



2022

TD Asset Management Inc.

**Sustainable  
Investment Report**

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# About TD Asset Management Inc.

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TD Asset Management Inc. (TDAM) is a leading asset manager in North America which directs \$356 billion in assets on behalf of retail and institutional investors as of October 31, 2022.<sup>1</sup> TDAM offers a diversified suite of investment solutions to corporations, pension funds, endowments and foundations. Additionally, TDAM manages assets on behalf of retail investors through affiliated and third-party dealers and offers a broadly diversified suite of investment solutions, including mutual funds, professionally managed portfolios and corporate class funds.



<sup>1</sup> All figures in this report are in CAD unless otherwise stated.





## About This Report

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This report serves as TDAM's sustainability report, a publication that aims to provide annual updates on TDAM's sustainable investing practices and progress.

Within this report, TDAM provides an annual review of TDAM's sustainable investing practices, progress and priorities for the 2022 fiscal year. We start by setting out TDAM's 2022 highlights and the priorities which were set out that year to help guide our stewardship and integration efforts. We then provide a brief overview of TDAM's sustainability approach, noting our performance according to industry benchmarks, specifically the UN Principles for Responsible Investment (UN PRI)<sup>2</sup> and the Global Real Estate Sustainability Benchmark (GRESB). The report then outlines TDAM's stewardship and integration efforts, providing quantitative metrics that help demonstrate our work and principles, as well as case studies that aim to provide a well-rounded view of how we expressed environmental, social and governance (ESG) integration for applicable types of investments and investment strategies. The report covers launches of new sustainable fund solutions as well as thought leadership published in 2022. The report concludes with a near-term outlook on what is to come. This, along with [TDAM's sustainable investing approach](#), provides information about TDAM's approach and progress in moving our sustainable investing work forward.

<sup>2</sup> The Principles for Responsible Investment is a United Nations-supported international network of financial institutions that promotes responsible investments.

## Scope

All information contained in this report is specific to TDAM, except where noted otherwise. This report does not contain information related to Epoch Investment Partners, Inc., TDAM's affiliated registered investment advisor in the United States. For more information on Epoch's sustainability practices and disclosures, please visit its ESG reporting page. All numbers and figures in this report cover the reporting period between November 1, 2021 and October 31, 2022. The majority of the qualitative information also covers the same period, except in a few instances where relevant information after October 31, 2022 has been included. In this document, references to integration or incorporation of ESG factors exclude certain strategies and asset classes, including but not limited to non-ESG related index-tracking funds and certain third-party sub-advised strategies. Further, 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 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.

# Message From Senior Leadership

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**Bruce Cooper**  
CEO, TDAM

Despite a turbulent ride in the markets in 2022, my message on sustainable investing and ESG remains unchanged. TDAM is one of the largest asset managers in Canada with global ambitions. Our capabilities are diverse, including active, passive and quant equities; passive and active fixed income; asset liabilities management; multi-asset solutions, synthetics, commodities and derivatives; and private assets such as real estate, infrastructure, mortgages and private debt. With these diverse asset classes and capabilities comes its own set of complexities. ESG integration is one of them. With a sharper regulatory lens on ESG and client demand for more information about integration, engagement and solutions, we continue to invest in our ESG capabilities to understand the dynamics between these non-traditional metrics and investment excellence and provide greater transparency about our work in this space.

Global developments also indicate that ESG is coming of age for companies we invest in, whether as shareholders or bondholders. The International Sustainability Standards Board (ISSB), a body of the International Financial Reporting Standards (IFRS) Foundation, is expected to launch its first two sustainability standards by June 2023. This advancement will help provide investors with reliable and consistent data, building upon internationally accepted frameworks such as the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-Related Financial Disclosures (TCFD). As a formal supporter of TCFD, we will be issuing **our second edition of the TDAM Climate Report in conjunction with this report**. We continue to keep a sharp focus on climate change, human capital and human rights-related investment risks and opportunities, and in 2023, we will be adding biodiversity as a key area of focus for our stewardship and engagement program.

As an organization, TDAM benefits from our purpose-driven parent company, The Toronto-Dominion Bank (TD), in supporting our organizational performance in key areas such as our operational greenhouse gas (GHG) emissions, our own diversity and inclusion, and other sustainability initiatives that TD supports.



### **David Sykes**

Chief Investment Officer, TDAM

In 2022, capital markets were choppy, to say the least. With an increased level of uncertainty and volatility, we maintained our disciplined investment approach: our foundational principles of investing in quality assets that provide stable, risk-adjusted returns. Within this framework, we continue to integrate ESG factors into applicable investment analysis and our view of the world as investors. There's been a lot said about ESG in the past year. For us, it's back to the basics – good governance is foundational to long-term financial value creation, while reducing environmental impact improves operational metrics and access to capital and reduces reputational risk. Similarly, social factors provide us with a lens to identify competitive advantage by looking at metrics on issues such as employee retention and health and safety.

ESG integration is also not one size fits all – different investment strategies require different approaches and processes. Within each strategy, those ESG issues that are most material and relevant differ by industries and geographies. It is our job as investment professionals to decode the complex world of investing and the issues that may impact long-term risk-adjusted returns. ESG fits into that framework and our fiduciary responsibility.

As we look ahead, our commitment to evaluating sources of risk and opportunity remains. We will aim to be a responsible actor in contributing to healthy and well-functioning capital markets that enable our clients to achieve their financial objectives.





**Priti Shokeen,**

Head of ESG Research and Engagement, TDAM

Transparency and purpose are important guiding principles for investors taking a sustainable investing approach and considering ESG. At TDAM, we take a research-based, fiduciary-driven view of ESG integration, engagement and thought leadership. In the broader environment, the role of policymakers in the ESG space has become even more important. We are living in times where misinformation is

prevalent, opinions are rampant and balanced views are hard to find. Industry and stakeholders are inundated with rhetoric around what is ESG and what is sustainable. The industry needs policymakers to lead on creating a level playing field for ESG and sustainability. Clear financial incentives and a regulatory framework provide the foundation of well-functioning capital markets. Shifting of goal posts creates uncertainty for companies as well as investors.

With this in mind, we intensified our focus on engaging with policymakers in 2022 (see **Regulatory and Industry Engagements** section of this report) with a clear goal – to clarify disclosure requirements as well as create transparency in policy direction. We are continuing this work in 2023. We also focused significantly on establishing subject matter expertise and added capabilities regarding real assets, and we hired a corporate governance expert in early 2023. We believe that governance will continue to play a strong role in ESG strategies, programs, practices and progress within our portfolio companies. Having deep understanding and research practice in corporate governance contributes to enhanced investment decision-making.

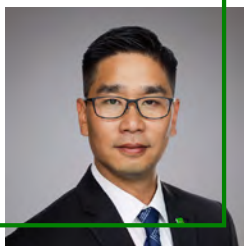
Externally, it is encouraging to see significant work being undertaken at the international and national levels to define global and regional ESG disclosure frameworks. As an asset manager based in Canada, it is our privilege and fortune to be close to the developments at the ISSB, which is partially based out of Montreal. The historic developments coming out of the ISSB are expected to help the field mature and help mitigate some of the field's data challenges.

On systemic issues such as climate change, it is clear that there is a need for global action. I attended COP27 - the global annual gathering of governments, civil society organizations and the private sector – and the need for further cooperation to manage these risks was evident. The widespread impacts of climate change and related ESG issues, such as biodiversity and social justice, will percolate through to capital markets. As investors, we will need to be savvy about this – not only in identifying the risks and opportunities, but also in staying proactive in assessing that our assets meet the financial objectives of our clients.

With that in mind, it is my pleasure to provide our 2022 update on our sustainable investing practices and progress.

