



TD Asset Management Inc.

# **Sustainable Investment and Climate Report**

2024

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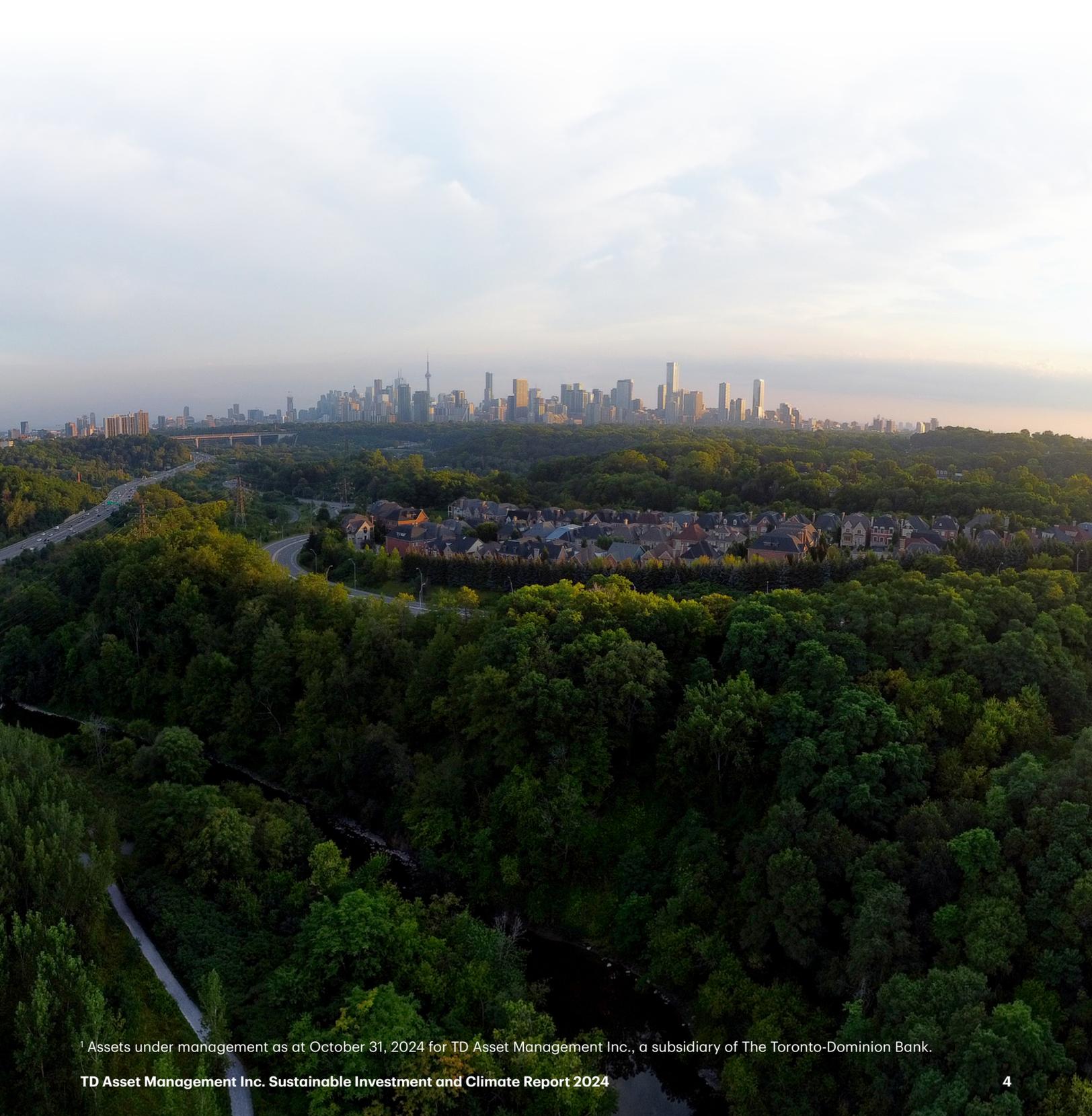
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# About TD Asset Management Inc.

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TD Asset Management Inc. (TDAM) is a leading asset manager in North America which directs approximately US\$304.2 billion in assets under management (AUM) on behalf of retail and institutional investors as of October 31, 2024.<sup>1</sup> TDAM offers a diversified suite of investment solutions to corporations, pension funds, endowments and foundations. Additionally, TDAM manages assets on behalf of retail investors through affiliated and third-party dealers and offers a broadly diversified suite of investment solutions, including mutual funds, exchange-traded funds, professionally managed portfolios and corporate class funds.



<sup>1</sup> Assets under management as at October 31, 2024 for TD Asset Management Inc., a subsidiary of The Toronto-Dominion Bank.



## About This Report

This report provides an annual review of TDAM's sustainable investment practices, progress and priorities for the 2024 reporting period from November 1, 2023 to October 31, 2024. This report starts by setting out TDAM's 2024 highlights and the priorities that were established during that period to help guide our stewardship and integration efforts. A brief overview of TDAM's sustainability approach is then provided, noting our performance according to industry benchmarks, specifically the Principles for Responsible Investment (PRI)<sup>2</sup> and the Global Real Estate Sustainability Benchmark (GRESB). The report then outlines TDAM's stewardship and integration efforts, providing quantitative metrics that help demonstrate our work and principles, as well as case studies that aim to provide a well-rounded view of how we expressed environmental, social and governance (ESG) integration for applicable types of investments. This report also provides an overview of ESG-focused funds and thought leadership pieces that were published during the 2024 reporting period. The report concludes with a near-term outlook on what is to come. The appendix to this report features TDAM's 2024 Climate Report, which documents our continued efforts towards implementing the recommendations set by the Task Force on Climate-Related Financial disclosure (TCFD) within the Financial Stability Board (FSB), an international body

which monitors and makes recommendations about the global financial system. This report, along with TDAM's Sustainable Investing Approach, provides information about TDAM's approach and progress in moving our sustainable investing work forward.

### Scope

All information contained in this report is specific to TDAM, unless otherwise noted. This report does not contain information related to Epoch Investment Partners, Inc. (TD Epoch), which is TDAM's affiliate and is a registered investment adviser in the United States.

All numbers and figures in this report cover the reporting period from November 1, 2023 to October 31, 2024. The majority of the qualitative information also covers the same period, except as otherwise indicated.

References to integration or incorporation of ESG factors in this report exclude certain strategies and asset classes, including, but not limited to, index-tracking funds and third-party sub-advised strategies.

This report is being provided for informational purposes only and not to promote, either directly or indirectly, a business interest.

<sup>2</sup> The Principles for Responsible Investment is a United Nations-supported international network of financial institutions that promotes responsible investments.

# Message from the Chief Investment Officer (CIO)



## David C. Sykes

Senior Vice President and Chief Investment Officer, TDAM

We are pleased to report on TDAM's 2024 progress on sustainable investing, an approach to investing that considers material

ESG factors within the investment decision-making process of a fund as well as TDAM's firm-level stewardship activities. We invite you to visit our website - [www.tdgis.com](http://www.tdgis.com) - for more details.

At TDAM, we continuously strive to achieve investment excellence and build capabilities that help us obtain better investment outcomes for our clients. We believe that having a disciplined approach to evaluating potential sources of risk and return, including ESG factors where applicable, helps us to build better, more resilient portfolios.

Looking back, it now seems that 2024 was a transition year which saw market highs from artificial intelligence (AI) rallies, associated implications for energy demand and energy transition, and elections in major markets. Policy played a huge role in developing incentives for the industry, such as the Inflation Reduction Act (IRA) in the United States and EU regulations related to commodity supply chain traceability.

Investment implications also arise from how specific companies and assets in our portfolios manage their ESG risks and opportunities. The macro environment and regulatory change can impact corporate business models and their operations. Therefore, it is prudent for us as investment managers to consider the investment implications of ESG factors in our due diligence and active ownership efforts as part of our fiduciary responsibilities.

As investors, we rely on consistent and standardized information. Standardized ESG data and metrics remain a challenge for investors. There are, however, global developments related to regulatory disclosures that indicate ESG disclosures are coming of age for companies and the assets we invest in. The International Sustainability Standards Board (ISSB), a body of the International Financial Reporting Standards (IFRS) Foundation, launched its first two sustainability standards in June 2023. Since then, several countries, including Canada, have had consultations or have announced adoption of the ISSB standard or aspects thereof. These advancements build upon internationally accepted frameworks such as the Sustainability Accounting Standards Board (SASB) and the TCFD and continue to help provide investors with reliable and consistent data.

From a stewardship perspective, we continue to keep our focus on systemic issues such as climate change, human capital, human-rights-related risks and opportunities, and biodiversity. In 2024, we attended the 2024 United Nations Biodiversity Conference (COP16) in Cali, Colombia to learn about investment risks and opportunities related to biodiversity and natural capital.

With diversified asset classes and significant assets under management, we have a clear responsibility for the long-term performance of our portfolios. We believe that with our stewardship approach, we can have meaningful discussions with portfolio companies focused on mutually beneficial long-term outcomes.

# 2024 Achievements, Progress and Priorities

TDAM continues to refine resources and capabilities that it considers necessary to help deliver on its goal of investment excellence. The following highlights key developments in 2024, with greater detail provided throughout this report.

## 2024 Highlights

- In 2024, TDAM adopted internal ESG Integration and Stewardship Policies and Procedures.
- From a stewardship perspective, TDAM conducted 455 engagements<sup>3</sup> with companies (compared to 490 in 2023), carried out within 240 distinct meetings (compared to 299 in 2023). These engagements were with 202 entities<sup>4</sup> (compared to 244 in 2023) and covered a variety of topics, including climate change, corporate governance and human capital.<sup>5</sup> For more information, including a breakdown of engagement activities, please refer to the [Engagement section](#) > below.
- Members of TDAM's investment team attended several industry conferences and COP16, which facilitated on-the-ground engagement with investee companies, policymakers, clients and other stakeholders on biodiversity and natural capital.

## Quarterly Internal Performance Reviews

Quarterly performance reviews may include portfolio-level ESG quality scores, carbon metrics, as compared to their respective benchmark(s), and controversy or headline risk reviews, which provide an additional layer of risk analysis. These internal quarterly performance review meetings serve as a forum for the CIO to discuss performance, inclusive of ESG metrics, and for internal teams, such as asset allocation, investment risk and product, to discuss their questions for the respective portfolio manager.

For general purpose funds, ESG metrics are included in performance reviews to identify and discuss potential unintended non-traditional risks that the portfolio may be exposed to by using independent third-party data. For funds that integrate one or more ESG factors as part of their fundamental investment objectives and/or principal investment strategies, quarterly performance reviews measure and report on those metrics to help ensure adherence to their respective investment objectives and/or strategies, as applicable.

### Alternative Assets:

Alternative assets, such as our direct real estate and infrastructure holdings and commercial mortgage loans, are typically less liquid and are marked to market on a less frequent basis than public investments. In 2024, TDAM continued its quarterly ESG working group meetings with its Canadian real estate managers that are responsible for the asset, property and development management of over 88% of the assets.

ESG-related updates and ESG performance for alternative investment strategies are also reviewed at each monthly meeting of the alternative investment team. For example, updates on a new acquisition's ESG risk profile, GRESB scores, ESG data coverage and quality, findings from the borrower surveys, and updates on ongoing ESG due diligence for transactions are part of ESG performance monitoring at these meetings.

<sup>3</sup> An engagement in this context is considered a direct exchange or outreach to a company on a specific topic. One meeting with a company can include multiple topic engagements. Moreover, we may have multiple meetings with a company in any given year where warranted.

<sup>4</sup> "Entities" refers to and captures listed equity issuers, asset managers (such as property managers in direct real estate portfolios), borrowers in private debt and mortgage portfolios, and listed and non-listed corporate and non-corporate debt issuers.

<sup>5</sup> This information reflects meetings that were held across the Sustainable Investment, fundamental equity, credit research and alternatives teams.

# TDAM Sustainable Investing Approach

Sustainable investing is an approach to investing that considers material ESG factors<sup>6</sup> within the investment decision-making process of a fund as well as TDAM's firm-level stewardship activities. TDAM's approach to sustainable investing aligns with its philosophy of serving its securityholders' investment goals and adhering to its fiduciary duty as an asset manager. Incorporating material ESG factors within the overall investment framework and for applicable investments is one of the ways in which we further TDAM's goal of seeking to provide strong risk-adjusted returns.

TDAM strives to be an active owner by engaging with investees and leveraging its investor rights with the aim of improving long-term risk-adjusted returns.

TDAM has been a signatory to the PRI since July 2008. Our Sustainable Investing Approach is aligned with the six principles set out in the PRI, and is grounded in the following three core activities:

- ESG Integration<sup>7</sup>
- Stewardship (Engagement and Proxy Voting)<sup>8</sup>
- Thought Leadership

See our website ([www.tdgis.com](http://www.tdgis.com)) for more information on our approach to stewardship and ESG integration.

**Figure 1: TDAM Sustainable Investing Approach by Asset Class**

## Fundamental Equities

- Systematic ESG reviews
- Thematic ESG research
- Active ownership
- Sustainable equity fund solution

## Quantitative Equities

- Quantitative ESG signals
- ESG data dialogue
- Proxy voting
- Low-carbon / low volatility fund solution



## Sustainable Investing Approach by Asset Class

## Alternative Assets

- Environmental impact
- Health & welfare
- Integrity & accountability

## Fixed Income

- ESG credit review & exposure scores
- Issuer engagement
- Sustainable balanced fund solution
- Sustainable bond fund solution

Source: TDAM, as of December 31, 2024.

<sup>6</sup> An ESG factor is any qualitative or quantitative information pertaining to ESG topics. Qualitative or quantitative information includes, but is not limited to, raw data, statistics, estimates, assessments, analyses, rankings and scores.

Source: PRI <https://www.unpri.org/investment-tools/definitions-for-responsible-investment-approaches/11874.article>

<sup>7</sup> ESG integration means that funds consider, on an ongoing basis, ESG-related factors within an investment analysis and decision-making process with the aim of improving risk-adjusted returns.

Source: OSC, CSA Staff Notice 81-334 (Revised) ESG-Related Investment Fund Disclosure [https://www.osc.ca/sites/default/files/2024-03/20240307\\_81-334\\_sn-related-investment-fund-disclosure.pdf](https://www.osc.ca/sites/default/files/2024-03/20240307_81-334_sn-related-investment-fund-disclosure.pdf)

<sup>8</sup> Stewardship means the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend. Source: PRI <https://www.unpri.org/investment-tools/definitions-for-responsible-investment-approaches/11874.article#Stewardship>

# TDAM Sustainable Investing Governance Structure

Governance of sustainable investment starts with TDAM's Chief Executive Officer (CEO), who is responsible for establishing and maintaining progress on TDAM's overall strategic priorities.

TDAM's CIO and the Head of Sustainable Investment have executive accountability for ESG within the firm's investment function as part of their broader sustainable investment responsibilities. The components of TDAM's sustainable investment governance are further described below.

## TDAM's Sustainable Investment Team

The mandate of TDAM's Sustainable Investment team includes supporting the investment teams and providing subject matter expertise; leading the firm's proxy voting activities, including developing the firm's Proxy Voting Guidelines; leading the firm's ESG-specific engagement efforts, including dedicated engagements with companies who are on our annual Focus List; providing research and

thought leadership, often in collaboration with colleagues from the investment team; advising on the development of proposed ESG-focused funds; conducting knowledge-sharing sessions with other teams across the firm; and leading the firm's climate-change-related investment research and engagement activities.

## TDAM's Sustainable Investment Committee

TDAM has a dedicated Sustainable Investment Committee that oversees the firm's overall sustainable investment strategy and integration efforts. The committee facilitates discussion regarding ESG issues, engagements and policy direction. The Sustainable Investment Committee includes members of the investment management, external distribution and investment risk teams. The Sustainable Investment Committee meets on a quarterly basis and holds ad hoc meetings, when necessary. Items that require additional discussion are escalated to TDAM's Operating Committee and TDAM's Risk Committee.

The Sustainable Investment Committee strives to ensure that TDAM's sustainable investment approach is implemented in accordance with the applicable mandate(s) and is clearly communicated across the business. The work of the Sustainable Investment Committee is communicated to senior management, including the CEO, CIO and portfolio managers, all of whom serve critical roles in advancing sustainability across the firm and within applicable portfolios that TDAM manages.

The purpose of TDAM's Sustainable Investment Committee is to:

- Establish TDAM's firm-wide sustainable investment approach, policies, objectives and commitments to applicable strategies.
- Provide advice and oversight of TDAM's sustainable investment approach and policies.
- Define sustainable investment objectives for the firm, track progress and monitor effectiveness of stated approaches and commitments.
- Act as a liaison with TD Bank Group (TD)<sup>9</sup> to align, as appropriate, with TD's ESG policies, given TDAM's fiduciary responsibility to its clients and its investment obligations and objectives.

The Sustainable Investment Committee has sub-committees that oversee the workings of underlying functions where relevant, such as the Proxy Voting Sub-Committee and the Alternatives ESG Committee. The Sustainable Investment Committee supports the creation of working groups on different areas of implementation on an as-needed basis. The Sustainable Investment Committee is chaired by the Head of Sustainable Investment, with the CIO as an ex officio member.

<sup>9</sup> TD Bank Group means The Toronto-Dominion Bank and its affiliates, who provide deposit, investment, loan, securities, trust, insurance and other products or services. TD Asset Management Inc. is a member of TD Bank Group and is a wholly-owned subsidiary of The Toronto-Dominion Bank. For more information on TD's approach to climate change, including its 2024 Sustainability Report, please visit its Sustainability Reporting page. Throughout this report, "TD" refers to TD Bank Group.

## Proxy Voting Sub-Committee

Proxy voting at TDAM is overseen and governed by a dedicated Proxy Voting Sub-Committee. The Proxy Voting Sub-Committee is responsible for reviewing and approving TDAM's Proxy Voting Guidelines and its custom voting instructions on ESG issues, identifying key or emerging proxy issues, and deliberating and deciding on any deviations from or overrides of the firm's vote recommendations. The Proxy Voting Sub-Committee is comprised of members from TDAM's public equities and sustainable investment teams, including the CIO, Head of Equities and Head of Sustainable Investment.

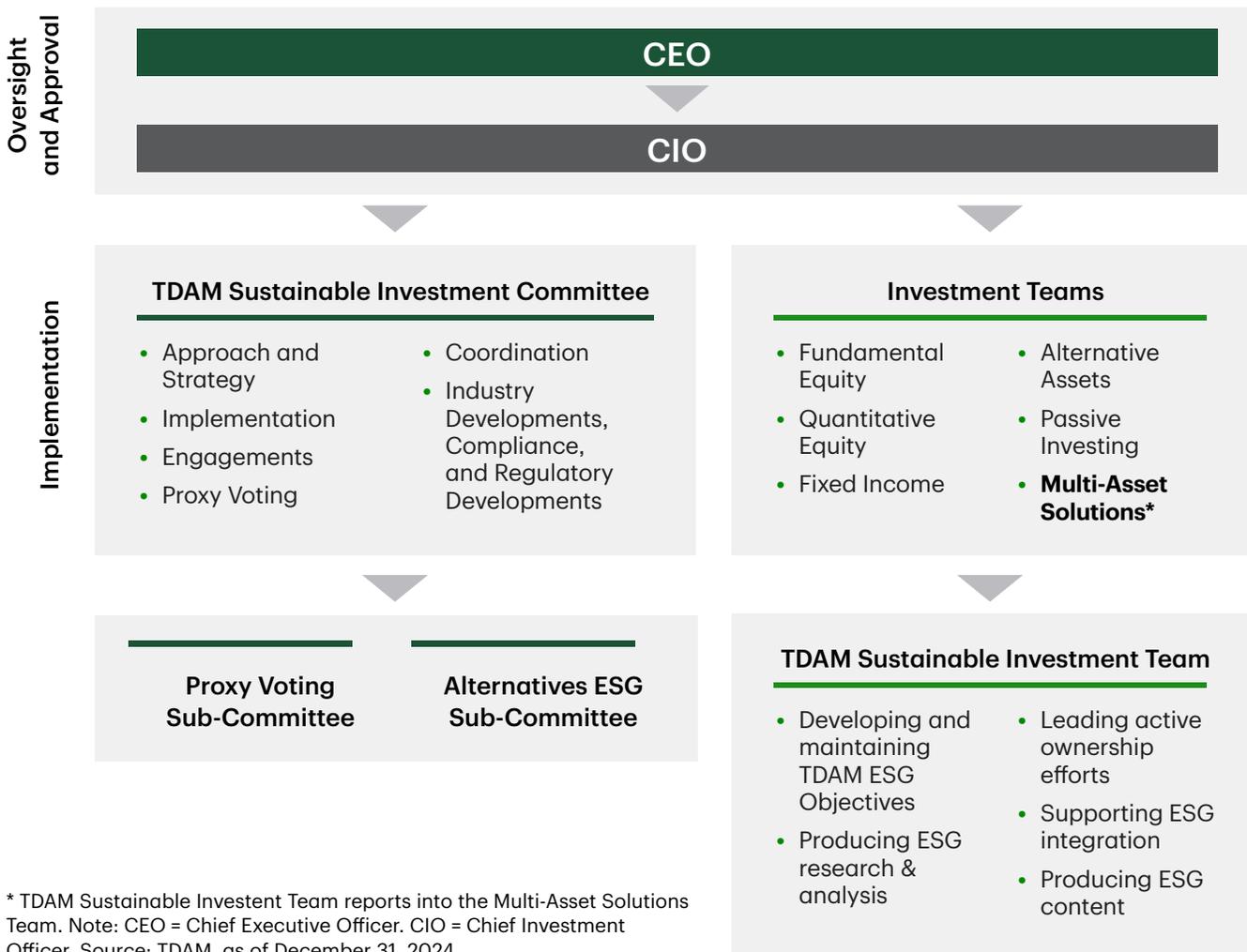
## Alternative Investments ESG Committee

TDAM's Alternative Investments ESG Committee acts as a sub-committee of the TDAM Sustainable Investment Committee, creating an approach that is tailored for private markets and real assets,

including real estate, infrastructure, mortgages and private debt. The mandate of the committee is to:

- Provide advice and oversight of TDAM's sustainable investment approach for alternative investments, including strategies, policies, objectives and commitments.
- Define and approve ESG priorities for alternative assets.
- Track progress and monitor effectiveness of stated objectives and commitments.
- Review and approve updates that are provided on an as-needed basis to the TDAM Sustainable Investment Committee, which the Alternative Investments ESG Committee reports into.
- Act as a decision-making body for significant initiatives and budgetary approvals related to ESG for alternative investments.

**Figure 2: TDAM Sustainable Investment Governance Structure**





## TDAM PRI Assessment

The PRI assessment is a scorecard report provided to signatories of the PRI, based on the reporting of their responsible investment activity throughout the preceding year. The reporting helps facilitate the accountability of both the PRI and its signatories. It supports signatories in meeting their commitments to the six Principles for Responsible Investment,<sup>10</sup> enhances learning and development by evaluating investment practices, and provides signatories with a tool to showcase their leadership to stakeholders. The reporting also helps to strengthen the PRI's data analysis efforts, offering valuable insights into

responsible investment trends and practices that shape products, services and strategy.<sup>11</sup>

TDAM has adopted a biennial submission approach with respect to its PRI reporting. As there were no material changes to our Sustainable Investing strategy and practices in 2023 and given the fact that the 2024 reporting was voluntary for PRI signatories who reported in 2023, TDAM decided to not to report in 2024. For that reason, the last PRI assessment TDAM received was in 2023 for its responsible investment activities in 2022.

<sup>10</sup> The six Principles for Responsible Investment are:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>.

<sup>11</sup> Source: PRI: The reporting process <https://www.unpri.org/signatories/reporting-and-assessment/the-reporting-process>

A summary of TDAM's 2023 PRI assessment scorecard is provided below. It highlights the modules for which TDAM received an assessment.

**Figure 3: TDAM 2023 PRI Assessment Summary  
(Based on Assessment of TDAM's 2022 practices)<sup>12</sup>**

Module Name	Star Score	Module Score (out of 100)			Assets Under Management
		TDAM 2023	TDAM 2021	PRI 2023 Median <sup>13</sup>	
Policy Governance and Strategy	★★★★☆	89	68	75	-
Direct – Listed equity <sup>14</sup> – Active fundamental	★★★★☆	81	69	78	10-50%
Direct – Listed equity <sup>14</sup> – Active quantitative	★★★★☆	86	61	62	< 10%
Direct – Listed equity <sup>14</sup> – Passive equity	★★★★☆	71	49	15	< 10%
Direct – Fixed income – Sovereign, Supranational and Agency Debt	★★★★★	96	81	79	10-50%
Direct – Fixed income – Corporate	★★★★★	98	78	90	10-50%
Direct – Fixed income – Securitized	★★★★★	96	N/A	81	< 10%
Direct – Fixed income – Private debt	★★★★☆	89	90	88	< 10%
Direct - Infrastructure	★★★★★	93	75	N/A	< 10%
Direct - Real estate	★★★★★	97	98	85	< 10%
Indirect - Listed equity - Active	★★★★★	92	16	N/A	< 10%
Confidence building measures	★★★★☆	80	N/A	80	-

The modules are scored with a numerical grading system ranging from one to five stars. The lowest possible grade is one star, allocated to those whose responsible investment behaviour is at the lower end of what is expected from signatories. The highest score is five stars and awarded to those signatories who demonstrate practices that are on the higher end of what is expected from signatories.

More information on the PRI assessment methodology can be found [here](#) >. Additional information relating to the question-level assessment criteria can be found after each indicator in the Investor Reporting Framework, available [here](#) >.

