such as situations where there is a small group of large shareholders. Cumulative voting may also be appropriate when a board is unresponsive to minority shareholder concerns.

**GUIDELINE:** TDAM will generally support proposals to introduce, restore or permit cumulative voting, so long as it is not detrimental to shareholder interests. Exceptions may be made depending on the company's other governance provisions related to director elections, such as the implementation of a majority vote policy for uncontested elections and the right to proxy access.

**2.12 Staggered boards:** All directors should stand for election on an annual basis. Staggered or classified boards make it difficult for shareholders to hold directors accountable and replace individual directors during periods of poor company or board performance, or when major governance concerns arise.

**GUIDELINE:** TDAM will generally oppose any new proposals to classify or stagger the board and will support resolutions to declassify the board and institute annual director elections. We recognize that staggered/classified boards may be in place already in companies across many markets; we will not vote against directors simply because of this election standard.

**2.13 Slate elections:** TDAM believes that shareholders should be able to elect directors individually.

**GUIDELINE:** If presented by slate ballot, TDAM will generally vote against or withhold support for all director nominees. This does not apply to contested director elections.

**2.14 Proxy contests/contested elections:** In a proxy contest, a shareholder can put forth its own slate of director nominees when it feels the board has failed to fulfill its responsibilities to protect shareholders and operate in the long-term interests of the company. TDAM expects the dissident shareholder to be transparent about its proposal and plans. We also expect both the dissident and management teams to be open to communication with shareholders during this process, so that we can evaluate the merits of the contest in full.

Our preference is for a universal ballot that lists both management and the dissident nominees, rather than separate proxy cards.

**GUIDELINE:** TDAM views each proxy context as unique. Therefore, in the event of a contested election, we will vote on a case-by-case basis, taking into consideration several factors, including, but not limited to, long-term company performance, board independence and other governance practices, director qualifications, the dissidents' strategic plan and quality of the critique against management, stock ownership positions, and any other relevant context and information.

**2.15 CEO and management succession planning:** Selection of the CEO is one of the board's most important responsibilities. Succession planning for the CEO and the key management team is critical to risk management and should be an ongoing and proactive process.

**GUIDELINE:** TDAM will generally support proposals that call for reasonable disclosure of a company's executive succession planning process.

### 3. Director Compensation

There is an inherent conflict of interest when directors are responsible for setting their own compensation. As such, the compensation package details for directors should be transparent to shareholders and must be commensurate with the skills, experience, time and effort required to effectively fulfil the duties and responsibilities of the director role. Director compensation should also be aligned with the long-term interests of the company and not be so high as to incentivize unethical behaviour or to compromise independence. We may vote against or withhold support for the committee directors responsible for setting director pay if practices contrary to these principles are identified.

**3.1 Director compensation – general fees:** Director fees should reflect the expertise and time commitment required to successfully carry out applicable duties and responsibilities and may vary for different director roles. Directors with similar roles on the board should have comparable compensation, although for directors with increased or unique responsibilities (e.g., the independent chair), additional compensation may be warranted. TDAM does not currently have a position on whether director compensation should be structured as a flat fee or as a retainer plus meeting fee.

**Director share ownership:** To demonstrate alignment between directors and shareholders, directors should have a meaningful investment in the company. TDAM views full value equity awards to be an appropriate form of equity-based compensation for directors in lieu of cash (not in addition) and directors should add to that stake over time; there should be a minimum shareholding requirement established. Equity awards should not be tied to corporate performance, as it may encourage excessive risk-taking. We do not view stock options as appropriate.

**Other director compensation:** TDAM believes that other compensation in the form of retirement benefits, change of control or severance provisions, health care coverage, charitable donations, and other such benefits are not appropriate to include in a director's compensation structure. These may compromise a director's independence and incentivize a misalignment with the long-term value of the corporation.

**GUIDELINE:** TDAM will vote on proposals to ratify non-employee director compensation on a case-by-case basis, taking into consideration factors such as, but not limited to, the equity/cash component, stock ownership guidelines, comparison to peer company director pay, the presence of problematic pay practices, the availability of retirement benefits and other benefits, and compensation program disclosure.