## Perspectives From the Portfolio Management Team

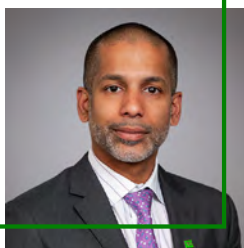
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### **Benjamin Chim**

Vice President and Director,  
Fixed Income and Investment Grade Research, TDAM

*“Investing sustainably means identifying companies that are working to manage environmental and social risks responsibly. We have integrated ESG considerations in the TD North American Sustainable Bond Fund with the focus on creating a resilient portfolio with stronger ESG characteristics.”*



### **Damian Fernandes**

Managing Director,  
Fundamental Equities, TDAM

*“Sustainable investing is the next secular growth opportunity available to clients. Companies whose business models are tied to improving environmental or social outcomes have a tailwind of government support and have potential for appreciation given their real-world societal impact.”*



### **Laurie-Anne Davison**

Vice President and Director, Quantitative Equities, TDAM

*“We recognize the risk carbon-intensive companies pose to an investor’s portfolio as countries around the world transition to a low-carbon economy. In response, the Quantitative Equity Portfolio Management team continues to aim for lower relative emission levels for the TD Emerald Low Carbon/Low Volatility Global Equity Pooled Fund Trust.”*



### **Jennifer Nowski**

Vice President and Director, Fundamental Equities

*“ESG can have a significant impact on corporate performance. The Fundamental Equity team works to identify, assess and engage with companies on material ESG factors in order to generate positive stakeholder and investment outcomes.”*



**Michael Craig**

Head of Asset Allocation and Derivatives, TDAM

*“As more carbon emissions are priced through expanding cap-and-trade policies globally, tracking carbon exposure risk across multi-asset portfolios will matter more in terms of investment performance.”*



**Jeff Tripp**

Managing Director, Alternative Investments, TDAM

*“Across applicable alternative investments, we believe ESG considerations are foundational to contributing to long-term value creation. In 2022, we continued to enhance our active engagement efforts and demonstrated improvement on our real estate and infrastructure funds’ ESG scores, as evaluated by the GRESB Assessment. We’re proud of our accomplishments in 2022 and look forward to strengthening our ESG initiatives and performance throughout 2023.”*



**Bruce G. MacKinnon**

Managing Director, Private Debt, TDAM

*“ESG analysis continues to be critical to our review of private debt investment opportunities. Integrating ESG risk into our credit risk rating process for our private debt portfolio helps us identify the right investment opportunities to meet the long-term needs of our investors. Our focus on building durable portfolios has resulted in significant weightings in renewable energy, social infrastructure, green transportation and energy-efficient buildings, which will contribute to sustainable living for this and future generations.”*

# Portfolio Management Team



## 2022 Progress and Priorities

Given the growing importance of ESG, TDAM continues to build up the resources and solutions necessary to help deliver on our goal of investment excellence. Climate change, human capital and human rights were topics of priority in 2022, taking prominence in TDAM's stewardship efforts. The following discussion highlights key developments in 2022, with greater detail throughout the report.

After a few years of substantial investment in TDAM's ESG resources and sustainable product suite, we continue to both advance our ESG work and contribute to that of the industry more broadly. In 2022, we introduced additional initiatives to incorporate ESG reviews in quarterly portfolio performance meetings covering active equity and alternative strategies between our CIO and portfolio managers.

### 2022 Highlights

- TDAM scored 4 out of 5 stars within the PRI's Investment and Stewardship Policy assessment.
- For 2022, improvement was seen in GRESB scores across the board for TDAM's Canadian real estate, global real estate and infrastructure strategies. GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate and infrastructure portfolios (public and private companies and funds) around the globe.
- TDAM is focused on delivering meaningful and impactful engagement outcomes. In 2022, TDAM had 418 ESG-focused engagements\* with companies (compared to 328 in 2021), primarily conducted within 264 distinct meetings (compared to 196 in 2021).\*\* These engagements were with 207 companies (up from 168 in 2021) and covered a variety of topics, including climate change, diversity and inclusion, executive compensation and human capital.
- As of October 31, 2022, 82% of active equity investment funds managed by TDAM were rated as in-line or better than their corresponding benchmark based on the MSCI ESG Quality Rating.\*\*\*
- TDAM's Passive Equity group launched the TD *Emerald* Low Carbon Global Equity Index Non-Taxable Pooled Fund Trust.
- 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.
- Members of the TDAM team attended the 2022 United Nations Climate Change Conference (COP27) and the 2022 United Nations Biodiversity Conference (COP15).

\* An engagement in this context is considered a direct exchange or outreach to company on a specific topic. One meeting with a company can include multiple topic engagements. Moreover, we may have multiple meetings with a company in any given year where warranted.

\*\* In 2022, we now include engagements conducted by our Alternative Investment team, a change from prior years. This is in addition to the engagements led by our ESG R&E, Fundamental Equity and Fixed Income teams.

\*\*\* The MSCI ESG Quality Rating measures the ability of underlying holdings to manage key medium-to long-term risks and opportunities arising from environmental, social, and governance factors. The MSCI ESG Quality Rating is calculated using the fund weighted average ESG score adjusted for ESG rating trends and laggards. Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc, MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI Indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.)



## ESG Performance Reviews

In 2022, we introduced ESG scoring and metrics in our quarterly performance reviews for our active equity and alternative asset strategies covering \$116.3 billion, roughly 33% of our AUM.

### Active Equity, Including Quantitative Strategies:

Quarterly reviews included portfolio-level ESG quality scores and carbon metrics compared to their respective benchmark. They also included review of controversies or headline risk for the 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 PMs as well. A comparison to the benchmark also provides clarity on how the portfolio is positioned across various ESG dimensions. We believe the incorporation of ESG scores and metrics into quarterly performance reviews provides valuable insights to our portfolio managers, including those who manage TDAM Funds that do not have ESG investment objectives or primary ESG investment strategies as ESG factors can have a material impacts on security valuation and investment decisions.

### Alternative Assets:

Alternative assets, such as our direct real estate holdings and commercial mortgage loans, are typically less liquid and are marked to market on a less frequent basis than public securities. 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 is 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.

# Progress

We also expanded our stewardship efforts to focus on climate, human capital and human rights – key themes as we continue to assess ESG risks and opportunities across applicable 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. We continue to look to improve our awareness and our practices around sustainability and how they may impact our portfolios.

Significant developments took place on the regulatory front, with governments looking to set out their own sustainability disclosure standards, mindful of a need for some level of global alignment. One key development for the industry was the establishment of the ISSB, which released its two exposure drafts for feedback in 2022 – one draft on general sustainability-related financial disclosures and another on climate-specific financial disclosures. Many are looking to the ISSB to bring that much needed global alignment around ESG disclosure standards. Given this, TDAM took the opportunity to weigh in, providing feedback to several of our member organizations as they drafted responses and evaluated member perspectives.

TDAM also participated in consultations on ESG-related disclosures with several other regulatory and standard setting bodies. This included engagement with the Ontario Securities Commission (OSC) on the climate-related disclosures proposed by the Canadian Securities Administrators (CSA). We also provided feedback on the climate disclosure rules proposed by the Securities and Exchange Commission (SEC). We continue to monitor these developments and look forward to greater standardization of ESG disclosures, because greater transparency is a positive for investors as they look to better understand the risk-return profile of their portfolios. Please see the **Regulatory and Industry Engagements** section of this report for additional detail.

As the infrastructure around ESG develops globally, we will continue to look to our investee companies as partners in the journey. While the need for further ESG disclosures is becoming increasingly apparent, we need companies to go beyond disclosures and build sustainable strategies, policies and targets that are attainable and that can ultimately show results. While each sector faces a different set of ESG dynamics, we do hope to see progress across the board on the following critical issues that made up TDAM's 2022 ESG focus areas:

## Taking a Climate Focus

We believe that asset managers have an important role to play in the global ambition to achieve net-zero GHG emissions by 2050 to limit further global temperature increases. In 2021, **TDAM publicly released its Climate Statement**<sup>3</sup>, laying out views on how to evaluate climate risks and opportunities throughout investments.

This statement was a precursor to TDAM building a firm-wide climate action plan and publishing its **first TCFD report**, which detailed how we are supporting the global ambition to achieve net-zero emissions by 2050.

## Our Operational Net-Zero Target

The Toronto-Dominion Bank (TD) measures and reports on GHG emissions, including those related to TDAM's operations. TD has been carbon-neutral since 2010, and in 2020, TD announced its Climate Action Plan, including a target to achieve net-zero GHG emissions associated with its operations and financing by 2050. In 2021, TD announced its first science-based interim target to achieve an absolute reduction in Scope 1 and Scope 2 GHG emissions by 25% by 2025, relative to a 2019 baseline. This target includes the GHG emissions related to TDAM's operations. For more details on TD's operational carbon footprint, [see TD's Climate Action Plan >](#).

## Our Investment Approach

To address the carbon footprint of the assets we manage on behalf of our clients, we focus on the following principles:

1. **Monitoring climate risks and opportunities in investments:** We continue to integrate material climate-related risks and opportunities into investment due diligence, where data allows for it. In 2022, we introduced ESG scoring and metrics in our quarterly performance reviews for our active equity and alternative asset strategies covering \$116.3 billion of our overall assets under management (AUM).

Where aligned with the investment objective or strategies of a fund or mandate, TDAM has made investments that contribute positively to the energy transition, and we will continue to look for these opportunities where risk and expected returns align with the firm's profile, particularly through our alternative investment strategies (infrastructure and real estate). For example, renewable energy currently represents over 50% of the investments of the TD Greystone

<sup>3</sup> TDAM's Climate Statement is accessible via the [TDAM Sustainability website >](#).