The 2022 responsible investment activities fueling these scores can be found in TDAM's 2023 PRI Transparency Report, available on the [PRI data portal](#) >.

<sup>12</sup> Source: Principles for Responsible Investment – Assessment Report: <https://ctp.unpri.org/dataportalv2/assessment>.

<sup>13</sup> Median scores of peer groups containing less than 15 signatory responses are not available.

<sup>14</sup> The Listed Equity modules, previously receiving separate scores for Incorporation and Voting, now receive one score. 2021 scores provided above are for information only. 2021 scores for Voting are as follows: Direct – Listed equity – Active Fundamental: 39; Direct – Listed equity – Active Quantitative: 39; Direct – Listed equity – Passive: 39.



## TDAM's 2024 GRESB Assessment

GRESB is an industry-driven organization committed to assessing the sustainability performance of real assets and portfolios (public and private companies and funds) around the globe. It provides a consistent methodology and framework for measuring sustainable investment performance, along with actionable insights and benchmark data. It is used by institutional investors to engage with their investees and investments with the aim of improving the sustainability performance of their portfolios and the global real assets sector at large.

In 2024, our real estate and infrastructure strategies increased their GRESB scores, resulting in maintained scores at or above the global average for their

respective assessments. For a fourth consecutive year, TDAM also improved its GRESB score for its Global Real Estate strategy, as evaluated using GRESB's Portfolio Analysis Tool.<sup>15</sup> More discussion regarding this progress can be found in the [ESG Integration section >](#) of this report.

TDAM's GRESB Assessment reports are available to qualified investors by contacting a TDAM Relationship Manager. For more information regarding GRESB and the methodology behind these scores, visit the [GRESB website >](#).

<sup>15</sup> The GRESB Portfolio Analysis Tool allows investors to examine the performance of an aggregate portfolio against self-selected benchmarks to gain valuable insight into investments, strategy and overall ESG performance. TDAM utilizes a Gross Asset Value (GAV)-weighted portfolio analysis methodology to assess the ESG performance of each of its fund managers within TD Greystone Global Real Estate Fund (currently covering over 80% of the fund's holdings, it could be seen as a representative evaluation of the Fund's ESG performance).

# Stewardship

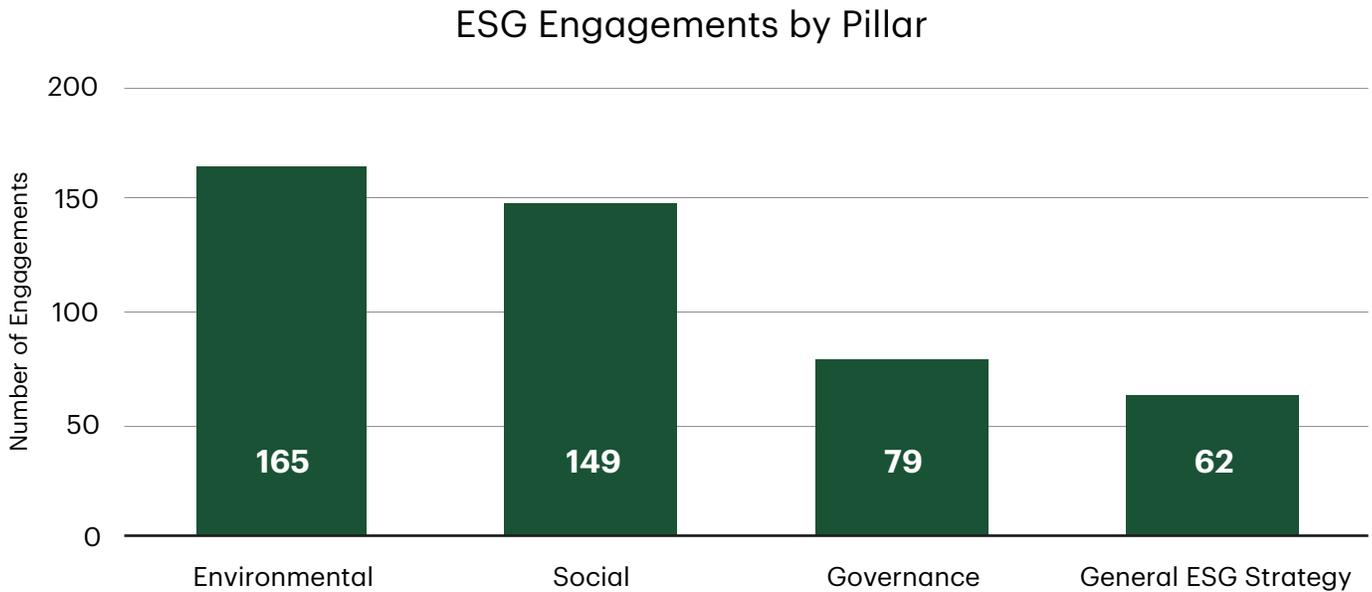
TDAM takes an active stewardship approach across its investments, including engagement with portfolio entities<sup>16</sup> and proxy voting. Stewardship practices are implemented as part of TDAM's overall firm-level aggregated process and serves as an effective mechanism to communicate with a company's board and management on financially material issues, which may include ESG-related issues.

## Engagements

In 2024, TDAM had 455 ESG engagements<sup>17</sup> with portfolio entities (compared to 490 in 2023<sup>18</sup>), conducted within 240 distinct meetings (compared to 299 in 2023). These engagements were with 202 entities (compared to 244 in 2023) and covered a variety of topics, including climate change, corporate governance and human capital. We also

spoke to entities about their general approach to sustainability, performance metrics and reporting, and the prospect of evolving regulation around sustainability disclosures. The issues discussed in each engagement meeting depend on the information we see as most pertinent to understanding company risks and direction.

**Figure 4: Engagements by Pillar, Topic, Sector and Region**



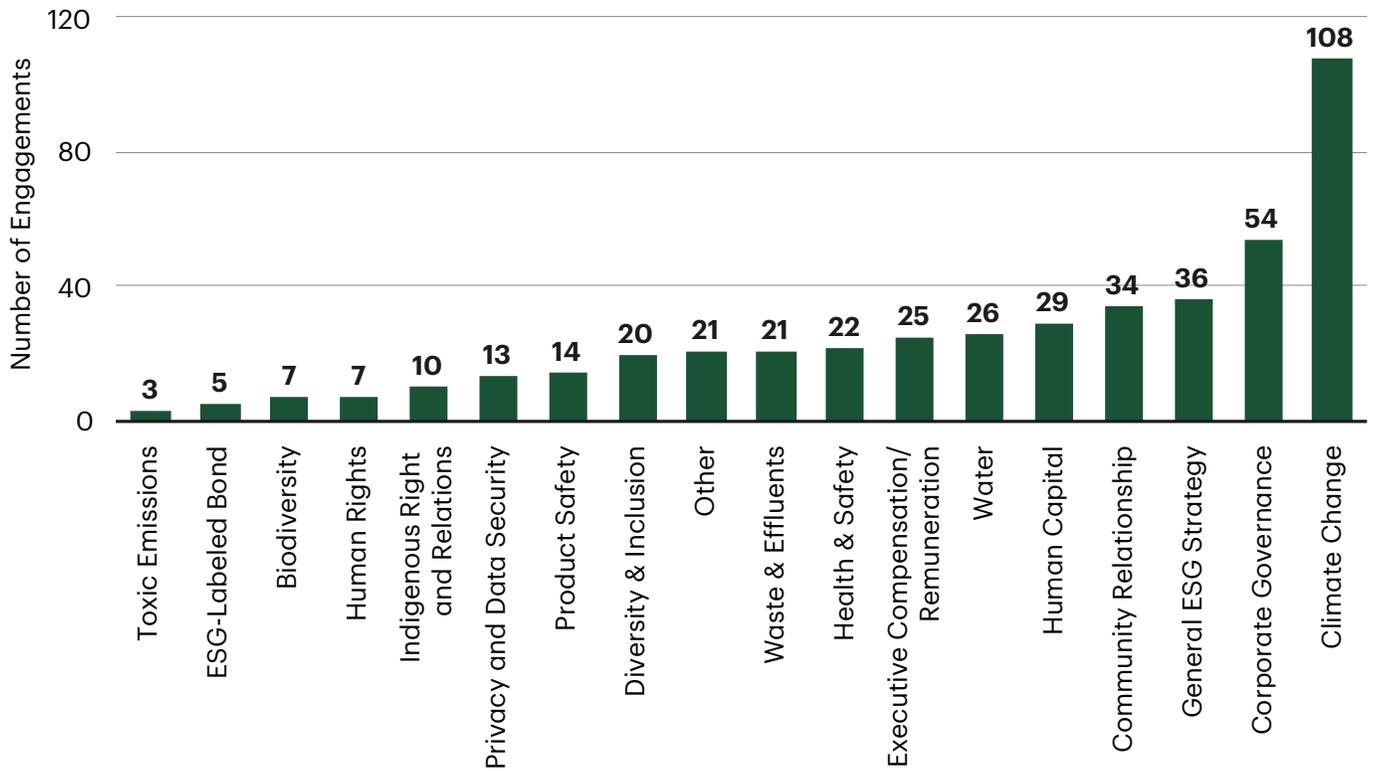
Stewardship

<sup>16</sup> Entities refer to and captures listed equity issuers, asset managers (such as property managers in direct real estate portfolios), borrowers in private debt and mortgage portfolios, listed and non-listed corporate and non-corporate debt issuers.

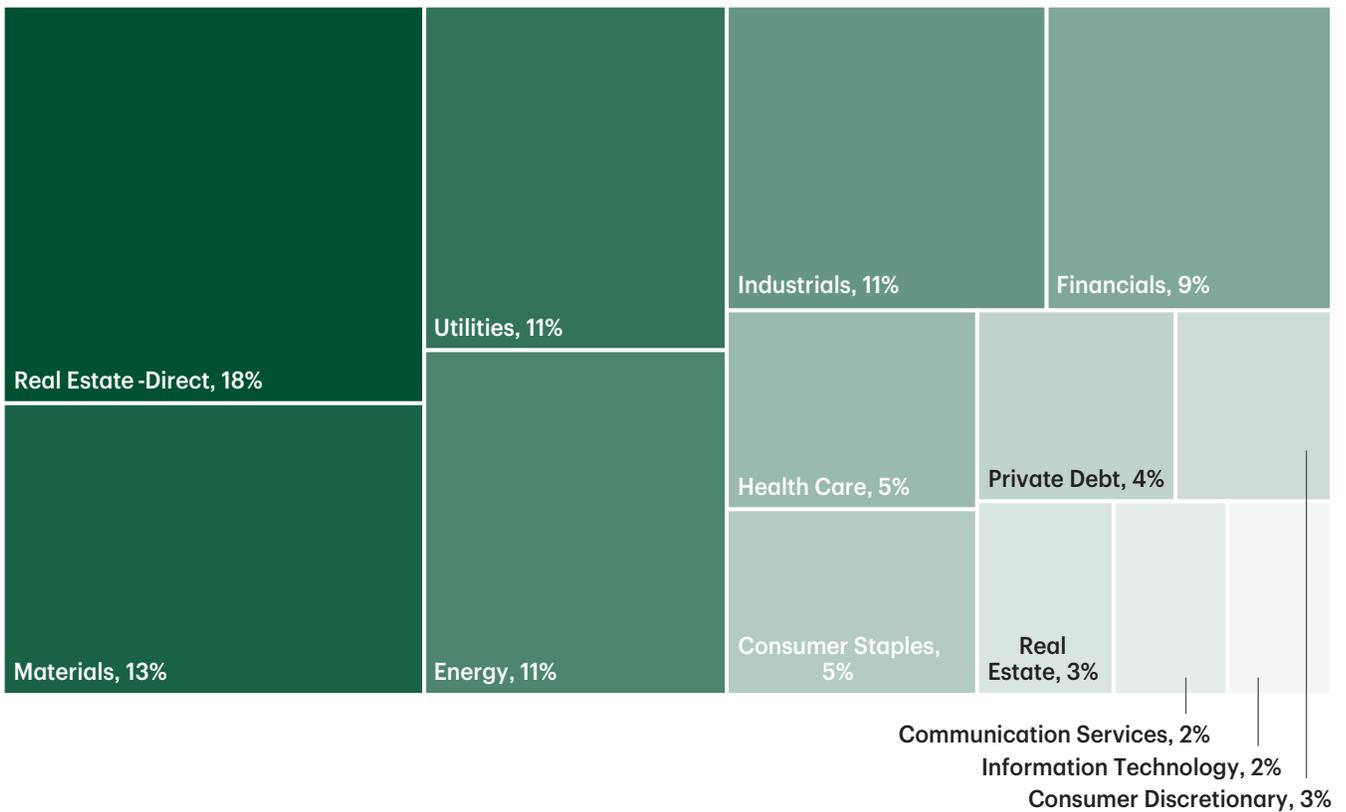
<sup>17</sup> An engagement in this context is considered a direct interaction with the management of the company through meetings and/or written dialogues regarding certain ESG-related topics. One meeting with a company can include multiple topic engagements. Moreover, we may have multiple meetings with a company in any given year where warranted.

<sup>18</sup> The frequency and number of engagements can vary from year to year depending on a number of factors, including, but not limited to, progress made by target companies, our coverage in terms of portfolio composition, materiality of ESG issues, Focus List changes, and trends in the market.

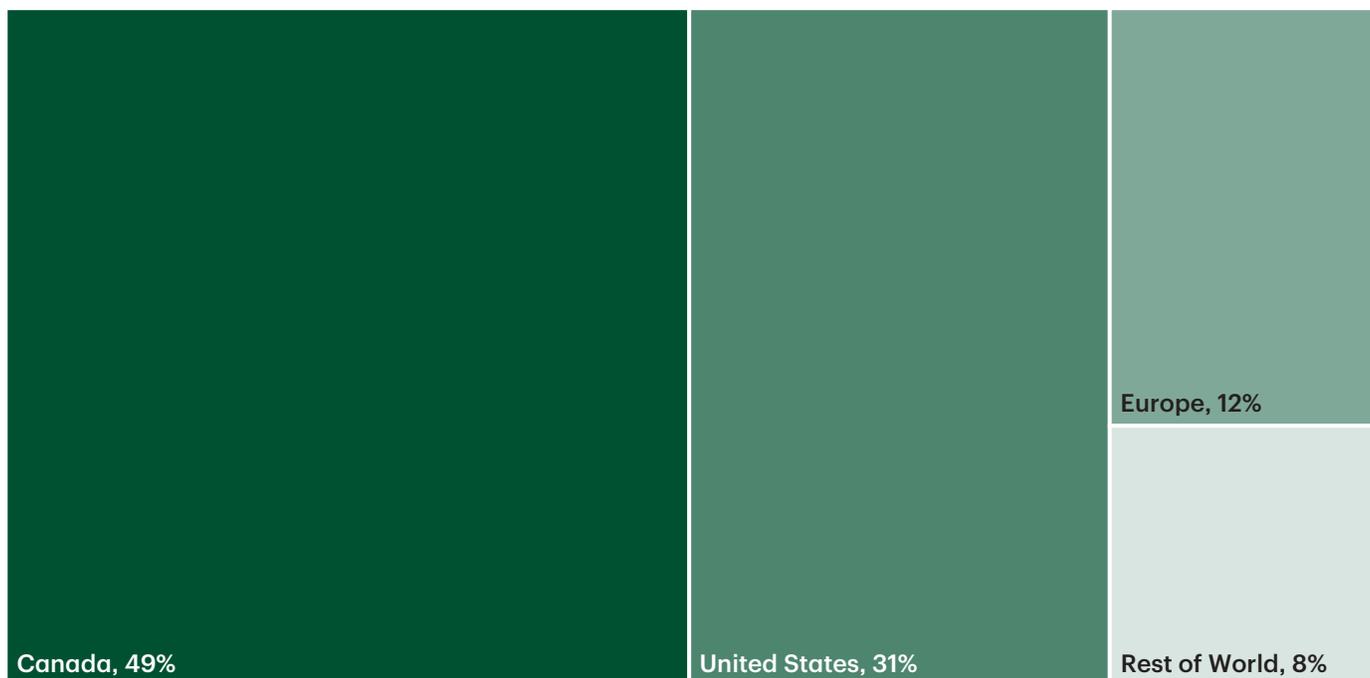
## ESG Engagements by Topic



## ESG Engagements by Sector



## ESG Engagements by Region



Source: TDAM; November 1, 2023 to October 31, 2024.

The depth of ESG discussions varies by engagement. Below are the four main avenues through which engagements are initiated:

1. Initiated by the research analyst or portfolio manager.
2. Stemming from the Sustainable Investment team's Focus List, as defined below.
3. Requested by an entity after the release of its sustainability report or before a proxy vote at its annual meeting of shareholders.
4. By way of an industry initiative.

### Industry initiatives explained:

TDAM is part of several industry initiatives, which allows us to have a voice at the table in their respective forums and provides us with valuable information. Membership in, or support of, various industry groups does not mean that TDAM supports every position taken by these organizations or their other members. Where these positions differ from those of TDAM, we are committed to voicing our

views as appropriate through our employees who interact with these organizations or serve on the boards and committees of these groups or publicly as necessary. As a fiduciary professionally managing assets on behalf of its clients, TDAM maintains independent decision-making as it relates to its investment decision-making processes and proxy voting activities.

Each avenue provides valuable insight into an entity’s business dynamics and the impacts of material ESG issues. The objective of each avenue may differ depending on the materiality and importance of the ESG topics covered. Typically, the research analyst and/or portfolio managers may bring up an ESG topic which, in their view, may have an immediate or long-term impact on the firm. Such engagements typically cover a number of financial issues, including ESG.

The Sustainable Investment Team’s Focus List targets companies where ESG performance may be lagging, but there is opportunity for meaningful improvements over time. In 2024, the Focus List considered

six primary categories: (i) general ESG (poor) performance; (ii) governance; (iii) climate change; (iv) human capital; (v) human rights; and (vi) biodiversity.

Consideration for Focus List selection included identifying low performers in each respective area using a combination of metrics, research and TDAM’s exposure to these entities. Focus List meetings are conducted by the Sustainable Investment team and are well-attended by TDAM’s sector analysts and portfolio managers. The Focus List includes approximately 50 entities, with some changes throughout the year due to factors such as exposure adjustments and company mergers and acquisitions.

## Figure 5: ESG Engagement Meetings by Team<sup>19</sup>

Team	ESG Engagement Meetings
Sustainable Investment Team	53
Equity Team	122
Fixed Income Team	31
Alternative Investment Team	34
<b>Total</b>	<b>240</b>

Source: TDAM; November 1, 2023 to October 31, 2024.

## TDAM Proxy Voting

Our Sustainable Investment teams and investment research teams conduct reviews of key proposals to help support portfolio management voting decisions to ensure we continue to uphold the best interests of our clients.

We provide further transparency about our stewardship efforts with the publication of our Proxy Voting Guidelines and Annual Proxy Voting Reviews of TDAM’s proxy voting history on our website [www.tdgis.com](http://www.tdgis.com).

TDAM’s Proxy Voting Guidelines set forth our expectations of investee companies when it comes to governance practices and the management of

environmental and social risks. The guidelines aim to provide transparency about how TDAM may vote on key items and emerging issues and generally recommend voting in favour of the following:

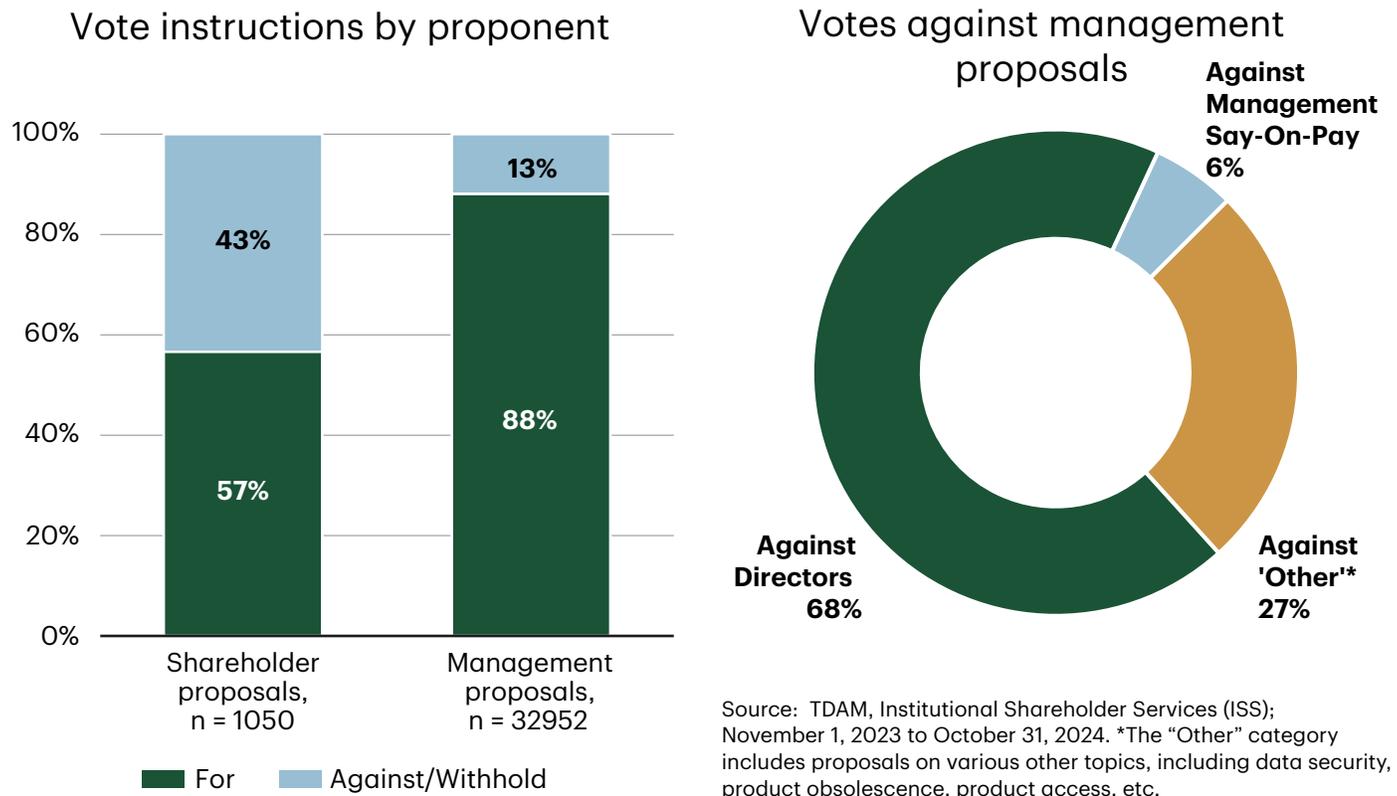
- ESG proposals that seek standardized reporting on ESG issues.
- ESG proposals that request information regarding an issuer’s adoption of and adherence to relevant norms and standards.
- Shareholder resolutions advocating enhanced disclosure and transparency.

<sup>19</sup> Refers to separate meeting numbers.

For fiscal year 2024, TDAM voted on 34,094 proposals, voting against<sup>20</sup> 13% of management proposals and voting against 43% of shareholder proposals.

- Management proposals:** The majority of the votes against management (68%) were votes against directors. 44% of adverse director votes related to a lack of board diversity. Another 41% of adverse director votes related to a lack of board independence. Upholding the principle of “one share, one vote,” 7% of our adverse director votes were due to the issuer’s multiple-class voting structures. Misalignment of executive compensation also fueled 6% of votes against directors and often accompanied a vote against management’s Say-on-Pay proposals. In addition, 3% of votes against directors was sparked by companies having more than a third of their board with lengthy board tenures (over 15 years). Overboarded directors<sup>21</sup> also impacted TDAM votes, which caused 2% of adverse director votes. For a detailed breakdown, see the chart below labeled, “Votes against directors”.
- Shareholder proposals:** Support for shareholder proposals spanned various environmental and social issues. TDAM supported 194 social shareholder proposals, of which 26% related to political contribution and lobbying disclosures, 16% pertained to human rights policies and risk assessments, 16% related to labour issues, and another 9% included enhanced disclosure around workforce diversity and racial equity audits. TDAM also supported 90 environmental shareholder proposals, of which 70% were related to climate change. In cases where we found a shareholder proposal overly prescriptive or misaligned with our Proxy Voting Guidelines, we did not vote in support of it.

