

# Responsible Investing Request for Information

Presented to:

**Queen's University**

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# GENERAL

## 1) Please provide your ESG-related policies.

### TD Asset Management Sustainable Investing Approach

While not a formal policy, TDAM's Sustainable Investment Approach sets out our approach to sustainable investing by asset class.

<https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/policies-and-frameworks/Sustainable-Investing-Approach-EN.pdf>

### TD Asset Management Proxy Voting Guidelines (Newly updated for 2022)

<https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/policies-and-frameworks/TDAM-Proxy-Voting-Policy-Procedures-EN.pdf>

### TD Asset Management – Proxy Voting Policy & Procedures

<https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/policies-and-frameworks/TDAM-Proxy-Voting-Policy-Procedures-EN.pdf>

## 2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

Incorporating ESG factors within applicable investment strategies, including for non-ESG funds when ESG factors can have a material impact on security valuation, is compatible with our goal of seeking to provide strong risk-adjusted returns. Assessing and managing investment risk is an integral part of how we seek to meet our fiduciary obligations. As such, we believe consideration of ESG factors is important in order to provide us with a more robust view of potential investment risks and opportunities.

Our approach to sustainable investing follows a framework based on three (3) main components 1) identifying, evaluating and monitoring material ESG risks & opportunities in investment processes; 2) ESG engagement and proxy voting; and 3) advancing ESG research and thought leadership.

As a multi-asset manager, TDAM views the integration of ESG factors in the investment process to be unique to each asset class, i.e. the tools and strategy leveraged to integrate ESG in equities would be different than in the alternative investments space (e.g. real estate and infrastructure). As such, the extent of integration or incorporation of ESG factors varies across TDAM Funds and mandates. For certain TDAM Funds where ESG factors do not form part of a fund's investment objective or principal investment strategy, ESG factors may still be considered within the investment decisions by a fund's portfolio manager from time to time, if those ESG factors are expected to have a material financial impact on the value of a security held by that fund.

### Fundamental Equities

TDAM's Fundamental Equity team believes that consideration of ESG factors enables a robust view of risks associated with a particular investment. The process for incorporating these factors into decision-making is essentially threefold: integration, research and engagement. At the integration phase, Fundamental Equity analysts consider material and relevant ESG risks into their overall research process. Often times when an investment report is written, ESG risks are identified, quantified and ranked against peers. The team augments this process by conducting research about ESG themes with potential for material impact on the companies in which we invest. With regards to engagement, Fundamental Equity analysts meet with companies about their business structure, strategic direction, risk management, cost drivers and revenue prospects. Material ESG issues are integrated to further inform investment evaluations.

### Quantitative Equities

TDAM's Quantitative Equity team seeks to exploit market inefficiencies using a combination of their researchers' custom-built models and insights from their portfolio managers. While quantitative models

facilitate objective decision-making as well as broad coverage of equity markets, no single model can cover the full complexity of the factors driving stock markets. The team is tasked with designing portfolios, proxy voting, and identifying emerging sources of risk that may not yet be sufficiently captured by quantitative approaches. ESG criteria play a role in the investment process as a factor in the quality filter – and as a way to better understand and anticipate foreseeable risks. In addition to being active stewards, the Quantitative Equity team participates in ESG data dialogues with third-party providers and develops research around ESG data and evolving trends.

### **Fixed Income**

TDAM's Credit Research team evaluates ESG factors as part of a comprehensive credit review process for both corporate and government issuers. In addition to evaluating the financial and business strength of issuers, an ESG assessment is conducted for every issuer included on the TDAM credit approved list. To gain a complete picture of a company's credit quality, the team also engages management to understand how issuers are addressing material ESG exposures. Our credit research and issuer engagement inform both our internal credit ratings as well as an ESG-specific score. Our analysis is regularly updated and incorporated into research reports that are then reviewed by TDAM's Credit Committee.

### **Alternative Assets**

TDAM's Alternatives team seeks to integrate best-in-class sustainability practices across real estate, infrastructure, and mortgage investment and portfolio management processes, as applicable. This may include acquisitions, developments, capital planning and ongoing operations. We believe that our sustainability strategy is aligned with our culture that focuses on risk management, disciplined processes and sustainable returns.

For more information, please refer to TDAM's Sustainable Investing Approach, which can be found here: <https://www.td.com/ca/en/asset-management/documents/institutional/pdf/Sustainable-Investing-Approach-EN.pdf>

### **3) a) Are you a signatory to the UNPRI?**

Yes. TDAM became a signatory to the UN PRI in 2008 and was among the first Canadian bank-owned asset managers to sign the UN PRI.

