

Sustainable Investing Policy

As of April 2009

**Sustainable investing means different things to different people.
We have created this policy to help you understand our approach.**

Background

We have designed a Global Sustainability Strategy which seeks to deliver long-term capital appreciation by investing primarily in equity securities of companies around the globe, that are viewed as contributing to the world's future sustainability.

We believe that relevant environmental, social and governance (ESG) factors should also be part of our decision-making process for our other investment mandates, where consistent with the mandate and otherwise permitted. The financial effect of ESG factors on a company can be both positive, if new opportunities open up for the company, and negative, if the company fails to properly manage the reputational and other risks arising from ESG factors.

Our clients have given us varying degrees of discretion to help them achieve their investment objective. We are required to act as carefully as a prudent portfolio manager would act in the context of the portfolio as a whole. In doing so, we need to exercise our professional judgment as to which ESG and non-ESG factors will be key drivers of financial value, and how we should approach them.

Our approach

1. Scope

This policy covers decisions we make in respect of public equity securities and corporate fixed-income (including money market) securities. It applies to decisions made by TD Asset Management Inc.

2. What we mean by sustainable investing

For us, sustainable investing means helping our clients who have a shorter time horizon achieve their financial objective in a way that does not compromise our ability to help clients who have a longer time horizon achieve their financial objective too. This approach is based on the most common definition of sustainability. When we are considering ESG factors, the duty that we owe to clients who have a shorter time horizon is the same duty that we owe to clients who have a longer time horizon. Neither group is more important than the other.

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3. Key parts of our decision-making process

A sound decision-making process is essential to achieving our sustainable investment goal. Our process has four key parts.

(a) Proprietary sustainability matrix

We are developing a proprietary sustainability matrix to ensure that our analysis of a company includes a thorough analysis of ESG factors. Our matrix will be managed using internal and external sources of ESG data.

(b) Close attention to risk management

Our clients hire us to achieve financial returns while taking the appropriate risk for the mandate. We therefore look for companies that are executing their strategy while effectively managing their business risks. Often, the question of whether a company is managing ESG risks well is a qualitative rather than quantitative one. However, that does not make our analysis any less financial in nature, especially as it relates to reputational risk.

(c) Ensuring proper disclosure

Public companies are required by law to disclose ESG information that in their view is relevant to investors. Periodically, we may ask a company to disclose more information, so that we can make a more informed investment decision.

(d) Evaluating the total mix of information

Under our approach, there is no single ESG factor that automatically trumps all other factors, including other ESG factors. We continually need to weigh the importance of competing factors, including competing ESG factors, and apply our professional judgment.

4. Active ownership

Buying and selling securities is not the only way that we help our clients achieve their financial objective. As a security holder, we can take a number of actions.

(a) Active ownership through engagement

Engaging with companies in appropriate situations is an important part of being an active owner. We focus on the companies where we can have the greatest impact, and the factors that we consider to be key drivers of financial value. Usually, our chances for success are higher when we partner with other institutional investors. We therefore take part in several initiatives that make collective action easier, including the Carbon Disclosure Project, the United Nations Principles for Responsible Investment and the Canadian Coalition for Good Governance.

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We prefer to have an ongoing discussion with companies privately, rather than through the press or other public outlets. We will act publicly when we think it will be more effective.

We will post on our website annually a report that summarizes, on a no-names basis, our engagement activities during the previous year.

(b) Active ownership through proxy voting

Voting by proxy at shareholder meetings is another way that we act as an active owner. Management or shareholder proposals that involve ESG factors are voted on a case-by-case basis. If, after considering all relevant factors, we conclude that adopting a proposal will produce a net financial benefit for our clients, we generally will support the proposal.

For each public mutual fund that we manage, we post on our website annually a report that discloses each vote cast on behalf of the fund during the previous year.

(c) Active ownership through litigation

Tolerating improper conduct increases the chance that it will occur at other companies in which we invest. However, going to court takes a lot of time and money. Litigation is therefore an option that we pursue on a case-by-case basis, after weighing the likely costs and benefits. We have a history of supporting good corporate governance in the courts, but continue to prefer to resolve disputes through engagement.

5. Divestment

Selling an investment is not an option for mandates where we are required to hold all of the securities in an index. It is an option of last resort for other mandates.

6. Specialized teams and executive support

We have internal committees that resolve engagement and proxy voting issues as needed. On environmental matters, we also have created a special executive committee and a special working group, each of which meets regularly and is responsible for the implementation of this policy.

Contact Person

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