**Figure 6: 2024 Proxy Season Overview<sup>22</sup>**

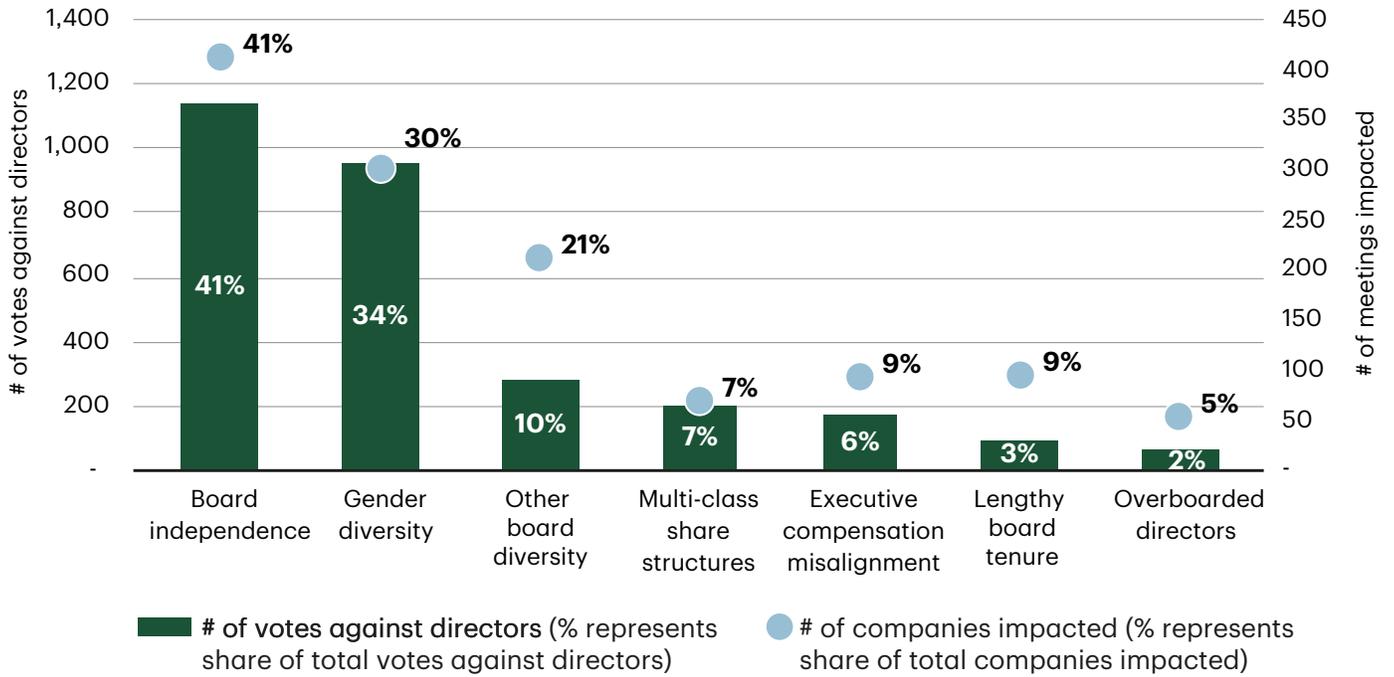


<sup>20</sup> Votes “against”, as used in this section, include both votes against and votes withheld.

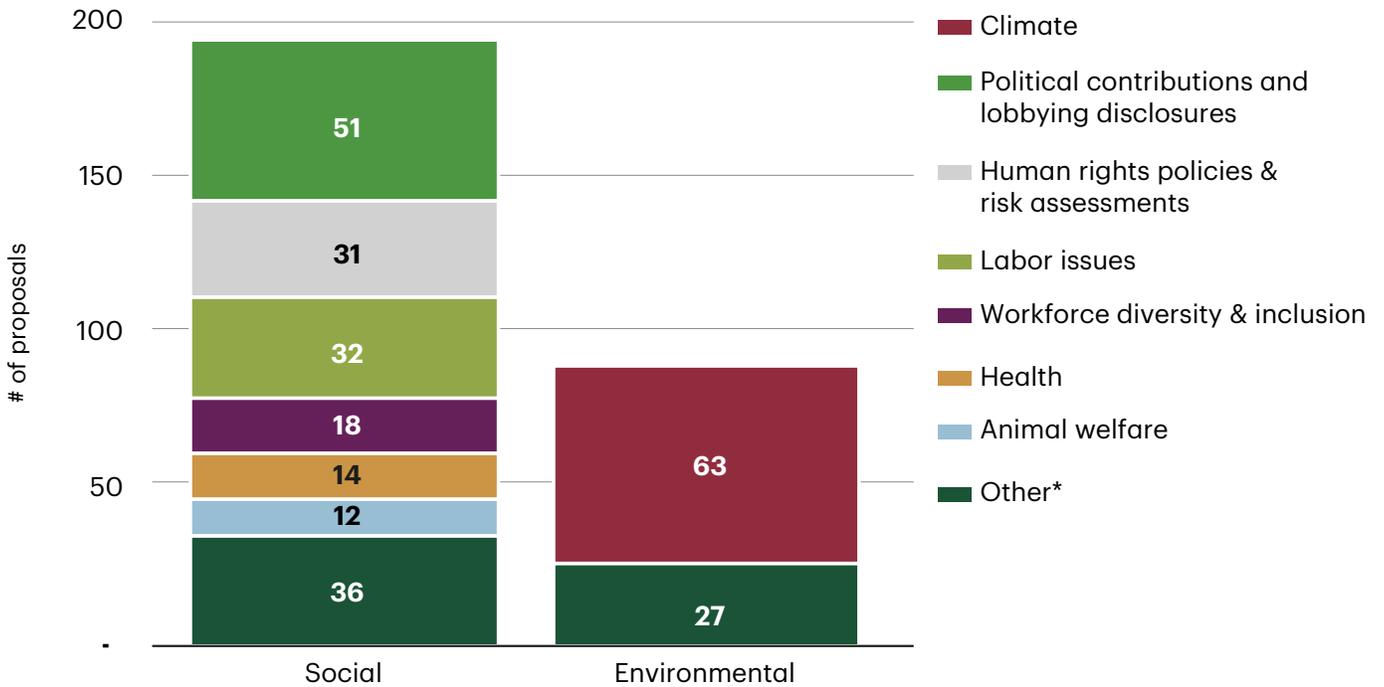
<sup>21</sup> Overboarded Directors: Serving as a director on a public board requires significant time and energy. Directors that serve on an excessive number of boards may not be able to fulfill their directorship duties effectively. Depending on jurisdictional differences, we generally consider a non-CEO director serving on more than five boards, or CEO directors serving on more than two public company boards besides their own, to be overboarded.

<sup>22</sup> Note: “Against directors” indicates both votes against and votes withheld from individual director nominees. Some directors may have received “against/withhold” votes due to more than one rationale (e.g., lack of board independence and lack of racial or ethnic diversity on the board). “MSOP” represents Management Say-on-Pay proposals.

## Votes against directors



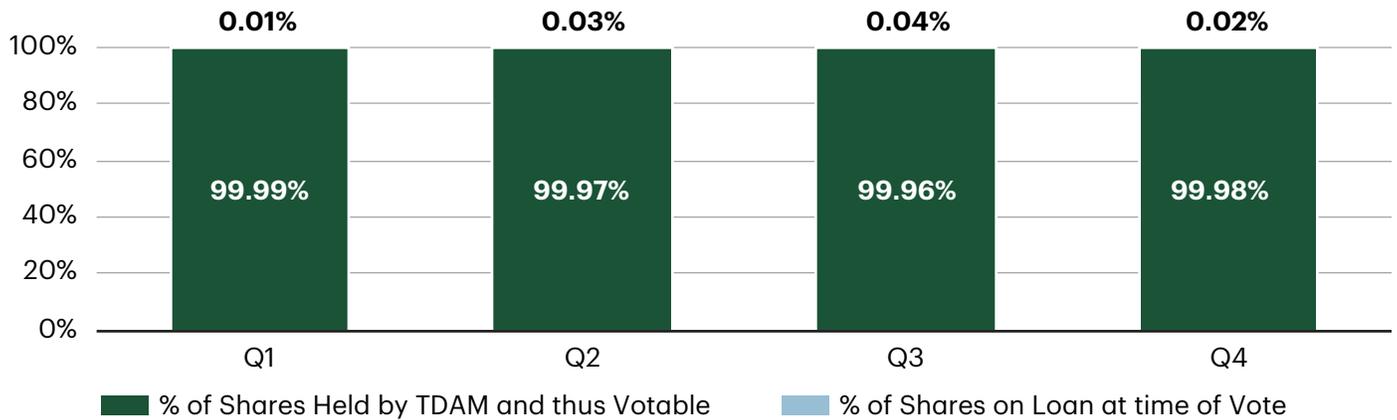
## E&S shareholder proposals supported



Source: TDAM, Institutional Shareholder Services (ISS); November 1, 2023 to October 31, 2024. \*The "Other" category includes proposals on various other topics, including data security, product obsolescence, product access, etc.

TDAM has automated standing instructions in place to recall loaned shares from the firm’s security lending program for a short period ahead of a company’s annual meeting when proxy proposals are up for vote. This measure helps to further advance our views on pertinent matters, including sustainability across applicable types of investments and investment strategies. We provide a quarterly comparison below of the voting exercised within TDAM’s portfolios.

**Figure 7: TDAM Shares on Loan in 2024**



Source: TDAM, ISS; January 1, 2023 to December 31, 2024. Note that the recalling of international securities can be more complex as there is not the same amount of lead time to facilitate recalls. However, the recall percentages presented here are within expectations.

### Escalation Process

TDAM’s Sustainable Investment Committee has formally adopted an escalation process where, on an as-needed basis, the Sustainable Investment team and other investment team members may escalate items. The escalation process has multiple steps, including further engagement (individually or via industry groups), adverse proxy votes

where appropriate, potential filing of shareholder resolutions, and for active mandates, the potential for reduced exposure should other escalation strategies fail to achieve results and the relevant portfolio manager deems the issue to negatively change the risk and return profile of the asset.

Sustainable  
Investment

## Policy Engagement and Advocacy

Companies and investors operate according to ground rules set by regulations and policies. On many sustainability issues, effective policies can enable market mechanisms by providing incentives or guardrails. Policymakers and standard setters have the ability to shape the markets in which TDAM invests as well as the rules and regulations which may govern TDAM and the companies in which it chooses to invest in. Public policy advocacy is also integral to the improved resilience of various financial systems as well as the mitigation of systemic risks. To this end, we occasionally engage with policymakers, such as regulators and standard setters, as they develop and refine the standards used to measure, manage and report on ESG matters.

The Canadian Sustainability Standards Board (CSSB) publishes its Canadian Sustainability Disclosure Standards, which include the following:

- Canadian Sustainability Disclosure Standards (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information; and
- CSDS 2, Climate-related Disclosures.

These Canadian Sustainability Disclosure Standards are largely aligned with the global baseline set by

the IFRS Sustainability Disclosure Standards (S1 and S2). However, they include some modifications to adapt to the Canadian market.<sup>23</sup> TDAM provided feedback on the proposed drafts of these standards during the Canadian Sustainability Standards Board consultation. The board published the Canadian Sustainability Disclosure Standards 1 and 2 in December 2024.

### Policy Engagements – 2024

- TDAM provided feedback to the Canadian Coalition for Good Governance (CCGG) about its response to the Canadian Sustainability Standards Board consultation on the drafts of the Canadian Sustainability Disclosure Standards and the Criteria for Modification Framework.
- TDAM provided feedback to the Investment Funds Institute of Canada (IFIC) on the revised Canadian Investment Funds Standards Committee (CIFSC) Responsible Investment Identification Framework for Investment Funds.
- TDAM participated in a group engagement meeting alongside other Canadian investors with the Ontario Securities Commission (OSC) on the Canadian Sustainability Disclosure Standards.

<sup>23</sup> Financial Reporting and Assurance Standards Canada: <https://www.frascanada.ca/en/cssb/about>



# Key Areas of Focus

## Governance

In the context of corporate governance, TDAM remains focused on three core pillars which underpin the way we engage with investees and cast our votes. At a high level, we continue to believe that boards should be well-structured, largely independent and high-performing, such that companies have the appropriate oversight - including oversight of financially material environmental and social risks - to generate long-term, sustained value. With regards to executive compensation, we believe that companies should have management incentives which are tied to long-term value creation and disincentivize excessive risk-taking. Finally, we continue to be focused on shareholder rights and ensuring that such rights are not inequitably diminished.

## Board Quality, Composition and Effectiveness

In 2024, TDAM continued to implement enhanced guidelines regarding board independence and refreshment. We maintain our belief that sound board structures are the building blocks of good governance, which in turn leads to a greater likelihood that effective oversight is in place for the management of material risks, including ESG risks.

In applicable markets, with due consideration to jurisdictional differences, we generally expect boards to be two-thirds independent and for no more than one-third of directors on boards to have served for more than 15 years. In 2024, we voted against 1,144 directors at 408 meetings based on our independence expectations as well as against 86 directors at 86 different meetings due to tenure-related concerns.

Together, TDAM's expectations about board independence and director tenure, as laid out in our Proxy Voting Guidelines, work to encourage renewal and refreshment, processes critical to ensuring that boards remain effective and high-performing.

### Case Study



## Stewardship in Action Case Study: Nuanced Guideline Applications at a Large Canadian Energy Company

While we have enshrined principles within our Proxy Voting Guidelines, we may make certain exceptions to guidelines on principles-based issues where circumstances warrant it and when applying such a guideline may not serve the principle.

For example, in 2024, TDAM considered the circumstances around the election of a director of a large Canadian energy company. The prospective director had several outside directorships, which put them above the threshold at which we deem a director to be over-committed.

Despite this, we decided to support the director given the relationship between their primary occupation at a holding company where they are responsible for providing oversight via their directorship positions on the investee boards, the level of compensation received as part of these directorships, and the director's overall attendance level at various boards, among other reasons. Another factor considered as part of our decision-making process was that the proportional representation of the director on the subject board equaled approximately the equity and voting share ownership which the investment holding company had invested in the Canadian energy issuer.

## Management Incentives

We believe that executive compensation plans, when designed appropriately with consideration to avoid undue risk-taking, remain one of the most important tools to reward and incentivize senior management teams to execute and achieve short- and long-term operational and/or strategic goals. This, in turn, helps to deliver long-term sustained shareholder value.

We regularly engage our portfolio companies on executive compensation topics. Where we find compensation plans to be unsupportable, we voice our concerns with “against” votes cast on a company’s Advisory Vote on Executive Compensation (Say-on-Pay) as well as compensation committee member(s), depending on the severity of the issues and the availability of the Say-on-Pay vote.

Globally, TDAM voted on over 1500 Say-on-Pay resolutions in 2024, voting against such proposals at over 235 companies. Additionally, we voted against 168 directors at 90 meetings due to compensation concerns. Common themes for fiscal year 2024 which resulted in the failure to garner TDAM’s support for the Say-on-Pay or compensation committee members varied, as with previous years. However, certain recurring elements were evident, including, but not limited to:

- Significantly outsized one-time payments to executive officers that cannot be substantiated with long-term performance achievement (even considering the award’s annualization of the intended performance period).
- A persistent and/or severe disconnect between company performance and executive compensation levels without adequate response from the company to shareholder concerns or problematic pay structures.
- Egregious one-time actions (e.g., re-pricing of stock options without shareholder approval).

In 2024, TDAM also held 25 engagements where executive compensation was discussed. Several of these engagements represented TDAM Focus List engagement, where we expect deep engagement over a number of years to drive measurable impact and outcomes. Executive compensation, alongside corporate governance, was included in 2024 Focus List to identify and engage companies where there are persistent compensation concerns, where we have not seen evidence of significant board responsiveness to shareholder consternation, and where the control structure of the company prevented the shareholder vote from fully reflecting independent shareholder views.

Shareholder proposals related to the inclusion of environmental and/or social metrics into compensation plans continued to see elevated activity in 2024. Overall, our approach to such proposals remains specific to the nature of the company’s proposal. However, our approach will continue to rely on factors such as metric relevance, materiality of the metrics discussed, company performance related to the specific metrics, the availability and reliability of existing public disclosures, and the credibility of the company’s plan in tackling the financially material issue related to the metric’s objective.

# Engagement



## Stewardship in Action Case Study: Engagement with a Canadian Software Application Company

In 2024, we engaged a large Canadian software application company that was on our Focus List due to the company's unique corporate governance profile and persistent concerns about its pay practices. In the past two years, the company's Say-on-Pay vote results indicated significant shareholder opposition (including TDAM voting "against"). Ultimately, however, both votes passed majority support due to the company's unique dual-class share control structure. In this case, the voting power of the company founder and principal executive officer is slightly short of a majority created through a dual-class share structure with unequal voting rights.

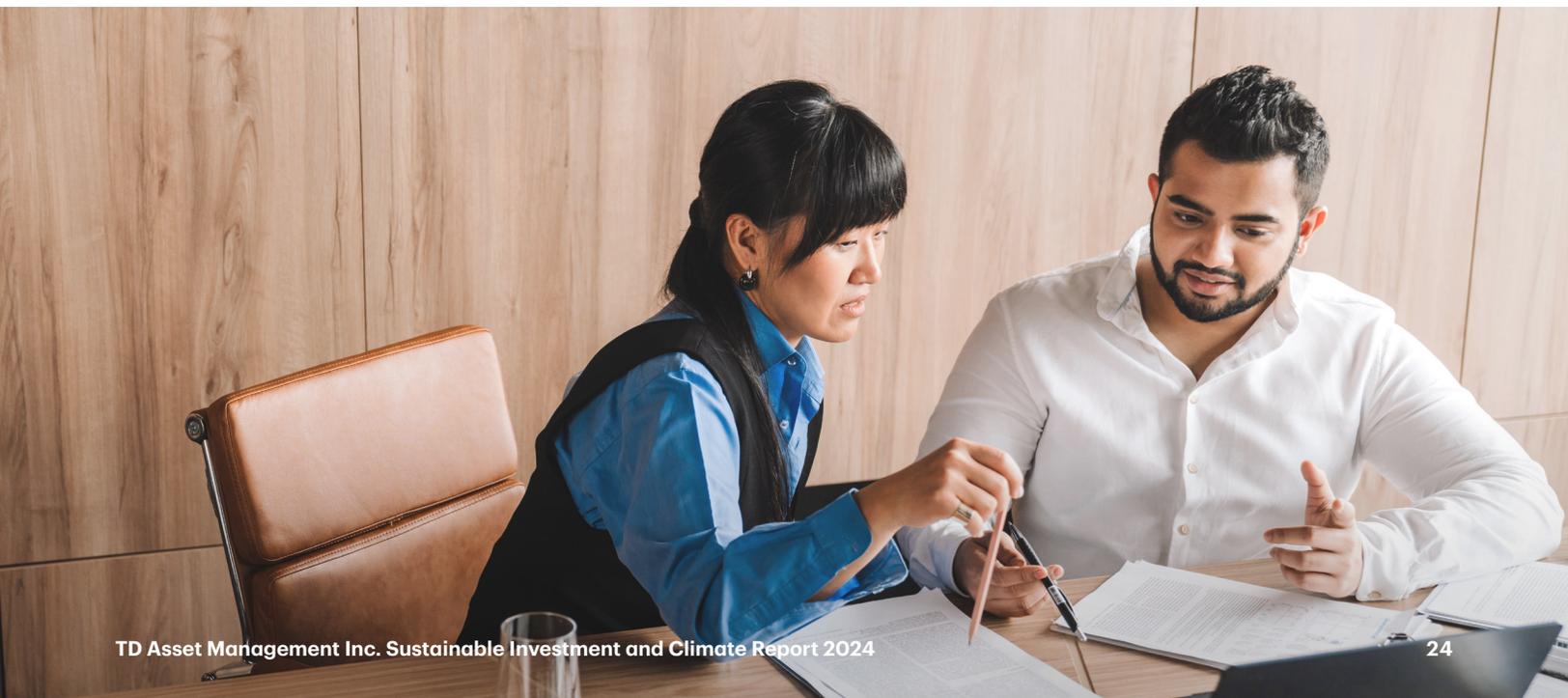
While the company has produced strong shareholder returns recently, TDAM's focus was on ensuring that the structure of the executive compensation programs continue to incentivize sustained shareholder value creation. The company primarily utilizes time-based stock options in annual and off-cycle equity grants, supplemented on occasion with time-based full value share award grants.

We expressed our views related to potentially enhancing the company's equity programs with performance-vesting features to supplement the predominantly time-vesting

only equity program. Our reasoning was two-fold. Firstly, the dollar amount of grants can be significant, as the company periodically makes large off-cycle equity grants. Secondly, a precipitous decline in share value, which had occurred in the past five years, had reset the share price, and therefore, brought the price of new grants to a much lower watermark.

We believe that tying such a time-based equity award to stock price hurdles, for example, would strengthen the alignment with sustaining higher levels of performance before awards are exercisable and realized into value, particularly in this case where there was a recent high share price watermark before the precipitous decline when the current executive still presided over the company.

In terms of the company's control structure, we sought for board consideration to implement and publicly disclose formal policies, procedures or frameworks which outline how exactly it intends to take independent shareholder votes into account, given the significant opposition experienced in the last two years related to its Say-on-Pay vote. In this initial engagement, the company acknowledged our views and the engagement served as a strong basis of further dialogue. We intend to continue engaging on these topics as the company's 2025 proxy circular is filed with additional details about its executive compensation programs.



## Shareholder Rights

We continue to believe in the principle of equal voting rights – the rule of “one share, one vote” – and that voting rights should be proportionate to economic interests and share ownership. As it relates to holding directors accountable in cases where this principle is not upheld, in fiscal year 2024, we voted against 200 directors at 66 meetings in certain markets due to the existence of problematic multi-class share structures.

As mentioned previously, TDAM also included corporate governance and executive compensation as a topical area for its 2024 Focus List, honing in on the intersection of companies with uneven voting control structures combined with significant and persistent compensation concerns. In relation to governance and control structures impacting shareholder rights, TDAM is most focused on how independent shareholder votes are considered at the board level, excluding the impact of controlling shares, and on whether boards would consider implementing and publicly disclosing formal policies, procedures or frameworks which outline how they intend to take independent shareholder votes into account.

We believe that formalizing board actions which need to be taken in light of significant shareholder opposition and publicly disclosing such procedures

in disclosure documents, such as the proxy circular, would help investors. It would allow them to initiate conversations about the types of actions that should have resulted from what companies said they would do (in cases of strong independent shareholder opposition), versus what they have actually done.

In preparation for 2024, TDAM also updated its Proxy Voting Guidelines to provide further clarity on how it views virtual shareholder meetings. In line with the recent position paper of the Canadian Coalition for Good Governance, TDAM supports in-person alternatives alongside virtual meetings. In 2024, we saw an influx of shareholder proposals which sought in-person alternatives alongside virtual meetings. TDAM supported 13 proposals across its holdings for shareholder proposals asking for annual meetings to be held in person, in complement to virtual meetings. We recognize the importance of virtual options because they enable broader participation. However, we believe that a hybrid meeting is the best of both worlds because it gives shareholders full access to attend meetings in person while allowing for broader participation online.

# Shareholder Rights



## Stewardship in Action Case Study: Significant Shareholder Rights Vote at a Multinational Oil and Gas Company

One significant vote for TDAM last year involved the deliberation of shareholder rights issues at a multinational oil and gas company. Several of the company’s shareholders had publicly protested the company’s legal action against two shareholder proponents who filed a shareholder proposal for inclusion at their 2024 annual meeting, with some filing exempt solicitations against certain company directors.

A key point of contention involved the company’s continued lawsuit against the proponents, despite them withdrawing their proposal and pleading for the lawsuit to be dropped. At TDAM, we continue to believe that the ability to file shareholder proposals remains an important shareholder right.

It is one of the most economical and direct ways for shareholders to have their materials presented in the company’s proxy statement alongside management’s proposals. It is within the right of the company to pursue legal action against the proponents.

However, there remains a significant and established process whereby shareholder proposals are deliberated through the “no action” process set out by the Securities and Exchange Commission’s (SEC) Rule 14a-8, rather than through litigation. We generally view the “no action” process already in place as a market-accepted arbiter of the shareholder proposal process. We believe that the continual pursuit of the lawsuit, in light of the shareholder proponent’s withdrawal, may potentially cause unintended consequences of deterrence. For these reasons, TDAM voted against the chair of the governance committee and lead director, to aptly express our views regarding the potential impacts to shareholder rights.

## 2024 Highlights

### Governance

- In 2024, 54 engagements by TDAM included a discussion on corporate governance.
- 25 engagements included discussion on executive compensation.
- TDAM voted against:
  - 168 directors due to executive compensation misalignment
  - 1,144 directors on board independence
  - 86 directors due to tenure
  - 62 directors due to overboarding
  - 200 directors due to multi-class share structures
- TDAM co-signed the International Corporate Governance Network’s (ICGN) Statement on High Standards of Corporate Governance and Investor Protections as Pre-requisites for UK Capital Market Competitiveness and Growth.



## Climate Change

TDAM considers climate change to be a systemic risk affecting a wide range of stakeholders. Our approach to climate change is aligned with our overall philosophy of integrating all material sources of risk and return in our investment processes. As an investment manager of diversified asset classes, TDAM views climate change as an important area of research. For more information on our climate change strategy, governance, risk management and metrics, please refer to [TDAM 2024 Climate Report section >](#).

From a stewardship perspective, we actively engage with companies and leverage our asset ownership positions to encourage improvements in company disclosures on climate-related risks and opportunities. We continue to participate in policy engagements with regulators as they develop and refine the standards used to measure, manage and report on climate risk. We are members of industry organizations that aim to enhance the dialogue and understanding around incorporating climate considerations in investing and disclosures, such as the Partnership for Carbon Accounting Financial (PCAF)<sup>24</sup> and the United Nations Environment Programme Finance Initiative (UNEP FI).<sup>25</sup>

In general, we encourage companies in our portfolios to set science-based, time-bound greenhouse gas (GHG) reduction targets and to be aligned to net-zero by 2050 or sooner. Investee companies for which climate change is a material financial risk may be added to our annual climate Focus List. We would then engage with these companies and have defined goals for the outcome of the engagement.

From a proxy voting perspective, where requisite disclosures are not provided by companies, TDAM generally supports proposals seeking basic and enhanced disclosures on how investee companies identify, measure and manage their climate-related risks, as well as proposals calling on investee companies to reduce GHG emissions and set science-based targets.

We evaluate advisory votes on climate, often referred to as Say-on-Climate – either proposed by management itself or requested of management by shareholders – on a case-by-case basis. For greater details and breakdown of our proxy voting and engagements on climate change, including sector and geographical information, please refer to [TDAM 2024 Climate Report >](#).