Infrastructure Strategy.<sup>4</sup>

2. **Increasing transparency:** Subject to data availability, we continue to track and disclose the GHG emissions associated with our investments on an aggregate level, following TCFD guidance for asset managers.
3. **Contributing to industry dialogue:** TDAM participates in policy engagements with regulators as they develop and refine the standards used to measure, manage and report on climate risk. We also publish a regular cadence of thought leadership and participate in relevant conferences on climate issues. Additionally, where methodologies for measuring GHG emissions and climate risk metrics are still under development, we plan to continue to participate in industry conversations through organizations such as Partnership for Carbon Accounting Financial (PCAF)<sup>5</sup> and the United Nations Environment Programme Finance Initiative (UNEP FI)<sup>6</sup> and integrate the developments into our investment thinking.
4. **Focusing on climate change through our engagement program:** We encourage companies in our portfolios to set science-based, time-bound, GHG reduction targets, and to be aligned to net-zero by 2050 or sooner. For investee companies where climate change is a material financial risk, we may add these companies to our annual Climate Focus List and engage with them with defined goals for the outcome of the engagement. Where possible, we conduct these engagements directly. We also engage through industry initiatives, such as Climate Action 100+<sup>7</sup> and Climate Engagement Canada (CEC)<sup>8</sup>.
5. **Engaging in climate-supportive proxy voting:** In the absence of requisite disclosures, TDAM generally supports proposals seeking basic and enhanced disclosures on how investee companies identify, measure and manage their climate-related risks, as well as proposals calling on investee companies to reduce GHG emissions and set science-based targets. We evaluate advisory votes on climate, often referred to as Say-on-Climate – either proposed by management itself or requested of management by shareholders – on a case-by-case basis.
6. **Supporting our clients' climate objectives:** When our institutional clients set their own climate objectives and targets, we work with those clients and strive to deliver solutions to support such objectives.

<sup>4</sup> TD Greystone Canadian Real Estate Strategy refers to TD Greystone Real Estate LP Fund and TD Greystone Real Estate Fund Inc. TD Greystone Global Real Estate Strategy includes TD Greystone Global Real Estate Fund LP and TD Greystone Global Real Estate Fund (Canada Feeder) LP. TD Greystone Infrastructure Strategy refers to TD Greystone Infrastructure Fund (Canada) LP, TD Greystone Infrastructure Fund (Canada) LP II, and TD Greystone Infrastructure Fund (Global Master) LP.

<sup>5</sup> PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

<sup>6</sup> United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development.

<sup>7</sup> Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

<sup>8</sup> Climate Engagement Canada is a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net zero economy

# TDAM Climate Change Statement

TDAM considers climate change a systemic risk affecting economies, companies and investors. Our approach to climate change is aligned with our overall philosophy of integrating all sources of risk and return in our investment processes.

As an investment manager of diversified asset classes, TDAM views climate change as an important area of research. We actively engage with companies and leverage our asset ownership positions to encourage improvements in company disclosures on climate-related risks and opportunities. In addition, we participate in numerous industry initiatives, including Climate Action 100+, CDP (formerly the Carbon Disclosure Project), and the UNEP FI TCFD investor pilots, with the first two furthering our company engagement efforts and the latter helping us develop a better understanding of climate-related investment risks.

Our approach continues evolving to help position our portfolios to capitalize on investment opportunities arising from an accelerated transition to a low-carbon economy and to help mitigate climate-related physical and transition risks.



## Figure 1: Summary of 2022 Progress on Climate Efforts

### 2022 Climate Highlights

- Launched TD *Emerald* Low Carbon Global Equity Index Non-Taxable Investor Pooled Fund Trust, allowing investors to track index returns, with a lower carbon footprint.
- Published thought leadership on TDAM's distribution channels on topics such as carbon pricing, inclusion of nuclear energy in the green transition, and investment opportunities driven by climate change (see **Thought Leadership** section for more details on publications).
- Expanded our Climate Focus List for engagements from six to 22 companies, which deepened our understanding of climate risks within a larger section of our portfolio companies.
- Introduced ESG integrated quarterly performance reviews for our active equity and alternative asset strategies covering \$116.3 billion of our overall AUM.
- Held 134 climate-focused engagements with 104 companies in 2022, up from 84 engagements with 70 companies in 2021.\*
- Supported 69 climate-focused shareholder proposals at Annual General Meetings, leveraging our shareholder rights for stronger action, where required, at our investee companies.
- Through industry associations, TDAM participated in consultations on ESG-related disclosures with several other regulatory and standard setting bodies including CSA, SEC and ISSB.
- Completed a preliminary climate risk education and assessment exercise with management teams for assets within the TD Greystone Global Infrastructure Strategy, including identification of sector-specific physical/transition risks and current asset preparedness (i.e., existing mitigation and adaptation measures).

\* One meeting with a company can include multiple topic engagements. We may have multiple meetings with a company in any given year where warranted.

# Climate

# Highlights



## Elevating Human Capital Considerations

TDAM recognizes that employees are a crucial stakeholder for any company, especially since companies rely on employees to meet their strategic ambitions and growth objectives. Risks and opportunities can arise out of how a company develops its corporate culture, interacts with its employees and works to attract and retain talent. We incorporate human capital considerations as part of our investment processes by reviewing dynamics such as employee turnover, employee engagement practices and the existence of policies on issues such as non-discrimination and whistleblowing. Where relevant, we include discussions on human capital in our engagements with company management and in proxy voting decisions.

## Upholding Diversity and Inclusion

TDAM recognizes the importance of Diversity and Inclusion (D&I), and the lack of it as a key systemic issue that can impact the quality and performance of our investments. Given the large financial impacts social and economic inequalities can have, we continue to use our proxy voting rights to support gender diversity and racial or ethnic diversity at the board level and throughout company ranks. To further strengthen these internal efforts and to contribute to broader market influence, TDAM is an active participant in industry D&I initiatives alongside investor peers, such as the 30% Club Canadian Investor Group and the RIA Canadian Investor Statement on Diversity & Inclusion.

Looking ahead, we will continue to evolve TDAM's approach to D&I. This includes ensuring D&I considerations extend more concretely beyond gender to other underrepresented groups, including visible minorities, Indigenous Peoples, members of the 2SLGBTQ+ community, and persons with disabilities.



## D&I at TDAM as an Organization

As TDAM seeks to influence change and progress on D&I at the companies we invest in, we are simultaneously working to hold ourselves accountable to these expectations as an organization. At the enterprise level, D&I has been embedded in TD’s business strategy and framework since 2005. TD’s lines of business have documented strategies and plans that align with and support the enterprise D&I strategy. TD has a Vice President of Diversity and Inclusion, and TD holds itself accountable through the Enterprise Inclusion and Diversity Leadership Council. TD’s D&I strategy includes focuses on the following areas: Women at TD, Black Experiences, Visible Minorities/Minorities, Indigenous Peoples, People with Disabilities/Individuals with Diverse Abilities, 2SLGBTQ+, and Veterans. Please find more information within the [2022 TD ESG Report >](#).

Leveraging the strong foundation that TD has built, TDAM has established its own D&I strategy, relevant and unique to its business. Building a rock-solid culture means investing in our people. That includes addressing colleague irritants, creating opportunities for connection, and providing learning programs and tools at all levels to enable the right conversations, identify diverse talent and opportunities for growth and advancement. We will work to advance our D&I culture and develop our next generation of leaders by:

- Launching “Getting the Who Right” to improve our interviewing practices and help remove barriers to hiring diverse talent. This training reflects topics relevant to our changing bank and industry. Participants learn tactics for effective behavioural interviewing aligned with TD’s Framework to support stronger hire decisions.
- Enabling active and visible allyship by creating spaces to openly share lived experiences and career journeys, and encouraging self-education.
- Launching a sponsorship program to reflect more diversity at mid and senior levels.
- Engaging in community events to seed diverse talent pools.
- Continuing the LEAD (Leadership, Exploration and Development) program which fosters a culture of employee engagement while also developing our next generation of talent. It does so by building awareness of and interest in pan-TDAM opportunities through information sharing and network expansion. LEAD helps senior leaders across the firm identify resources who may have been overlooked via traditional methods and retain that top talent.
- Growing mentorship programs.
- Enhancing the Great Welcome onboarding program which was launched in fiscal year 2021 to build new hire confidence, increase domain subject matter expertise, foster firm-wide collaboration and create connections between senior leadership and new hires across the firm.

**Figure 2: 2022 TDAM Workforce Diversity Data (All Employees)<sup>9,10,11</sup>**

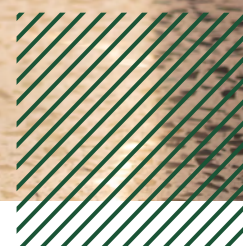
Year	Women	Visible Minorities	Black	Indigenous Peoples	People with Disabilities	2SLGBTQ+
2022	40%	39%	7%	1%	7%	4%
2021	42%	44%	6%	1%	4%	4%

<sup>9</sup> Data is voluntarily disclosed by TD colleagues and therefore may not be reflective of the actual workforce.