### 4. Executive Compensation

Executive compensation is one of the most visible and heavily scrutinized aspects of a company's corporate governance program. TDAM expects compensation packages for the CEO and other management team members to be aligned with the long-term interests of shareholders. While we recognize the need to ensure that compensation is competitive enough to attract, retain and motivate executives, it should not be structured to incentivize excessive risk-taking. When developing an executive pay plan, the compensation committee should consider, among other things, the broader economic environment, the experience of its shareholders, its workforce and the general public's perception.

Furthermore, we expect a clear link between pay and performance – both financial performance and other non-financial measures. We consider the inclusion of measurable ESG goals in such performance metrics to be best practice. Executive compensation structures should not be complex; disclosures should be easy for shareholders to understand and pay package components (e.g., fixed pay versus variable pay) should be clearly defined.

Any benefits offered as part of total compensation should be reasonable and justifiable to a corporate need. Should any significant concerns or problematic pay practices be identified, TDAM may vote against executive compensation proposals and may also withhold support from compensation committee members.

As companies place more emphasis on ESG strategies, metrics tied to ESG performance or goals are increasingly becoming an additional element in executive pay. We expect companies to clearly lay out their rationale for choosing certain ESG metrics and goals, and how they align with the company's strategic and financial goals. The ESG measures and goals chosen should be supported by data that is accessible and transparent to stakeholders. Having clear measures helps shareholders understand how ESG performance is aligned with executive compensation.

**4.1 Advisory vote on executive compensation:** The ability for shareholders to vote on say on pay proposals, sometimes referred to as “Management Say on Pay” or “MSOP”, allows for an integrated engagement process on CEO compensation between shareholders and boards. Although it is advisory (i.e., non-binding), it is an opportunity for the board to gauge shareholder satisfaction with its compensation approach and ultimately better understand the shareholder experience. When MSOP resolutions are defeated, or if they receive significant opposition (less than 80% support), TDAM expects the board to proactively consult its shareholders to understand concerns. How receptive the board is to shareholder feedback in its compensation planning going forward is an indication of board responsiveness.

We strongly believe that executive compensation should be aligned with performance. Furthermore, CEO pay should be tied to clear performance measures that are easily understood. Targets and goals linked to both short and long-term compensation should be designed with shareholder value creation in mind and should be transparent. Wherever discretion is applied, it should be disclosed clearly in the proxy circular. Excessive complexity of pay plans makes it difficult for shareholders and other stakeholders to adequately evaluate the proposal, which could result in a non-supporting vote.

**GUIDELINE:** We will generally support proposals requesting companies to adopt an annual say on pay vote. We will evaluate MSOP resolutions on a case-by-case basis. However, we will generally vote against proposals that do not link pay with performance, include problematic pay practices that encourage so-called “pay for failure” (e.g., excessive severance and guaranteed compensation), and/or where adequate disclosures are not provided.

As part of this evaluation, we will also take into consideration the peer group used for benchmarking, the mix of pay components, the broader market context (e.g., the impact of the COVID-19 pandemic), as well as internal pay disparity. Note that this is not an exhaustive list of our assessment framework. We may engage the board pre- and post-AGM if we wish to seek further information or provide feedback on the compensation approach.

In cases where TDAM opposes the say on pay proposal, we will also generally vote against the re-election of the chair of the compensation committee.

In the absence of an advisory vote on executive compensation on the ballot, TDAM will generally vote against incumbent members of the compensation committee if we find there are major concerns about CEO or management pay.

**4.2 Equity-based compensation:** TDAM believes that executives should build equity in the company to align their interests with those of shareholders. As such, we recognize that equity incentives are an appropriate component of the overall compensation approach and philosophy. However, equity awards should be performance-based, and our preference would be for full stock ownership over stock options. We generally discourage stock options that are time-based only; if stock options are used, there should be performance-vesting provisions in place.