## 2024 Highlights

### Climate Change

- Held 108 climate-focused engagements with 96 companies, encouraging them to take appropriate action to mitigate climate risk and capitalize on opportunities.
- Expanded the scope of TDAM's climate Focus List to include new companies in aviation, heavy transport, cement production and real estate sectors.
- Supported 63 climate-focused shareholder proposals at annual general meetings, leveraging our shareholder rights to push for stronger action, where required, at our investee companies.

<sup>24</sup> PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.

<sup>25</sup> UNEP FI is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development.



## Stewardship in Action Case Study: Engagement with a North American Rail Company

Ahead of proxy season 2024, TDAM engaged with a North American rail company with which we have an extensive engagement history. This company was one of the first North American companies to implement an advisory Say-on-Climate vote for shareholders at its annual general meeting in 2021. Historically, we had not supported this company's Say-on-Climate proposal as its climate plan lacked long-term targets, including a full net-zero commitment. The company's closest peer had included these elements as part of its climate plan. Given the disparity between the two companies' plans, we felt comfortable supporting one and not the other.

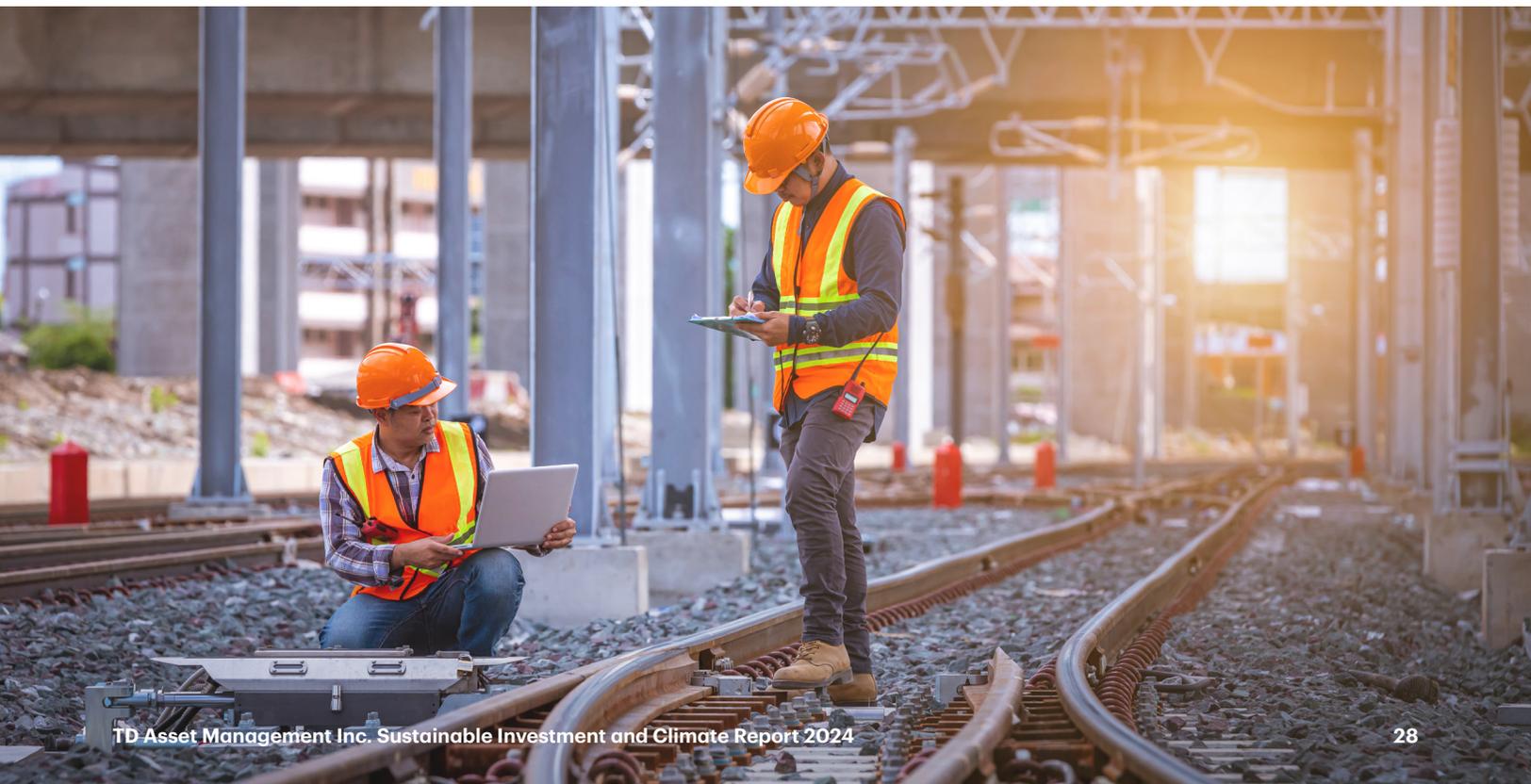
However, the company underwent a significant merger over the last year and the new entity revisited its transition plan for the new combined enterprise. As a first step, the company set a new 2030 GHG emissions reduction target for the new entity's combined locomotive operations.

The company used the sectoral-based approach for railways and a well-below-2°C global warming scenario which covers all three scopes of emissions provided by the

Science Based Targets initiative (SBTi). At the same time, the company announced that it had joined SBTi's Business Ambition for 1.5°C global campaign, which includes alignment in supporting the global goal to achieve net-zero emissions by 2050. The new targets will also be submitted to SBTi for verification once complete.

TDAM's Sustainable Investment team met with the chair of the company's board in February 2024. We learned about the significant work that is underway to complete an emissions inventory, align reporting and conduct a combined risk assessment that will enable this new set of targets to be developed for the new entity.

Given this commitment from the company, and given the complexity required to establish new goals for the combined enterprise, we were confident about providing our support on the Say-On-Climate vote in 2024. Overall, the company received 89.3% support on its Say-on-Climate last year. TDAM intends to remain engaged with this company throughout the execution of its near-term climate plan.





## Biodiversity

Biodiversity loss is an emerging risk, receiving increased attention from investors given its economic importance, its contributions to various product developments, and its impact on managing global warming. According to the World Economic Forum, over half of global Gross Domestic Product (GDP) is moderately or highly dependent on nature and ecosystem services.<sup>26,27</sup>

Companies in the pharmaceutical industry, for example, rely on biodiversity data to inform their research and product development, with several medicines having been informed or developed using elements of the natural environment. Companies have various impacts on the natural environment as well. Certain businesses contribute to land use change, excessive extraction, ecological disturbance, land degradation and water contamination. They also engage in other actions that can contribute to biodiversity and ecosystem loss. These things can harm both biodiversity and local communities and local resources, jeopardizing

a company's social license to operate if its operations have significant negative consequences.

Moreover, biodiversity loss poses a risk to the climate transition. 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. At the same time, the energy transition and electrification will continue to require the mining of different metals, such as copper, lithium and cobalt.

The importance of biodiversity has also brought various standards and regulations intended to halt and reverse biodiversity loss. Developments include several countries having signed onto the Kunming-Global Biodiversity Framework, the financial industry having a growing interest in aligning with the Taskforce on Nature-related Financial Disclosures (TNFD), and the possibility that the International Sustainability Standards Board (ISSB) will develop disclosure standards around biodiversity.

<sup>26</sup> The Convention on Biological Diversity defines biological diversity as “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.”

<sup>27</sup> World Economic Forum (January 2020). Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy. Accessible via the following link: [https://www3.weforum.org/docs/WEF\\_New\\_Nature\\_Economy\\_Report\\_2020.pdf](https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf).

## **Evolving Biodiversity Standards: The Global Biodiversity Framework, TNFD Recommendations and ISSB Workplan**

The Kunming-Montreal Global Biodiversity Framework (GBF), signed in 2022 at the Conference of Parties to the UN Convention on Biological Diversity, will continue to serve as a guide to our engagements with portfolio companies. The framework has a vision that “by 2050, biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people.”

In 2024, participating member states came back together for COP16 in Cali, Colombia to assess progress towards achieving the global 2050 goals and 2030 targets laid out in that landmark GBF. Throughout the conference, there was a clear focus on the 2030 targets, which are geared toward enhancing public and private financing to biodiversity conservation and developing mainstream financing mechanisms to do this at scale, given an estimated need of US \$700 billion in public and private financing annually for closing the biodiversity finance gap. There was notable but tempered progress seen at COP16, though delegates were left with the message that there is still a need to catalyze support for mitigating biodiversity loss to meet GBF targets.

The recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), which were finalized in 2023, also provide a framework for companies to identify, assess, manage and disclose material nature-related issues. These recommendations are consistent with the goals and targets of the Kunming-Montreal Global Biodiversity Framework.

In general, we encourage companies to embrace this set of recommendations as they advance their own efforts to prevent and mitigate any adverse biodiversity impacts on and by their own operations. Additional TNFD guidance and data for corporate alignment with these recommendations continue to support company uptake of the recommendations.

Moreover, the International Sustainability Standards Board (ISSB), within its 2024-2026 workplan published in June 2024, is exploring the necessity and feasibility of setting specific standards for biodiversity, ecosystems and ecosystem services (BEES). If the ISSB puts forth BEES-specific disclosure standards, it is expected to align those standards with TNFD recommendations.

# Biodiversity Framework

Given a continued global need for natural assets and systems, an emerging regulatory landscape to protect them, and growing consumer awareness around corporate environmental behaviour, TDAM thinks it is in the best interest of companies to innovate to help maintain these assets. It is important for asset managers to understand how investee companies address their biodiversity risks – identification of these risks, goals for mitigation and strategies towards progress and innovation – and how these risks impact the portfolios they manage.

Biodiversity continues to be one of TDAM’s Focus List pillars, with various discussions on biodiversity in several of our engagements with company management where biodiversity impacts, risks and dependencies might be more of a concern. Where we believe that biodiversity risks may be of concern, we will continue to use engagements as an avenue to better understand investee dependencies and impacts on biodiversity.

TDAM has also been generally supportive of shareholder resolutions requesting companies to further analyze their nature-related risks. In 2024, we saw some added variety to environmental proposals. TDAM supported various biodiversity-related shareholder proposals, including requests for companies to assess their biodiversity impacts and dependencies, as well as proposals asking for reports on supply chain water risks and independent assessments of water impacts from company operations. We also saw a continuation of more familiar proposals on managing the risks of plastic waste.

We see greater assessment and disclosure from companies as important elements of building investor awareness around the biodiversity risks within portfolios. We intend to continue to build and adapt our approach as further developments take shape around this topic.

**Case Study**



**Stewardship in Action Case Study: Attention on Water Risks and Their Impact on Communities**

Water risks come in many forms, including limited water supply in water-stressed regions, high water resource utilization, and water contamination that can have adverse environmental and community impacts. One mining company saw a proposal requesting it to conduct an independent assessment of its water impacts. The proposal expressed concern about the company’s operations and expansion plans, particularly the need to mitigate adverse environmental impacts on nearby watersheds and subsequent impacts on local livelihoods.

We did engage the company about this proposal to better understand its approach to water stewardship. The company described the current permit and licensing processes required in the various jurisdictions in which it operates, and indicated that it regularly conducts requisite technical and social studies that comply with applicable laws.

While we thought the conversation was helpful, we supported the proposal because we saw the request for an independent audit on water impacts as a complement to the company’s current efforts to uphold water quality. Overall shareholder support for this proposal amounted to 25%, a significant level of support that demonstrated a desire for further assessment and transparency.

**2024 Highlights**

**Biodiversity**

- We covered the topic of biodiversity in 7 engagement meetings, mostly in discussions with mining and energy companies.
- 21 engagements noted issues of effluents and waste, covering areas where pollutants potentially had environmental impacts.
- The topic of water was addressed in another 26 engagements, including discussions on water use.

## Human Capital

### Human Capital Considerations

TDAM recognizes that employees are a crucial stakeholder for any company, 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 attract and retain talent.

Along with biodiversity, human capital was the only other sustainability topic highlighted in the International Sustainability Standards Board's 2024-2026 work plan published in June 2024, with the ISSB recognizing the impact that human capital management practices can have on a company's ability to deliver value in the long term. Their research focus will cover several underlying human capital issues, including workforce composition, workforce stability, diversity, equity and inclusion (DEI), and worker compensation, amongst others.

We incorporate human capital considerations as part of our stewardship program by reviewing dynamics such as employee turnover, employee engagement

practices and the existence of policies on issues such as non-discrimination and whistleblowing. Trends or events regarding these human capital topics may be included in the due diligence which investment teams conduct about applicable ESG practices to identify financially material issues that may impact company operations. Despite that, our stewardship practices include discussions on human capital in our engagements with company management, where relevant, and in proxy voting decisions.

### Diversity and Inclusion

TDAM recognizes the importance of DEI as a key systemic issue that can impact the quality and performance of our investments. TDAM continues to encourage more granular, standardized diversity disclosures that include diversity beyond gender. Given the large financial impacts which social and economic inequalities can have, we use our proxy voting rights to support gender, racial and ethnic diversity at the board level and throughout company ranks.

# Inclusion



## Stewardship in Action Case Study: Living Wage Proxy Proposals at Various Retail Companies

Shareholder support remained strong for proposals requesting companies to adopt or strengthen policies which respect collective bargaining rights, in line with certain global standards, such as the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations' Guiding Principles on Business and Human Rights. TDAM supported 16 proposals to improve human rights standards and policies, nine of which related to respecting collective bargaining rights. Of those nine, seven had overall shareholder support of 20% or more.

Wage standards were specifically in focus, with various retail companies facing shareholder requests to develop living wage policies. According to the ILO, a living wage is a level of pay that "is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances."<sup>28</sup> Ahead of the proxy season, in February 2024, the ILO took up the issue of a living wage, agreeing to its role in economic and social development and reducing inequality. Since that announcement, the ILO has been advancing work on estimating living wages and moving this concept into practice.

Higher wages do have financial implications that can impact profitability. Despite this, we believe that companies must also be cognizant of how their wage policies

impact employee participation, productivity, retention, equity and morale. Currently, however, living wage policies are not standard practice and the costs and benefits of a move in that direction would need to be sufficiently analyzed and understood before implementing such a policy.

The large U.S. retailers that faced these living wage proposals did have minimum starting hourly wages of at least \$14, higher than the current U.S. federal minimum wage of \$7.25 per hour. However, wages still fell below the 2022 living wage level of \$25.02 advanced by the proponents. In general, companies spoke about the improvements employees had seen in wages and benefits over the years. Companies also mentioned how they must balance raising wages with keeping products affordable for their customer base.

As we reviewed these proposals, various company statements indicated that they intend to do more to further improve employee compensation. TDAM will look to better understand those intentions as we continue to engage with companies about their human capital practices. We encourage companies to factor in living wage standards as those standards are studied, developed, reviewed and better understood. We will similarly adapt our thinking as standards evolve, given the systemic risk economic inequality can pose to portfolios.

## 2024 Highlights

### Human Capital

- In 2024, 20 engagements by TDAM included a discussion on DEI.
- 29 engagements included discussion on other human capital issues.
- TDAM voted against board directors at 298 companies due to a lack of gender diversity and at 208 companies due to a lack of other board diversity.
- TDAM supported 32 shareholder proposals requesting further assessment of company labour practices and another 18 diversity-related shareholder proposals.

<sup>28</sup> International Labor Organization (March 2024). ILO reaches agreement on the issue of living wages. Accessible via the following link: <https://www.ilo.org/resource/news/ilo-reaches-agreement-issue-living-wages>



## DEI at TDAM as an Organization

At the enterprise level, TD is committed to creating a space where all of its employees can thrive and bring their authentic selves to work. Since 2007, TD has had an enterprise-wide DEI strategy, which has been refreshed every few years to align with evolving practices and expectations. In 2023, TD introduced a new, multi-year DEI strategy approved by TD's Senior Executive Team and Enterprise Inclusion and Diversity Leadership Council and presented to the Human Resources Committee of the Board of Directors. This DEI strategy has three key strategic priorities:

1. Activate a culture of strong leader accountability, where all colleagues and customers feel respected and have equitable access to opportunities.
2. Amplify TD's voice on DEI through community investment, strategic

partnerships, supplier diversity, thought leadership and authentic transparent storytelling.

3. Measure performance in DEI through robust data and insights.

TD's DEI strategy centers on all customers, colleagues and communities, with an emphasis on the following Areas of Focus, which cover specific demographic groups: Black Experiences; Indigenous Peoples (Canada only); visible minorities/minorities; women; Two-Spirit, Lesbian, Gay, Bisexual, Transgender, Queer, Plus (2SLGBTQ+) individuals; People with Disabilities/Individuals with Diverse Abilities (PwD/IwDA); and Veterans (U.S. only). As part of this strategy, TD has developed both programming and initiatives that are enterprise-wide and specific to each Area of Focus.

At TDAM, as with the enterprise, our goal is to enrich the lives of our colleagues, clients and communities by leading in DEI through measurable actions to drive sustainable change.

Leveraging the strong foundation that TD has built, TDAM has operationalized the DEI strategy in ways that are relevant and specific to its business. Throughout 2024, we advanced our DEI culture with a focus on developing our next generation of leaders.

## Building a Diverse and Inclusive Culture by Investing with Purpose in Colleague Development

TDAM's DEI Strategy is adapted from the enterprise DEI refreshed strategy.

A culture of strong leadership accountability is being activated by providing leaders with data and insights through dashboards and by requiring leaders to outline their quarterly actions to support diversity and inclusion commitments.

We continue to amplify diverse voices by providing opportunities for authentic storytelling during events led by the Inclusion and Diversity Leadership Council (IDLC) and reviewing community partnerships to deepen and enhance relationships.

An increased focus on measuring experiences and providing insights on data is being incorporated into all DEI planning.

Programs focusing on career development and experience are at the center of actions planned by leadership and the IDLC:

- Continuing the LEAD (Leadership, Exploration and Development) program, which has helped foster a culture of employee engagement while also developing our next generation of talent. It does so by building awareness of and interest in pan-TDAM opportunities through information-sharing and network expansion. Established in 2017, LEAD helps senior leaders across the firm to identify emerging talent through a series of business challenges, allowing the skills and experience of diverse junior colleagues to be developed and showcased.
- Continuing a sponsorship program to reflect more diversity at mid and senior levels. Since its inception in May 2023, this program has matched 12 diverse colleagues with a senior leader who helps them form a better understanding of their career aspirations and pathways, with a deliberate focus on closing development gaps. Since its inception, more than 40% of proteges have been promoted or seen their mandates expanded.
- Continuing the Mentorship Program, which has helped to develop mid-level talent. Selected mentees connect with senior leaders on a one-on-one basis, gaining business insight and career advice to help fuel, define and confirm career aspirations. Through professional development sessions, speed mentoring and a 360-degree assessment, the Mentorship Program offers participants an opportunity to accelerate their growth through personal reflection and skills development for effective leadership.
- Continuing the TD Academy of Investment Management (TD AIM) program. TD AIM offers seminars on various business topics for continuous learning and career development.

## 2024 Highlights

TDAM's DEI strategy remained consistent year over year. The foundation of our strategy in 2024 was taking a deliberate focus on accelerating diverse talent. We saw gains at senior levels (Vice President and above) and expanded the mandates of top-talent diverse portfolio managers, developing the next generation of leaders to uphold our culture of inclusion and equity.

**Figure 8: 2024 TDAM Workforce Diversity Data<sup>29,30</sup>**

Year	Women	Visible Minorities	Black	Indigenous Peoples	PwD/IwDA	2SLGBTQ+
2024	42%	40%	6%	1%	8%	4%
2023	42%	42%	6%	1%	7%	4%
2022	40%	39%	7%	1%	7%	4%
2021	42%	44%	6%	1%	4%	4%

Data as of October 31, 2024.

A breakdown of workforce diversity by job category/level is provided each year in the TD's Sustainability Report. See [TD Sustainability Reporting Website](#) > for more information.

**Women: 42%**

The overall representation of women stayed constant in 2024. A TD Wealth-focused sponsorship program was introduced in 2024 to support development of senior leaders, including high potential female leaders with senior leadership career aspirations.

**Visible Minorities: 40%**

While overall percentage of visible minorities has stayed in the same range over the past three years, there has been an increase in executive representation. There has been greater focus on enhancing the quality of mentorship and career development programs, including the quality of matches between mentors and executives, the expectations of the mentoring relationship, and the tools available to support mentors and mentees.

**Black: 6%**

The overall population of Black colleagues remained stable year over year. TDAM is focused on building partnerships with Black community, professional and university associations to increase exposure for external postings and aligning the program components of mentorship and sponsorship activities currently available at senior levels to mid-level talent.

**Indigenous Peoples: 1%**

The overall population of Indigenous Peoples remained stable year over year. We are committed to providing support, development and connections to our Indigenous Peoples colleagues through our Indigenous Peoples Area of Focus within TDAM.

**People with Disabilities/ Individuals with Diverse Abilities: 7%**

The overall representation increased 1% from 2023. A people manager education program that will be launched in Q2 2025, by TD, which includes TDAM, aims to provide managers with a deeper understanding about the experience of people with disabilities in the workplace. It will focus on how to create an inclusive experience and support colleagues in their growth and career development.

**2SLGBTQ+: 4%**

While the overall representation remained stable year over year, there continues to be focus on the experience of inclusion and belonging for colleagues within this community.

<sup>29</sup> Data is voluntarily disclosed by TD colleagues and therefore may not be reflective of the actual workforce

<sup>30</sup> "Visible minorities" is defined as non-Caucasian in race or non-white in colour, other than an Indigenous person. "Indigenous peoples" is defined as First Nations, Inuit, Métis, American Indian, Alaska Native, Native Hawaiian or other. "People with disabilities" is defined as a person having a long-term or recurring visible or invisible physical, mental, sensory, psychiatric or learning impairment, including impairment relating from or related to hearing, seeing, vocal, mobility, agility, pain, neurological, memory, developmental and psychological conditions or addiction.

## What TDAM Plans to Do in 2025

- We will continue to intentionally nurture the skills, leadership capabilities and career paths of underrepresented groups to ensure diverse talent is not only brought into the organization but is supported to reach their full potential.
- While we maintained our focus in 2024 on ensuring that a diverse pipeline of applicants is considered, interviewed and equitably assessed, we are taking action to increase the usage of focused outreach in 2025. This will further help us to
- acquire diverse external talent, both experienced and early in their career.
- We will leverage the apprenticeship model of talent development, growing talent deeper in the organization at pre-pipeline levels.
- We will continue our focus on building strong leadership capabilities across all TDAM people leaders, through a prescribed TD Wealth learning strategy, sustained at the line of business level.
- We will see to conclusion the Mentorship and Sponsorship programs launched in 2024, with an emphasis on ensuring talent visibility, through expanded networks, and formally, as part of succession planning.
- We are building strong links to Enterprise Employee Resource Groups to ensure colleagues across TDAM are aware and engaged in tailored professional development opportunities.

By integrating these elements into an over-arching talent strategy, we strive to create an environment where employees, regardless of their background, have the opportunity to grow and contribute.



## Human Rights

Given the increasing risks around human rights violations and elevated regulatory scrutiny around it, TDAM believes that the protection of human rights should be a core policy for investee companies to prevent human rights abuses across corporate supply chains, in-house labour or local communities. Companies found to be complicit in human rights abuses face regulatory, legal and reputational risks, as well as potential operational challenges. New and evolving regulations include laws that require companies to conduct human rights due diligence practices and others that introduce modern slavery reporting obligations. Some examples include:

- European Union's Corporate Sustainability Due Diligence Directive (CSDDD)
- France's Corporate Duty of Vigilance Law
- Germany's Supply Chain Due Diligence Act
- Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act
- United Kingdom Modern Slavery Act
- Australia's Modern Slavery Act

We incorporate human rights considerations as part of our stewardship practices, engaging companies on the strength of their human rights policies, the methods in place to ensure adherence to stated policies, and the methods used to inform their practices and improvements (e.g., community engagement practices and grievance mechanisms). Where our research indicates high potential risk, we include discussions on human rights in our engagements with company management. We also support shareholder resolutions by requesting human rights risk assessments where appropriate.

Since the 2022 launch of PRI's Advance initiative, a collaborative stewardship initiative on human rights and social issues, TDAM has actively participated in the initiative as one of the lead investors and has held meetings with two companies to move forward discussions on how they approach human rights, disclose information around that approach, and measure progress toward mitigating human rights risks and generally advancing respect for those rights. We will continue to work with companies where we think appropriate to advance these conversations.

## Indigenous Rights

As part of its human rights practices, TDAM looks to companies to ensure respect of the rights of Indigenous communities as well as their perspectives and insights. TDAM encourages companies to operationalize global standards that call for Free, Prior and Informed Consent (FPIC) and that this be included in their formal policies, consultations practices and due diligence processes.

TDAM looks to understand how companies consider the perspectives and direction of Indigenous People to help mitigate related risks such as community protests that could have financial implications for company operations. TDAM continues to include discussions of Indigenous rights as part of its stewardship efforts, having conducted 10 engagements on this topic in 2024. TDAM also supported three proposals asking companies to report on the effectiveness of their policies, processes and practices in respecting Indigenous rights during the 2024 proxy season.

# Practices

## Case Study



### Stewardship in Action Case Study: Enhancing Disclosures on Human Rights Impact Assessments

We continue to engage companies on human rights impact assessments (HRIAs) and associated disclosures, recognizing the value disclosure provides to investors as they look to understand company progress in mitigating human rights risks. In the case of one company, it had an independent consultant conduct a human rights impact assessment for one of its sites, and the company subsequently published a summary of that HRIA assessment in 2024.

The summary provided a healthy level of information that gave the reader an understanding of what standards were used in the development of the HRIA and the types of stakeholders involved to inform the process, both of which helped identify strengths, gaps and actions for improvement. The HRIA noted the areas assessed and the subset of areas that failed to meet industry best practice. However,

the HRIA was limited in detail when it came to the recommendations for improvement. We found that the company's summary HRIA described the process taken to develop the HRIA – which are important aspects – but it did not give enough in terms of the particular issues found by the independent consultant and the consultant's recommendations.