<sup>10</sup> These figures include employees of Epoch Investment Partners, Inc., a wholly owned subsidiary of The Toronto-Dominion Bank and TDAM’s affiliated registered investment advisor in the United States.

<sup>11</sup> “Visible minorities” is defined as non-Caucasian in race or non-white in colour, other than an Indigenous person. “Indigenous peoples” is defined as First Nations, Inuit, Métis, American Indian, Alaska Native, Native Hawaiian or other. “2SLGBTQ+” is defined as a member of the Two-Spirit, Lesbian, Gay, Bisexual, Transgender, Queer, Plus community. “People with disabilities” is defined as a person having a long-term or recurring visible or invisible physical, mental, sensory, psychiatric or learning impairment, including impairment relating from or related to hearing, seeing, vocal, mobility, agility, pain, neurological, memory, development, psychological or addiction.





In this year's report, we now include two additional categories of diversity data to enhance transparency. We now include the proportion of the TDAM workforce who self-identify as Black and 2SLGBTQ+, respectively. Growth in women and visible minorities was slower than that of the overall TDAM employee population. Several initiatives designed to seed pipelines and elevate talent, particularly our Black Experience initiative that launched in 2021, contributed to gains in representation. We will continue to look to advance D&I initiatives and improve these diversity figures as we move into 2023.



### Figure 3: Summary of 2022 Progress on Human Capital

Stewardship & Engagement	<ul style="list-style-type: none"><li>• In 2022, 30 engagements by TDAM included a discussion on D&amp;I.</li><li>• 21 engagements included discussion on other human capital issues.</li><li>• TDAM voted against board directors at 651 companies due to a lack of gender diversity and at 188 companies due to a lack of racial/ethnic diversity.</li><li>• TDAM supported 30 shareholder proposals requesting further assessment of company labour practices and another 47 diversity-related shareholder proposals.</li></ul>
External	<ul style="list-style-type: none"><li>• Related TDAM 2022 publications (see <b>Thought Leadership section</b> for more details on publications):<ul style="list-style-type: none"><li>• <a href="#">Stewardship and Inclusively Addressing the Labour Crunch &gt;</a></li></ul></li></ul>





## Assessing Human Rights Issues

TDAM believes the protection of human rights should be a core policy for investee companies in order to prevent human rights abuses across corporate supply chains, in-house labour or local communities. Companies found to be complicit in human rights abuses face regulatory, legal and reputational risks, as well as potential operational challenges. We incorporate human rights considerations as part of our investment processes, for applicable types of investments and investment strategies. Where we see a significant need, we include discussions on human rights in our engagements with company

management. We also support shareholder resolutions requesting human rights risk assessments where appropriate.

In 2022, PRI launched **Advance, a collaborative stewardship initiative on human rights and social issues**. TDAM will be an active participant in the initiative as one of the lead investors. We will work alongside several other investors looking to engage companies to improve corporate strategies, risk assessments, policies and general respect around human rights. This will compliment our ongoing efforts in this area.



**Figure 4: Summary of 2022 Progress on Human Rights**

<p><b>Stewardship &amp; Engagement</b></p>	<ul style="list-style-type: none"> <li>• In 2022, 9 engagements by TDAM included a discussion on human rights.</li> <li>• 10 engagements covered indigenous rights and relations.</li> <li>• TDAM supported 25 shareholder proposals requesting human rights risk assessments.</li> </ul>
<p><b>External</b></p>	<ul style="list-style-type: none"> <li>• Became a lead investor member of Advance, PRI's stewardship initiative for human rights and social issues.</li> <li>• Related TDAM 2022 publications (see <b>Thought Leadership section</b> for more details):               <ul style="list-style-type: none"> <li>• <b>Inclusive Growth: A Multi-Asset Framework on Indigenous Rights and Reconciliation in Investing &gt;</b></li> </ul> </li> </ul>

# TDAM ESG Sustainable Investing Approach and Framework

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 that ESG factors are important to provide us with a more robust view of potential risks and opportunities.

TDAM has been a signatory to the PRI since July 2008. Our ESG framework is aligned with the six principles set out in the PRI, and is grounded in three core activities:

- ESG Integration
- Engagement and Proxy Voting
- Thought leadership



See **TDAM's Sustainable Investing Approach** for more information on our approach to stewardship and ESG integration, as well as the dialogue that we continue to have with companies, industry, regulators and our peers about advancing sustainable investing. The figure below gives a brief snapshot of the methods through which applicable asset classes advance their work on ESG issues. See the **ESG Integration Across Asset Classes** section of this report for a brief summary of their approach along with 2022 highlights, including case studies of stewardship and ESG integration for each investment team.

**Figure 5: Integration of Sustainability Factors Across Asset Classes**

## Fundamental Equities

- Systematic ESG reviews
- Thematic ESG research
- Active ownership
- Sustainable equity fund solution

## Quantitative Equities

- Quantitative ESG signals
- ESG data dialogue
- Proxy voting
- Low-carbon / low volatility fund solution



## Alternative Assets

- Environmental impact
- Health and welfare
- Integrity and accountability

## Fixed Income

- ESG credit review and exposure scores
- Issuer engagement
- Sustainable balanced fund solution



## **TDAM ESG Governance Structure**

Governance of sustainable investing starts with TDAM's CEO, who is responsible for establishing and maintaining progress on overall strategic priorities for TDAM.

TDAM's CIO and the Head of ESG Research and Engagement (ESG R&E) have executive accountability for ESG within the firm's investment function as part of their broader ESG integration responsibilities. The components of TDAM's ESG governance are further described below.

### **TDAM's ESG Research and Engagement Team**

The mandate of TDAM's 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's ESG Committee

TDAM has a dedicated ESG Committee that oversees the firm's overall ESG strategy 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.

The purpose of TDAM's ESG Committee is to:

1. Establish TDAM's firm-wide ESG approach, policies, objectives and commitments to applicable strategies.
2. Provide advice and oversight of TDAM's ESG approach and policies.
3. Define ESG objectives, track progress and monitor effectiveness of stated approaches and commitments.
4. Act as a liaison with TD to align as appropriate with TD's ESG policies given TDAM's fiduciary responsibility to its clients, and ESG obligations and objectives.

The ESG Committee has sub-committees that oversee the workings of underlying functions where relevant, such as the Proxy Voting Sub-Committee, and the Alternatives ESG Committee. The committee supports creation of working groups on different areas of implementation on an as needed basis. The ESG Committee is chaired by the CIO and Head of ESG R&E. Details of the committee's mandate are documented and includes updates and escalations to TDAM's Operating Committee, led by TDAM's CEO as well as TDAM's Risk Committee, led by TDAM's Managing Director, Business Governance and Portfolio Oversight, on an as required basis.

## Proxy Voting Sub-Committee

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 and 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.

