



**MACKENZIE**  
Investments

# **2024 proxy season review**

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At Mackenzie, we believe that proxy voting is integral to our role as active owners. We vote proxies in a manner that we believe is in the best interest of investors, taking into consideration material ESG risks. As a multi-boutique asset manager with diverse investments and perspectives, our portfolio managers are encouraged to consider the unique circumstances of their investments when voting on behalf of investors.

## Our approach

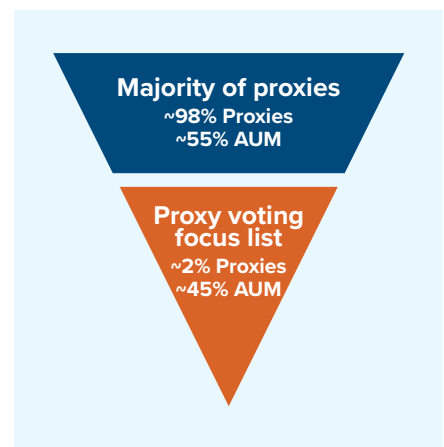
To maximize our efforts, our investment teams partner with our centralized sustainability stewardship team to develop proprietary research and perspectives. The sustainability stewardship team also provides custom research on companies where we have significant exposure, as measured by assets under management (AUM), and where we deem our vote to have the biggest impact. This detailed analysis is used to create our proxy voting focus list, which is assessed annually to stay current and relevant.

We determine our proxy voting focus list by identifying the highest exposure companies within each [Global Industry Classification Standard \(GICS\) sector](#). Additionally, any company where Mackenzie owns more than 5% of outstanding shares, automatically makes the list. This selection process ensures that our voting focus aligns with our investment priorities and addresses broader systemic or emerging risks.

Regular interactions with companies held in Mackenzie funds are crucial. These interactions allow us to share our perspectives and expectations with those companies, addressing the risks and opportunities we want them to consider.

### Our proxy voting focus list serves three purposes:

- 1. Risk management:** By focusing on companies with the highest exposure, we can proactively address potential risks and encourage companies to address those risks.
- 2. Alignment with engagement program:** The list helps align our influential or significant votes with Mackenzie's broader engagement program, ensuring a strategic and integrated approach to stewardship.
- 3. Prioritizing our efforts:** This approach also helps us to prioritize our team's efforts, focusing on companies where we have the most influence to drive meaningful change.



## Trends from 2024 proxy season

Part of our research is staying on top of industry trends, the following are trends from our 2024 proxy voting season:

### Environmental shareholder proposals

While the number of environmental proposals has increased over recent years, industry support has declined. We believe two important factors led to this decline:

- 1. An increase in very detailed or prescriptive proposals.** Shareholders are less likely to support proposals that impede the board's autonomy or ability to oversee or decide how best to implement proposal requirements. The more detailed or prescriptive a proposal, the less flexibility the board has in accommodating the unique circumstances of their company; and
- 2. An improvement and increase in climate disclosures across companies.** With increased regulatory disclosures and continued pressure from investors and activists, companies are building capabilities to disclose. According to CDP, one in four companies surveyed disclosed having a 1.5°C-aligned climate transition plan through CDP 2023, a 44% increase from 2022.<sup>1</sup>

We assess the unique circumstance of each shareholder proposal and vote on a case-by-case basis. When reviewing a shareholder proposal, we aim to balance the benefits with the constraints or drawbacks for the company and the shareholders.

#### Examples of cases where we may not support shareholder proposals include:

- The human and financial capital required to complete the request outweighs the benefit to shareholders and to the company.
- Where we are in dialogue with the company on this topic and need to give them more time to address our feedback or implement our request(s).
- Geographic factors that may impact voting, such as the binding nature of shareholder proposals in Japan.

In Japan, when a shareholder proposal is approved, there is a requirement to amend the company's articles of incorporation.<sup>2</sup> The amendment means that if the company does not adhere to the proposal exactly as written, the company is exposed to legal risks. Due to the legal risks involved, support for binding proposals in Japan is historically low despite the numerous environmental shareholder proposals that are filed relating to nuclear energy and net-zero strategies. Many shareholders would rather engage with the company than introduce legal risks to the board. As of June 30, 2024, there were a total of 31 binding proposals relating to nuclear energy in the Japanese market which influenced Mackenzie's lack of support for environmental shareholder proposals in that market.

### Social shareholder proposals

Workforce diversity, equity and inclusion (DE&I) had the highest levels of industry support in this year’s proxy season, with 24% support on average. Mackenzie had higher than average support levels for social proposals at 31%. In comparison to environmental proposals, social proposals are generally less nuanced with significant opportunities to improve company-related disclosures. Additionally, our engagement program has primarily focused on climate and therefore we use proxy voting as a key tool to drive forward improvements in social disclosure and strategy.

