

## TD Asset Management and Sustainable Investing

### Investing for a Better Future | 2019 Sustainable Investing Annual Review Summary

#### HIGHLIGHTS OF 2019

##### PRI Assessment

TDAM's progress in ESG communication and advancements in integrating ESG factors into our investment process, has led to continuous improvement of the firm's PRI annual assessment.

##### ESG Engagements

In 2019, TDAM had 114 ESG-focused engagements with companies. These covered a variety of topics including environmental remedies to reduce CO2 emissions, water recycling efforts, waste management, workforce diversity and community engagement.

##### Sustainability Rating

As of October 31, 2019, 34% of funds managed by TDAM were rated high or above average in terms of sustainability by Morningstar.<sup>4</sup>

##### TD North American Sustainability Leadership Equity Model

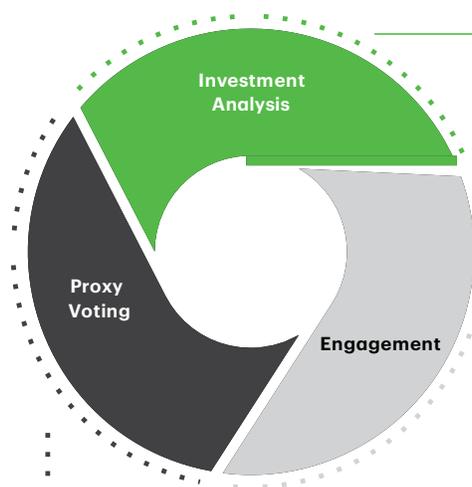
TDAM manages a TD North American Sustainability Leaders Portfolio for TD Private Investment Counsel. The portfolio invests in high-quality companies who contribute positively to the United Nations Sustainable Development Goals (UN SDGs).

**TD Asset Management (TDAM)** is one of Canada's largest investment management firms, managing more than C\$394 billion<sup>1</sup> in assets on behalf of retail and institutional investors.

Incorporating environmental, social and governance (ESG) factors within the investment framework is compatible with our goal of seeking to provide strong risk-adjusted returns in a manner that is consistent with our duty to act in the best interest of clients.

Assessing and managing investment risk is an integral part of how we seek to meet our fiduciary obligations and as such, we believe that ESG factors are an important consideration within our investment process, helping to provide us with a more robust view of potential risks and opportunities.

TDAM has been a signatory to the Principles for Responsible Investment (PRI) since July 2008<sup>2</sup>. Our ESG framework is aligned with the Six Principles set out in the PRI<sup>3</sup>, including our approach to assessing company risk which is grounded in three core activities:



##### Investment Analysis

We incorporate ESG factors in our equity and credit research, and aim to ensure that ESG considerations are part of our investment decision process.

##### Engagement

We engage directly and collaboratively with companies across a broad range of industries, meeting with senior management to understand the potential impacts of ESG risks on their business and the processes in place to manage those risks.

##### Proxy Voting

We strive to be active owners by exercising our voting rights as shareholders. This is one of the key ways we can positively influence ESG practices for the companies in which we invest.



## TDAM's 2019 Engagement Activity:

We continue to be **active shareholders**, and the scope and magnitude of our engagement activities includes:

- **115 company engagements** across multiple sectors. Topics included the promotion of efforts to establish sustainable practices through positive impacts on local communities and the reduction of the environmental footprint.
- **27 engagements related to corporate governance**, including 17 with a particular focus on aligning CEO compensation with shareholder returns.
- **Seven company engagements** regarding the use of plastic in their business. Promoted replacements of plastic in products and increased recycling targets.
- Engaged nine companies to promote **sustainable practices in community relationships and inclusive economies**. This involved increasing training programs to lower-wage earners, promoting an affordable housing program, and improving access to affordable prescription drugs through subsidized programs.
- Four company engagements, across various industries, regarding **worker safety and product safety**.

## TDAM's 2019 Voting Activity:

- **Supported 135 environmental and shareholder proposals in 2019**, on a diverse mix of environmental and social topics
- **In addition to voting against any say on pay, voted against the election of 383 compensation committee members** who had approved (i.e. expressed a belief in) a disconnection between CEO compensation and shareholder performance. This was in support of governance practices related to aligning CEO pay with shareholder performance.