We engaged the company to discuss the potential for enhanced disclosures around consultant feedback and recommendations. The aim was for investors to be able to monitor company efforts to mitigate human rights issues in a timely fashion and thus manage human rights risks. We will continue to monitor updates as the company has indicated its intention to incorporate the consultants' feedback and implement recommendations in the next few years.

## 2024 Highlights

### Human Rights

- In 2024, 7 engagements by TDAM included a discussion on human rights.
- 10 engagements covered Indigenous rights and relations.
- TDAM supported 31 shareholder proposals requesting human rights policies and human rights risk assessments.
- Actively participated as a lead investor member of Advance, PRI's stewardship initiative for human rights and social issues.



## ESG Integration

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TDAM recognizes that a broad range of financial and non-financial considerations may be relevant in making investment decisions. Where funds do not explicitly focus on ESG factors as part of their fundamental investment objectives or as a material component of their principal investment strategy, TDAM aims to integrate ESG factors where financially material or relevant into the investment decision-making process. It is up to each individual portfolio manager to determine how and the extent to which ESG considerations are to be incorporated into the financial analysis within their own investment processes, and in a manner that aligns with the fundamental investment objectives of each fund. As a result, ESG considerations may be incorporated in varying limited degrees and weight across the funds and ESG factors may differ from security to security within a fund. Certain strategies and asset classes which do not integrate ESG factors include, but are not limited to, index-tracking funds and third-party sub-advised strategies.

Details are provided below about how certain asset classes generally consider material ESG factors as part of their respective investment processes.

## Fundamental Equity

TDAM's Fundamental Equity team believes that the consideration of material ESG factors as part of its financial analysis and investment decision-making process assists with obtaining a robust view of the risks associated with a particular investment. As part of their overall research process, Fundamental Equity analysts may meet with companies about their business structure, strategic direction, risk management, cost drivers and revenue prospects.

## Quantitative Equity

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 and identifying emerging sources of risk that may not yet be sufficiently captured by quantitative approaches. In building quantitative models, the Quantitative Equity team seeks to produce the most effective alpha and risk forecasts. Material ESG factors and methodologies are considered as part of these research and development efforts.

## Fixed Income

TDAM's Credit Research team evaluates material 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 TDAM's credit approved list. To gain a complete picture of a company's credit quality, the team also engages with management to understand how issuers are addressing material risks. These processes inform an ESG Risk Score for the issuer, which is integrated into the internal credit rating. Our analysis is regularly updated and incorporated into research reports that are reviewed by TDAM's Credit Committee.



## Private Debt

TDAM's Private Debt Origination and Research team evaluates material ESG factors as part of a comprehensive credit rating review for approved issuers. To understand the relevant factors used to fully assess each credit rating, including how issuers address material ESG exposures, the team conducts due diligence and may engage with issuer management teams. The Private Debt Origination and Research team utilizes the fixed income process, as described above, to inform an ESG Risk Score which is integrated into the internal credit rating. These assessments are reviewed and approved by TDAM's Credit Committee.

We believe that assessing ESG risks as part of our credit research process may lead to better credit outcomes for long-term, buy-and-hold investors. All investment-grade debt, whether publicly traded or privately issued, is rated internally using the same processes, ratings models and methodologies,

which enforces consistency in the oversight of both public and private debt. TDAM's credit risk analysis is fundamentally centered on four pillars, one of which is ESG.

ESG risk factors are analyzed and separately scored. Within the Private Debt Origination and Research team, there is a dedicated ESG Credit Sub-Committee that provides oversight over the ESG ratings process, in addition to engaging with other working groups within the firm and relevant external parties.

TDAM's credit analysts identify and score a comprehensive set of 26 ESG risk factors. ESG findings and scores are then documented in a standardized format that forms part of the Credit Committee's assessment reports. Direct engagements with borrowers assist us in developing a deeper understanding of potential risks and opportunities, including ESG-related risks, and supports a more informed assessment of borrowers.

# Private Debt

## Canadian and Global Real Estate

Across our real estate platform, our approach to sustainability is aligned with our culture, which focuses on risk management, disciplined processes, sustainable returns, and an approach to addressing material ESG risks and opportunities. We integrate sustainable investment practices in our real estate investment and portfolio management processes,

including acquisitions, developments, capital planning, third-party due diligence and ongoing operations. This comprehensive approach is designed to help deliver stable, growing income streams, enhance long-term value creation, and mitigate risks in an evolving global landscape.

## Supporting Health, Wellness and Accessibility

Throughout 2024, TDAM continued to strategically pursue building certifications which are focused on health, wellness and accessibility. Certification schemes such as Fitwel<sup>31</sup> and the Rick Hansen Foundation Accessibility Certification (RHFAC)<sup>32</sup> help validate the health and wellness or accessibility focus of the properties' operating practices, respectively.

Fitwel is the world's leading certification which offers strategies for developing and maintaining environments that aim to facilitate improvements in physical, social and mental health.

RHFAC is a rating system developed to help building owners and managers measure the accessibility of a building. It considers the holistic user experience of occupants of all abilities, including those with mobility, vision and hearing disabilities. Designing and operating a building for accessibility helps assets prepare for Canada's changing demographics and evolving provincial and federal accessibility legislation. It may also result in increased attraction and retention of tenants because it essentially follows universal design principles.

Beyond these certifications, we actively monitor our property managers' engagement with tenants on health and wellness topics, including by conducting health-related property audits and organizing events focused on health and wellbeing for tenants and communities.

## Increasing Our Focus on Sustainability Governance and Manager Engagement

Throughout 2024, TDAM continued to actively engage its Canadian real estate asset, property and development managers on material sustainable investment issues. Quarterly ESG Working Group meetings provided a platform to educate and collaborate with managers on decarbonization strategies, tools and target-setting to discuss the importance of DEI and to align on the measurement and evaluation of key performance indicators (KPIs). These engagements facilitated knowledge sharing among our managers, promoting best practices and driving the adoption of effective ESG initiatives.

Decarbonization efforts remained a key focus in 2024, with managers surveyed on property-level opportunities and technical feasibility to support

TDAM's carbon reduction objectives. Managers provided key insights to inform the development of decarbonization strategies at both the asset and portfolio level.

TDAM also issued manager-specific ESG KPI Scorecards in Q3 of 2024 and incorporated a new GRESB-focused appendix as an additional feature to help managers highlight asset contributions to the GRESB assessment and identify opportunities for improvement. One-on-one meetings were held to discuss performance metrics, including building certification rates, utilities data coverage, technical building assessment schedules (e.g., for energy or decarbonization audits), green lease penetration rates, as well as energy, water, waste and GHG emission performance on a year-over-year basis.

The engagement meetings were also leveraged to learn more about each manager's key ESG focus areas for 2025 and ensure alignment with TDAM's priorities. Discussions centered on mitigating and managing climate-related transition and physical risks, driving operating efficiencies, and enhancing ESG data management capabilities.

## Maintaining Momentum – Global Real Estate Manager Engagement

In 2024, TDAM continued its annual ESG engagement meetings with each of its underlying fund managers. The focused engagements included a performance debrief of each manager's 2024 GRESB assessment, as applicable, including implications of GRESB scoring changes for their funds, a discussion of their 2025 ESG priorities, as well as a review of their capabilities with respect to decarbonizing assets within their funds. Findings from the focused engagements were positive, with many of the fund managers highlighting decarbonization strategies, efforts to expand on-site renewable energy, and portfolio-level assessments of climate-related physical risk exposure. The focused engagements have offered better insight into each of its managers' sustainability performance and capabilities and ESG priorities.

<sup>31</sup> Fitwel – <https://www.fitwel.org/about-fitwel>

<sup>32</sup> RHFAC – <https://www.rickhansen.com/become-accessible/rating-certification>

## Global Infrastructure

TDAM promotes climate change mitigation and occupational health and safety characteristics through its asset management practices.<sup>33</sup> This includes engagement with the management teams of portfolio companies as well as assessing the ongoing governance of the investee companies included in its portfolio.

### Advancing Climate Risk Assessments and Action Plans

In 2022, TDAM launched a climate risk education and assessment exercise for management teams that identified sector-specific physical and transition risks. This foundational work provided a baseline for understanding climate vulnerabilities and opportunities.

TDAM further advanced these efforts in 2024 by conducting a comprehensive survey among management teams to gather additional data on climate resilience efforts, assess detailed climate risks and opportunities, identify business impacts,

and outline future actions at the asset level. The insights from this survey informed the development of Climate Action Plans for each asset. These plans address actionable strategies to mitigate identified risks and pursue climate opportunities, while serving as a resource for ongoing engagement between TDAM and management teams. This initiative provides both an asset- and portfolio-level view of climate risk and resilience. It also supports TDAM's approach to ongoing value creation and integrated risk management.

<sup>33</sup> The TD Greystone Infrastructure Strategy does not commit to making any sustainable investments as defined by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November, 2019 on sustainability-related disclosures in the financial services sector.



## Mortgages

TDAM may integrate ESG factors where financially material or relevant into the investment decision-making process to mitigate risks and identify opportunities within applicable portfolios. Material ESG factors are evaluated within the context of our risk management framework.

**Figure 9: ESG Integration Framework of Mortgage Portfolio**



Source: TDAM

### Our ESG Due Diligence Underwriting Process

As part of our underwriting process, the investment team evaluates the site-specific transition and physical climate risks of prospective investments. For example, the investment team evaluates physical climate risks under a more severe global warming scenario – the Representative Concentration Pathway (RCP) 8.5<sup>34</sup> – until 2030. The following acute and chronic climate hazards are included as part of this scenario analysis: riverine inundation, coastal flooding, chronic heat, fire probability (i.e., wildfire risk), drought, precipitation, hail, wind and compound flooding.

Given that the average duration of loans is well under five years, the 2030 scenario is considered conservative. Additionally, as part of the due diligence process, TDAM investigates if climate-related transition risks have been incorporated into action plans and budgets and/or if the lender has dedicated capital for financing sustainability-focused property enhancements.

### Borrower Engagement and ESG Opportunities

TDAM employs an annual ESG Borrower Survey and ESG Property Survey to facilitate borrower engagement and identify potential sustainable investment opportunities. In 2021, TDAM's relevant investment teams began formally tracking ESG engagement with borrowers on an annual basis through our ESG Borrower Survey and our ESG Property Survey. Both of these initiatives were updated in 2022 to collect a more comprehensive data set going forward.

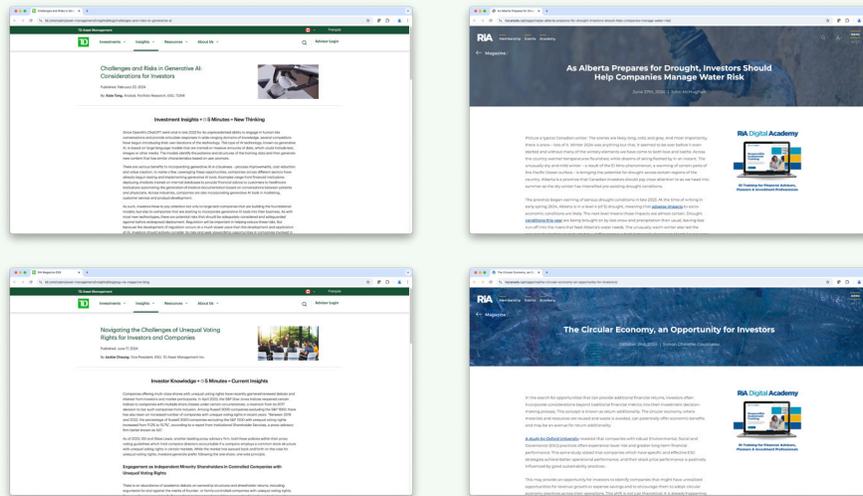
### GRESB Real Estate Lender Assessment Roundtable

TDAM actively participated in the GRESB Real Estate Lender Roundtable throughout 2024. The objective of the roundtable was to update the previous 2018 lender assessment to align with current industry best practices and share feedback to support the development of resources for GRESB participants. As part of the broader GRESB portfolio, which includes real estate and infrastructure assessments, the real estate lender assessment focuses on benchmarking and tracking of ESG reporting, policies and performance data applicable to lenders and their investors. TDAM played an integral role as a roundtable member, engaging in interviews and coordination calls with industry peers, and providing detailed feedback on the pilot questionnaire. This feedback will be incorporated into the 2025 Real Estate Lender Assessment.

<sup>34</sup> RCP 8.5 refers to the concentration of carbon that delivers global warming at an average of 8.5 watts per square meter across the planet. The RCP 8.5 pathway delivers a temperature increase of about 4.3°C by 2100, relative to pre-industrial temperatures.

# Thought Leadership, Consultations and Industry Events

TDAM regularly publishes thought leadership on a variety of subjects both in external publications and in our own channels. TDAM leverages expertise from across the firm to contribute to research pieces, covering a range of ESG topics.



## Thought Leadership Articles – 2024

### Challenges and Risks in Generative AI: Considerations for Investors

TDAM, February 2024

There are various benefits to incorporating generative AI in a business – process improvements, cost reduction and value creation, to name a few. Leveraging these opportunities, companies across different sectors have already begun testing and implementing generative AI tools. As such, investors have to pay attention not only to large tech companies that are building the foundational models, but also to companies that are starting to incorporate generative AI tools into their business.

### Navigating the Challenges of Unequal Voting Rights for Investors and Companies

TDAM, June 2024

There are certain requests that minority shareholders can present to investee companies controlled via unequal voting rights to address the issue of inaction when it comes to problematic multi-class share structures. These actions are not meant to replace what other market participants

have rightly been asking for. Rather, they serve to complement an investor’s existing actions on voting, engagement and advocacy. The adoption of a formal policy or procedure and its disclosure could help companies standardize the ways in which they respond to shareholder concerns, relay information internally to the board and disclose relevant information to investors.

### As Alberta Prepares for Drought, Investors Should Help Companies Manage Water Risk >

RIA Magazine, June 2024

As temperatures rise, populations increase and commercial needs increase, drought-laden summers may become a more common occurrence, and with that water stress will become a more important investment risk. Companies that are significant players in the water management system should be encouraged by their investors to proactively implement water management strategies, plan for a time where water withdrawal may be limited, and produce disclosures that allow investors to effectively evaluate operations that are exposed to water-stressed areas.

## The Circular Economy, an Opportunity for Investors

RIA Magazine, October 2024

The circular economy is often seen from a GHG emission reduction perspective, but it can also offer economic benefits. Shareholders can leverage these benefits when looking for growth investment opportunities or opportunities for existing investee companies to reduce expenses. Implementing a circular economy model can help companies achieve financial savings by recapturing wasted value. As investors continue to look for return additionality, they can encourage companies to implement circular economy practices, which could improve financial returns while contributing to positive environmental changes.

## Speaking Opportunities at Industry Forums and Events in 2024

- RIA Canada Conference, Climate Engagement Canada Benchmark Overview, May 2024
- Reuters Events, SMR & Advanced Reactor 2024, Leading the charge: Canada in focus, May 2024
- PRI in Person, Climate Engagement Canada: Canada's Blueprint for Investor-Led Climate Action, October 2024
- PRI Academy, PRI in Person side event, Progression Pathways and the PRI in Fast-Evolving Responsible Investment Landscape, October 2024
- Institute of International Finance Toronto Transition Finance Workshop, Public and Private Sectors Role in the Energy Transition, October 2024
- Canadian Coalition for Good Governance, High-priority governance issues raised during CCGG board engagement meetings, October 2024

## Training and Educational Opportunities

As of September 2024, 88% of eligible members of TDAM's investment teams in Canada completed the PRI Academy Understanding Responsible Investment course. The course introduces the principles that underlie and define responsible investment. Following the completion of the course, 85% of TDAM participants felt that their understanding of ESG had improved, and 79% felt that their confidence in discussing ESG had improved.

Additionally, in 2024, TDAM professionals participated in external training and continuing education opportunities. Multiple team members obtained the CFA Certificate in ESG Investing.

TDAM professionals also attend relevant conferences throughout the year to share ideas and insights and learn from industry leaders. Some of the conferences that were attended in 2024 include:

- PRI in Person 2024 Conference, Toronto, Canada
- 2024 RIA Conference, Vancouver, Canada
- International Corporate Governance Network 2024 Annual Conference, London, United Kingdom
- Council of Institutional Investor 2024 Fall Conference, New York, United States
- 2024 United Nations Biodiversity Conference, Cali, Colombia
- World Biodiversity Summit, Cali, Colombia

# Leadership



## Looking Forward

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In 2025, we expect some policy shifts related to sustainability in certain investment markets, especially in the U.S. with the new administration. While these shifts may have an impact on market opportunities related to sustainability, we believe the core of our work will remain unchanged from an investment standpoint. The need to incorporate material ESG information, to the extent it drives the investment landscape, in our due diligence to inform decision-making remains important. The engagement model with portfolio companies and assets about financially material ESG topics also remains important. Another thing that remains critical to our role as an asset manager is to keep abreast of the latest developments and investment themes, which will drive our thought leadership work. Related to these three areas of work and recognizing the importance of focus and depth, our priorities are outlined in the next three sections.

### **Creating Awareness and Transparency Around Sustainable Fund Solutions**

With our sustainable investment capabilities and building blocks well established, we look forward to working with our internal and external partners to

create better awareness and transparency around our sustainability solutions and funds to serve our clients' needs both on the institutional and retail side. Aligned with the worldwide push against greenwashing, our approach continues to be that of deliberate and clear disclosures around our funds' ESG approaches, as applicable.

### **Testing Data and Technology**

Given the ongoing evolution of ESG data and metrics, their relevance to portfolio construction as screens or alpha optimization is increasing. The existence of much larger and deeper data sets and estimation models, as well as data history extending to five or more years, can now serve as a test or a portfolio goal when it comes to efficient portfolio construction. Adding an ESG dimension to quant-based approaches means that now the risk and reward trade-offs can be explained more clearly. In 2025, we will pay close attention to this area to maximize our strengths and build solutions that keep up with this evolution.

## Investment Stewardship Themes

### Environmental

We continue to refine our work of integrating climate risks and opportunities into applicable investment processes and stewardship efforts. In 2024, we expanded our climate focus list. In 2025, we will continue expanding the scope of our climate engagement program to include engagements with more companies in hard-to-abate sectors. At the same time, we will remain engaged with the fossil fuel companies in our portfolios.

While we keep an eye on dates and targets both near and far in the future, it is important to not lose sight of the fundamentals of corporate transition planning, including setting sector-appropriate decarbonization targets that are underpinned by a clear and achievable roadmap to hit the targets and that are supported by sufficient capital expenditures. As climate-reporting requirements around the world evolve, we remain focused on these fundamentals.

With the Global Biodiversity Framework's 2030 targets not too far off and still several countries in need of developing their national biodiversity strategies and action plans, we anticipate additional initiatives that advance those goals to take shape. While COP16 saw some progress, there remains a considerable amount of work to do. Hopefully COP16 served as both a wake-up call and a source of ideas for both countries and companies to further their biodiversity conservation and restoration initiatives. We will continue to move forward our analysis around biodiversity risks within portfolios. We will continue to keep the Kunming-Montreal Global Biodiversity Framework (GBF) and the Taskforce on Nature-related Financial Disclosures (TNFD) on the agenda for our engagements with investees to ensure companies have the right practices in place to assess and mitigate their biodiversity risks and dependencies.

### Governance

With respect to governance, we continue to refine our focus on elements which are needed to ensure that boards remain high-performing and effective, that management incentives are tied to long-term value creation, and that shareholder rights are not inequitably diminished. To this end, in 2024, we

introduced corporate governance and executive compensation as a topical area for TDAM's 2024 Focus List. This has allowed us to identify and engage companies where there are persistent compensation concerns, where we have not seen evidence of significant board responsiveness to shareholder consternation, and where the control structure of the company prevented the shareholder vote from fully reflecting independent shareholder views.

We expect that these deep engagements will drive measurable impact and outcomes over a number of years. As outlined last year, we also began to take a closer look at companies controlled via unequal voting rights, with a focus on ensuring that independent shareholder voices are heard. Our Focus List engagements, which focus on corporate governance, particularly for those companies with unequal voting rights, will serve as a starting point for conversations about formalizing board actions to be taken in light of significant shareholder opposition.

### Social

As global political dynamics shift, we will look to understand how changing perspectives, policies and laws touch on social issues and potentially impact corporate initiatives. We will continue to expect companies to use established, internationally recognized standards as their guideposts. Areas of ongoing importance will include the rise of AI and ensuring proper oversight and governance control to mitigate long-term risks; the evolving mechanisms countries are putting in place by which companies are made accountable for human rights violations; and the risks arising from political instability and uncertainty from social inequality.

Around the world, efforts to lend transparency to various social risks are underway, including the International Sustainability Standards Board's consideration of specific standard setting on human capital risks and the strengthening of laws that require human rights due diligence. TDAM will monitor developments and the social risks within portfolios, using stewardship with investees to understand how they are assessing and managing their human rights risks and aligning their operations with developing regulation and practices.

## Doubling Down on Real Assets

As we look to 2025, integration of material ESG factors across real assets remains a priority. Central to this is a focus on addressing physical and transition risks and advancing operational efficiency as key drivers of long-term value creation.

The evolving landscape of reporting and disclosure frameworks, such as the Sustainable Finance Disclosure Regulation, and performance benchmarking tools, such as GRESB, will continue to underpin our governance approach, providing a foundation for best practices and enabling investors and stakeholders to assess performance with greater clarity.

High-quality data management is a key enabler of these efforts. Comprehensive ESG data coverage at the asset and portfolio levels informs strategic planning, facilitates measurement and monitoring of progress, and supports the identification of emerging risks and opportunities. Together with our partners and stakeholders, we will continue to enhance our ESG data coverage and quality.

## Knowledge Building

We will continue to invest in our people as they look to build their expertise in sustainable investing. The enhanced knowledge will allow us to better perform our work, factoring in a growing body of ESG-oriented information. We have budgeted for formal sustainable investing training for each investment team professional and will continue to encourage knowledge building both internally and via external organizations. Knowledge sharing will extend to TDAM's board of directors as well, with the Head of the Sustainable Investment team presenting on TDAM's sustainable investment practices and progress.



# TDAM's 2024 Climate Report

## Concordance table for Taskforce on Climate-related Financial Disclosures (TCFD) Recommendations

Theme	TCFD Recommendation	Corresponding Section of the Report
<b>Governance</b> – Disclose the organization's governance around climate-related risks and opportunities.	<b>a.</b> Describe the board's oversight of climate-related risks and opportunities.	N/A
	<b>b.</b> Describe management's role in assessing and managing climate-related risks and opportunities.	<a href="#">TDAM Sustainable Investment Governance Structure &gt;</a>
<b>Strategy</b> – Disclose the actual potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.	<b>a.</b> Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	<a href="#">Climate Risks and Opportunities &gt;</a>
	<b>b.</b> Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	<a href="#">Strategy &gt;</a> <a href="#">Our Investment Approach &gt;</a>
	<b>c.</b> Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<a href="#">Portfolio Alignment &gt;</a> <a href="#">Scenario Analysis &gt;</a>
<b>Risk Management</b> – Disclose how the organization identifies, assesses and manages climate-related risks	<b>a.</b> Describe the organization's processes for identifying and assessing climate-related risks.	<a href="#">Risk Management &gt;</a>
	<b>b.</b> Describe the organization's processes for managing climate-related risks.	<a href="#">Risk Management &gt;</a> <a href="#">Measuring and Actioning on Emissions &gt;</a> <a href="#">Engagement &gt;</a> <a href="#">Proxy Voting &gt;</a> <a href="#">Investment approach &gt;</a>
	<b>c.</b> Describe how processes for identifying, assessing and managing climate-related risks are integrated in the organization's overall risk management.	<a href="#">Risk Management &gt;</a>
<b>Metrics and Targets</b> – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	<b>a.</b> Disclose the metrics the organization uses to assess climate-related risks and opportunities in line with its strategy and risk management process.	<a href="#">Risk Management &gt;</a>
	<b>b.</b> Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	<a href="#">Metrics &gt;</a>
	<b>c.</b> Describe the targets the organization uses to manage climate-related risks and opportunities and performance against targets.	<a href="#">Our Operational Footprint &gt;</a>



## Strategy

As an asset manager with investments in both public and private financial markets that span different geographies, we recognize that climate-related risks are wide-ranging and can impact both TDAM as an entity, as well as the underlying assets in which TDAM invests. Most of TDAM's public market investments are held for periods spanning one to five years or more than five years. The impacts of climate change are typically considered over these periods.

For a full description of the different types of climate-related risks that TDAM, and the assets we manage, may be exposed to and for information on the steps TDAM takes to mitigate these risks, please see the [Risk Management section](#) > of this report.

In general, TDAM's approach to addressing climate-related risks and opportunities within our business strategy is grounded in our approach to climate change and net-zero by 2050, as detailed below.

### **TDAM's Approach to Climate Change and Net-Zero by 2050**

At TDAM, we believe that asset managers have a role to play in the global ambition to achieve net-zero GHG emissions by 2050. As such, we continue to monitor ongoing developments in subsequent meetings of the Conference of Parties (COP), the ultimate decision-making body within the UN Framework Convention on Climate Change.

We continue to review and evolve our approach in relation to the net-zero transition by referring to climate science frameworks. Those frameworks include the Intergovernmental Panel on Climate Change (IPCC) Assessment reports and U.S. Global Change Research Program (USGCRP) National Climate Assessment reports.

