

# TDBFG Corporate Responsibility Report - TD Asset Management Initiatives

April 2009

As an institutional investor, TD Asset Management Inc. has a duty to act in the best interest of our clients. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and time periods).

In 2008, TD Asset Management became a signatory to the UN Principles for Responsible Investment (UN PRI). The UN PRI were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the UN PRI, TD Asset Management has publicly committed to adopt and implement the Principles, where consistent with our fiduciary responsibilities.

The Principles are as follows:

## **1. We will incorporate Environmental, Social and Governance (ESG) issues into investment analysis and decision-making processes.**

In 2007, we launched the TD Global Sustainability Fund and the TD *Emerald* Global Sustainability Pooled Fund Trust. The investment objective of each of these funds is to achieve 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.

However, ESG issues are not only relevant to our sustainability funds. The investments of all of our clients can potentially take advantage of some of the same opportunities and are subject to the same risks and other financial considerations as our sustainability funds. We are therefore developing a proprietary sustainability matrix to help inform our investment decisions. Our matrix will be managed by our full-time sustainability analyst and will draw on internal and external data sources. This will enable TD Asset Management to better assess ESG related opportunities and risks associated with existing and potential investments across a broad array of investment mandates.

## **2. We will be active owners and incorporate ESG issues into our ownership policies and practices.**

We will engage companies, where appropriate on ESG issues and participate in collaborative engagement initiatives. We prefer to have ongoing discussions with companies privately, rather than through the press or other public outlets, however we will act publicly when we think it will be more effective.

Voting by proxy at shareholder meetings is one way that we act as an active owner. Some issues on which we vote have the potential to increase the value of the company in both the short-term and the long-term. Management or shareholder proposals that involve ESG issues are voted on a case by case basis.

TD Asset Management has internal committees that resolve engagement and proxy voting questions as needed. On environmental matters we have created a special executive committee and a working group, each of which meet regularly.

## **3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

Sound risk management requires proper disclosure by public companies. Securities law requires companies to disclose what in their view would be relevant to a hypothetical reasonable investor. Periodically, we may ask a company to disclose more information that we believe to be relevant to a fuller assessment of ESG risks.

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TD Asset Management also participates in initiatives like the Carbon Disclosure Project (CDP), which among other things, seeks to improve disclosure on carbon emissions and climate change.

#### **4. We will promote acceptance and implementation of the Principles within the investment industry.**

Where appropriate, TD Asset Management will support regulatory or policy developments that enable implementation of the Principles and where possible will encourage service providers to provide reporting on ESG issues. As an example, we have begun to ask service providers how are they integrating ESG issues into their investment analysis and if they are not, we are asking how they take into account the potential impact of ESG issues on long term shareholder value.

#### **5. We will work with others to enhance our effectiveness in implementing the Principles.**

When engaging with companies we focus on those where we can have the greatest impact. Our chances for success are higher when we act with other institutional investors, instead of acting on our own. We therefore take part in several initiatives that make collective action easier, including the CDP, the UN PRI and the Canadian Coalition for Good Governance (CCGG).

The objective of the CDP is to promote an ongoing dialogue between institutional investors and senior corporate management in relation to climate change. CDP plays a vital role in encouraging private and public sector organisations to measure, manage and reduce emissions and climate change impacts. The data collected by CDP provides investors with valuable insight into the strategies deployed by many of the largest companies in the world in relation to climate change. It also provides investors with a better understanding of risks and opportunities from climate change in their portfolios.

The mission of the CCGG is to promote good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets. One objective of the CCGG is to work with companies and policy makers to ensure that Canadian public companies have sound governance practices and a sound regulatory framework.

TD Asset Management will also use the UN PRI Clearinghouse to review engagement requests so that we may work more collaboratively with other UN PRI signatories.

#### **6. We will report on our activities and progress towards implementing the Principles.**

TD Asset Management is committed to reporting on how it is integrating ESG issues into its investment practices and communicating with clients about ESG issues and the Principles. An overview of this disclosure will be available in the TD Bank's Corporate Responsibility Report as well our web site later in 2009. A copy of our forthcoming policy statement on sustainable investing should also be available in 2009.

### **About TD Asset Management**

TD Asset Management operates in Canada as TD Asset Management Inc. and in the United States as TDAM USA Inc. TD Asset Management is a highly diversified investment manager with leading market positions in active, quantitative and passive portfolio management. Both TD Asset Management Inc., and TDAM USA Inc. are wholly-owned subsidiaries of The Toronto Dominion Bank (TD Bank).

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