**GUIDELINE:** We will vote on equity-based compensation plans on a case-by-case basis. However, the following outlines our general voting guidelines on various issues related to equity-based compensation, specifically the use of stock options.

**Option dilution:** TDAM believes that the dilution caused by the excessive issuance of stock options is not in the best interests of shareholders. TDAM generally opposes stock option plans if dilution exceeds the greater of 10% of the issued or outstanding shares or 2% per annum over the life of the options. Exceptions may occur in highly competitive labour markets. Potential dilution is assessed with reference to all of a company's existing and proposed stock option plans.

**Options under market:** TDAM will generally oppose the grant of options or the implementation of stock option plans where the exercise price of options is less than 100% of the fair market value of the shares at the date of grant, permitting for any discounts allowed by the stock exchange. TDAM may support grants or option plans with pre-determined formulas for determining exercise prices (based on a weighted average trading price or an average of daily high and low trading prices for a short period of time prior to the time of the grant) if there are no discounts provided by the corporation.

**Omnibus plan:** TDAM prefers option plans that include a shareholder-approved and results-driven formula. TDAM will generally oppose omnibus plans that have dilution over 10% or include three or more types of awards in one plan where the grant or exercise of awards is not linked to performance.

**Option price change:** TDAM will generally oppose share option plans which allow the board or management to lower the exercise price of existing options and will also generally oppose resolutions which seek to reduce the exercise price of outstanding options. Proposals to cancel and reissue options which appear to be an attempt to otherwise lower the exercise price of options will also generally be opposed.

**Extension of option exercise period:** TDAM will generally oppose proposals to extend the exercise period of existing options.

**4.3 Clawback policy:** TDAM believes that comprehensive compensation planning should include policies to recoup (or clawback) compensation that has been awarded to executives, including equity awards and incentive-based compensation, in the event of financial restatements, misconduct or other negligent behaviours resulting in a negative impact to shareholder value.

**GUIDELINE:** TDAM will generally support proposals requesting boards to adopt a clawback policy.

**4.4 Golden parachutes:** Compensation arrangements that include severance pay linked to mergers and acquisitions and an ultimate change in control should not be excessive and should be subject to more than one trigger mechanisms - e.g., after a change in control has taken place and the termination (or significant demotion) of the executive as a result of the change in control (i.e., a double trigger).

**GUIDELINE:** TDAM will generally oppose proposals involving excessive compensation, including excessive so-called golden parachutes for officers, employees or directors which are only contingent upon the merger/acquisition of the corporation with a resulting change in control (i.e., a single trigger).

TDAM will also generally support shareholder proposals seeking that shareholders ratify management-proposed golden parachutes.

**4.5 Employee stock purchase plan:** TDAM believes that employee stock purchase plans are desirable in a company's human capital strategy because they can lead to greater alignment of interests and increased commitment from employees.

**GUIDELINE:** TDAM will generally approve employee stock purchase plans where:

- 1 – shares available under the plan are purchased on the open market; and
- 2 – the voting power of shares available under the plan does not exceed 10% of the aggregate outstanding voting power of shares.

Employee stock purchase plans will generally be opposed if they contain any of the following characteristics:

- 1 – a corporate loan or company co-sign by the issuing company is required to enable the purchase of shares unless lending is considered a regular part of the granting corporation's business;

**2** – shares available under the plan are being issued from treasury and may be purchased by employees for less than fair market value, permitting for any discounts allowed by the stock exchange; or

**3** – the voting power of shares available under the plan dilutes aggregate outstanding voting power by more than 10%.

**4.6 Employee loans:** In general, TDAM does not believe that companies should extend loans to employees for the purpose of exercising options or acquiring equity. This is typically flagged as a problematic pay practice in compensation planning for senior executives.

**GUIDELINE:** TDAM will generally vote against proposals permitting a corporation to make loans to an employee or that would require a corporation to co-sign a loan with a third party for that employee to buy stock/options unless lending is considered to be a regular part of the granting corporation's business.

