

TD Asset Management and Sustainable Investing

Investing for a Better Future | 2017 Sustainable Investing Annual Review Summary

HIGHLIGHTS OF 2017

PRI Assessment

TDAM's progress in ESG communication and advancements in integrating ESG factors into our investment process, has led to continuous improvement of the firm's PRI annual assessment.

ESG Engagements

TDAM directly engaged in **62 ESG** activities with companies across a broad range of industries and participated in an additional **72 collaborative engagements**.

Sustainability Rating

For two consecutive years, **25%** of funds managed by TDAM are rated high in terms of sustainability by Morningstar^{®4}.

TD Canadian Large Cap Equity Fund

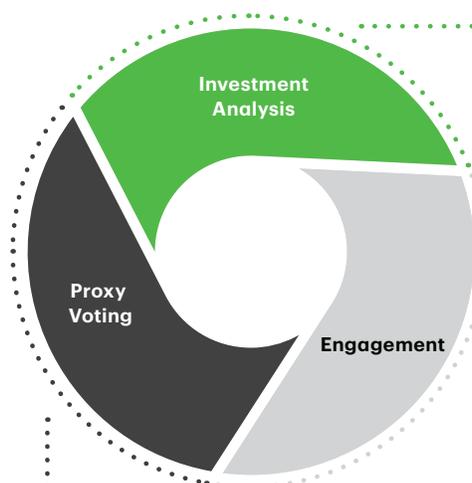
Rounded out the **top 10** Canadian Equity funds for ESG performance as ranked by MSCI's ESG Quality Score⁵.

TD Asset Management (TDAM) is one of Canada's largest investment management firms, managing more than C\$312.9 billion¹ in assets on behalf of retail and institutional investors.

Incorporating environmental, social and governance (ESG) factors within the investment framework is compatible with our goal of seeking to provide strong risk-adjusted returns in a manner that is consistent with our duty to act in the best interest of clients.

Assessing and managing investment risk is an integral part of how we seek to meet our fiduciary obligations and as such, we believe that ESG factors are an important consideration within our investment process, helping to provide us with a more robust view of potential risks and opportunities.

TDAM has been a signatory to the Principles for Responsible Investment (PRI) since July 2008². Our ESG framework is aligned with the Six Principles set out in the PRI³, including our approach to assessing company risk which is grounded in three core activities:



Investment Analysis

We incorporate ESG factors in our equity and credit research, and aim to ensure that ESG considerations are part of our investment decision process.

Engagement

We engage directly and collaboratively with companies across a broad range of industries, meeting with senior management to understand the potential impacts of ESG risks on their business and the processes in place to manage those risks.

Proxy Voting

We strive to be active owners by exercising our voting rights as shareholders. This is one of the key ways we can positively influence ESG practices for the companies in which we invest.



TDAM's 2017 Engagement Activity:

- **Engaged 8 Canadian companies** to better promote the alignment of CEO compensation and shareholder performance.
- **Met with 9 Canadian companies to help promote the goal of increased female representation** on corporate boards. TDAM's position on this topic is that female representation on a corporate board should be at least 30% or three female directors for every ten board seats.
- **Engaged with multiple oil sands and gas producers throughout the year**, to better understand the environmental impact reduction plans in place for their operations.
- **Participated in a mining tour of China** to gain a greater understanding of the nation's supply-side reforms. During the trip our analysts met with multiple steel, coal, and cement producers and traders. The discussions covered topics such as rationales behind the reforms, including support for policies, sustainability and execution success, well as the impact to global supply and demand, commodity cost structure, and steps implemented to avoid supply disruptions.
- **Initiated multiple engagements with select companies to exchange experiences on ESG considerations.** We provided insight on how TDAM integrates ESG considerations within our investment process and how a company's ESG disclosure and/or practices could influence an investor's views. Conversely, companies provided their insights on how their long term capital allocation and management of key performance metrics have been influenced by ESG considerations over the years.