## Our Operational Footprint

TD measures and reports on GHG emissions, including those related to TDAM's operations. In 2020, TD announced its Climate Action Plan, including a target to achieve net-zero GHG emissions associated with its operations and financing activities by 2050. In 2021, TD announced its first science-based interim target to achieve an absolute reduction in Scope 1 and Scope 2 GHG emissions by 25% by 2025, relative to a 2019 baseline. This target includes the GHG emissions related to TDAM's operations.<sup>35</sup> For more details on TD's operational carbon footprint, see TD's Sustainability Report on the TD Sustainability Reporting website.

### **Climate Risks and Opportunities**

Physical climate risks arise from the consequences of a changing climate. These include acute physical risks, which stem from extreme weather events happening with increasing severity and frequency (e.g., wildfires and floods), and chronic physical risks, which stem from longer-term progressive shifts in climatic and environmental conditions (e.g., rising sea levels and global warming).

Transition risks arise from the process of shifting to a low-carbon economy, influenced by new and emerging climate-related public policies and regulations, technologies, stakeholder expectations and legal developments. Efforts to mitigate and adapt to climate change also produce opportunities for organizations - for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

<sup>35</sup> Source: TD Bank Group.

## Our Investment Approach

To address climate-related risks and opportunities within applicable portfolios, we are focused on achieving the following principles:

- 1. Monitoring climate risks and opportunities in investments:** We continue to monitor and evaluate material climate-related risks and opportunities where data allows, including in our fund quarterly performance reviews with our CIO. Where aligned with the investment objective or strategies of a fund or mandate, TDAM has made investments in areas such as utility-scale solar and battery storage. We will continue to look for these opportunities where risk and expected returns align with the firm's profile, particularly through our alternative investment strategies (infrastructure and real estate). For example, renewable energy represents over 50% of the investments of the TD Greystone Infrastructure Strategy as of October 31, 2024. Additional information on our approach to ESG integration can be found in the [ESG Integration section](#) > above and in our Sustainable Investment Approach.
- 2. Increasing transparency:** Subject to data availability, we continue to track and disclose the GHG emissions associated with our investments on an aggregate level, following TCFD guidance for asset managers.
- 3. Contributing to industry dialogue:** TDAM participates in policy engagements with regulators as they develop new corporate standards on measuring, managing and reporting on climate risk. We also publish regular thought leadership pieces and participate in relevant conferences on climate issues. We are active members in industry organizations that aim to enhance the discourse and understanding around incorporating climate considerations in investing and disclosures, such as the Partnership for Carbon Accounting Financial (PCAF)<sup>36</sup> and the United Nations Environment Programme Finance Initiative (UNEP FI).<sup>37</sup>
- 4. Focusing on climate change through our engagement program:** In general, we encourage companies in our portfolios to set science-based, time-bound GHG reduction targets, and to be aligned with net-zero by 2050 or sooner. We may add investee companies where climate change is deemed to be a material financial risk to our annual Climate Focus List and engage with them with defined goals for the outcome of the engagement. Where possible, we conduct these engagements directly. We also engage through industry initiatives, such as Climate Action 100+<sup>38</sup> and Climate Engagement Canada (CEC).<sup>39</sup>
- 5. Engaging in climate-supportive proxy voting:** In the absence of requisite disclosures, TDAM generally supports proposals seeking basic and enhanced disclosures on how investee companies identify, measure and manage their climate-related risks, as well as proposals calling on investee companies to reduce GHG emissions and set science-based targets. We evaluate advisory votes on climate, often referred to as Say-on-Climate – either proposed by management itself or requested of management by shareholders – on a case-by-case basis.
- 6. Supporting our clients' climate objectives:** When our institutional clients set their own climate objectives and targets, we work with those clients and strive to deliver solutions to support such objectives.

<sup>36</sup> PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.

<sup>37</sup> The United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development.

<sup>38</sup> Climate Action 100+ is an investor initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change.

<sup>39</sup> Climate Engagement Canada is a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy.

## Measuring and Actioning on Emissions

To understand the carbon footprint of our public equities and corporate fixed income holdings, we use point-in-time financed emissions metrics, including Weighted Average Carbon Intensity (WACI) and Emissions per Million Dollars Invested. Financed emissions are the GHG emissions associated with the investments TDAM makes, rather than emissions resulting directly from TDAM's operations. Below we show the year-end performance of our holdings on these two metrics.

For the assets included in this report, the performance of TDAM's portfolios is generally aligned with their corresponding benchmark.<sup>40</sup> Overall, the

performance of TDAM's Canadian equity holdings, while closely aligned with the benchmark, stands out as having a higher carbon intensity relative to the other portfolios assessed.

We believe this reinforces our focus on high-emitting Canadian companies through our engagement program and magnifies the potential positive impact of remaining engaged with these companies. Our climate Focus List, a key part of our engagement strategy, is made up primarily of Canadian companies and is further detailed in the [Engagement section >](#) of this report.

Asset Class	Metric	Category	Unit	Definition
Equity and Corporate Fixed Income	Weighted Average Carbon Intensity	GHG Emissions	Tons of carbon dioxide equivalent (tCO <sub>2</sub> e)/\$M Revenue	Measures a portfolio's exposure to carbon-intensive companies. It is computed as the sum product of the portfolio companies' carbon intensities (normalized over sales) and portfolio weights.

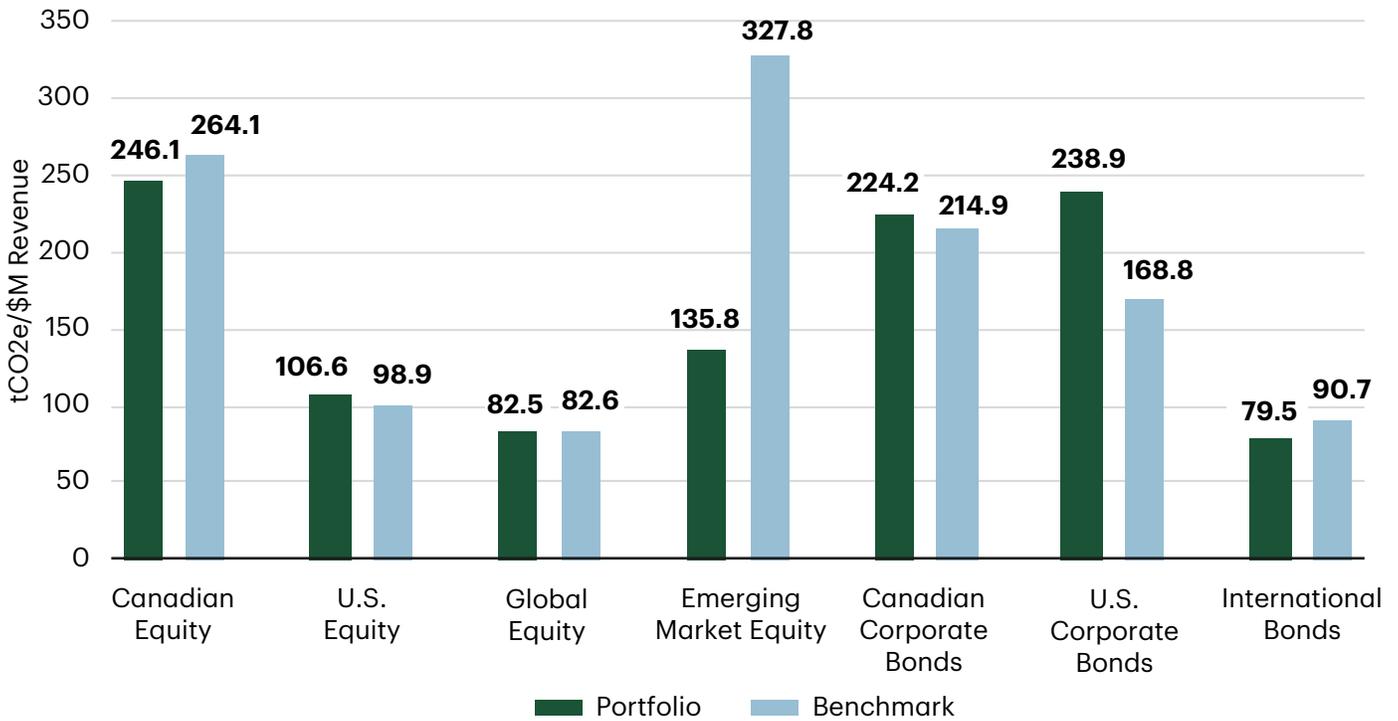
$$\sum \left\{ \frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Issuer scope 1, 2 GHG emissions}}{\text{Issuer revenue (\$M)}} \right\}$$

Equity and Corporate Fixed Income	Emissions per Million Dollars Invested	GHG Emissions	tCO <sub>2</sub> e/\$M invested	Measures the GHG efficiency of a portfolio, defined as the total GHG emissions of the portfolio normalized per million dollars of portfolio value.
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$$\sum \left\{ \frac{\frac{\text{Current value of investment}}{\text{Enterprise value including cash}} \times \text{Issuer scope 1, 2 GHG emissions}}{\text{Current value of investment (\$M)}} \right\}$$

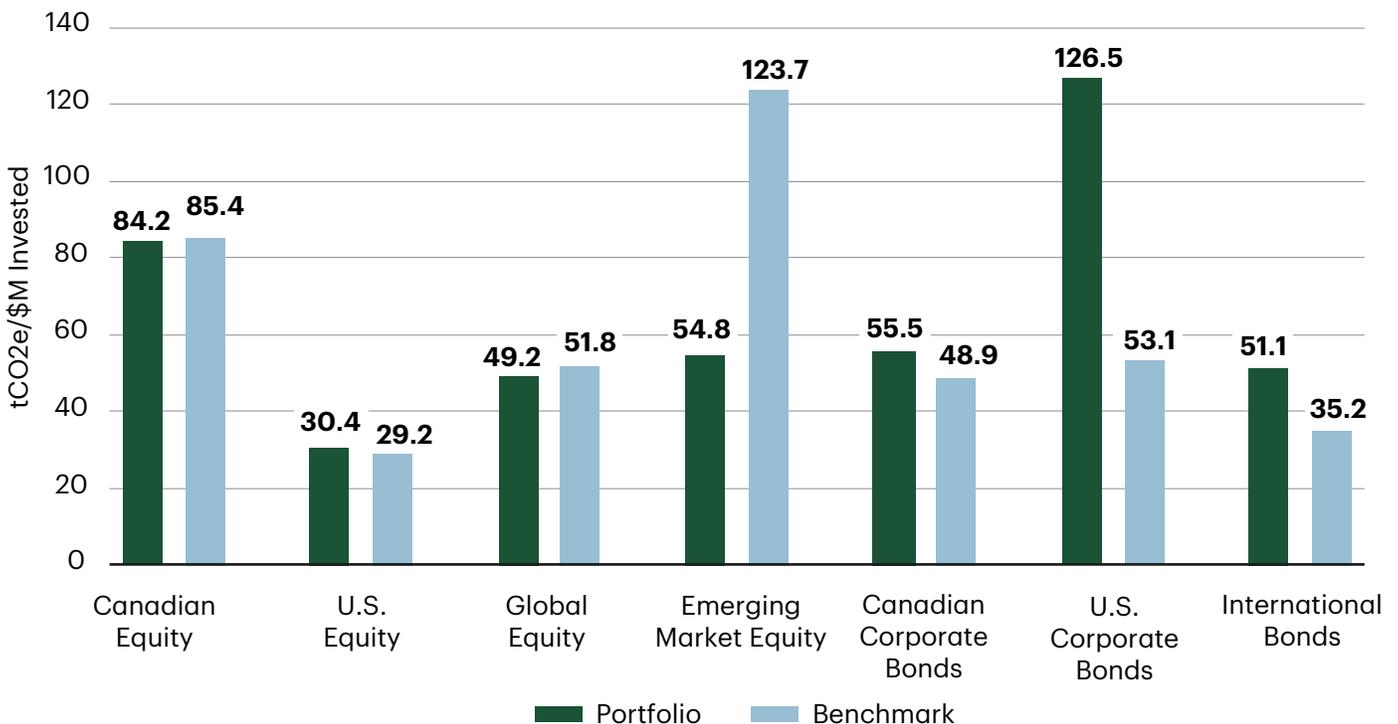
<sup>40</sup> Canadian Equity Benchmark = S&P TSX Composite Index; U.S. Equity Benchmark = S&P 500 Index; Global Equity Benchmark = MSCI EAFE Index; Emerging Market Equity Benchmark = MSCI Emerging Market Index; International Corporate Bond Benchmark = Bloomberg Barclays Global Aggregate Corporate Index; U.S. Corporate Bond Benchmark = Bloomberg US Corporate Bond Index; Canadian Corporate Bond Benchmark = FTSE Canada University Corporate Bond Index.

**Figure 10: TDAM's 2024 Weighted Average Carbon Intensity Across Regions and Asset Classes at Year-End 2024**



Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

**Figure 11: TDAM's 2024 Emissions per Million Dollars Invested Across Regions and Asset Classes at Year-End 2024**



Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

**Figure 12: TDAM's Year-over-Year Change in Weighted Average Carbon Intensity and Emissions per Million Dollars Invested Across Regions and Asset Classes**

**Weighted Average Carbon Intensity**

<b>Asset Class</b>	<b>2024</b>	<b>2023</b>	<b>%</b>
Canadian Equity	246.1	266.6	-8%
U.S. Equity	106.6	97.3	10%
Global Equity	82.5	68.9	20%
Emerging Market Equity	135.8	150.8	-10%
Canadian Corporate Bonds	224.2	197.3	14%
U.S. Corporate Bonds	238.9	172.1	39%
Global Corporate Bonds	79.5	108.5	-27%

**Emissions per \$M invested**

<b>Asset Class</b>	<b>2024</b>	<b>2023</b>	<b>%</b>
Canadian Equity	84.2	89	-5%
U.S. Equity	30.4	26.3	15%
Global Equity	49.2	41.2	19%
Emerging Market Equity	54.8	60.6	-10%
Canadian Corporate Bonds	55.5	34.1	63%
U.S. Corporate Bonds	126.5	116.5	9%
Global Corporate Bonds	51.1	70.4	-27%

Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

Metrics

Several asset classes measured showed an increase in their carbon footprint in 2024. In general, we can attribute this to increased weightings in higher-emitting sectors, such as Oil and Gas and Utilities. Within our U.S. equity and global equity asset classes, the increase in carbon footprint is being largely driven by a single security within each portfolio, respectively. The company driving the global equity increase was added to our 2024 Climate Focus List and TDAM held a climate-focused engagement with the company in the fall of 2024. The company will remain on the list for 2025.

Within our Canadian corporate bond assets, the notable shift in composition of the portfolio over the course of the year was driven by a 10% lower allocation to financial institutions, which historically have very low Scope 1 and 2 emissions profiles. At the same time, there were increased allocations to oil and gas exploration and production (up 2.5% year-over-year) and steel (up 1% year-over-year), which are driving the emissions figures.

Similarly, in our U.S. corporate bond assets, there was a significant reduction in exposure to financial institutions. Re-allocations went towards the Utilities sector (+5%) and the Oil and Gas Refining, Marketing, Transportation and Storage sector (+4%), driving an increased carbon profile of the fund.

TDAM's fixed income strategies were constructive on having more credit risk and carry in 2024, given an improved view of the global economic outlook and the strength of both fundamentals and technicals in corporate bonds. Financials are generally higher quality (A/BBB+ rated) and thus will trade at lower yields and spreads in a stable or constructive corporate credit backdrop. Therefore, owning bank bonds limited the opportunity for outperformance, compared to owning bonds in traditionally riskier sectors like Oil and Gas and real estate investment trusts (REITs), which were TDAM's bigger overweight in 2024 and are BBB/BBB- rated sectors.



## Sovereign Bonds

In 2023, we included sovereign bonds in our emissions metrics for the first time, following the Partnership for Carbon Accounting Financials (PCAF) publication of methodology for calculating financed emissions for sovereign bonds. As of October 31, 2024, sovereign bonds make up 7% of TDAM's AUM. TDAM's sovereign bond exposure is heavily skewed towards the Government of Canada, which comprises

90% of our sovereign bond holdings. A further 5% is U.S. Treasuries. The remaining 5% is scattered between 11 other sovereign issuers across Europe, South America, Asia, Africa and Australia.

Sovereign bond emissions are calculated in accordance with PCAF's definitions and methodology. The table below represents PCAF's scope definitions for sovereign bonds:

Scope 1	Scope 2	Scope 3
Domestic GHG emissions produced within the country's territory, including emissions from exported goods and services.	GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory.	Emissions attributable to non-energy imports as a result of activities taking place within the country's territory.

PCAF has defined the following intensity-based metrics which allow for the comparison of GHG emissions between sovereign issuers:<sup>41</sup>

Metric	Definition
<b>Sovereign production emission intensity</b>	$\frac{\text{Production emissions}}{\text{Purchasing Power Parity - adjusted GDP}} = \frac{\text{Sovereign Scope 1 emissions}}{\text{PPP - adjusted GDP}}$
<b>Sovereign consumption emission intensity</b>	$\frac{\text{Consumption emissions}}{\text{Capita}} = \frac{\text{Sovereign scope 1 + 2 + 3 - exported emissions}}{\text{Capita}}$

Production emissions are emissions produced domestically, including emissions from domestic consumption and production of exported goods and services. This definition of production emissions aligns with the Scope 1 definition outlined above. The sovereign production emission intensity metric relates a country's production emissions to its output, while accounting for the real size of its economy by removing the exchange rate effect with Purchasing Power Parity-adjusted GDP (PPP-adjusted GDP).

Consumption emissions are a country's domestic emissions, plus the emissions from the production of goods and services which are imported, minus the

emissions generated during the production of goods and services which are exported to other countries. This metric accounts for the demand side of sovereign emissions and trade effects, which assigns a level of responsibility for a sovereign's emissions.

Although production emission is frequently the key metric to account for sovereign GHG emissions, PCAF also recommends that financial institutions track the GHG emissions of countries more holistically and report consumption emissions as described above.

<sup>41</sup> Source: PCAF, Global GHG Accounting and Reporting Standard for the Financial Industry — <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>, December 2022.

Our Emissions per Million Dollars invested is calculated according to PCAF’s approach for attributed emissions for sovereign bonds:

$$\text{Attributed emissions} = \frac{\text{Exposure to sovereign bond}}{\text{PPP - adjusted GDP}} \times \text{Sovereign Scope 1 emissions}$$

TDAM uses the metrics below to assess the carbon intensity of our sovereign bond holdings.

Asset Class	Metric	Category	Unit	Definition
Sovereign Bond	Emissions per Million Dollars Invested	GHG Emissions	tCO2e/\$M invested	Measures the GHG efficiency of a portfolio, defined as the total GHG emissions of the portfolio normalized per million dollars of portfolio value.  $\sum \left\{ \frac{\frac{\text{Current value of investment}}{\text{PPP - adjusted GDP}} \times \text{Sovereign scope 1 GHG emissions}}{\text{Current value of investment (\$M)}} \right\}$
Sovereign Bond	Weighted Average Production Emissions Intensity	GHG Emissions	tCO2e/\$M PPP-adjusted GDP	Measures a portfolio’s exposure to GHG-intensive sovereign issuers. It is computed as the sum product of the portfolio sovereign issuers’ production of GHG intensities (normalized over PPP-adjusted GDP) and portfolio weights.  $\sum \left\{ \frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Production GHG emissions}}{\text{PPP - adjusted GDP (\$M)}} \right\}$
Sovereign Bond	Weighted Average Consumption Emissions Intensity	GHG Emissions	tCO2e/capita	Measures a portfolio’s exposure to GHG-intensive sovereign issuers. It is computed as the sum product of the portfolio sovereign issuers’ consumption GHG intensities (normalized per capita) and portfolio weights.  $\sum \left\{ \frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Consumption GHG emissions}}{\text{Capita}} \right\}$

# Holdings

**Figure 13: Sovereign Bond GHG Emissions Metrics<sup>42</sup>**

Metric	2024 Value	2023 Value
Absolute Emissions (tCO <sub>2</sub> e)	6,406,623.42	7,111,946.28
Sovereign Emissions per Million Invested (tCO <sub>2</sub> e/\$M invested)	316.1	304.3
Weighted Average Consumption Emissions Intensity (tCO <sub>2</sub> e/capita)	16.65	17.02
Weighted Average Production Emissions Intensity (excl. Land Use, Land-Use Change and Forestry [LULUCF]) <sup>43</sup> (tCO <sub>2</sub> e/\$M GDP-PPP)	295.6	296.47
Weighted Average Production Emissions Intensity (incl. LULUCF) (tCO <sub>2</sub> e/\$M GDP-PPP)	288.06	288.19

Source: TDAM, as of October 31, 2024.

Given that the makeup of our sovereign bond holdings is primarily comprised of just two issuers, we are not including reference to a benchmark, as we do not believe there is insight to be gained from this comparison. We will, however, monitor year-over-year movements in the sovereign bond financed emissions figures displayed above.

### Portfolio Alignment

We recognize that these point-in-time financed emissions calculations do not tell the whole story of a portfolio or an individual company's approach to climate change. Portfolio alignment tools can help gauge how a company's future climate plans reflect against global climate goals. The portfolio alignment tools detailed below help to inform our strategy at a firm level, particularly how to prioritize engagements with our investee companies and our positions on key shareholder proposals.

Where data is available, assessing our investee companies that have their climate targets approved by the Science Based Targets initiative (SBTi) or

have committed to having their targets verified by the SBTi<sup>44</sup> is one way we can gauge the overall alignment of our portfolios towards a 1.5° or 2° C warming scenario. The SBTi is a partnership between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

At the end of 2024, more than 10,000 companies, covering over a third of the global economy's market capitalization, were setting targets or committing to do so via the SBTi, up from 6,700 one year earlier.<sup>45</sup>

<sup>42</sup> These metrics represent all sovereign bonds held across TDAM's funds.

<sup>43</sup> According to PCAF, there is a divergence of views among emissions data providers and climate experts regarding the accounting of land use, land-use change and forestry (LULUCF) emissions, given significant data uncertainty. Also, LULUCF emissions have the potential to distort the overall trends of the key sectors that contribute to global warming (energy and industrial processes). As countries treat LULUCF emissions differently in their mitigation targets and investors might have diverging views on the potentially offsetting role of land use and forestry emissions, financial institutions should report Scope 1 emissions including and excluding LULUCF.

<sup>44</sup> Commitments demonstrate an organization's intention to develop targets and submit these for validation with the SBTi within 24 months. These organizations do not yet have validated science-based targets. As of March 2, 2023, organizations that fail to submit targets within 24 months of their commitment will be identified as "commitment removed."

<sup>45</sup> Please refer to the following link for more information regarding the SBTi: <https://sciencebasedtargets.org/>

### The Science Based Targets initiative (SBTi)

- Helps define emissions reductions and net-zero targets in line with climate science.
- Provides technical assistance and expert resources to companies which set science-based targets in line with climate science.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.

It is important to note that SBTi is just one way we can gauge overall portfolio alignment and is not the sole indicator of whether a company is aligned with a 1.5° or 2°C warming scenario or whether a company has put together a strong climate plan. Additionally, SBTi target frameworks are not yet developed for all sectors, limiting their applicability across the entire range of TDAM's holdings.

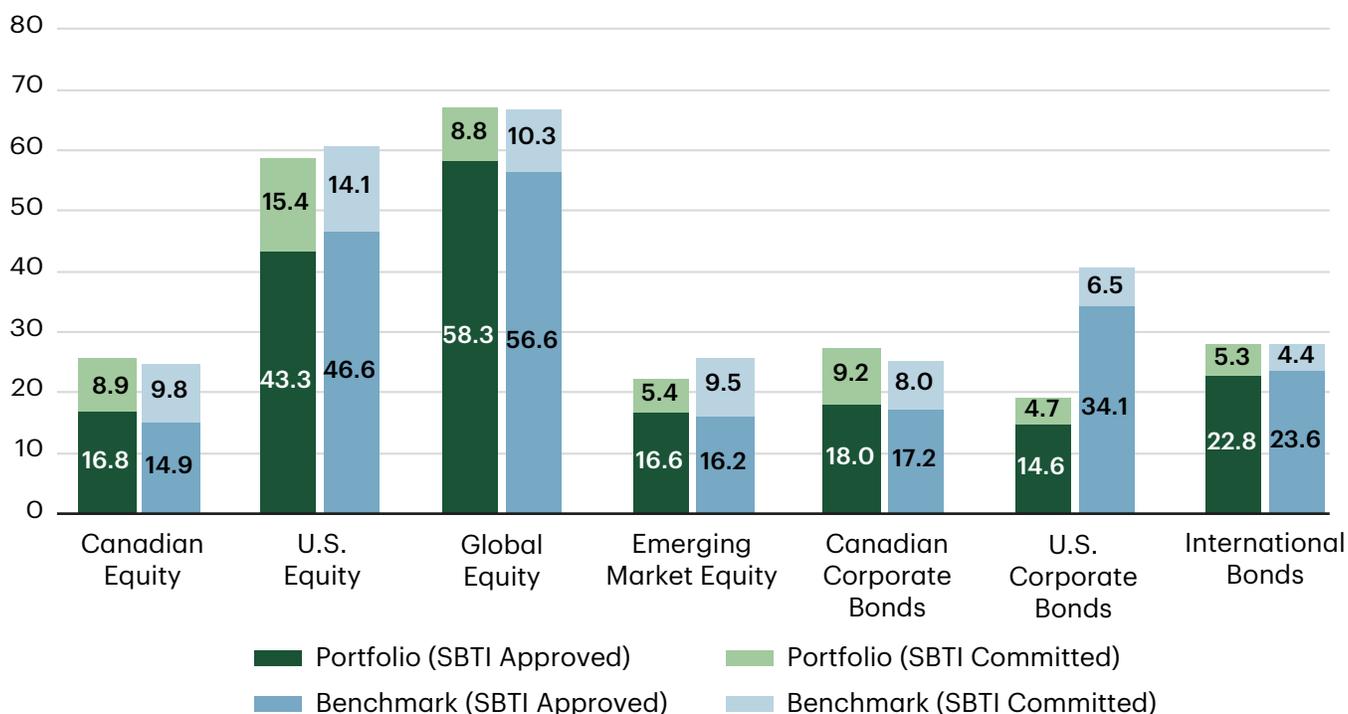
We are including our overall SBTi alignment within the portfolios assessed as part of 2024's TCFD disclosures and moving forward we will continue to monitor developments related to SBTi.