### **b) If you are signatory to other coalitions, please list them.**

TDAM is a member of the following industry associations and actively participates in collaborative industry initiatives and engagements on ESG issues as relevant for our portfolios, including but not limited to:

- 2005: Canadian Coalition for Good Governance (CCGG)
- 2007: Carbon Disclosure Project (CDP)
- 2008: UN Principles for Responsible Investment (UNPRI)
- 2016: Global Real Estate Sustainability Benchmark (GRESB)
- 2017: Investor Stewardship Group (ISG)
- 2019: Responsible Investment Association (RIA) – associate member in 2019; signatory to the RIA Canadian Investor Statement on D&I in 2020
- 2019: Climate Action 100+ (CA100+)
- 2019: Signatory to the 2021 Global Investor Statement to Governments on the Climate Crisis
- 2021: 30% Club Canada Investor Group

- 2021: Climate Engagement Canada (CEC)
- 2021: International Corporate Governance Network (ICGN)
- 2021: Task Force on Climate Related Financial Disclosures (TCFD)
- 2022: Advance – PRI's human rights engagement initiative
- 2022: Ceres

**c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.**

TDAM has the ability to invest in issuers that, in our view, have strong sustainability characteristics and/or demonstrate positive contributions to the 17 United Nations Sustainable Development Goals (SDGs). Using our proprietary mapping tool, TDAM can identify sustainable leaders in each industry that are directly supporting one or more of UN SDGs through their business activities. As a result, the following companies are typically screened: Traditional Energy/Fossil Fuels, Weapons and Gambling.

For institutional clients, TDAM has the ability to customize a portfolio to measure the degree of alignment with the UN SDGs.

**ESG Initiatives**

We continue to advance our ESG processes and contribute to industry dialogue more broadly. In 2022, we introduced additional initiatives to incorporate ESG reviews in quarterly portfolio performance meetings, for active equity and alternative strategies, between our CIO and portfolio managers, as detailed below:

**Active equity strategies:**

Quarterly reviews include portfolio-level ESG quality scores and carbon metrics compared to their respective benchmark. Quarterly reviews also included review of controversies or headline risk for the portfolio companies, which provides an additional layer of risk analysis. These internal quarterly reviews serve as a forum where the CIO discusses quarterly performance, inclusive of ESG metrics, and where internal teams such as asset allocation, investment risk and product can discuss their questions with portfolio managers as well.

**Alternative assets:**

Alternative assets, such as our direct real estate holdings and commercial mortgage loans, are typically less liquid and are marked to market every quarter. In 2022, TDAM commenced quarterly ESG Working Group meetings with its Canadian real estate managers responsible for the asset, property, and development management of over 95% of the Canadian real estate portfolio by AUM. The quarterly ESG Working Group Meetings are used in part as a mechanism to provide feedback on ESG integration. Otherwise, ESG-related updates and ESG performance for alternative investment strategies are reviewed at each monthly Alternative Investment team meeting. For example, updates on new acquisition ESG risk profiles, GRESB scores or response rates, and findings from mortgage fund borrower surveys are part of ESG performance monitoring at these meetings.

We also expanded our stewardship efforts to focus on climate, human capital and human rights – key themes as we continue to assess material ESG risks and opportunities across our portfolios. We became part of Advance, the investor stewardship initiative on human rights and social issues led by the PRI. TDAM joined as a lead investor, specifically taking the lead on engagement discussions with a mining company on how they are managing human rights risks across their operations.

A key development for the industry was the establishment of the International Sustainability Standards Board (ISSB), which aims to develop standards for a global baseline of sustainability disclosures. TDAM took the opportunity, provided feedback to several of our member organizations as they drafted responses and

evaluated member perspectives on two draft disclosure standards put forward by ISSB in 2022.

## Reporting Frameworks

TDAM provides several public disclosures related to sustainable investing. This includes annual publication of our Sustainable Investment Report, Task Force on Climate-Related Financials Disclosures Report, as well as our Quarterly Proxy Voting Reports. We also publish updates to our Proxy Voting Guidelines on an annual basis, ahead of proxy season. Our proxy voting disclosure platform also provides real-time disclosure of TDAM's proxy voting record. In addition, we regularly publish thought leadership pieces. We leverage expertise from across the firm to contribute to research pieces, covering a range of ESG topics.

For more information, please refer to our Sustainable Investing website: <https://www.td.com/ca/en/asset-management/institutional/about-us/sustainable-investing/>.