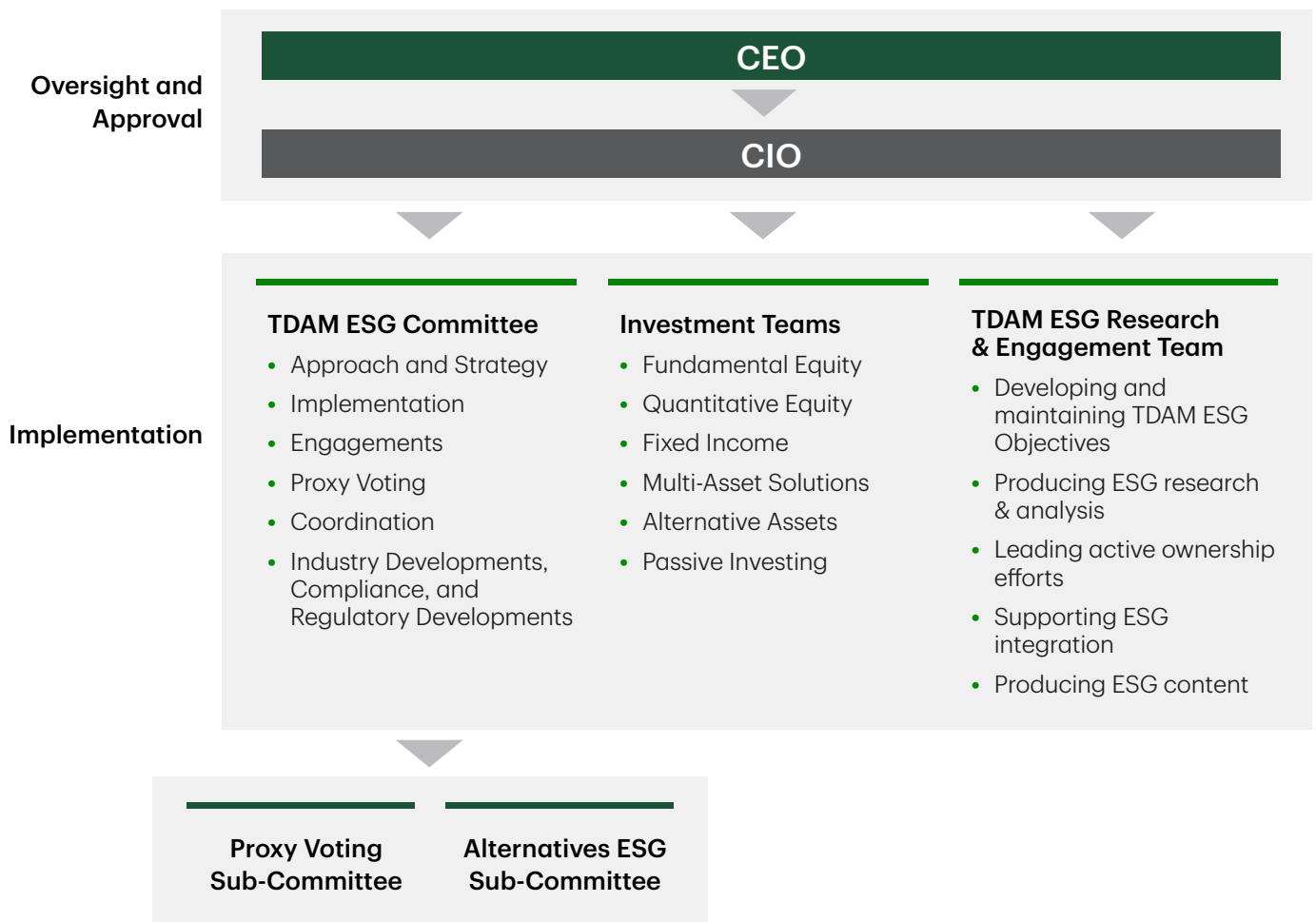
## Alternatives ESG Committee

In 2022 TDAM established its Alternative Investments ESG Committee as a sub-committee of the TDAM ESG Committee, allowing for an approach that is tailored for private markets and real assets. The mandate of the committee is to:

- Provide advice and oversight of TDAM's Alternative Investments ESG approach, strategies, policies, objectives and commitments.
- Define and approve alternative asset class ESG priorities.
- Track progress and monitor effectiveness of stated objectives and commitments.
- Review and approve updates that will be provided to TDAM's ESG Committee on an as-needed basis, of which the Alternative Investments ESG committee reports into.
- Act as a decision-making body for significant alternative investments-focused ESG initiatives and budgetary approvals.



**Figure 6: TDAM ESG Governance Structure**



**TDAM ESG Research & Engagement Team**



**Priti Shokeen**  
Vice President and Director,  
Head of ESG Research and  
Engagement



**Vanessa Allen**  
Vice President



**John McHughan**  
Vice President



**Ben Lemire**  
Vice President



**Jackie Cheung**  
Vice President



**Andrid James**  
Analyst

## TDAM's PRI Assessment

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.

In 2022, the PRI released an assessment of TDAM's 2020 performance, with the next scheduled assessment - evaluating our more recent performance - anticipated for release in 2023. The scoring methodology has changed to reflect the new 2021 Reporting Framework and is not comparable with scores from previous PRI years. The summary below includes modules for which TDAM has received an assessment and excludes any modules for which there has been no assessment.

**Figure 7: TDAM 2021 PRI Assessment Summary  
(based on assessment of TDAM's 2020 practices)**

Asset Under Management <sup>12</sup>	Module Name	Star Score	Module Score (out of 100)
-	Investment and Stewardship Policy	★★★★☆	68
< 10%	Direct - Listed Equity - Active Quantitative - Incorporation	★★★★☆	61
10-50%	Direct - Listed equity - Active Fundamental - Incorporation	★★★★☆	69
< 10%	Direct - Listed equity - Passive - Incorporation	★★★★☆	49
< 10%	Direct - Listed equity - Active Quantitative - Voting	★★★☆☆	39
10-50%	Direct - Listed equity - Active Fundamental - Voting	★★★☆☆	39
< 10%	Direct - Listed equity - Passive - Voting	★★★★☆	39
10-50%	Direct - Fixed income – Sovereign, Supranational and Agency	★★★★☆	81
10-50%	Direct - Fixed income - Corporate	★★★★☆	78
< 10%	Direct - Fixed income - Private Debt	★★★★☆	90
< 10%	Direct - Real Estate	★★★★★	98
< 10%	Direct - Infrastructure	★★★★☆	75
< 10%	Indirect - Listed equity - Active	★★★☆☆	16

The modules are scored with a numerical grading system ranging from one to five stars. The lowest possible grade is one star, allocated to those whose responsible investment behaviour is at the lower end of what is expected from signatories. The highest score is five stars and awarded to those signatories who demonstrate leading practices within the responsible investment industry.

<sup>12</sup> Represents proportion of assets under management classified under that Module to total assets under management.

Because this latest UNPRI assessment report is based on calendar year 2020, it does not reflect TDAM's most current responsible investing practices. Since 2020, TDAM has advanced responsible investing practices in the areas of proxy voting across all equities and enhanced its ESG integration practices when evaluating companies and sub-advisors. These advancements have been reported in TDAM's Sustainable Investing Report 2021 and in TDAM's Task Force on Climate-related Financial Disclosures (TCFD) Report 2021. Notably, TDAM took the following actions:

- Established the ESG R&E Team in 2021.
- Published updated and publicly available Proxy Voting Policy as well as Procedures and Proxy Voting Guidelines documents.
- Issued quarterly proxy voting and engagement reports.
- Implemented, and made publicly available, a Vote Disclosure Service, enabling near-real-time reporting on proxy voting.
- Advanced engagement escalation procedures that were approved by our ESG Committee.

- Enacted automated instructions to recall all loaned shares in our securities lending program.

Our 2020 ESG practices fueling these scores can be found in [TDAM's 2021 PRI Transparency Report](#) > available on the [UN PRI website](#) >.

## TDAM 2022 GRESB Assessment

GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate and infrastructure portfolios (public and private companies and funds) around the globe. It is used by institutional investors to engage with their investees and investments with the aim to improve the sustainability performance of their portfolios and the global real assets sector at large.

For 2022, improvement was seen across the board for TDAM's Canadian real estate, global real estate and infrastructure strategies. More discussion regarding this progress can be found in the [ESG Integration Across Asset Classes](#) section > of this report.

### Figure 8: TDAM 2022 GRESB Assessment Summary

GRESB Score	2020 Score	2021 Score	2022 Score	GRESB 2022 Average
<b>Real Estate Assessment</b>				
TD Greystone Canadian Real Estate Strategy – Standing Investment	70	73	80	74
TD Greystone Canadian Real Estate Strategy – Development	75	79	81	81
TD Greystone Global Real Estate Strategy – Standing Investment	75	82	84	79
<b>Infrastructure Assessment</b>				
TD Greystone Infrastructure Strategy	70	85	87	82

Note: TD Greystone Canadian Real Estate Strategy refers to TD Greystone Real Estate LP Fund and TD Greystone Real Estate Fund Inc. TD Greystone Global Real Estate Strategy includes TD Greystone Global Real Estate Fund L.P. and TD Greystone Global Real Estate Fund (Canada Feeder) L.P. TD Greystone Infrastructure Strategy refers to TD Greystone Infrastructure Fund (Canada) L.P., TD Greystone Infrastructure Fund (Canada) L.P. II, and TD Greystone Infrastructure Fund (Global Master) LP.

TDAM strives to continually strengthen our investing approach and enhance our ESG integration. We will aim to score above our global peer group average. Find more information regarding GRESB and the methodology behind these scores on the [GRESB website](#) >.