## PRI Assessment Scorecard<sup>6</sup>:

The PRI assessment is an annual scorecard report provided to signatories of the PRI, based on the reporting of their responsible investing activity throughout the year. The reporting is compulsory for all signatories, helping to ensure (i) accountability, (ii) standardized transparency among signatories; and (iii) continuous improvement, as signatories are able to gauge their performance relative to their peers and industry.

TDAM continues to seek to achieve the highest possible scores across assessment modules, as we strive to continually strengthen our investing approach and enhance our ESG integration.

Year	Strategy	Integration	Active Ownership	Reporting Period
<b>2019</b>	<b>A+</b>	<b>A</b>	<b>A</b>	<b>Jan. 2018 to Dec. 2018</b>
<b>2018</b>	<b>A+</b>	<b>A</b>	<b>A</b>	<b>Jan. 2017 to Dec. 2017</b>
<b>2017</b>	<b>A</b>	<b>A</b>	<b>B</b>	<b>Jan. 2016 to Dec. 2016</b>
<b>2016</b>	<b>A</b>	<b>A</b>	<b>B</b>	<b>Jan. 2015 to Dec. 2015</b>

Note: The scores are indicative of six performance bands (from E to A+) with highest possible bands represented by A and A+.

## Key Facts

- In July 2008, TDAM became one of the first Canadian bank-owned asset managers to be a signatory to the Principles for Responsible Investment (PRI).
- We have adopted a Sustainable Investing Policy across our Canadian and US operations since 2009.
- We integrated ESG analysis within our investment process and provide ESG commentary for all research reports.
- We are a signatory to the Carbon Disclosure Project (CDP) and the Investor Stewardship Group (US operations only), as well as participate in the Canadian Coalition of Good Governance (CCGG) (Canadian operations only).
- Our ESG Engagement Committee is actively involved in ESG-related engagement activities; overseeing TDAM's ESG strategy, communication and education of ESG matters.

For more information on Sustainable Investing please visit our website [tdaminstitutional.com](http://tdaminstitutional.com) or contact your TDAM Relationship Manager.

Contact Us: Telephone: [1-888-834-6339](tel:1-888-834-6339) | Email: [inst.info@tdam.com](mailto:inst.info@tdam.com) | Web: [tdaminstitutional.com](http://tdaminstitutional.com)



<sup>1</sup>Asset Management businesses within TD manage \$394 billion in client assets. Assets under management as of December 31, 2019 for TDAM USA Inc., Epoch Investment Partners Inc. (Epoch), and TD Asset Management Inc. (and combines the assets of TD Greystone Asset Management with TD Asset Management Inc. as TD Greystone Asset Management legally amalgamated with TD Asset Management on November 1, 2019).<sup>2</sup>TDAM and PRI (<https://www.unpri.org/signatories/td-asset-management-td-asset-management-inc/1845.article>)<sup>3</sup>Details on our Sustainable Investing Approach and guiding PRI Principles are outlined in more detail here: Sustainable Investing Policy and PRI <sup>4</sup>TDAM calculations using data from Morningstar Research Inc. The percentage is based on the total number of funds managed assigned with a rating score by Morningstar's Sustainability Ratings as of October 31, 2018. The Morningstar Sustainability Rating measures a fund's conformity to ESG criteria and assigns each mutual fund share class to a rating category between 1 (low sustainability) and 5 (high sustainability). The Rating is a holding-based measure and is calculated from companies' ESG and controversy scores provided by Sustainalytics, a leading provider of ESG research. The Morningstar Sustainability Rating is issued monthly based on the most recent company data from Sustainalytics. <sup>5</sup>Fundata Canada Inc. Special Report "How to use ESG rating to find the best RI funds" by Fund Library, 2018 <sup>6</sup>PRI Assessment Reports 2015-2018. The PRI scores are reflective of TD Asset Management Inc. Epoch Investment Partners, Inc. ("Epoch") is a wholly-owned subsidiary of The Toronto-Dominion Bank and an affiliate of TD Asset Management Inc. TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. Both are wholly-owned subsidiaries of The Toronto-Dominion Bank. 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. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments.

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