

TD Asset Management's

Sustainable Investing Approach



Scope

In this document, references to integration or incorporation of ESG factors exclude certain strategies and asset classes, including but not limited to index-tracking funds and certain third-party sub-advised strategies. Further, the extent of integration or incorporation of ESG factors varies across TDAM Funds and mandates. For certain TDAM Funds where ESG factors do not form part of a fund's investment objective or principal investment strategy, ESG factors may still be considered by a fund's portfolio manager from time to time, to varying limited degrees and weight, if those ESG factors are expected to have a material financial impact on the value of a security held by that fund.

TDAM takes an active stewardship approach across its equity, fixed income and alternative asset portfolios, including engagement with companies and proxy voting on certain ESG-related issues. These elements of stewardship are a component of TDAM's general approach and serve as avenues to both develop a better understanding of a company and allow us to convey our views to the board and management. TDAM's stewardship program is conducted on an aggregated exposure basis and spans fundamental equity, quantitative equity, fixed income, alternative assets and index funds. Stewardship does not form an investment strategy of any TDAM Fund.



Executive Summary

At TD Asset Management (“we”, “TDAM”) we believe that considering ESG factors is fundamentally aligned with our overall philosophy of seeking investments in sustainable long-term assets through a risk-managed process. More specifically, we focus on ESG issues that are likely to impact the long-term value of an investment and believe that considering ESG issues provides us with a more robust view of potential risks and opportunities. While we do advocate engagement, for clients with a different philosophical view on ESG we do provide and continue to develop positively screened investment products.

The above principles serve as a guidepost for how TDAM's investment team's approach ESG integration, and adopt processes attuned to their specific mandates. TDAM's effort to incorporate sustainability into its investment decisions is long-standing; with a proactive approach to evolving our analysis as ESG data matures, materiality comes into focus, and regulatory frameworks push to expand market awareness.

We understand the dual impact of many ESG issues; where they can impact the financial direction of investee entities and the environment in which they operate. Under our approach, financially material

ESG factors are weighed alongside other traditional investment criteria, with investment implications resulting if an ESG issue or event changes the intended risk/return profile of an investment. Additional attention is given to any ESG issues that may add systemic risk and impede the long-term sustainability of financial markets overall.

We work together with other organizations who strive to advance sustainability efforts in investment management across all asset classes. **TDAM is a signatory to the UN-supported Principles for Responsible Investment (PRI), the Carbon Disclosure Project (CDP), Climate Action 100+; the Canadian Coalition for Good Governance (CCGG) and the Investor Stewardship Group (ISG). We are also a participant member of the Global Real Estate Sustainability Benchmark (GRESB).**

We have recently staffed a dedicated ESG Research and Engagement team that will work alongside and support the various investment teams with ESG research, ESG integration and active ownership efforts. This team will work to ensure that we have consistency in our ESG approach across all asset classes and that we are fully representing the various ownership positions that we may have across strategies.

Our contributions to the sustainability dialogue

Sustainable investing requires a multifaceted approach that considers the multiple stakeholders that guide investment strategies, industry direction, and the development of relevant decision-useful ESG data. Through open and continuous dialogue, asset managers can assist in building the necessary

information infrastructure to facilitate more sustainable investment decision-making. To this end, we have worked with and continue to work with regulators, stock exchanges, global partnerships, ESG data providers, and other asset managers to move forward the sustainable finance agenda.

Regulatory bodies



Regulatory frameworks are seeking further transparency around various ESG risks. We have collaborated with regulators to advocate that securities filings include the requirement to disclose key ESG facts in plain language. For example, our work with Canadian Securities Administrators led to its notice on environmental disclosure requiring Canadian public companies to disclose carbon pricing assumptions made in planning activities.



Stock Exchanges

We have helped the Toronto Stock Exchange (TSX) design and run environmental and social disclosure workshops for TSX-listed companies.



Global relationships

TDAM was one of twenty institutional investors across the globe to take part in a pilot project conducted by the United Nations Environment Programme Finance Initiative (UNEP FI) with the goal of assessing how climate change could impact investor portfolios. We contributed perspective on how asset managers should move forward with climate-based scenario analysis, a major recommendation put forward by the Task Force on Climate-Related Financial Disclosures (TCFD).