All but one of the asset classes included in this report showed a modest increase in the weight of portfolio holdings that are aligned or aligning with SBTi.

Overall, U.S. and global equities both have a majority of assets that are either SBTi-committed or aligned. This gives us investors a certain degree of confidence that these companies have put together (or are in the process of putting together) transition plans that are aligned with the goals of the Paris Agreement.

Canadian and emerging market asset classes have a significantly lower exposure to companies with SBTi alignment or commitments. In general, U.S. and European companies have been quicker to adopt SBTi verification than other jurisdictions. Getting targets verified by SBTi is something we have encouraged our investee companies to do through engagements, where it is appropriate.

**Figure 14: Percentage of The Portfolio Assets That Are SBTi-Aligned or Committed Versus the Benchmark at Year-End 2024**



Source: SBTi, MSCI, FactSet, TDAM holdings as of October 31, 2024.

Implied Temperature Rise (ITR) is an additional metric – from MSCI ESG Research - that assesses the overall alignment of a specific security or portfolio, where applicable. ITR is an intuitive forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.<sup>46</sup>

ITR Categories	ITR Band	Range	Description
Misaligned	Strongly Misaligned	> 3.2	This company/portfolio is misaligned even by business-as-usual standards. Its contribution to catastrophic climate change is higher than most companies/portfolios.
	Misaligned	> 2 – 3.2	This company/portfolio does not comply with the 2015 Paris Agreement goals. Its pace of decarbonization to mitigate catastrophic climate change is lagging. The threshold is determined by the “Current Policies” scenario of the Network for Greening the Financial System Regional Model of Investment and Development (NGFS REMIND), yielding an estimated 3.24°C at the 2100 horizon (rounded 3.2°C).
Aligned	2°C Aligned	> 1.5 – 2	This company/portfolio meets the 2015 Paris Agreement’s minimum objective of +2°C global mean temperature compared with pre-industrial levels. It is engaged in the low-carbon transition.
	1.5°C Aligned	< 1.5	This company/portfolio is in line with the 2015 Paris Agreement’s maximum objective of keeping global mean temperature to +1.5°C compared with pre-industrial levels. It is a transition leader, significantly contributing to mitigating catastrophic climate change.

The key to understanding the ITR is the concept of a carbon budget - i.e., how much the world can emit so that global warming does not exceed 2°C by 2100 and, by analogy, how much a company can emit for its fair share of global decarbonization. A company whose projected emissions are below budget can be said to undershoot, while a company whose projected emissions exceed the budget can be said to overshoot.

The calculation of the company-level ITR involves four key steps:

1. Transpose a 2°C carbon budget at company level.
2. Project companies’ future emissions, considering their targets (Scope 1, 2 and 3 emissions).
3. Calculate the companies’ over/undershoot of their carbon budgets.
4. Convert the relative over/undershoot to a degree of temperature rise.

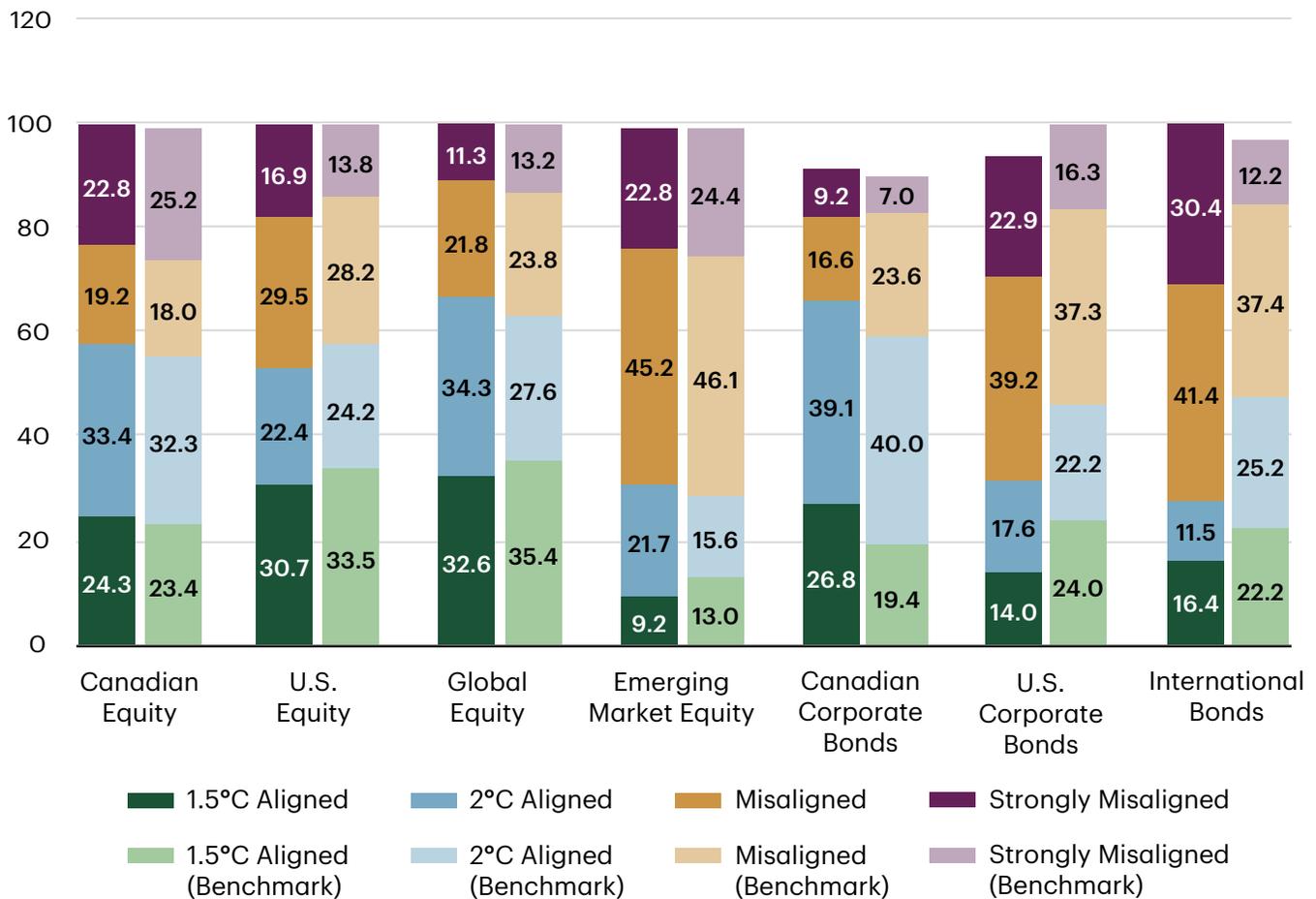
<sup>46</sup> Implied Temperature Rise description provided by MSCI. See more at <https://www.msci.com/our-solutions/climate-investing/implied-temperature-rise>.

Below is our weighted average ITR of the corporate portfolios included in this report. Currently, TDAM interprets the ITR figures below as more directional. The reason is that our portfolios change over time, so investee companies' climate plans are evolving, and we expect they will continue to be updated throughout our holding period. These figures help inform our conversations with our investee companies and aid our understanding of how their plan benchmarks against their peers. It also allows us to understand where there might be climate risks across TDAM's holdings and where we may be able to leverage our position as shareholders to encourage companies to strengthen their transition plans.

In TDAM's most material asset classes (Canadian equity and bonds, U.S. equity) over 50% of the weight has an ITR alignment of 2°Celsius or better. Just under 50% of each of our material asset classes would be considered misaligned or severely misaligned with the goals of the 2015 Paris Agreement (see figure 24).

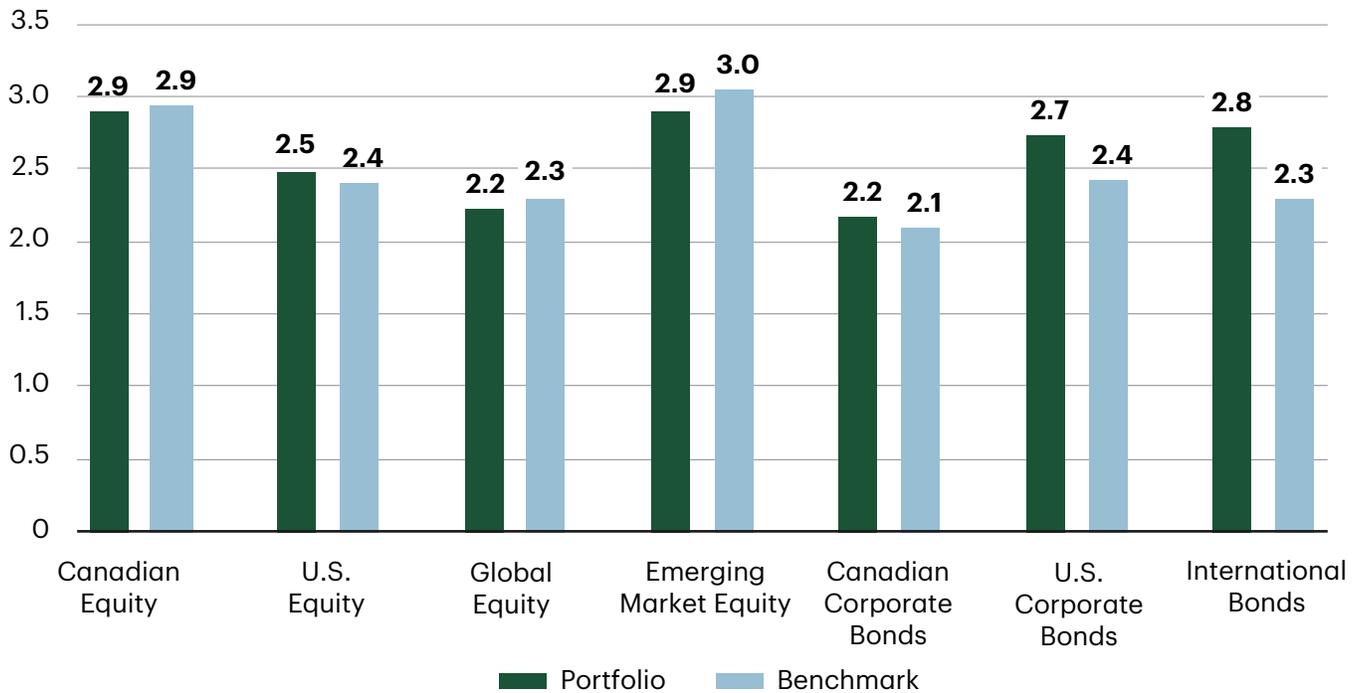
The gap between the performance on forward-looking metrics and the increase in carbon intensity in some portfolios reflects an environment which we have observed in our engagements. It's an environment where many companies are developing decarbonization plans, setting targets (usually for 2030 or later), and charting their path towards net-zero by 2050, but are not yet making progress on reducing absolute emissions.

**Figure 15: ITR Alignment of TDAM's Investments Versus the Benchmark at Year-End 2024**



Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

**Figure 16: ITR of TDAM’s Investments Versus the Benchmark at Year-End 2024**



Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

### Scenario Analysis

Given the limitations of point-in-time metrics, TDAM also uses forward-looking climate scenario analysis to help us understand the potential impact of climate change on our investee companies and to inform our assessment of the potential downside risks climate change poses across the portfolios we are including in this report. Conducting climate scenario analysis involves assessing the climate risks and opportunities posed by and to our investee companies through the lens of various future warming scenarios, including scenarios where there is global warming of 1.5°C, 2°C and 3°C. To conduct this scenario analysis, we leverage MSCI’s Climate Value-at-Risk (Climate VaR) tool.

Climate VaR is designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities. The model offers insights into how climate change could affect company valuations. Climate VaR reflects the stressed market value of a company’s issued securities under a specific climate change scenario.

Climate VaR aggregates exposure from policy risk, technology opportunities and physical climate risk to deliver a comprehensive understanding of climate change risk exposure.<sup>47</sup>

Using MSCI’s Climate VaR tool, TDAM’s scenario analysis leverages the scenarios developed by the Network for Greening the Financial System (NGFS). The NGFS is a group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices, contribute to the development of environment and climate risk management in the financial sector, and mobilize mainstream finance to support the transition toward a sustainable economy.

In 2024, we presented the seven scenarios outlined in Phase Four of the NGFS Scenario Framework, up from the five included in Phase Three. The two new scenarios below (Low Demand and Fragmented World, respectively) illustrate the adverse consequences of delayed and divergent climate policies globally and a Paris-aligned transition driven by substantial behavioural changes.<sup>48</sup>

<sup>47</sup> Climate Value at Risk definitions provided by MSCI. See more at: <https://www.msci.com/our-solutions/climate-investing/climate-and-net-zero-solutions/scenario-analysis>.

<sup>48</sup> NGFS Scenarios for Central Banks and Supervisors — [https://www.ngfs.net/sites/default/files/medias/documents/ngfs\\_climate\\_scenarios\\_for\\_central\\_banks\\_and\\_supervisors\\_phase\\_iv.pdf](https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_phase_iv.pdf), November 2023.

## NGFS Quadrant NGFS Scenario<sup>49</sup> Summary

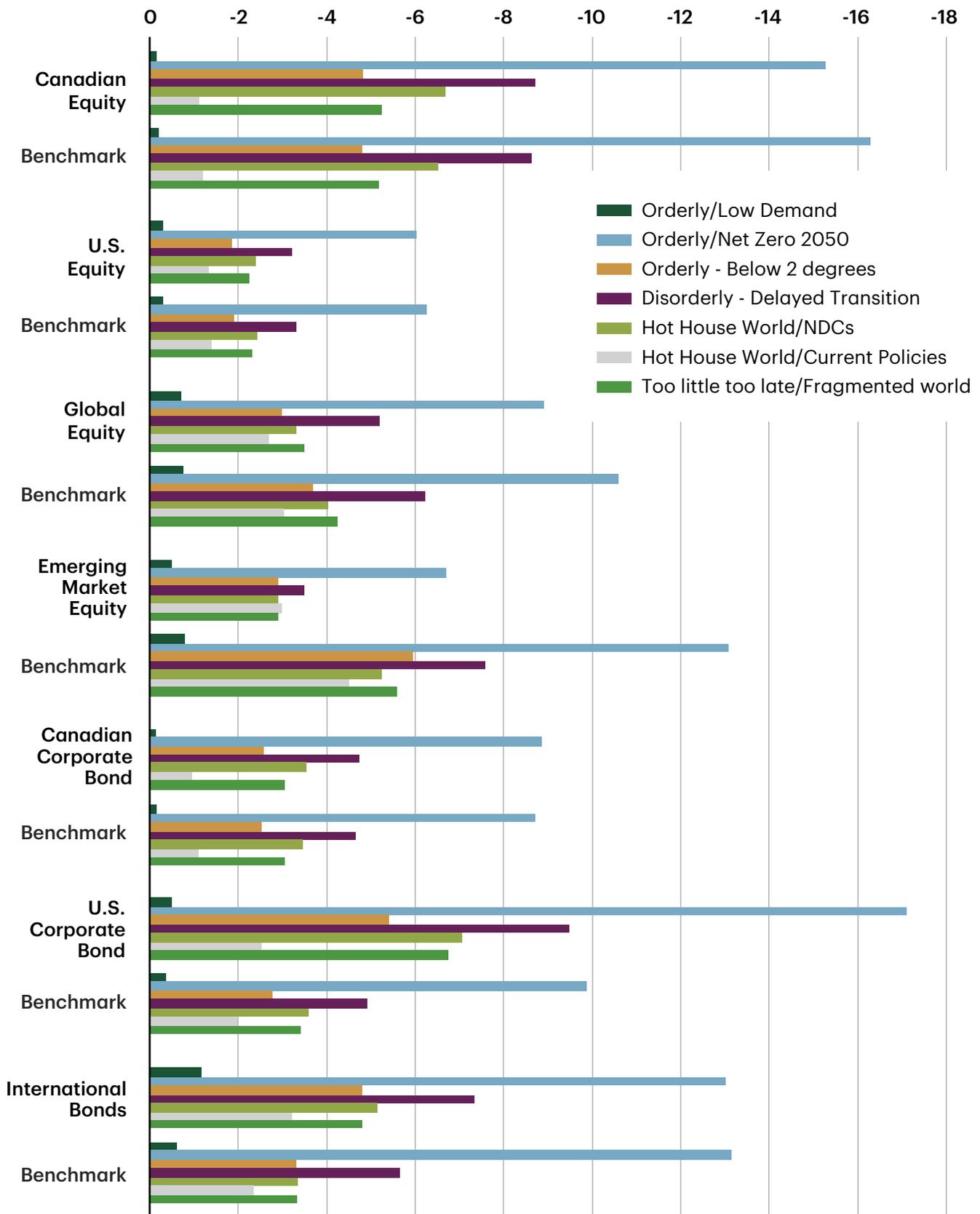
Orderly	Low Demand	Assumes that significant behavioural changes – reducing energy demand – in addition to (shadow) carbon price and technology-induced efforts, would mitigate pressure on the economic system to reach global net-zero CO <sub>2</sub> emissions around 2050.
	Net-Zero 2050	Limits global warming to 1.5 °C through stringent climate policies and innovation, reaching global net-zero CO <sub>2</sub> emissions around 2050.
	Below 2°C	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2 °C.
Disorderly	Delayed Transition	Assumes global annual emissions do not decrease until 2030. Stronger policies are required to limit warming to below 2°C. Negative emissions are limited.
Hot House World	Nationally Determined Contributions (NDCs)	Include all pledged policies, even if they are not yet implemented.
	Current Policies	Assumes that only currently implemented policies are preserved, leading to high physical risks.
Too Little, Too Late	Fragmented World	Assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries with net-zero targets achieve them only partially (80% of the target), while the other countries follow current policies.

# Policies

<sup>49</sup> Network For Greening the Financial System (NGFS). NGFS Scenario data is available under a public license here: <https://data.ene.iiasa.ac.at/ngfs/#/license>.

NGFS Scenario Explorer is available here: <https://www.ngfs.net/ngfs-scenarios-portal/>.

**Figure 17: Climate VaR of TDAM's Investments Versus the Benchmark at Year-End 2024**

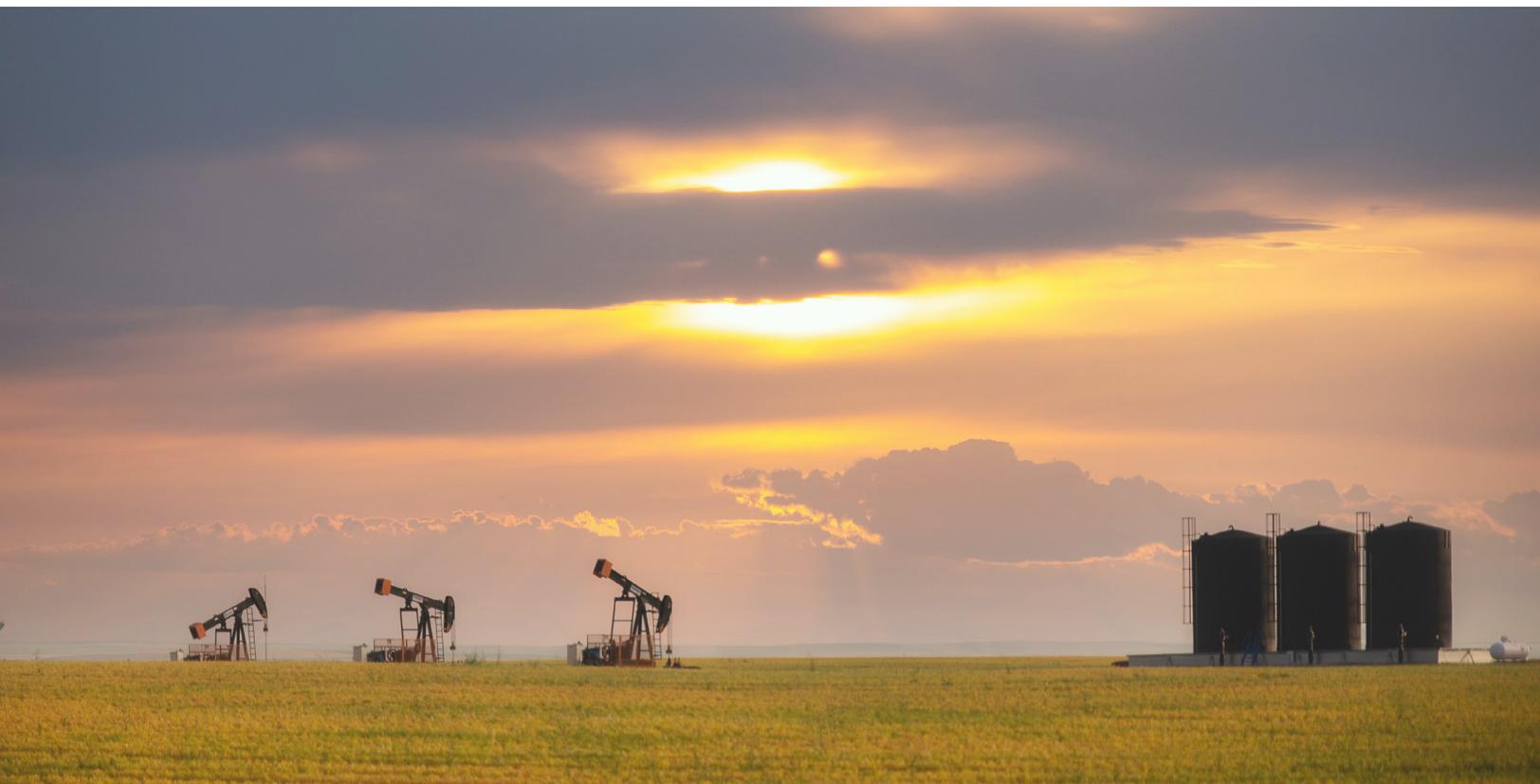


Source: MSCI, FactSet, TDAM holdings as of October 31, 2024.

Similar to ITR, TDAM interprets Climate VaR figures more directionally than literally at this time due to the high degree of fluidity in the transition plans being developed by our investee companies and the regulatory environments they are operating in. In general, the stressed market value of the assets under each scenario is closely aligned with the benchmark.

The U.S. corporate bond portfolio reflects more VaR under four of the five scenarios assessed. Again, this

is due to the higher exposure to oil and gas in the portfolio versus the benchmark. Like the emissions and portfolio alignment metrics, the Canadian equity assets portfolio stands out as having a higher amount of VaR than the other assets assessed in this report. We acknowledge that Canada is a resource-heavy economy, with a higher concentration of oil and gas than the other jurisdictions assessed here, which contributes to the higher VaR than the other portfolios.



## Metrics

This section provides a synthesis of the metrics we use to evaluate our assets for climate-related risks and track year-over-year progress against our benchmarks.<sup>50,51</sup> The metrics below are evaluated on 65% of TDAM's overall AUM as of October 31, 2024,

across both public markets and our alternative asset classes. Cash, derivatives, private debt, sub-sovereign debt and asset-backed securities are not included in the analysis below due to a lack of data.

<sup>50</sup> The metrics cover all TDAM equity and corporate fixed income holdings as of October 31, 2024, subject to data availability, including the following sub-advised funds: TD Canadian Small Cap Equity Fund, TD Emerging Markets Fund, TD U.S. Capital Reinvestment Fund, TD U.S. Mid Cap Growth Fund, TD U.S. Small Cap Equity Fund, TD Health Sciences Fund, TD Science & Technology Fund, TD Global Entertainment & Communications Fund, and legacy TDAM USA accounts.

<sup>51</sup> Canadian Equity Benchmark = S&P TSX Composite Index; U.S. Equity Benchmark = S&P 500 Index; Global Equity Benchmark = MSCI EAFE Index; Emerging Market Equity Benchmark = MSCI Emerging Market Index; International Corporate Bond Benchmark = Bloomberg Barclays Global Aggregate Corporate Index; U.S. Corporate Bond Benchmark = Bloomberg US Corporate Bond Index; Canadian Corporate Bond Benchmark = FTSE Canada Universe Corporate Bond Index.