**4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?**

TDAM's sustainable investing or ESG oversight sits with the CIO.

TDAM has a dedicated ESG Research and Engagement (ESG R&E) team that works alongside and supports the various investment teams with ESG research and active ownership efforts (e.g., engagement and proxy voting). This team works to help ensure that we have consistency in our ESG approach and that we are representing the various ownership positions that we may have across strategies.

The mandate of TDAM's ESG Research and Engagement (ESG R&E) 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 our annual Focus List companies;
- Providing research and thought leadership, often in collaboration with colleagues from the investment team; advising on the development of new sustainable fund solutions;
- Acting as ESG subject matter experts within the firm and conducting knowledge sharing sessions with other teams across the firm; and
- Leading the firm's climate strategy activities.

TDAM also has a dedicated ESG Committee that oversees the firm's overall ESG framework and integration efforts. The committee facilitates discussion around ESG issues, engagements, and policy direction. The Committee includes members of the investment management, external distribution, and investment risk teams. The Committee meets on a quarterly basis, in addition to ad hoc meetings, where necessary. Items that require additional discussion are escalated to TDAM's Operating Committee and TDAM's Risk Committee.

The TDAM ESG Committee strives to ensure that the sustainable investment approach is implemented in accordance with the applicable mandate(s) and clearly communicated across the business. TDAM ESG Committee members also receive feedback from various engagements 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 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.

In addition, 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 its custom voting instructions on ESG issues, identifying key or emerging proxy issues, and deliberating and deciding on any deviations or overrides of TDAM's vote recommendations. The Proxy Voting Sub-Committee is comprised of members from TDAM's investment and ESG teams, including the CIO and Head of Equities.

**5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.**

TDAM provides several public disclosures related to sustainable investing. This includes annual publication of our Sustainable Investment Report, Task Force on Climate-Related Financials Disclosures Report, as well as our Quarterly Proxy Voting Reports. We also publish updates to our Proxy Voting Guidelines on an annual basis, ahead of proxy season. Our proxy voting disclosure platform also provides real-time disclosure of TDAM's proxy voting record. In addition, we regularly publish thought leadership pieces. We leverage expertise from across the firm to contribute to research pieces, covering a range of ESG topics.

For more information, please refer to our Sustainable Investing website: <https://www.td.com/ca/en/asset-management/institutional/about-us/sustainable-investing/>.

Key documents include:

<b>TD Asset Management Sustainable Investment Report 2021</b>	<a href="https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/Annual-sustainability-report-EN.pdf">https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/Annual-sustainability-report-EN.pdf</a>
<b>Proxy Voting Dashboard</b>	<a href="https://vds.issgovernance.com/vds/#/Mzgx">https://vds.issgovernance.com/vds/#/Mzgx</a>
<b>Quarterly Proxy Voting Reports</b>	<a href="https://www.td.com/ca/en/asset-management/documents/institutional/pdf/ESG-Q3-22-Proxy-Voting-Report-EN.pdf">https://www.td.com/ca/en/asset-management/documents/institutional/pdf/ESG-Q3-22-Proxy-Voting-Report-EN.pdf</a>
<b>Task Force on Climate-Related Financial Disclosures 2021 Report</b>	<a href="https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/ESG-TFCD-EN.pdf">https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/ESG-TFCD-EN.pdf</a>
<b>TDAM's Commitment to Diversity &amp; Inclusion: a Brief Report – 2021</b>	<a href="https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/Diversity-Inclusion-EN.pdf">https://www.td.com/content/dam/tdgis/document/resources-pdf/ca/en/reports/annual-reports/Diversity-Inclusion-EN.pdf</a>

Other ESG thought leadership, blogs, podcasts can also be found on our Sustainable Investing website ([here](#)), as well as TDAM Insight library ([here](#)).

Recent notable **thought leadership** published by the ESG Research & Engagement Team, specifically:

2022:

- [Fueling the Energy Transition](#) (Road to COP27 Special Report by RI Magazine, November 2022)
- [Carbon Pricing: Why Investors Should Care](#) (May 2022)
- [Stewardship & Inclusively Addressing the Labour Crunch](#) (RIA Magazine, May 2022)
- [Beyond Perception: Nuclear Energy's Role in the Global Green Transition](#) (April 2022)
- Inclusive Growth: A Multi-Asset Framework on Indigenous Rights and Reconciliation in Investing (RIA Magazine, Feb, 2022)

2021:

- [A Commonsense Approach to ESG Contributes to Investment Excellence](#) (February 2021)

- [Lithium: A Circular Economy Perspective for ESG Investment and Stewardship \(RIA Magazine, July 2021\)](#)
- [The Investment Case for Biodiversity \(RIA Magazine, May 2021\)](#)
- [Scope 3 Emissions: The Next Frontier in Climate Engagements \(RIA Magazine, Oct 2021\)](#)

**6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?**

Yes, we review our approach on an annual basis.