## 5. Audit Function And Process

A robust audit process is vital to a well-functioning corporate governance system. It provides assurance that disclosures about the financial health of a company are clear, comprehensive, and accurate, and that management has the necessary accounting controls in place. We expect boards to establish an independent audit committee (see section 2 - Boards of Directors for additional information) and appoint an independent external auditor that is rotated on a regular and reasonable basis. TDAM will generally support the audit committee's choice of external auditor if it meets the expected independence criteria. However, any instances of financial misstatement or other accounting controversies associated with the company may result in us withholding support for the auditor and/or the audit committee.

**5.1 Auditor independence:** TDAM expects a company's external auditor to be independent. This includes consideration of excessive tenure as firm auditor, as well as a close examination of fees paid for audit services versus other charges. The auditor should report directly to the audit committee, rather than to management.

**GUIDELINE:** Auditor and financial statement ratification are generally routine items, and TDAM will typically support the audit committee's choice of external auditor. However, we may oppose the auditor and vote against audit committee members if non-audit fees exceed audit-related fees, if the auditor's length of tenure raises concerns about independence, or if controversies related to the audit function and process are discovered.

## 6. Capital Management

Shareholders have a right to vote on matters impacting the capital structure and capital management of a company. We will evaluate proposals on a case-by-case basis, taking into close consideration how aligned such actions are with the pursuit of long-term value creation. We will not support proposals that may erode the value of outstanding shares or compromise existing shareholders' rights.

**6.1 Authorized shares:** Given the potential dilutive effect, shareholders should have the opportunity to approve the issuance of common shares. Any requests from companies to increase the number of shares of common stock authorized for issuance should be backed by a specific business purpose.

**GUIDELINE:** TDAM will generally support proposals seeking authorization of additional common shares provided the amount requested is necessary for sound business reasons. Proposals which seek a 100% or more increase in authorized shares when management does not demonstrate a specific need should be closely scrutinized. They will generally be opposed if they are not in the best interest of the shareholders. In scrutinizing such proposals, consideration should be given to factors such as the size of the company, the nature of its industry, the number of authorized shares remaining available for issuance, and any anti-takeover effects. TDAM will not support proposals for unlimited authorized shares.

**6.2 Blank-cheque preferred shares:** Generally speaking, proposals for blank-cheque preferred shares gives the board very broad discretion to usually create an unlimited number of preferred shares and to establish their voting, conversion, dividend, and other rights. These preferred shares are often better secured by company assets than are the common shares. In some instances, this can also be used to create take-over

defences. While there may be some scenarios where the issuance of blank-cheque preferred shares have valid business purpose, there is potential for abuse; these shares give full discretion to directors, and shareholders have no further power to determine how the shares will be allocated.

**GUIDELINE:** TDAM generally opposes the authorization or increase of blank-cheque preferred shares.

## 7. Mergers and Acquisitions and Corporate Transactions

TDAM will review all corporate transactions and investment-related proposals on a case-by-case basis, as the implications of these decisions are unique and require careful evaluation of all relevant factors and context. However, we will generally support proposed transactions that are in the best long-term interest of shareholders and that seek to protect and preserve shareholder rights.

**7.1 Mergers and acquisitions:** TDAM will evaluate mergers and acquisitions based on the long-term interests of the companies and shareholders involved. A comprehensive review and analysis will be conducted, taking into consideration the following factors: value to be received by target shareholders or paid by the acquirer; market reaction to the proposed deal; the strategic rationale for the transaction; the negotiation process surrounding the terms of the deal; conflicts of interest; governance implications for the new entity; broader stakeholder impact; and other relevant context and information.

**GUIDELINE:** TDAM will vote on all mergers and acquisitions on a case-by-case basis, leveraging the above-mentioned evaluation framework and expertise of our investment analysts and portfolio managers.

**7.2 Reincorporation:** Companies may request shareholder approval to reincorporate in a new jurisdiction for various reasons. TDAM believes that such requests must be backed by a strong business rationale and should not be to the detriment of governance structures.