We continue to encourage others in the investment industry to embrace sustainable investing. We have incorporated an ESG component into our investment dealer research ranking in order to encourage an increase in the amount of ESG research by sell-side analysts. To the extent that we engage sub-advisers for investment products we ask that they integrate ESG issues into their investment analysis and decision-making processes. We have engaged ESG data providers on their methodologies and approach to

assessing ESG factors. We also help educate the business media, speak at industry conferences and share our experience as a Principles for Responsible Investment (PRI) signatory.

To help investors understand our approach in more depth, our website includes an annual report disclosing how we have delivered on our PRI commitments, plus disclosure on how we have voted at hundreds of company meetings.

Integration of sustainability factors

The following defines TDAM's approach to ESG integration and provides further details on integration and active stewardship across teams.

Fundamental equities

TDAM's Fundamental Equity team believes that consideration of ESG factors enables a robust view of risks associated with a particular investment. The process for incorporating these factors into decision-making is essentially threefold: systematic reviews of issuer ESG risks, thematic ESG research and active ownership.

Systematic ESG reviews

We believe that considering ESG issues provide us with a more robust view of potential risks and opportunities. We look at a number of ESG indicators that we believe apply to all industry sectors and elevate any issues that could put a company's expected earnings at risk. Each company research report incorporates an ESG assessment, ensuring concerns around ESG risk exposures are reviewed, updated and evaluated by our sector analysts. Although we augment our work with information from third parties, including sell-side brokerage firms as well as ESG data providers, we consider conducting our own review and assessment a key part of the process.

Thematic ESG research

We produce broad thematic ESG research on topics that have the potential to highly impact the companies in which TDAM invests. We have found this to be the best way to highlight the structural changes to various sectors and impacts to the companies themselves.

Active ownership

Our in-depth research helps inform our commitment to active ownership. We strive to be active owners by engaging with the companies in which we invest and by taking advantage of our voting rights to help effect change. Our intent is to both improve corporate ESG disclosures as well as improve companies' ESG-related practices.

- **Engagement** – We use our in-depth research to prioritize engagement efforts. Our sector analysts meet with companies about their business structure, strategic direction, risk management, cost drivers and revenue prospects. Material ESG issues are integrated to further inform investment evaluations.
- **Proxy voting** – We vote on proposals that involve ESG issues on a case-by-case basis. Sustainability research is incorporated within our process impacting both management and shareholder proposals where relevant.

We primarily focus on Canadian companies, and our efforts are bolstered by governance engagements conducted by the staff and Board of the CCGG on behalf of their members. In addition, we participate from time to time in relevant engagements presented to us through the PRI Clearinghouse.

Quantitative equities

TDAM's Quantitative Equity team seeks to exploit market inefficiencies using a combination of their researchers' custom-built models and insights from their portfolio managers. While quantitative models facilitate objective decision-making as well as broad coverage of equity markets, no single model can cover the full complexity of the factors driving stock markets. The team is tasked with designing portfolios, proxy voting, and identifying emerging sources of risk that

may not yet be sufficiently captured by quantitative approaches. ESG criteria play a role in the investment process as a factor in the quality filter – and as a way to better understand and anticipate foreseeable risks. In addition to being active stewards, the Quantitative Equity team participates in ESG data dialogues with third-party providers and develops research around ESG data and evolving trends.

Quantitative ESG signals

In building quantitative models, the Quantitative Equity team seeks to produce the most effective alpha and risk forecasts. ESG factors and methodologies are considered in these research and development efforts.

ESG data dialogue

Additionally, the Quantitative Equity team runs an ESG engagement program to improve data quality from data providers. The team aims to help the industry overcome current data limitations to ESG investing. Among other efforts, the team shares internal data validation methodologies with data providers partners and helps analyze their datasets.

Proxy voting

The Quantitative Equity team is an active partner in reviewing and implementing the firm's approach to casting votes on ESG-related proposals.