## ENGAGEMENT

**21) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?\***

In FY 2022, TDAM engaged 207 issuers over 264 meetings:

ESG Engagements by Topic - FY22		ESG Engagements by Pillar - FY22	
COVID-19	1	Environmental	146
Toxic Emissions	2	Social	124
Biodiversity	3	Governance	49
Privacy and Data Security	3	General ESG Strategy	99
Water	7	<b>Total</b>	<b>418</b>
Human Rights	9		
Product Safety	8		
Indigenous Right and Relations	10		
Community Relationship	19		
Human Capital	21		
Corporate Governance	23		
Health & Safety	23		
Executive Compensation / Remuneration	26		
Diversity & Inclusion	30		
General ESG Strategy	99		
Climate Change	134		
<b>Total</b>	<b>418</b>		

TDAM takes an active stewardship approach across its equity\*, fixed income and alternative asset portfolios, including engagement with companies and proxy voting. These elements of stewardship are a component of TDAM's general approach and serve as avenues to both develop a better understanding of a company and allow us to convey our views to the board and management.



\*TDAM's stewardship program is conducted on an aggregated exposure basis and spans fundamental equity, quantitative equity and equity index funds.

## Engagement

In general, there are several types of ESG engagement activities undertaken by TDAM: 1) ESG focus list engagements, 2) ESG engagement questions included in investment team meetings with company management, per their normal research process, 3) Company-requested/inbound engagement, and 4) Collaborative engagements.

Our focus list approach aims to pursue deep engagement to influence measurable impact and outcomes. We target portfolio companies where performance may be lagging, but there is opportunity for meaningful improvements over time. This is intended to be a multi-year process, grounded in constructive dialogue.

Our focus list for 2021 was developed with three primary categories in mind: 1) General ESG (poor) performance; 2) Climate Change; and 3) Diversity & Inclusion (Board-focused). The latter two areas are considered systemic ESG issues (risks and opportunities) in TDAM's ESG framework. Consideration for focus list selection includes identifying laggards in each respective area and TDAM's exposure to these companies.

In 2022, we refined and expanded our focus list development. The 2022 focus list categories are: 1) General ESG (poor) performance; 2) Climate Change; 3) Human Capital; and 4) Human Rights. Our approach now moves beyond board diversity to focus on companies where broader human capital risks have been identified (e.g., workforce discrimination, labour management, workforce D&I). Furthermore, we added Human Rights as a distinct category this year, as part of our efforts to enhance our due diligence processes in this priority area.

In general, we welcome engagement from all our portfolio companies and have held meetings with most companies that have proactively reached out to us. To prioritize, again, we typically look at TDAM exposure/ownership, as well as ESG performance, or whether there were any concerns at the most recent annual general meeting. Engagement topics for each company will be different and tailored to the specific company's risks and opportunities.

Beyond our focus list engagements, TDAM is an active participant in collaborative engagement efforts within the industry, such as the Canadian Coalition for Good Governance, Climate Action 100+, Climate Engagement Canada, and CDP; letter-writing and proxy voting are other primary tools employed in our engagement and stewardship process arsenal. For example, we will seek dialogue and engagement with companies as part of our proxy voting process, where our voting decision(s) would benefit from a direct conversation prior to casting our vote(s).

While the ESG R&E team leads our more focused engagement initiatives and drives the development of our firm-wide engagement strategy overall, these efforts heavily involve and rely upon the input and collaboration with sector analysts and the investment teams.

TDAM's engagement efforts are not outsourced to third parties. We believe conducting our engagements directly is our responsibility.



## Disclosures

The information contained herein is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

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All products contain risk. Important information about the pooled funds is contained in their respective offering circular, which we encourage you to read before investing. Please obtain a copy. The indicated rates of return are the historical annual compounded total returns of the funds including changes in unit value and reinvestment of all distributions. Yields, investment returns and unit values will fluctuate for all funds. All performance data represent past returns and are not necessarily indicative of future performance. Pooled fund units are not deposits as defined by the Canada Deposit Insurance Corporation or any other government deposit insurer and are not guaranteed by The Toronto-Dominion Bank. Investment strategies and current holdings are subject to change. TD Pooled Funds are managed by TD Asset Management Inc.

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