**GUIDELINE:** TDAM will evaluate reincorporation proposals on a case-by-case basis, with careful consideration of the rationale for the move to ensure it's in the best interests of the company and its shareholders. We will generally vote for reincorporation when the positive financial factors outweigh negative governance implications, or where governance implications are positive. Conversely, we will generally vote against reincorporation if the governance implications of the proposed jurisdiction negatively impact the potential business case.

**7.3 Poison pills:** Just as all takeover offers should be analyzed carefully, so should any anti-takeover measures that are proposed by the board. Proposals to adopt shareholder rights plans (colloquially known as poison pills) must be closely scrutinized to ensure they are not intended to entrench management or unduly hinder a takeover offer. While TDAM recognizes there are reasonable justifications for poison pills – including giving the board more time to find an alternative value-enhancing transaction and to ensure the equal treatment of all shareholders – we are cautious about plans that go beyond these purposes. We expect any proposed shareholder rights plans to be appropriately structured so they can limit potential abuse or excessive control by directors and ultimately act in the best interests of shareholders.

**GUIDELINE:** TDAM will evaluate shareholder rights plans on a case-by-case basis, taking into consideration the disclosed rationale for its adoption and the different market norms for such plans that may be present in the relevant jurisdiction. We may consider withholding support for the chair of the board and/or the chair of the governance committee or other relevant directors where the board implements, makes certain material adverse modifications to, or renews a shareholder rights plan without shareholder approval.

Furthermore, TDAM generally opposes other anti-takeover measures such as crown jewel defenses and greenmail.

**7.4 Newly public companies:** TDAM encourages private companies to adopt corporate governance practices aligned with the expectations of a public issuer. We would be concerned if a company adopted problematic governance or capital structures prior to, or upon, an initial public offering, with the intention to subvert shareholder rights.

**GUIDELINE:** TDAM may vote against or withhold from the board if, prior to or in connection with the company's initial public offering, the company or its board implemented a multi-class capital structure with unequal voting rights, without a reasonable time-based sunset for such structure. Furthermore, TDAM may

vote against or withhold support from directors if, prior to or in connection with the company's initial public offering, the company or its board adopted problematic governance provisions such as supermajority vote requirements, a classified board structure or other egregious provisions.

## 8. Environmental and Social Issues

It is well understood that environmental and social (E&S) issues are no longer secondary to corporate performance. We have in the past several years seen these concerns rise to the forefront of shareholder action at company AGMs.

Many E&S proposals tend to focus on company disclosure. We are generally supportive of proposals that seek to improve corporate reporting and transparency on E&S issues, especially if there is sufficient relevancy, and the current state of disclosure and company performance lags that of peers or is below market and industry expectations. The cost of the request on the company should also be reasonable. All E&S proposals may not be equally relevant. As such, TDAM will evaluate these on a case-by-case basis, considering the specific material risks facing a company and the opportunities to create shareholder value if the proposals are adopted. We may also vote against or withhold support from directors if there is evidence of a failure to adequately manage material ESG risks.

Additional guidance and expectations on certain E&S issues are detailed below. Note that this is not an exhaustive list. Shareholder advocacy around E&S issues is a fast-evolving space. As such, TDAM will review and update its guidelines in this area, as is done in other categories, on a regular basis and at least annually.

**8.1 Climate change:** Climate change is an E&S focus area for TDAM. We actively engage investee companies on their climate performance – both directly and collaboratively with local and global industry groups. We see a number of climate-related proposals making their way to the meeting ballots at companies' AGMs, and we welcome the opportunity to exchange views on this topic through our proxy voting and engagement activities, wherever necessary and relevant.

We recognize the systemic nature of climate change and how it impacts all sectors. However, the ability of investors to properly assess any company's climate strategy and performance depends heavily on corporate disclosure and the availability of meaningful and comparable climate data. Given the broad consensus and transitioning of physical risks around climate change, TDAM expects most companies to have, at a minimum, basic disclosures on their climate strategy and governance, greenhouse gas (GHG) emissions data, especially Scope 1 and 2, but also Scope 3 as is feasible, as well as information on their emissions reduction efforts and goals. We strongly encourage disclosure aligned with the Task Force on Climate-Related Financial Disclosures framework as a best practice. Also, we expect high-emitting companies to provide detailed disclosures on both physical and transition risks, carry out scenario analysis, and set climate reduction targets in line with the 2015 Paris Agreement and the path towards net zero by 2050.