# Assessment

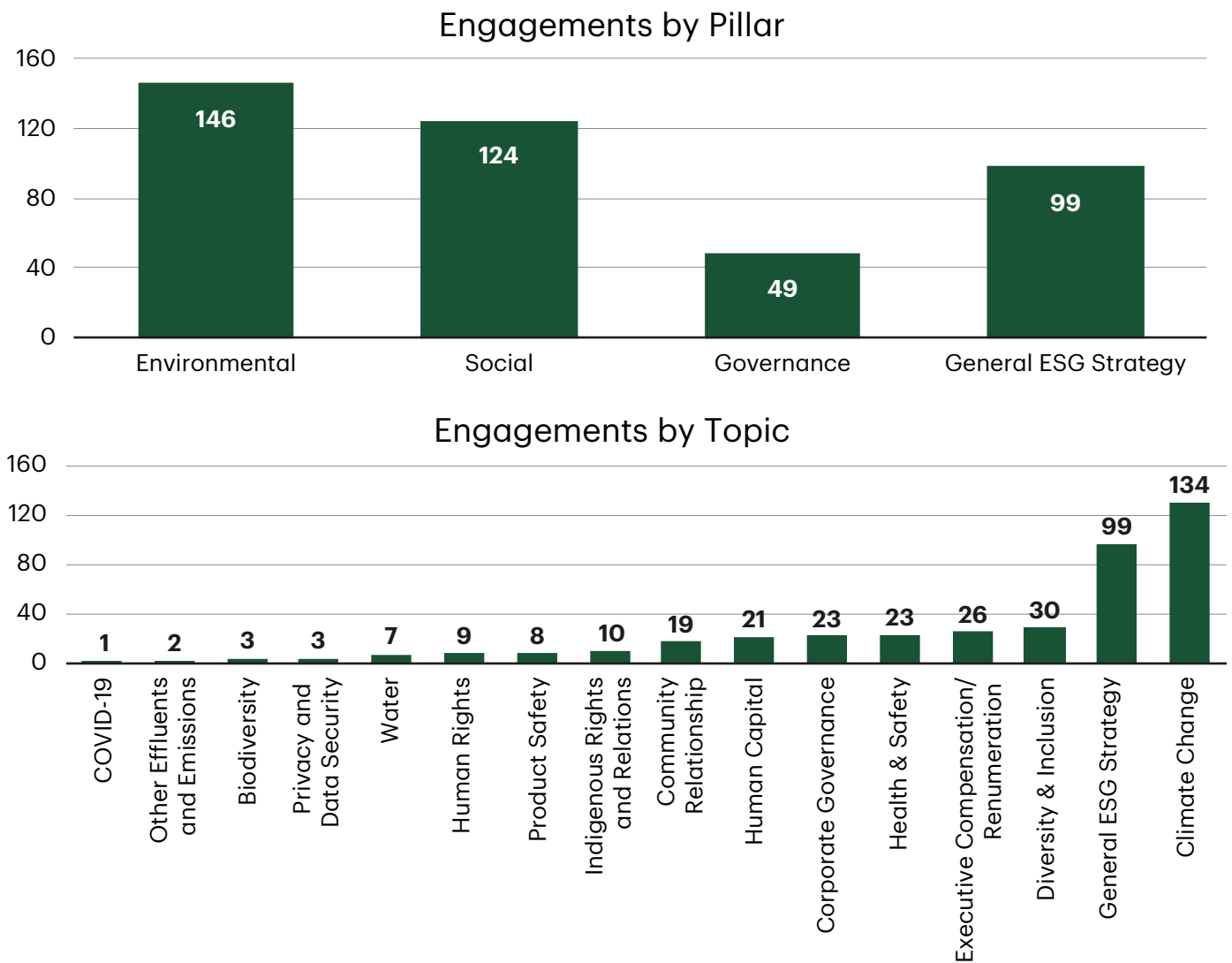
# Stewardship

TDAM takes an active stewardship approach across its equity<sup>13</sup>, 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 Engagements

TDAM is focused on delivering meaningful and impactful engagement outcomes. In 2022, TDAM had 418 ESG-focused engagements<sup>14</sup> with companies (compared to 328 in 2021), primarily conducted within 264 distinct meetings (compared to 196 in 2021).<sup>15</sup> These engagements were with 207 companies (up from 168 in 2021) and covered a variety of topics, including climate change, diversity and inclusion, executive compensation and human capital.

**Figure 9: Engagements by Pillar, Topic, Sector and Region**



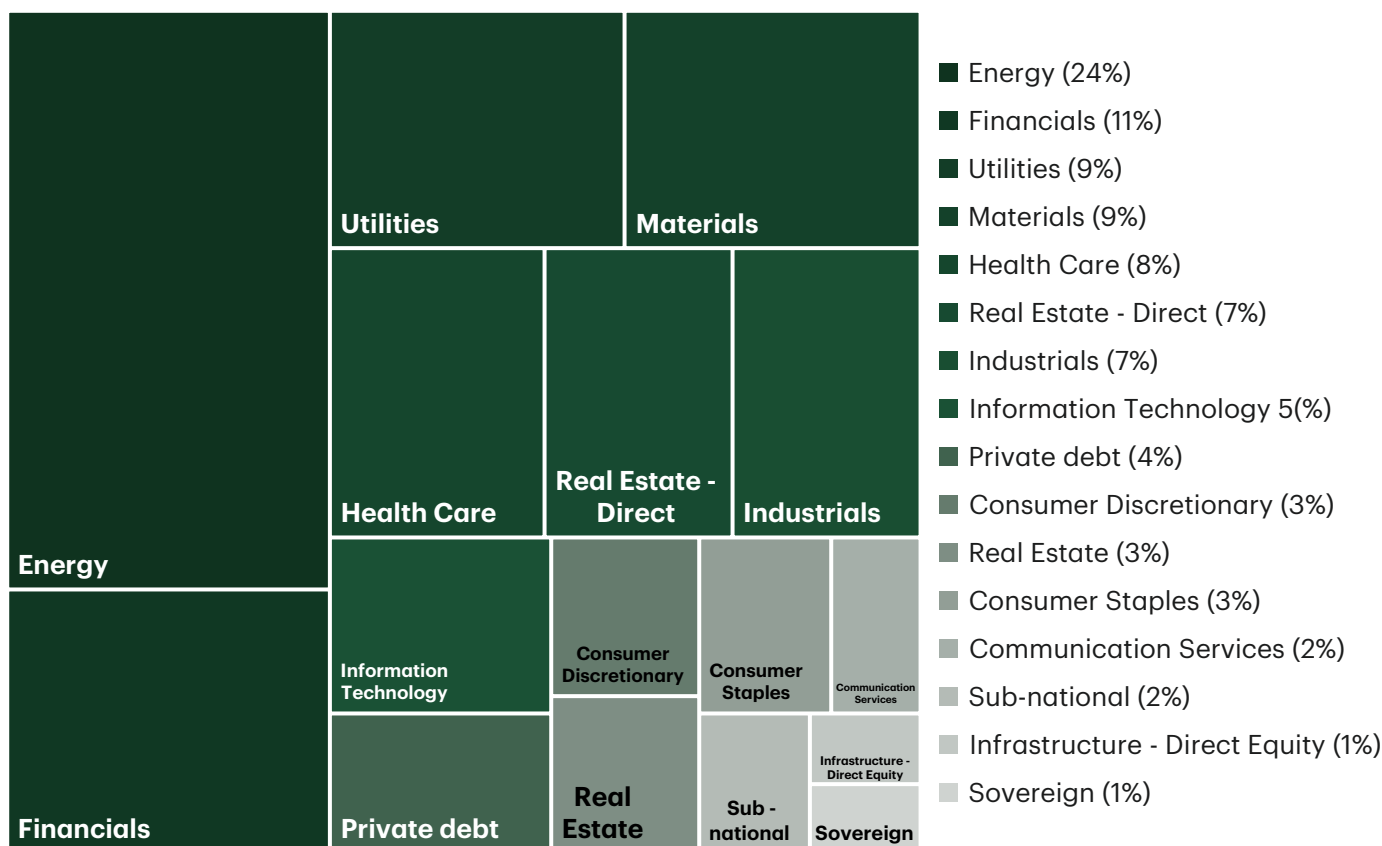
<sup>13</sup> TDAM's stewardship program is conducted on an aggregated exposure basis and spans fundamental equity, quantitative equity and equity index funds.

<sup>14</sup> An engagement in this context is considered a direct exchange or outreach to company on a specific topic. One meeting with a company can include multiple topic engagements. Moreover, we may have multiple meetings with a company in any given year where warranted.

<sup>15</sup> In 2022, we now include engagements conducted by our Alternative Investment team, a change from prior years. This is in addition to the engagements led by our ESG R&E, Fundamental Equity and Fixed Income teams.



## Engagements by Sector (%)



## Engagements by Region (%)



Source: TDAM, for the fiscal year of 2022 (from Nov 1st, 2021 to Oct 31st 2022)

The depth of ESG discussion varies by engagement. Below are four of the main avenues by which engagements are initiated:

1. Initiated by the research analyst or portfolio manager.
2. Stemming from ESG R&E team's engagement Focus List.
3. Requested by a company following the release of their sustainability report or in advance of a proxy vote at their annual meeting of shareholders.
4. By way of a collaborative investor engagement.

Each avenue provides valuable insight into a company's business dynamics and the impacts of material ESG

issues. The more intensive ESG discussions are now conducted by the ESG R&E team, both directly with the company or by way of a collaborative engagement, with the intention to influence improvements and progress in ESG performance.

