



Implementation of the Principles for Responsible Investment & Engagement Report - 2012

For January 1, 2012 to December 31, 2012

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 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 to reflect 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 took to put the Principles into practice during the year ending December 31, 2012. Reports on our activities from 2009 to 2011 are also available upon request.

1. We will incorporate 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

In late 2009 we developed 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 ESG issues, providing an additional metric in the investment decision process. It also helps us identify trends across different regions, and identify leaders and laggards for a given initiative, such as carbon or water disclosure. Company-specific ESG research is incorporated into our research database portal, allowing it to be shared across the firm.

In 2012, we generated ESG portfolio scores driven by our matrix for five of our portfolio management teams. These scores often spark in-depth discussions about the companies in which we invest.

The TDAM Fixed Income team has always considered ESG factors in its credit risk process and ESG factors have been integrated into their annual credit review reports. This increasing awareness has led to more in-depth

TD Asset Management

discussion and debate at weekly Credit Committee meetings, around the potential short and long term risks associated with these factors, and the possible impact they could have on TDAM Internal Credit Ratings.

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. In 2012 we engaged several Canadian companies on company specific environmental and social issues. As an example, we engaged with an energy producer to encourage progress in Canada's Oil Sands Innovation Alliance. We also engaged 45 Canadian companies on corporate governance issues through the Canadian Coalition for Good Governance (CCGG). 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.

Voting by proxy at shareholder meetings is another way that we act as an active owner. During 2012, in addition to supporting shareholder proposals on governance issues, we voted to support 53 shareholder proposals on environmental and social issues. On the environmental side, the topics included: the nomination of directors with environmental expertise, proposals seeking disclosure on environmental risk reduction efforts, spill mitigation efforts, coal ash, coal reliance, hydraulic fracturing, waste recycling, greenhouse gas emissions, effects of climate change, energy efficiency, and overall sustainability reporting. Social topics included plant closures, children's health, employment diversity, board diversity, human rights policies and human rights issues in developing countries.

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 will ask a company to disclose more information in order to conduct a more complete assessment of ESG issues.

To this end, TDAM participates in initiatives like the investor portion of the Carbon Disclosure Project (CDP) and the CDP Water Disclosure initiative (CDPW). CDP's goal 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. CDPW's goal is to make meaningful, systematic and comparable reporting on water a standard corporate practice globally, enabling investors, companies and others to put this data at the heart of their decision making.

In 2012, TDAM joined with other CDP members to engage with specific reporting companies and encourage better disclosure. TDAM engaged with 12 Canadian companies with poor disclosure scores. Eight of the 12 companies subsequently improved their disclosure scores in the CDP Canada 200 Climate Change Report. In the case of CDP Water, TDAM engaged with two Canadian companies to encourage participation.

TD Asset Management

TDAM also supported the Toronto Stock Exchange (TSX) and Ontario Security Commission efforts to have securities filings include material ESG information and more than half of the 53 shareholder proposals we voted for were disclosure proposals.

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

In 2012, we continued to ask our sub-advisors 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 2012 TDAM helped the TSX design and run workshops on environmental and social disclosure for representatives of 75 TSX listed companies from a wide range of industries. TDAM also spoke at a sustainability roundtable and to the media on this topic.

Finally, TDAM, together with other PRI signatories supported the Corporate Sustainability Reporting Coalition. This called on United Nations member-states to develop a Convention on Corporate Sustainability Reporting during the 2012 Earth Summit that would encourage companies to integrate sustainability information throughout their annual report and accounts.

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. As outlined under Principal 3, TDAM is actively involved with CDP, CDPW and also supported CDP Carbon Action, an investor-led initiative which requests highest emitting companies to reduce emissions and disclose targets. TDAM is also a member of the CCGG and supports various PRI initiatives such as the Corporate Sustainability Reporting Coalition referenced above.

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

In addition to extensive reporting that we provide to the PRI secretariat, we have prepared this report to help you understand how our activities during 2012 were connected to the Principles. TDAM has also published proxy voting reports, stating how we voted at hundreds of companies. Proxy voting reports are available at www.tdassetmanagement.com and disclose how we voted at company meetings on ESG issues during the twelve-month period ended June 30, 2012. ■

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