TDAM believes the board should have oversight and accountability of a company's climate action plans. We anticipate continued momentum around climate-related proposals brought to shareholder vote, including those put forth by management (i.e., say on climate).

**GUIDELINE:** While relevancy, materiality, cost, existing climate strategy and reporting are important to consider, TDAM will generally support proposals seeking basic and enhanced disclosures on how the company identifies, measures, and manages its climate-related risks, as well as those calling on companies to reduce their GHG emissions and set Paris Agreement-aligned targets. We will vote on climate proposals – either proposed by management itself or requested of management by shareholders – on a case-by-case basis.

We may vote against or withhold support from the incumbent chair of the responsible committee, or other directors, on a case-by-case basis if the company fails to take steps to assess and address its climate risks. We expect, at minimum, that the company provides detailed disclosure about climate-related risks, including disclosure about related board governance measures, corporate strategy, risk analyses, metrics, and targets (including appropriate GHG emissions reduction targets).

**Say on Climate Proposals:** TDAM will vote Say on Climate proposals proposed by management or requested of management by shareholders on a case-by-case basis. Our evaluation framework is broadly based on the relevancy, materiality, cost, and existing climate strategy. For management proposals, our assessment of

a company's climate action plan may include but is not limited to the strength of targets within the climate plan and related duration of such targets, TCFD-based disclosures to investors, pathways toward achieving set targets, alignment of lobbying activities with targets, as well as our engagement with companies where applicable. TDAM may support a shareholder proposal requesting the company puts forward a Say on Climate vote at their next AGM. Our evaluation framework for these shareholder proposals is consistent with our evaluation framework for a management-proposed Say on Climate, while also considering the company's responsiveness to shareholders on climate-related topics.

**8.2 Biodiversity:** At TDAM, our investments include many sectors and geographies that may face biodiversity and ecosystem loss related risks. Sectors such as food and beverage, materials, energy and pharmaceutical companies, sectors that can have material impacts and/or dependencies on natural capital and biodiversity. We believe that companies should assess and manage their financially material biodiversity risks to avoid regulatory fines, litigation, operational disruption, and impediments to company strategy and growth.

On a systemic risk basis, there are links between biodiversity loss and climate change, with forests, soil and oceans being a natural sink for carbon emissions and therefore a natural defense against global warming. We see greater assessment and disclosure from companies as important elements of building investor awareness around the biodiversity risks within portfolios.

As investors, we note various standards and regulations on biodiversity loss with several countries having signed onto the Kunming-Global Biodiversity Framework, the development of the Taskforce on Nature-related Financial Disclosures (TNFD), and the International Sustainability Standards Board's (ISSB) consideration of biodiversity-specific disclosure standards. We encourage companies to consider the above standards as they advance their own efforts to prevent and mitigate biodiversity impacts to and by their operations.

**GUIDELINE:** We will vote on biodiversity-related proposals on a case-by-case basis given company context, materiality of biodiversity risks and progress on risk mitigation and disclosure. TDAM may support shareholder proposals requesting companies to adopt biodiversity-related policies, to assess material biodiversity impacts and dependences, and to enhance disclosure around those biodiversity risks.

**8.3 Human rights:** TDAM believes the protection of human rights should be a core policy to companies – applicable to home markets and abroad. Too often, we see allegations of human rights abuses across corporate supply chains, such as child labor and forced labor. While unethical and reprehensible on their own, human rights concerns in a company's operations – whether it be in the supply chain, in-house labour, or the local communities – are a major business risk. Companies found to be complicit in human rights abuses face regulatory, legal, and reputational risks, as well as potential operational challenges.

However, data and information on human rights protection from companies is currently limited. Although many have stated policies, corporate disclosures on human rights evaluation, monitoring processes and performance metrics are scarce, specifically further down the supply chain and in markets where legal frameworks and the institutional infrastructure around human rights protection has traditionally been weak.