The ESG Focus List approach for 2022 had four primary categories: (1) General ESG (Poor) Performance, (2) Climate Change, (3) Human Capital and (4) Human Rights. Consideration for Focus List selection included identifying low performers in each respective area and TDAM's exposure to these companies. Focus List meetings are conducted by the ESG R&E team and well-attended by TDAM's sector analysts and portfolio managers. The 2022 ESG Focus List included 45 companies.

## Figure 10: Engagement Meetings by Investment Team\*

Team	Engagement Meetings
ESG Team	62
Equity Team	144
Fixed Income Team	26
Alternative Investment Team	32
<b>Total</b>	<b>264</b>

\* Refers to separate meeting numbers.  
Source: TDAM; November 1, 2021 to October 31, 2022.

## Escalation Process

In 2022, TDAM's ESG Committee formally adopted an escalation process where, on an as-needed basis, the ESG R&E team and other investment team members may escalate items. This can be done in cases where company progress is assessed as being insufficient to mitigate ESG risks, or in cases of poor responsiveness from a company about how it is managing its ESG risks. The escalation process has multiple steps, including further engagement (individually or via industry groups), adverse proxy votes where appropriate, potential filing of shareholder resolutions, and potential for reduced exposure should other escalation strategies fail to achieve results and the relevant portfolio manager deems the issue to negatively change the risk and return profile of the asset.

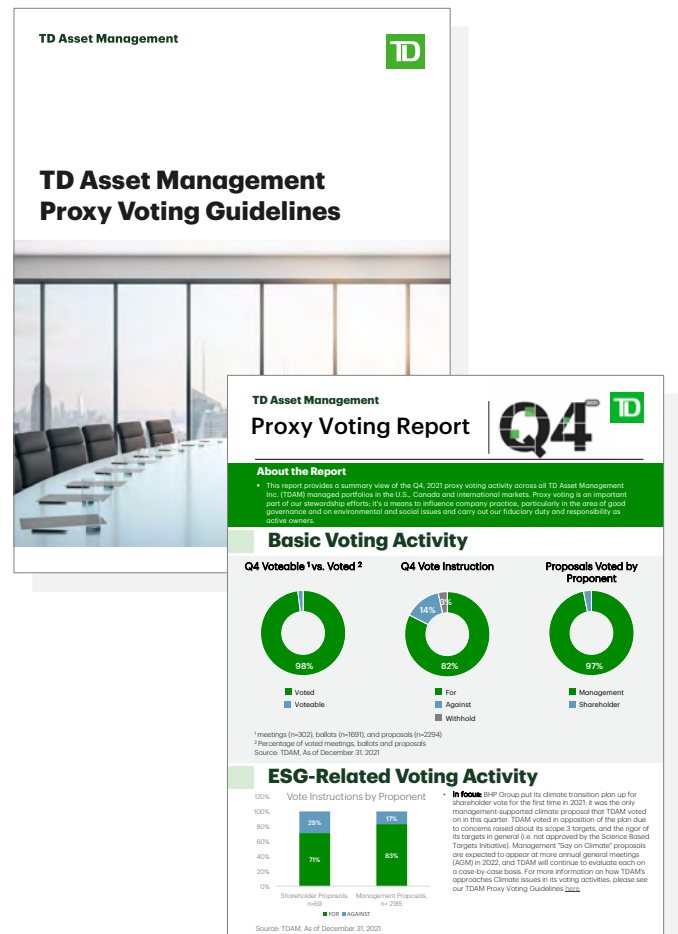
## TDAM Proxy Voting

We take our share ownership with a great deal of responsibility as fiduciaries for our clients. Our ESG R&E team along with our investment research teams provide reviews of key proposals to help support portfolio management voting decisions to ensure we continue to uphold the best interests of our clients.

TDAM provides further transparency about our stewardship efforts with the publication of our [Proxy Voting Guidelines](#) >, [quarterly proxy voting summary reports](#) >, and more [real-time disclosure](#) > of TDAM's proxy voting history.

TDAM's Proxy Voting Guidelines represent our views on key issues, with those views being principles-based and grounded in best practice. These Guidelines generally recommend voting in favour of the following:

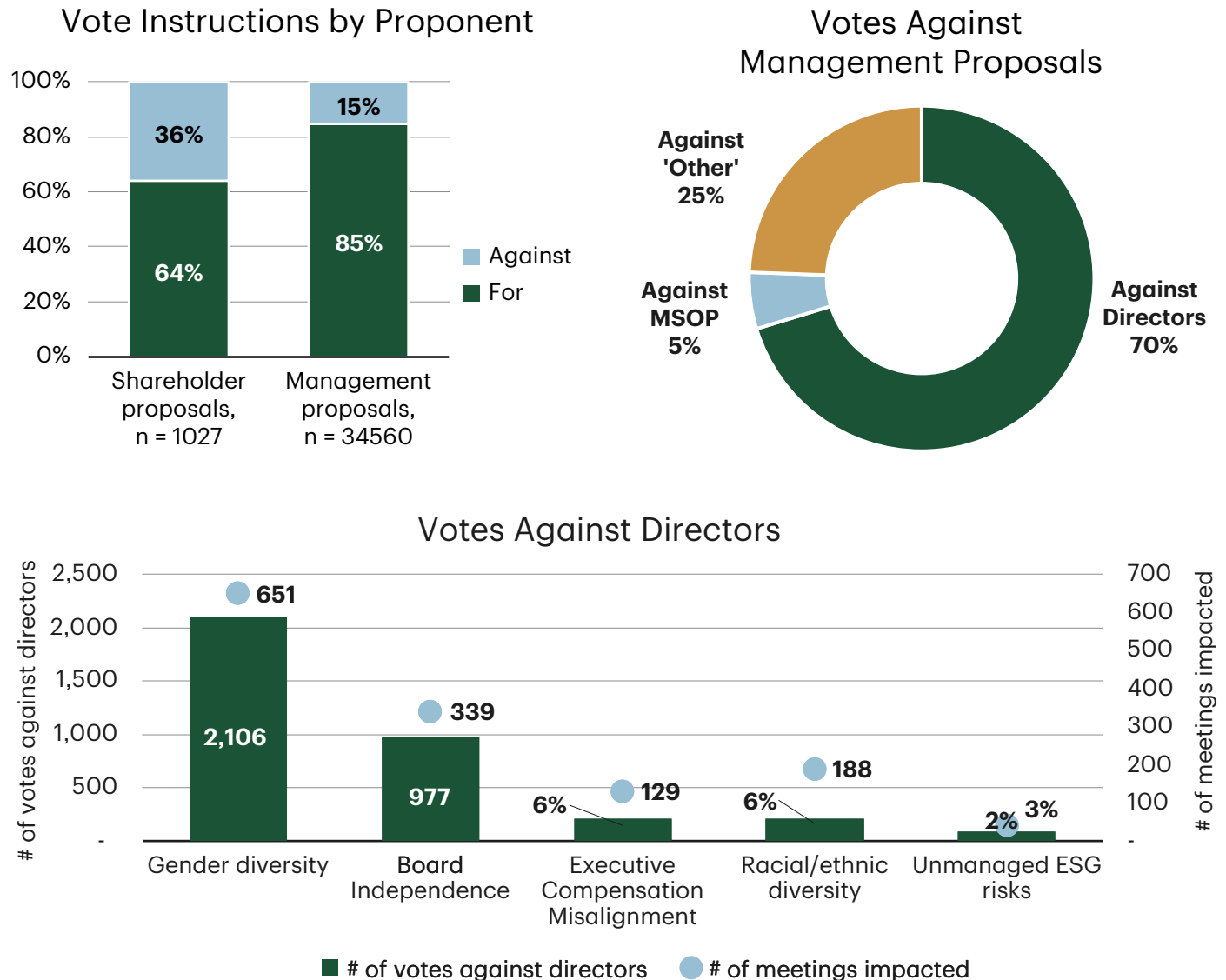
- ESG proposals that seek standardized reporting on ESG issues.
- ESG proposals that request information regarding an issuer's adoption of and adherence to relevant norms and standards.
- Shareholder resolutions advocating enhanced disclosure and transparency.



For fiscal year 2022, TDAM voted on 35,649 proposals, voting against<sup>16</sup> 15% of management proposals and supporting 64% of shareholder proposals.

