

Implementation of the Principles for Responsible Investment & Engagement Report - 2010

For January 1, 2010 to December 31, 2010

As an institutional investor, TD Asset Management (TDAM) 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 July 2008, TDAM became a signatory to the Principles for Responsible Investment (PRI, 'the Principles'). The six Principles were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices.

The sixth Principle commits signatories to report on their activities and progress towards implementing the Principles. The following summarizes the actions TDAM has taken to put the Principles into practice over the year ending December 31, 2010. A report on our activities in 2009 is also available upon request.

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

In April of 2009 TDAM adopted its Sustainable Investment Policy, which describes how we approach ESG issues as part of our decision making process.

[www.tdaminstitutional.com/tmi/pdfs/Sustainable Investing Policy - April 2009.pdf](http://www.tdaminstitutional.com/tmi/pdfs/Sustainable_Investing_Policy_-_April_2009.pdf)

In late 2009 we finalized our proprietary sustainability matrix to help inform our investment decisions. Our sustainability matrix is managed internally and draws data from Asset4, the industry's most in-depth coverage of transparent, objective and auditable ESG information. In addition, we also use the services of traditional brokers, who provide different perspectives through their ESG teams.

Our sustainability matrix gives us a snapshot of how companies are managing their ESG capital. By selecting and analysing factors across the ESG spectrum, we have an additional metric for investment managers to consider. It also helps us identify trends across different regions, and identify leaders and laggards for a given initiative such as carbon or water disclosure.

TDAM has also begun to incorporate company-specific ESG research into our research database portal, allowing it to be shared across the firm.

During 2010, TDAM's full-time sustainability analyst continued to provide TDAM portfolio managers and analysts with ESG scoring driven by our matrix. These scores often spark in-depth discussions between our sustainability analyst and our portfolio managers about the companies in which we invest. The matrix has helped facilitate formal internal research presentations and debates on water and related agriculture issues.

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

Engaging with companies in appropriate situations is an important part of being an active owner. We focus on companies where we can have the greatest impact, and on the issues that we consider to be the key drivers of financial value. We 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. During 2010, in addition to supporting shareholder proposals on a wide range of governance issues, we supported approximately 60 shareholder proposals on a range of environmental and social issues. We have noticed that 'E&S' proposals which we supported in previous years, such as sustainability reporting, are decreasing as more companies implement regular disclosure. In their place, we are seeing, and are increasingly voting for, proposals going beyond disclosure. For example, we have supported shareholder proposals asking the company to set a quantitative target for reducing its carbon emissions. Often, E&S proposals that we would support are withdrawn by the proponents after their discussions with management.

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 in order to conduct a more complete assessment of ESG risks.

TDAM also participates in initiatives like the investor Carbon Disclosure Project (CDP). The CDP's mission is to accelerate solutions to climate change by putting relevant information at the center of business and investment decisions. On behalf of the participating investors, an annual request for information is sent to over 3,000 companies worldwide asking how the companies are managing the risks and opportunities that climate change poses for their operations. The questionnaire also seeks quantitative information on issues such as energy use and greenhouse gas emissions.

TDAM was a member of the CDP Canada 2010 Advisory Board, with a mandate to increase carbon disclosure and improve the quality of disclosure. In 2010, TDAM engaged with 11 carbon intensive companies that had not provided disclosure to the CDP in previous years. TDAM also helped assess the Canadian responses for the Carbon Disclosure Leadership Index listed in the CDP Canada 2010 Report.

From March to October 2010, TDAM participated in the Ontario Securities Commission's Environmental Reporting Advisory Committee. It helped OSC staff prepare a notice on environmental disclosure, which was later adopted by all of the other securities regulators across Canada. We were especially active on the important issue of materiality. Based on our contributions, we took part in a fall 2010 training session for approximately 150 staff of the Canadian Securities Administrators on E&S disclosure, to help the regulators understand areas in which public companies need to improve their disclosure, based on Canada's disclosure requirements. Based on that session, the Toronto Stock Exchange asked us to help them create and run a workshop for Canadian public companies in late 2011 on proper E&S disclosure.

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

In 2010, we continued to ask our service providers how they are integrating ESG issues into their investment analysis. If they are not doing so, we ask how they take into account the impact of ESG issues on long-term shareholder value.

We also met regularly with brokers who provide research on ESG issues. These meetings offer an opportunity to share ideas along with building a network within the sustainability industry. We supported an increase in the amount of ESG research available to investors, by allocating additional broker votes to those firms who are active in the space.

In August of 2010 TDAM sponsored and hosted an industry round table with a pension plan sponsor, an investment consultant and PRI, to discuss ideas, trends and successes of ESG issues relevant to institutional investors. The discussion and related report highlight how modern responsible investing (RI) or ESG is being implemented amongst mainstream investment participants. The transcript of this roundtable was published in the September 2010 issue of Benefits and Pensions Monitor and is available on our website.

www.tdaminstitutional.com/tmi/pdfs/sustainableinvesting.pdf.

In December of 2010 TDAM employees participated in a Canadian Institute of Chartered Accountants (CICA) Conference titled “Environmental Social and Governance Issues – Environmental Business Risks, Opportunities and Strategies”. TDAM’s former president gave the keynote address, titled “Linking Good Governance and Environmental Issues”. In a subsequent session, one of our vice-chairs discussed ESG issues in a talk titled “Perspectives from the Capital Markets and the Investment Community”. TDAM also provided comments on a report issued by the CICA titled “How ESG is used by Institutional Investors”.

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

We take part in several initiatives that make collective action easier, including the CDP, the PRI Clearinghouse 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. TDAM was a supporting sponsor to the CDP 2010 – Canada Report and a member of the CDP Canada 2010 Advisory Board.

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. On behalf of the CCGG members, including TDAM, CCGG staff engaged with approximately 28 Canadian companies in 2010 on a range of

governance issues, in particular issues dealing with executive compensation. TDAM also continued to play a leadership role on governance issues as a member of the CCGG's board of directors.

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

In addition to extensive internal reporting that we provided to the PRI secretariat, we have prepared this report to help you understand how our activities during 2010 were connected to the Principles. Proxy voting reports available at www.tdam.com disclose how we voted at company meetings on ESG issues during the twelve-month period ended June 30.

When we adopted our Sustainable Investing Policy, we committed to provide an annual report on our engagement activities. In 2010, we issued our first Engagement Report, covering our activities in 2009. Going forward, we will discuss our engagement activities as part of this PRI implementation report.

About TD Asset Management:

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