**GUIDELINE:** TDAM will generally support proposals for companies to adopt human rights policies aligned with internationally recognized codes and norms, such as the United Nations Declaration on Human Rights and the International Labour Organization Core Labour Standards. Particularly for companies with extensive or complex supply chains in markets with poor human rights records, TDAM will typically support proposals calling for greater transparency on a company's supply chain labour practices, and human rights due diligence process and performance.

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**8.4 Diversity and inclusion:** TDAM sees value in diverse perspectives at both the board level and across the broader organization. TDAM recognizes that employees are a crucial factor for any company's success, especially since companies rely on employees to meet their strategic ambitions and growth objectives. Risks and opportunities can arise out of how a company develops its corporate culture, interacts with its employees, and works to find, attract and retain talent. We believe that companies should aim to reflect their customer base and the broader societies in which they operate. We encourage companies to establish firm-wide diversity and anti-discrimination policies, report on efforts to attract and retain diverse talent and promote inclusion, and report on progress. Better data may be helpful for investors to gauge performance against a company's stated goals and commitments.

**GUIDELINE:** Although we will evaluate diversity-related proposals on a case-by-case basis, taking into consideration the current practices and transparency levels already in place, TDAM may consider supporting requests for companies to establish diversity policies and report on diversity and inclusion initiatives at the firm-wide level. We will also generally support proposals for comprehensive workforce data disclosures. Where permissible and appropriate, TDAM may consider supporting proposals for independent racial equity audits.

**See section 2, Board of Directors,** for more information on our guidelines on board diversity.

**8.5 Indigenous rights and relations:** Relationships with Indigenous Peoples are extremely important to many industries globally. Particularly for companies in the mining and energy sectors, licenses to operate dependent greatly on support from local communities. More importantly, Indigenous Peoples have specific rights as defined in the United Nations Declaration on the Rights of Indigenous Peoples, and TDAM believes that companies have a responsibility to respect these rights in the context of business operations and future projects. This includes ensuring that projects conform to the principle of Free, Prior, and Informed Consent (FPIC)..

**GUIDELINE:** TDAM will generally vote for proposals requesting companies to adopt and/or disclose policies related to protecting Indigenous rights. We will also be generally supportive of proposals that seek reporting on how the rights of Indigenous Peoples are considered and incorporated into a company's operations and decision-making process.

**8.6 Political and lobbying disclosure:** Transparency on political and lobbying activities and expenditures are an important way for investors evaluate whether a company's stated policies and strategy are aligned with its actions.

**GUIDELINE:** As appropriate and based on existing disclosures and/or allegations or controversies related to a company's political and lobbying activities, TDAM will generally support proposals requesting companies to better disclose their political contributions and lobbying policies and expenditures.

**8.7 Other E&S issues:** From an investor perspective, the analysis of a company's E&S performance should be based on financial relevance and materiality, and it is expected that every company and industry will have different E&S risks and opportunities. We further expect that shareholder proposals related to E&S issues will continue to show up on company ballots and will cover a range of E&S topics, including health and safety, emissions and effluents, water use, biodiversity impact, and data privacy and security, among many others.

**GUIDELINE:** TDAM will vote case-by-case on these proposals. In general, we will be supportive of resolutions that propose improved disclosures and the adoption of policies and practices that will serve in the best long-term interest of shareholders and stakeholders alike.

**8.8 Material ESG risks/failures:** We believe the board should have oversight of and accountability for the company's ESG-related risks. We expect companies to advance their policies, practices, and due diligence efforts to help identify and manage material ESG risks. Where relevant industry standards and guidance are available, we may look to such standards, as well as to peer group progress, to assess company performance.

Where there are material failures in managing ESG-related risks or where there is a significant lack of transparency about those risks, we will generally cast adverse votes.

**GUIDELINE:** TDAM may vote against or withhold support from the incumbent chair of the responsible committee, or other directors, on a case-by-case basis due to material failures in mitigating, managing, or disclosing material ESG risks.

# Proxy Voting

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