Fixed income

TDAM's Credit Research team evaluates ESG factors as part of a comprehensive credit review process for both corporate and government issuers. In addition to evaluating the financial and business strength of issuers, an ESG assessment is conducted for every issuer included on the TDAM credit approved list. To gain a complete picture of a company's credit quality,

the team also engages management to understand how issuers are addressing material ESG exposures. Our credit research and issuer engagement inform both our internal credit ratings as well as an ESG-specific score. Our analysis is regularly updated and incorporated into research reports that are then reviewed by TDAM's Credit Committee.

ESG credit review & exposure scores

Each sector analyst focuses on the potential short-term and long-term risks associated with ESG factors, and the possible impact they could have on TDAM's internal credit rating. Several ESG dynamics are weighed and factored into an internal ESG Credit Exposure Score.

We have built out a database of ESG Credit Exposure Scores for every issuer on our approved lists in order to ensure ESG risks are properly identified, characterized, and calibrated in our analysis across fixed income portfolios. We use a variety of sources to inform these scores, incorporating ESG data from credit rating agencies, third-party ESG data providers, and independent international organizations. ESG topics of focus depend on the sector, with our areas of focus guided by well-established ESG materiality frameworks. Sector analysts use these resources alongside their own sector expertise to assign ESG scores.

Issuer engagement

We regularly meet with officials from the companies and governments in which we invest or consider for potential investment. Discussion of ESG dynamics is a component of these engagements, with credit analysts elevating inquiries on ESG issues that might have a material impact on our internal credit ratings.

ESG Credit Committee

With the increasing awareness of ESG risks and the in-depth discussions required, we have also created an ESG Credit sub-committee. This ESG Credit Committee meets on a quarterly basis, with more material and cross-sector ESG topics filling their agenda.

Quality

Alternative assets

TDAM's Alternatives team seeks to integrate best-in-class sustainability practices across all real estate, infrastructure, and mortgage investment and portfolio management processes. This includes acquisitions, developments, capital planning and ongoing operations. We believe that our sustainability strategy

is fully aligned with our culture that focuses on risk management, disciplined processes and sustainable returns. We adhere to the following commitments, which also apply to management partners and related external service providers:

Environmental impact

We are committed to minimizing the environmental impact of our investments by staying attentive to resource utilization and waste. Some of those efforts include reducing energy and water use, reducing greenhouse gas emissions, considering renewable energy sources, minimizing waste output, focusing on waste diversion, using sustainable materials and equipment, and pursuing third party certification standards relating to sustainable practices wherever possible.

Health & welfare

We are committed to improving health and welfare of our tenants, residents, suppliers and the communities in which we operate. Efforts toward this end include ensuring assets meet or exceed all health and safety regulation, requiring sustainable and responsible contracting principles to be used by our management partners, and fostering community involvement.

Integrity & accountability

To encourage the continuous improvement of sustainability best practices and to support our values of integrity and accountability, we are committed to promoting sustainable practices and embedding sustainability considerations into our disciplined investment processes and policies. We will continue to measure our progress towards these commitments. Both the Real Estate and Infrastructure teams are participant members of GRESB.

Integrity

ESG Oversight

TDAM has a dedicated ESG Engagement Committee that oversees the firm's overall ESG strategy and integration efforts. The committee facilitates discussion around ESG issues, engagements and policy direction. The committee is made up of a diverse set of seasoned professionals and includes members of the investment management, external distribution, and investment risk teams. The committee meets on a quarterly basis, in addition to ad-hoc subcommittees where necessary.

The ESG Engagement Committee strives to ensure that the sustainable investment approach is implemented in accordance with the applicable mandate(s) and

clearly communicated across the business. Committee members also collect feedback through engagement with clients and consultants, combining it with industry trends and research to inform TDAM's ESG strategy and engagement efforts.

The work of the ESG Engagement Committee is communicated to upper management, including the Chief Executive Officer, Chief Investment Officer and portfolio managers, all of whom serve critical roles in advancing sustainability across the firm and within applicable portfolios that TDAM manages. ■

Committed

Connect with TD Asset Management



The information contained herein has been provided by TD Asset Management Inc. and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TD Asset Management Inc. is a wholly-owned subsidiary of The Toronto-Dominion Bank. All trademarks are the property of their respective owners. ® The TD logo and other trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.