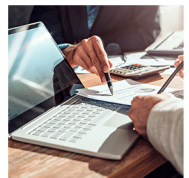


TD Asset Management's **Sustainable Investing Approach**



Executive Summary

At TD Asset Management (“we”, “TDAM”) our core thesis is one in which we favor an integrated engagement approach to Environmental, Social and Governance (ESG) factors. We believe that, as investors in a broad array of investment classes, we have a significant role to play in being a positive influence for continued improvement in ESG, and we will not abdicate that role. ESG improvement is fundamentally aligned with our overall philosophy of seeking investments in sustainable long-term assets through a risk-managed process. More specifically, we believe that considering ESG factors provides us with a more robust view of potential risks and opportunities. With our fiduciary duty to our clients and prospective investors, we focus on ESG issues that we can influence and are likely to impact the long-term value of an investment. We strive towards having a fully integrated ESG engagement process as part of all our investment products. While we do advocate engagement, for clients with a different philosophical view on ESG we do provide and continue to develop positively screened investment products.

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

We understand the dual impact of many ESG issues; where they can impact the financial direction of investee entities and the environment in which they operate. Under our approach, financially material ESG factors are weighed alongside other traditional investment criteria, with investment implications resulting if an ESG issue or event changes the intended risk/return profile of an investment. Additional attention is given to any ESG issues that may add systemic risk and impede the long-term sustainability of financial markets overall.

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

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

Our contributions to the sustainability dialogue

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

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

Regulatory bodies



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



Stock Exchanges

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

Global relationships



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

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

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

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

Integration of sustainability factors

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

Fundamental equities

TDAM's Fundamental Equity team integrates ESG factors directly into their investment analysis. The process for incorporating these factors into decision-making is essentially threefold, involving the following central components: systematic reviews of issuer ESG risks, thematic ESG research and active ownership.

Systematic ESG reviews

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

Thematic ESG research

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

Active ownership

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

- **Engagement** – Our engagement activities serve as a central input to our investment analysis, and we use our in-depth research to prioritize engagement efforts. Incorporating ESG data and ratings into our processes has allowed us to refine our ESG engagement plan and has provided for more informed discussions with management teams leading to improvements to our assessments of quality. Our sector analysts regularly meet with company management teams and discuss

applicable ESG issues, goals and emerging trends in addition to broader investment relevant topics. Findings are internalized and integrated into our investment analysis.

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

- **Proxy voting** – We vote on proposals that involve ESG issues on a case-by-case basis. Sustainability research is incorporated within our process impacting both management and shareholder proposals where relevant.

Quantitative equities

TDAM's Quantitative Equity team seeks to exploit market inefficiencies using a combination of their researchers' custom-built models and insights from their portfolio managers. While quantitative models facilitate objective decision-making as well as broad coverage of equity markets, no single model can cover the full complexity of the factors driving stock markets.

The team is tasked with designing portfolios, proxy voting, and identifying emerging sources of risk that may not yet be sufficiently captured by quantitative approaches. ESG plays an important role in this process, with emphasis on governance when it comes to risk and on a broad panel of ESG concerns when it comes to proxy voting.

Quantitative ESG signals

In building quantitative models, the Quantitative Equity team seeks to produce the most effective alpha and risk forecasts. As with all our investment products, ESG factors and methodologies are considered in these research and development efforts and can be expected to grow in importance in the investment process. This is in keeping with the team's two-decade long history of incorporating new signals as they become more impactful.

ESG data dialogue

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

Proxy voting

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



Fixed income

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

engages management to understand how issuers are addressing material ESG exposures. Our credit research and issuer engagement inform both our internal credit ratings as well as an ESG-specific score. Our analysis is continually updated and incorporated into sector analyst reports to TDAM's Credit Committee.

ESG credit review & exposure scores

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

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

Issuer engagement

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

ESG Credit Committee

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

Quality

Passive investing

While holdings within our passive strategies are guided by the relevant indices that they replicate, we continue to evolve our analyses to comprehensively advance sustainability across all portfolios. Passive strategies benefit from the firm's direct and collaborative

engagements on ESG issues, the ESG-relevant research incorporated into our proxy voting, and the dialogue we continue to have with regulatory bodies, stock exchanges and other partners on ESG matters.

Alternative assets

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

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

Environmental impact

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

Health & welfare

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

Integrity & accountability

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

Sustainability

ESG Oversight

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

The ESG Engagement Committee strives to ensure that the sustainable investment approach is well implemented across the TDAM platform, and that

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

The work of the ESG Engagement Committee is communicated to upper management, including the Chief Executive Officer (CEO), Chief Investment Officer (CIO), and portfolio managers, all of whom serve critical roles in advancing sustainability across the firm and within client portfolios. ■

Committed

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