**Figure 18: Public Market Metrics: Equities<sup>52</sup>**

Category	Metric	Canadian Equity	Canadian Equity Benchmark	US Equity	US Equity Benchmark	Global Equity	Global Equity Benchmark	Emerging Market Equity	Emerging Market Equity Benchmark
Emissions	Emissions Coverage	99.50%	99.50%	99.50%	99.7	100	100	100	100
	Absolute Emissions	3,133,625	-	1,953,435	-	753,716	-	87,675	-
	Weighted Average Carbon Intensity	246.1	264.1	106.6	98.9	82.5	82.6	135.8	327.8
	Emissions/\$M Invested	84.2	85.4	30.4	29.2	49.2	51.8	54.8	123.7
	Weight of reported emissions	81.9	78.8	84.2	87.5	91	91.3	91.4	87.9
	Weighted Average Quality Score	2.0	2.1	2.1	2.1	2	2.0	2.1	2.2
Implied Temperature Rise	ITR	2.9	2.9	2.5	2.4	2.2	2.3	2.9	3.0
	1.5°C Aligned	24.3	23.4	30.7	33.5	32.6	35.4	9.2	13.0
	2°C Aligned	33.4	32.3	22.4	24.2	34.3	27.6	21.7	15.6
	Misaligned	19.2	18.0	29.5	28.2	21.8	23.8	45.2	46.1
	Strongly Misaligned	22.8	25.2	16.9	13.8	11.3	13.2	22.8	24.4
SBTi	SBTi Approved	16.8	14.9	43.3	46.6	58.3	56.6	16.6	16.2
	SBTi Committed	8.9	9.8	15.4	14.1	8.8	10.3	5.4	9.5
Climate VaR	Orderly/Low Demand	-0.2	-0.2	-0.3	-0.3	-0.7	-0.8	-0.5	-0.8
	Orderly/Net Zero 2050	-15.3	-16.3	-6.0	-6.3	-8.9	-10.6	-6.7	-13.1
	Orderly - Below 2 degrees	-4.8	-4.8	-1.9	-1.9	-3	-3.7	-2.9	-5.9
	Disorderly - Delayed Transition	-8.7	-8.6	-3.2	-3.3	-5.2	-6.2	-3.5	-7.6
	Hot House World/NDCs	-6.7	-6.5	-2.4	-2.4	-3.3	-4.0	-2.9	-5.2
	Hot House World/Current Policies	-1.1	-1.2	-1.3	-1.4	-2.7	-3.0	-3.0	-4.5
	Too Little Too Late/Fragmented World	-5.2	-5.2	-2.3	-2.3	-3.5	-4.3	-2.9	-5.6

<sup>52</sup> All emissions, Climate VaR, ITR and SBTi data are provided by MSCI. Note that not all emissions are measured and reported on by the companies that we are invested in, and where data is not available, an estimation model may be used to determine the company's emissions.

**Figure 19: Public Market Metrics: Corporate Fixed Income<sup>53</sup>**

Category	Metric	Canadian Corporate Bonds	Canadian Corporate Bonds Benchmark	US Corp Bonds	US Corp Bonds Benchmark	International Bonds	International Bonds Benchmark
Emissions	Emissions Coverage	92%	90%	94%	99%	99.5%	97%
	Absolute Emissions	1,818,440	-	822,097	-	91,736	-
	Weighted Average Carbon Intensity	224.2	214.9	238.9	168.8	79.5	90.7
	Emissions/\$M Invested	55.5	48.9	126.5	53.1	51.1	35.2
	Weight of reported emissions	79.3	74.3	70.1	84.9	91.5	92.0
	Weighted Average Quality Score	2.0	2.0	2.2	2.1	2.0	2.0
Implied Temperature Rise	ITR	2.2	2.1	2.7	2.4	2.8	2.3
	1.5°C Aligned	26.8	19.4	14.0	24.0	16.4	22.2
	2°C Aligned	39.1	40.0	17.6	22.2	11.5	25.2
	Misaligned	16.6	23.6	39.2	37.3	41.4	37.4
	Strongly Misaligned	9.2	7.0	22.9	16.3	30.4	12.2
SBTi	SBTi Approved	18.0	17.2	14.6	34.1	22.8	23.6
	SBTi Committed	9.2	8.0	4.7	6.5	5.3	4.4
Climate VaR	Orderly/Low Demand	-0.1	-0.2	-0.5	-0.4	-1.2	-0.6
	Orderly/Net Zero 2050	-8.9	-8.7	-17.1	-9.9	-13.0	-13.1
	Orderly - Below 2 degrees	-2.6	-2.5	-5.4	-2.8	-4.8	-3.3
	Disorderly - Delayed Transition	-4.7	-4.6	-9.5	-4.9	-7.3	-5.7
	Hot House World/NDCs	-3.5	-3.5	-7.1	-3.6	-5.1	-3.3
	Hot House World/Current Policies	-1.0	-1.1	-2.5	-2.0	-3.2	-2.3
	Too Little Too Late/Fragmented World	-3.1	-3.1	-6.7	-3.4	-4.8	-3.3

<sup>53</sup> Weighted Average Quality Score: Based on PCAF guidance for their data quality scores, which help institutions rate the reliability of their information. The score itself ranges from one to five, with one being the highest-quality data and five being the lowest quality. Quality score data is provided by MSCI.

## Limitations

There is a lack of consistency among different companies' GHG emissions data because data is self-reported and calculated using varying methodologies. In many jurisdictions, GHG emissions data does not have to be assured or verified by a third party. Where companies do not disclose GHG emissions data, estimation models based on assumptions are used. Over time, as regulatory regimes evolve, we expect that there will be greater transparency and assurance with respect to self-reported emissions data, which in turn will improve the quality and quantity of GHG emissions data.

GHG emissions data is predominantly disclosed on an annual basis for the previous fiscal year, leading to a lag in GHG emissions of one or two years, depending on the timing of reporting or disclosure. In turn, there is a potential for misalignment between

the GHG emissions data used in calculations and the corresponding financial metrics such as enterprise value and revenue.

GHG emissions are a point-in-time calculation. They do not capture any quantitative or qualitative data about a company's approach to lowering its carbon footprint over time.

Metrics such as WACI and Carbon Emissions per Million Invested can fluctuate due to non-emissions-related factors, such as changes in company revenue, enterprise value and market capitalization.

TDAM does not have control over methodology and maintenance of any third-party models used in this report. These models may also rely on use of estimations and forward-looking data points that will not be perfect models for future outcomes.



## Risk Management

TDAM's approach to climate risk management is comprised of four key processes: risk identification and assessment, measurement, control, and monitoring and reporting:

1. Risk Identification and Assessment is focused on defining, recognizing, and understanding climate risks as they relate to TDAM's investments.
2. Measurement practices continue to evolve and will support TDAM's ability to provide timely and accurate quantification of the risks assumed.
3. Control involves the integration of climate considerations into applicable investment processes, investee engagement and proxy voting activities.
4. Monitoring and Reporting represents ongoing monitoring and reporting of relevant climate metrics related to our investments, subject to data availability.

The responsibility for identification, assessment and management of climate-related risks sits at the management level and is executed with assistance from various teams across TDAM. TDAM understands that climate-related risks can have a wide range of impacts, and has summarized below the actions taken to identify, assess and mitigate the potential resulting impacts.

Risk Category	Climate-Related Risk	Actions to Identify, Assess and Mitigate
<b>Market Risk</b>	Impact of physical and transition risk on market factors such as equity prices, commodity prices and credit spreads.	<p>Depending on the financial materiality of climate risk to the investment and subject to data availability, TDAM may integrate material climate-related considerations into the investment processes of applicable funds, in a manner that aligns with the fundamental investment objectives of each fund. The approach to integration varies but may include:</p> <ul style="list-style-type: none"> <li>• Evaluating assets on climate-related indicators, such as absolute GHG emissions, emissions' intensity and energy consumption.</li> <li>• Considering the strength and scope of our investee companies' climate targets and climate-focused reporting.</li> <li>• Conducting physical climate risk assessments of our investments in physical assets within our alternative asset funds.</li> <li>• ESG metrics included in quarterly performance reviews for active equity and alternative asset strategies.</li> <li>• Conducting annual scenario analysis using Climate VaR, where data is available, to assess the risk to our investments under a number of different climate scenarios.</li> <li>• Within our equity and fixed income assets, we actively engage with investee companies to promote stronger climate risk management and greater transparency through reporting. Where applicable, we will exercise our rights as shareholders through supporting climate-focused shareholder proposals.</li> </ul>

**Legal, Regulatory Compliance and Conduct Risk**

Increased potential for climate-related litigation and regulatory enforcement action.

Introduction of new or amended laws and regulations related to climate, novel application of existing laws and regulations, and issuance of judicial or regulatory decisions that may result in new or unanticipated legal requirements.

Non-compliance with existing laws and regulations as they apply to climate-related matters.

Increase in international policy and standard-setting initiatives concerning climate action and the management and disclosure of climate-related risks and opportunities.

- Climate-focused regulations impacting TDAM, its clients and investee companies are evolving at a rapid pace. TDAM Regulatory and Policy Governance, Legal, Compliance, and the Sustainable Investment team share responsibility for monitoring and evaluating regulations in the jurisdictions where TDAM operates and invests.
- Where appropriate, TDAM has participated in, and will continue to participate in, Canadian and international regulatory and standard-setter consultations related to climate risk in the asset management industry.

**Reputational Risk**

Stakeholder perceptions of TDAM's action or inaction in relation to climate change. Increased focus from NGOs to apply sustainable investment and business practices.

- TDAM strives to communicate its approach to climate change to all relevant stakeholders. TDAM has made reporting and transparency a priority and this report serves to communicate the firm's actions to a broad group of stakeholders. TDAM will continue to consider industry best practice in reporting on its approach to climate change.
- TDAM believes in transparency in its proxy voting and engagement activities. Our full proxy voting records and annual proxy voting reports are available on our website at [www.tdgis.com](http://www.tdgis.com).

**Strategic Risk**

Risk of not being able to meet changing client and consumer expectations for ESG products and services.

- TDAM strives to maintain a product shelf that meets the changing needs and expectations of existing and potential clients.
- TDAM provides tailored climate reporting to institutional clients on an as-requested basis.

**Operational Risk**

Impact of extreme weather events on physical operations.

- TDAM is subject to TD's enterprise-wide Business Continuity and Crisis Management program, to support management's ability to manage TD's businesses and operations in the event of a business disruption incident.

## Climate Engagement

In 2024, TDAM conducted a total of 108 climate-change-focused engagements<sup>54</sup> with 96 entities.<sup>55</sup>

TDAM considers its engagements with its investees to be an important way to help manage climate-related risk and the transition to a low-carbon economy.

TDAM develops an annual Climate Focus List of companies for engagement priorities. The methodology behind this list involves a combination of the issuer’s historical environmental performance, assessment of the issuer’s climate targets, as well as the market value of TDAM’s investment in each issuer. We prioritize issuers based on investment exposure (AUM), which can help achieve outcomes through ongoing discussions with company directors and management. Our practice has been to engage with each issuer that gets added to the list for a minimum of two years before assessing its continued place on the list. In 2024, our Climate Focus List included 22 companies.

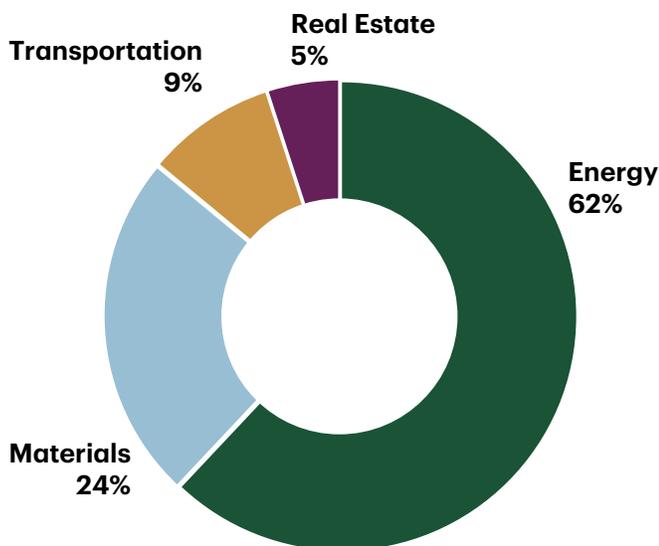
While every engagement is unique to the issuer, its industry and region, TDAM generally encourages

companies to publish Scope 1 and 2 emissions figures as well as financially material Scope 3 emissions figures with limited or reasonable assurance. We also generally encourage the companies we engage with to set science-based targets that are aligned with a net-zero-by-2050 pathway; detail the tactics they will use to achieve their emissions targets, including disclosing capital expenditure towards low-carbon initiatives; have appropriate board oversight of climate-related matters; and tie executive compensation to ESG metrics where appropriate.

In 2024, TDAM broadened the scope of its Climate Focus List to take a more intentional engagement approach with companies outside of the Energy sector. We recognize that the demand side of the energy equation is a key driver of the energy transition’s pace and the global efforts to address GHG emissions. Last year the climate focus list saw new additions that enabled TDAM to have transition-focused conversations with investee companies in hard to abate sectors such as Aviation, Heavy Transportation, Cement Production and Real Estate.

**Figure 20: TDAM’s 2024 Climate Focus List by Sector**

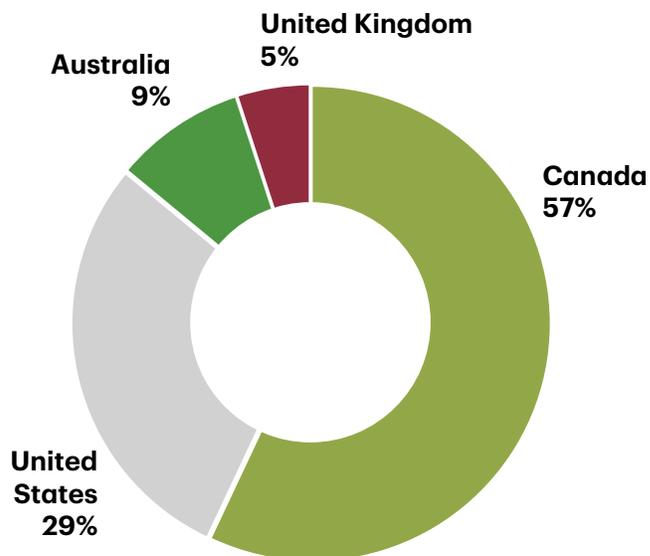
2024 Climate focus list by sector



Source: TDAM; November 1, 2023 to October 31, 2024.

**Figure 21: TDAM’s 2024 Climate Focus List by Country of Issuer**

2024 Climate focus list by country



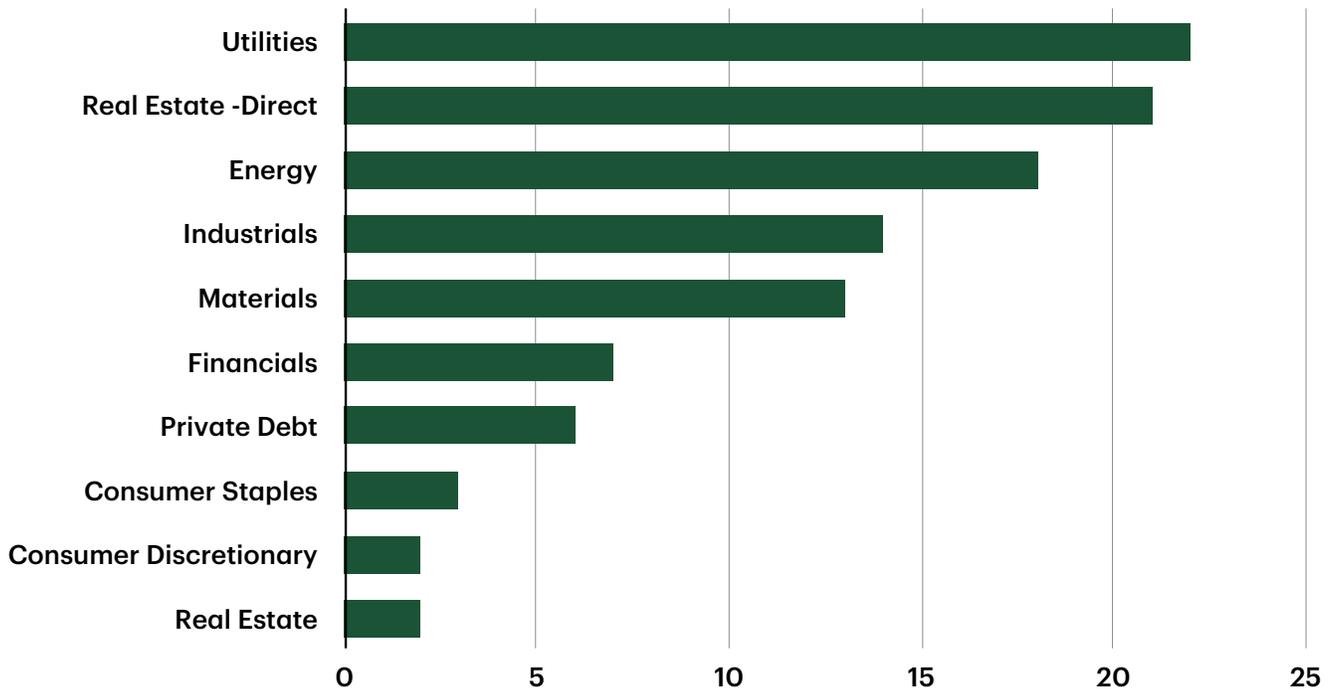
Source: TDAM; November 1, 2023 to October 31, 2024.

<sup>54</sup> An engagement in this context is considered a direct exchange with or outreach to a company on a specific topic. One meeting with a company can include multiple topic engagements. Moreover, we may have multiple meetings with a company in any given year where warranted.

<sup>55</sup> “Entities” refers to and captures listed equity issuers, asset managers (such as property managers in direct real estate portfolios), borrowers in private debt and mortgage portfolios, listed and non-listed corporate and non-corporate debt issuers.

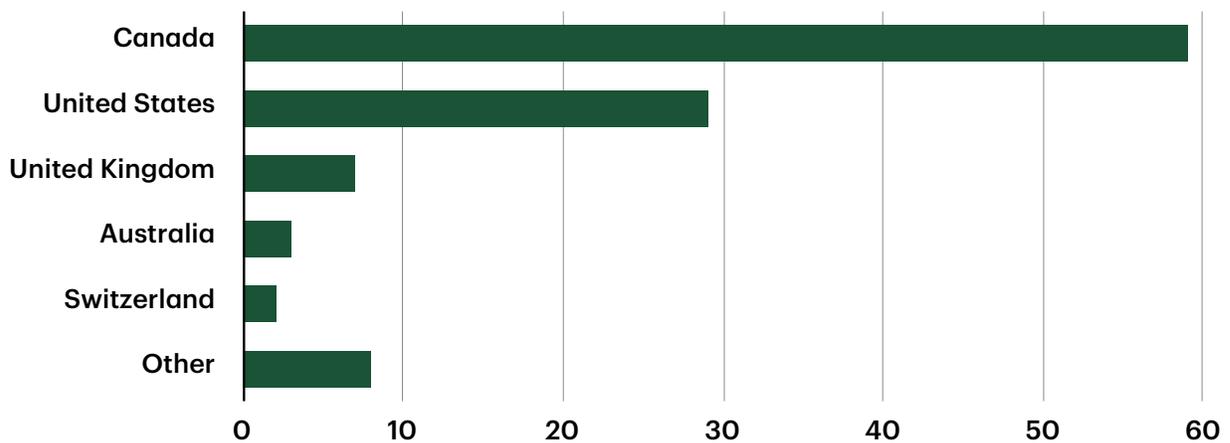
While this is a shift in approach, we continue to spend considerable engagement capacity with our investee companies in the Oil and Gas sector. In 2024, a key focus area for these engagements was on corporate disclosures related to company capital expenditure plans for their decarbonization and transition strategies. TDAM believes this disclosure is a crucial step in adding credibility to corporate climate transition plans and we are evolving our expectations for companies to begin to transparently demonstrate how they are funding and progressing on their short-term transition activities.

**Figure 22: Climate Engagements by Sector**



Source: TDAM; November 1, 2023 to October 31, 2024.

**Figure 23: Climate Engagements by Country**



Source: TDAM; November 1, 2023 to October 31, 2024.



## Proxy Voting

During the 2024 proxy year, there was a 27% decrease in climate-oriented proposals referred to TDAM, compared to the previous proxy year. While there may be several contributing factors to this, we believe there are two primary reasons:

1. In 2023, we observed an overall increase in proposals but perceived a decrease in the quality of proposals being put forward. There were several instances of proposals that were overly prescriptive or not relevant to the company receiving them. This resulted in an overall drop in support levels for climate proposals in 2023. As a result, although we saw a lower number of proposals in 2024, we observed higher-quality proposals emerging in 2024, resulting in increased support levels from TDAM.
2. Uncertainty about potential legal and reputational risks surrounding certain types of shareholder activism, such as filing shareholder proposals, may have reduced investor interest in filing proposals in proxy year 2024.

At TDAM, we continue to evaluate and vote on climate-oriented shareholder proposals on a case-by-case basis, while considering the relevancy and materiality of the request in the shareholder proposal, the cost associated with fulfilling the ask, as well as the quality of the company's existing transition plan and climate reporting.

## Diverging Reporting Requirements

In 2024, in line with previous years, we saw many proposals requesting disclosure of certain climate-related items, ranging from Scope 1, 2 and/or 3 GHG emission disclosures, reduction targets tied to GHG emissions, and/or quantitative or qualitative scenario analysis. Meanwhile, several jurisdictions and standard-setting bodies have been exploring and implementing the climate reporting requirements of corporate entities. This includes requirements being put forward by the International Sustainability Standards Board (ISSB), the Canadian Sustainability Standards Board (CSSB), the Canadian Securities Administrators (CSA), the Securities and Exchange Commission (SEC) in the U.S., the EU Corporate Sustainability Reporting Directive (CSRD), and the Australian Sustainability Reporting Standards (ASRS), among others globally.

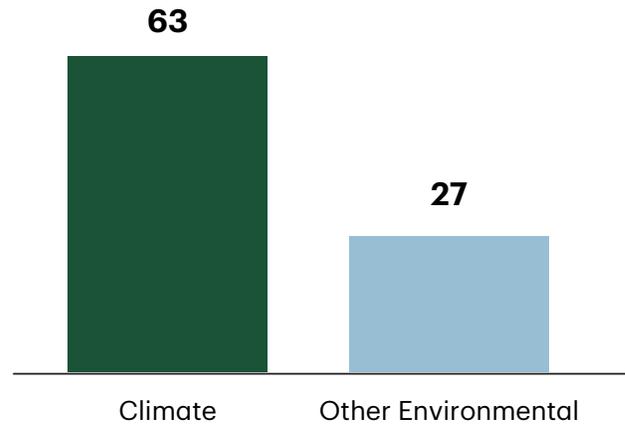
While there are many overlaps in the types of climate disclosures that these standards require, there are some differences. For instance, the SEC will not include Scope 3 disclosures within the reporting requirements. This contrasts with the ISSB, CSSB, CSRD and ASRS, which have all recommended requiring Scope 3 emissions disclosures, albeit at different points in the future.

During the 2024 proxy year, we also saw companies reference the differences in reporting standards and timelines as a reason to vote against shareholder proposals requesting certain disclosures. We noticed several mentions from management teams and boards of directors about the lack of clarity around what will be required and when it will be required as a reason shareholders should vote against certain proposals. We also heard this reason cited frequently in our engagements with investee companies facing such proposals last year.

It has become clear that there will be notable differences over the short to medium term in climate reporting requirements for corporate entities across different jurisdictions. At TDAM, we will continue to evaluate and vote on climate-oriented shareholder proposals on a case-by-case basis, while considering the relevancy, materiality, cost, existing climate strategy and existing reporting. 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 targets aligned with the Paris Agreement.

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 associated targets (including appropriate GHG emissions reduction targets).

**Figure 24: Climate and Environmental Shareholder Proposals Supported by TDAM in 2024**



Source: TDAM; November 1, 2023 to October 31, 2024.





## Stewardship in Action Case Study: How TDAM Voted on Clean Energy Supply Financing Ratio Proposals

The Clean Energy Supply Financing Ratio is an emerging topic for large banks. Six large North American banks received a shareholder proposal requesting that they disclose their Clean Energy Supply Financing Ratio annually. This ratio is defined as a bank's total financing (through equity and debt underwriting, and project finance) of low-carbon energy supply as a proportion of its financing of fossil fuel energy supply. This disclosure, prepared at a reasonable expense and excluding confidential information, must describe the company's methodology, including what it classifies as "low carbon" or "fossil fuel."

The Clean Energy Supply Financing Ratio originated from the BNEF research organization, which has begun annually reporting an Energy Supply Investment Ratio (ESIR) for major global banks. ESIR shows the proportion of capital outlay going into low-carbon supply components as a share going into fossil fuel supply areas.

BNEF research indicates that to limit the global temperature rise to 1.5°C, in line with the most commonly cited net-zero climate scenarios, global investment in low-carbon energy supply needs to average four times that in fossil fuels this decade, forming the basis for a 4:1 ESIR. According to BNEF, the required ratio scales significantly, to an average of 6:1 in the 2030s and 10:1 in the 2040s.

BNEF annually publishes a report tracking how large banks perform against this ratio year over year, albeit using imperfect information. TDAM engaged with multiple banks on the issue. As part of our discussions, we encouraged the banks to consider disclosing the ratio and having the shareholder proposal withdrawn. In our view, metrics disclosed directly by the companies would enable investors to verify publicly available information, including Bloomberg's ESIR, which is now widely used to assess banks' progress on their stated climate objectives. We believe disclosures by the banks would lead to higher quality of the data and result in quantifying progress and contextualization of the ratios within a bank's broader client engagement and sustainable finance strategy.

Three banks facing the proposal agreed to work with BNEF to develop a methodology that would work for all stakeholders and publish their results moving forward. This led to the proposal being withdrawn at those three banks, while remaining on the ballot at the other three banks. This strengthened our view that this ratio is likely to become a part of the annual climate disclosures of large banks.

Given this, TDAM felt support for the proposal was warranted at the three banks that did not have the proposal withdrawn. The support level for the proposals was high, ranging from 22.5% to 28.5%. Given the high support levels and agreement by several global systemically important banks to disclose the metric, we expect to see the proposal again in 2025 at large banks that have not agreed to disclose.



# TDAM Sustainable Investment Memberships and Affiliations

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