### Governance and compensation shareholder proposals

Mackenzie also demonstrated strong support for compensation and governance-related shareholder proposals. Most of the compensation proposals we voted on were proposals relating to severance approval policies and disclosure on pay gaps.

Through our voting, Mackenzie advocated for companies to consult with shareholders before entering into extraordinary severance agreements and to provide transparency on pay gaps relating to gender and race. We also defended shareholder rights and strong corporate governance with votes in favour of over 80% of the shareholder proposals requesting independent chairs and rights to call special meetings.

### Our voting results in proxy season 2024

Shareholder proposal category; YTD June 30, 2024	Mackenzie support level*
Compensation	18%
Environment	17%
Governance	34%
Miscellaneous	17%
Social	31%

\*Percentage of Mackenzie accounts that voted FOR the proposal. Results exclude proposals commonly viewed as anti-ESG to more accurately reflect category support levels.

## 2024 proxy voting case studies

Throughout the 2024 proxy season, we capitalized on our deep bench of subject matter expertise to deliver meaningful outcomes to our investors and clients. We demonstrated that a proactive and collaborative approach can lead to impactful conversations and results across the spectrum of sustainability themes.

### Climate

Our approach to addressing climate-related proxy votes is grounded in our commitment to manage risk within our portfolios, with the aim of increasing long-term value for our clients.

We recognize that climate transition is a multi-year journey, often along a non-linear path, and that urgent and meaningful action is required to limit global warming to 1.5°C. Balancing these two realities means that we take a pragmatic and data-driven approach in our stewardship efforts, particularly on climate.

Through our integrated stewardship model, we have built feedback loops between our engagement and proxy voting efforts. The intelligence we gain from our thematic climate engagements informs our proxy voting research for our focus list — and climate-related proxy voting outcomes drive further dialogue with companies.

The below example demonstrates how we have applied our integrated stewardship approach to climate-related proxy voting and engagement in 2024.

#### Advocating for enhanced climate action planning and disclosure at A.O. Smith

A.O. Smith Corporation is one of the world's largest manufacturers of residential and commercial water heaters and boilers, with operations across North America, China, Europe and the Middle East.

Mackenzie has been engaging with A.O. Smith since early 2022 through our thematic climate engagement program, to better understand the company's climate transition plan and emissions abatement goals for 2025 and beyond. Since then, we have been closely tracking A.O. Smith's progress on these issues, with the most recent meeting held in Q1 2024.

Throughout our dialogue, we have been concerned about the company's lack of a public decarbonization target for reducing absolute greenhouse gas (GHG) emissions for the medium-term (up to 2036), and a public emissions reduction strategy and roadmap for 2025 and beyond. Transparency on these two issues is valuable to investors, as it provides a clearer line-of-sight into how A.O. Smith is responding to climate risk and reducing emissions post-2025, and across their value chain.

In our latest meeting in 2024, we were encouraged to learn that A.O. Smith is on-track to meet its 2025 GHG emissions intensity target (for Scope 1 and 2) and that management is working on disclosing Scope 3 GHG emissions. However, our concerns regarding the continued gaps we see in the company's medium-term climate action planning and disclosures were not addressed. In light of this, during the company's 2024 Annual General Meeting, we chose to withhold our vote on the re-election of the Chair of A.O. Smith's Nominating & Governance Committee, who has oversight of the company's approach to ESG reporting and initiatives.\* We also sent a letter to the board to provide further context for our vote, to emphasize our concerns and encourage enhanced disclosure and action, and to underline our commitment to continuing to engage with management on these issues. The Chair of A.O. Smith's Nominating & Governance Committee only received 45% support from shareholders, which further demonstrated that both our engagement efforts and votes were aligned with the interest of shareholders.

\*The nominee at A.O. Smith was running unopposed and therefore voting against was not an option. In this case, a withhold vote is synonymous with a vote against the director.

## Diversity, equity & inclusion

We believe that diversity within the workforce enhances talent retention, bolsters brand reputation, and fosters innovation, all of which contribute to sustained company growth over the long term. We encourage companies to champion diversity, starting from the highest levels of leadership, and to publicly disclose their diversity policies, encompassing not only their board composition but also details about executives, senior management and employees.

Pay equity reporting allows employers to demonstrate their commitment to a diverse and inclusive workplace. It ensures fair compensation for employees performing similar roles, regardless of gender, race, ethnicity or other personal characteristics. Many companies report a gender pay equity metric of 99% (females earning 1% less than males) after adjusting for factors like position, experience and geography.