TDAM's 2017 Voting Activity:

- **Supported 148 environmental and social proposals in 2017**, on a diverse mix of topics through proxy voting activities.
- **Voted against the election of 392 compensation committee members** who had approved (i.e. expressed a belief in) a disconnection between CEO compensation and shareholder performance. This was in support of governance practices related to aligning CEO pay with shareholder performance.

PRI Assessment Scorecard⁶:

The PRI assessment is an annual scorecard report provided to signatories of the PRI, based on the reporting of their responsible investing activity throughout the year. The reporting is compulsory for all signatories, helping to ensure (i) accountability, (ii) standardized transparency among signatories; and (iii) continuous improvement, as signatories are able to gauge their performance relative to their peers and industry.

TDAM continues to seek to achieve the highest possible scores across assessment modules, as we strive to continually strengthen our investing approach and enhance our ESG integration.

Year	Strategy	Integration	Active Ownership	Reporting Period
2018	A+	A	A	Jan. 2017 to Dec. 2017
2017	A	A	A	Jan. 2016 to Dec. 2016
2016	A	A	B	Jan. 2015 to Dec. 2015
2015	A	A	B	Jan. 2014 to Dec. 2014

Note: The scores are indicative of six performance bands (from E to A+) with highest possible bands represented by A and A+.

Key Facts

- In July 2008, TDAM became one of the first Canadian bank-owned asset managers to be a signatory to the Principles for Responsible Investment (PRI).
- We have adopted a Sustainable Investing Policy across our Canadian and US operations since 2009.
- We integrated ESG analysis within our investment process and provide ESG commentary for all research reports.
- We are a signatory to the Carbon Disclosure Project (CDP) and the Investor Stewardship Group (US operations only), as well as participate in the Canadian Coalition of Good Governance (CCGG) (Canadian operations only).
- Our ESG Engagement Committee is actively involved in ESG-related engagement activities; overseeing TDAM's ESG strategy, communication and education of ESG matters.

For more information on Sustainable Investing please visit our website tdaminstitutional.com or contact your TDAM Relationship Manager.

Contact Us: Telephone: [1-888-834-6339](tel:1-888-834-6339) | Email: inst.info@tdam.com | Web: tdaminstitutional.com



¹ AUM as at July 31, 2018 for TD Asset Management Inc. and TDAM USA Inc. TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. All entities listed are affiliates and are wholly-owned subsidiaries of The Toronto-Dominion Bank. ²TDAM and PRI (<https://www.unpri.org/signatories/td-asset-management-td-asset-management-inc/1845.article>) ³Details on our Sustainable Investing Approach and guiding PRI Principles are outlined in more detail here: Sustainable Investing Policy and PRI ⁴TDAM calculations using data from Morningstar Research Inc. The percentage is based on the total number of funds managed assigned with a rating score by Morningstar's Sustainability Ratings as of October 31, 2017. The Morningstar Sustainability Rating measures a fund's conformity to ESG criteria and assigns each mutual fund share class to a rating category between 1 (low sustainability) and 5 (high sustainability). The Rating is a holding-based measure and is calculated from companies' ESG and controversy scores provided by Sustainalytics, a leading provider of ESG research. The Morningstar Sustainability Rating is issued monthly based on the most recent company data from Sustainalytics. ⁵Funddata Canada Inc. Special Report "ESG ratings help you zero in on the best RI funds" by Fund Library, December 4, 2017 ⁶PRI Assessment Reports 2015-2018. The PRI scores are reflective of TD Asset Management Inc. TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. Both are wholly-owned subsidiaries of The Toronto-Dominion Bank. The information contained herein has been provided by TD Asset Management Inc. and 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, legal, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TD Mutual Funds and the TD Managed Assets Program Portfolios are managed by TD Asset Management Inc., a wholly-owned subsidiary of The Toronto-Dominion Bank, and are available through authorized dealers. TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. Both are wholly-owned subsidiaries of The Toronto-Dominion Bank. ©2018 Morningstar is a registered mark of Morningstar Research Inc. All rights reserved. All trademarks are the property of their respective owners. ® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.