This metric can be seen as misleading on how effective a company is at promoting gender balance. By instead using a median pay gap methodology, the result better highlights gender balance at top ranks. By removing the pay equity adjustment for factors like position, the methodology will result in a larger median gender pay gap if the company has disproportionately more men in high-paying jobs. This methodology is mandatory for UK companies with over 250 employees.<sup>3</sup>

**“What gets measured gets done. We view median pay gap analysis as a best practice to advance equality while supporting a company’s ability to attract and retain the talent to drive future success.”**

– Andrew Simpson, SVP, Portfolio Manager,  
Mackenzie Betterworld Team

The below example demonstrates how we have applied our integrated stewardship approach to diversity, equity and inclusion proxy voting and engagement in 2024.

### Addressing pay equity disclosure at Apple

In 2024, Apple faced a shareholder proposal concerning median gender and racial pay equity. The proposal urged the release of an annual report detailing median pay equity metrics and the company’s related policies. As required under UK law, Apple already releases a regional report with much of the requested information for its three legal entities operating in the UK. Apple’s existing methodologies align well with the shareholder proposal’s requirements and based on the board’s confidence in their annual pay equity analysis, supporting this proposal presents a simple opportunity for Apple to demonstrate leadership within the industry. For this reason, we supported the proposal for enhanced disclosure,<sup>4</sup> which received 31% support in favour.

## Biodiversity and deforestation

Our impact on financing a sustainable future extends to preserving the natural world. Biodiversity encompasses the variety of life on earth including the entire ecosystem.

More than half of the world's GDP depends on biodiversity and the natural capital it provides.<sup>5</sup> Industries like agriculture and forestry heavily rely on natural resources and are likely to be most affected by accelerating biodiversity loss. We believe there is a real risk of global supply chain disruptions and financial impact to companies that are not mitigating their exposure to biodiversity loss.

**“Failure to integrate biodiversity into the company’s sustainability strategy can negatively impact shareholder value. Disclosing biodiversity efforts under a standardized framework, such as the TNFD, would help the company understand its nature-related impacts, dependencies, risks, and opportunities, thereby prioritizing efforts and identifying strategic opportunities in a comparable setting.”**

– Francesca Ricchetti, ESG Investment Analyst, Mackenzie Europe Team

The below example demonstrates how we have applied our integrated approach to biodiversity and deforestation proxy voting and engagement in 2024.

### Engaging with Home Depot on biodiversity disclosures

In 2024, Home Depot faced a shareholder proposal requesting a biodiversity assessment in line with the Taskforce on Nature-related Financial Disclosure framework. After reviewing Home Depot’s disclosure, we acknowledged that improvement had been made over 2023 with an evaluation of their forestry practices by an external law firm and the subsequent release of its Sustainable Forestry Report and their Wood Purchasing Policy. Despite these actions, we do believe there is an opportunity for further improvement in the level of granularity with their reporting for our team to assess its risk mitigation strategy. At this stage, we voted “abstain” as we prefer engagement.\* Given the recent release of additional disclosure and implementation of purchasing policies, we believe monitoring the results of these actions and having a targeted engagement would provide us with more insight.

\*It is common practice for shareholders to vote “abstain” on select proposals where they agree with the merits of the proposal but would prefer to first engage. By abstaining, the investment team can signal to the company that they would like to see an improvement in the disclosure available, but they would like to provide the company with an opportunity to discuss first.

As we reflect on the 2024 proxy voting season, it is clear that our commitment to responsible stewardship and active engagement with the companies in which we invest, remains paramount. By prioritizing environmental, social, and governance (ESG) considerations in our voting practices, we not only align our actions with the values of our investors but also contribute to the broader goal of sustainable corporate practices. Moving forward, we will continue to adapt our strategies to address emerging trends and challenges, ensuring that our proxy voting reflects our dedication to fostering long-term value and positive change in the companies we support.

<sup>1</sup> [1.5°C still the goal: businesses disclosing climate transition plans jumps nearly 50% \(CDP\)](#).

<sup>2</sup> [Filing a shareholder proposal in Japan | Article | PRI \(unpri.org\)](#).

<sup>3</sup> [Gender pay gap reporting: guidance for employers - GOV.UK \(www.gov.uk\)](#).

<sup>4</sup> At the time of the vote, Apple was also held by Global Equity and Income, Bluewater, and North American Equities and Income. Due to our boutique structure and the inclusion of their unique portfolio circumstances and views, each investment team may vote differently. In this case, Global Equity and Income, Bluewater, and North American Equities and Income voted against the proposal after review.

<sup>5</sup> [WEF: New Nature Economy Report 2020 \(weforum.org\)](#).

<sup>6</sup> At the time of the vote, Home Depot was also held by Global Equity and Income, Multi-Asset Strategies, Global Quantitative Equities, and North American Equities and Income. Due to our boutique structure and the inclusion of their unique portfolio circumstances and views, each investment team may vote differently. In this case, Global Equity and Income, Multi-Asset Strategies, Global Quantitative Equities, and North American Equities and Income voted against the proposal after review.

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