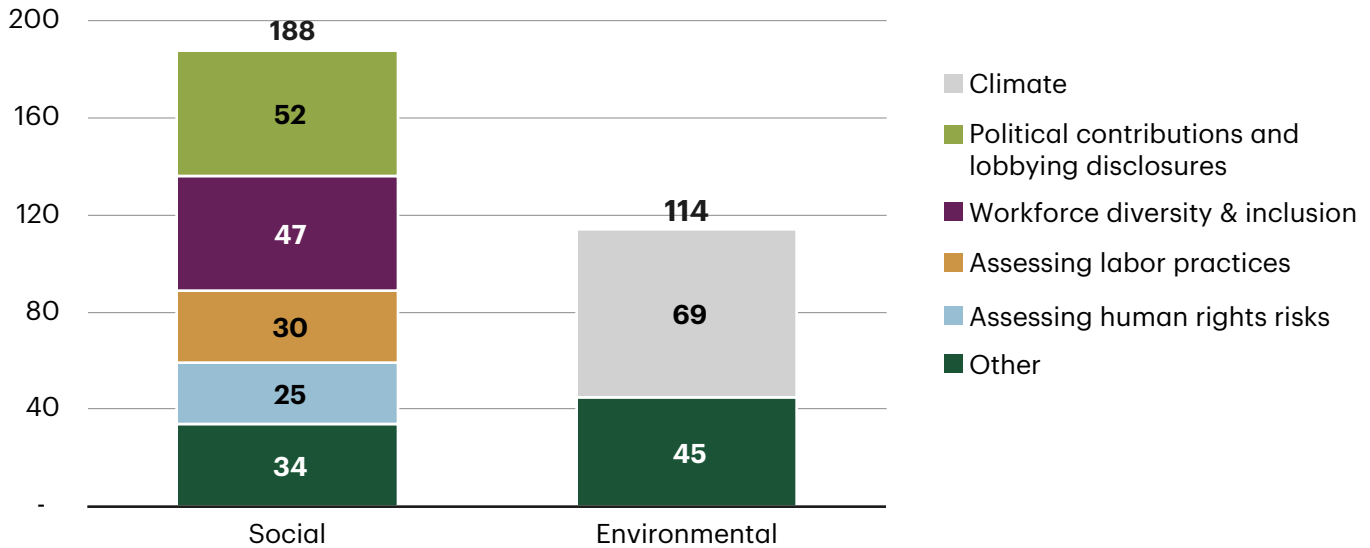
- Votes against management:** The majority of the votes against management (62%) were votes against directors largely due to a lack of board diversity. Another 26% of adverse director votes related to a lack of board independence. Misalignment of executive compensation also fueled a significant part of votes against directors and often accompanied a vote against management’s Say-on-Pay proposals. In addition, TDAM voted against directors at 41 companies due to a failure to manage ESG risks.
- Votes in support of shareholder proposals:** Support for shareholder proposals spanned various environmental and social issues. TDAM supported 188 social shareholder proposals, of which 28% related to political contribution and lobbying disclosures, and another 25% addressed workforce diversity. TDAM also supported 114 environmental shareholder proposals, of which 61% were related to climate change.
- Securities lending:** Following the height of the 2021 proxy season, TDAM put in place automated standing instructions to recall all loaned shares from the firm’s security lending program for a short period ahead of a company’s annual meeting when proxy proposals are up for vote. We took this measure to implement a more robust, systematic stewardship that capitalizes on every opportunity to put forward our views on advancing sustainability across applicable types of investments and investment strategies. We provide a quarterly comparison below of the increased voting now exercised within TDAM portfolios.

**Figure 11: 2022 Proxy Season Overview**



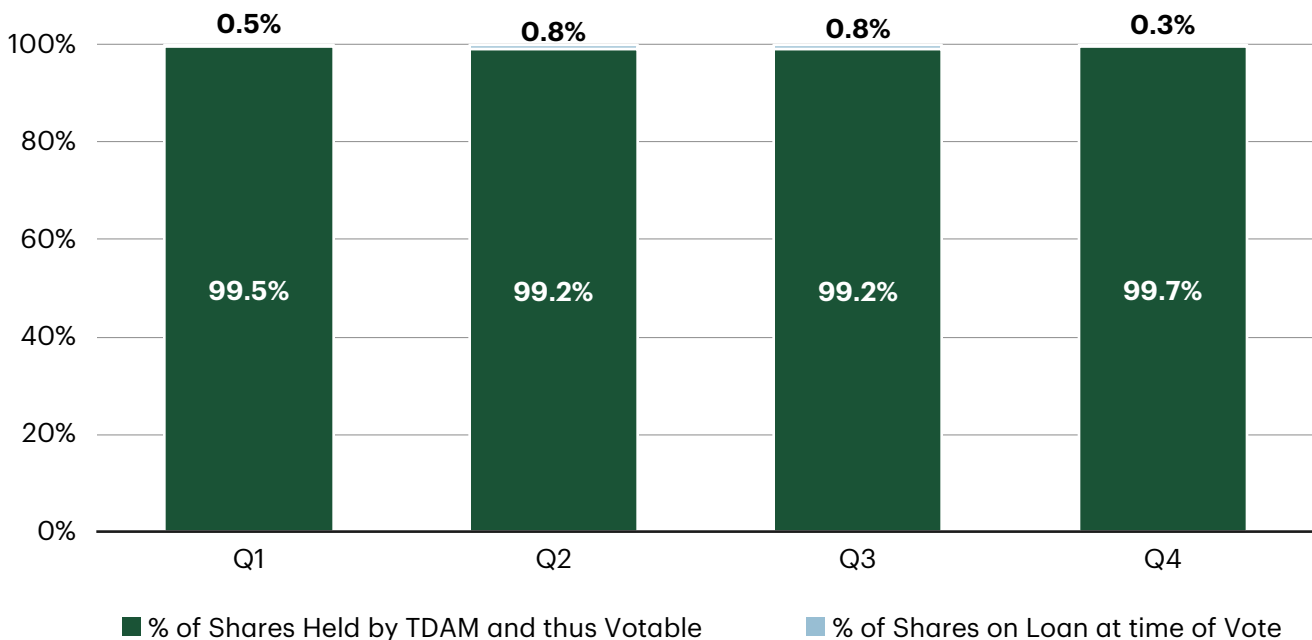
<sup>16</sup> Votes “against,” as used in this section, include both votes against and votes withheld.

## E&S Shareholder Proposals Supported



Source: TDAM, ISS; November 1, 2021 to October 31, 2022.

## Figure 12: TDAM Shares on Loan in 2022



Note: "Against directors" indicates both votes against and votes withheld from individual director nominees. Some directors may have received against/withhold votes due to more than one rationale (e.g., lack of gender diversity and lack of racial or ethnic diversity on the board). TDAM's proxy voting guideline on racial/ethnic board diversity was implemented in May 2021. Votes against directors for unmanaged ESG risks is generally attributed to involvement in moderate or severe controversies. "MSOP" represents Management Say-on-Pay proposals. 'Other' reflects other corporate governance matters. Note that the recalling of international securities can be more complex as there is not the same amount of lead time to facilitate the recalls. However, the recall percentages presented here are within expectations.

Source: TDAM, ISS; November 1, 2021 to October 31, 2022.

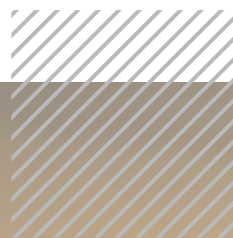


## Stewardship in Action – Engaging North American Rails on Say-on-Climate

Two prominent railways with operations across North America put forward Management Say-on-Climate proposals this year. These non-binding votes ask the shareholders of the company to evaluate and approve the company's climate plan.

Company A's climate plans were the most ambitious in the peer group, with GHG reduction targets covering all three scopes of emissions over the short, medium and long term. The company had detailed pathways for how it would achieve its goals, and it provided investors with transparent disclosures in line with the TCFD recommendations. Company B's plan had its strong points; however, it was not as ambitious as its primary competitor's plan. Company B's plan covered Scope 1 and 2 emissions, and partial Scope 3 emissions, only over the medium term. It had also outlined pathways towards achieving its mid-term goals.

TDAM supported the climate plan of Company A and voted against the climate plan of Company B. The absence of long-term targets and the partial coverage of Scope 3 emissions were the notable differences in their plans. Given this, TDAM felt it was prudent to leverage peer benchmarking and vote against the climate plan of Company B. We have since engaged with Company B and communicated the rationale supporting our vote and our expectations for the year ahead. We will continue to engage with this group to encourage stronger action and ambition as it relates to climate.





## **Stewardship in Action – Advancing Board Gender Diversity in the Mining Sector**

We have regularly held periodic engagements with a mining company over the years, with more focused ESG meetings taking place since 2020. At that time, the company did not have fixed targets in its diversity policy about the representation of women on its board or in senior leadership. However, it had indicated that it aspired to have 30% board gender diversity. Back in 2020, TDAM encouraged the company to put its 30% aspiration into its formal diversity policy. The company did so in 2021, setting

out a target to be achieved by the end of 2022. Given TDAM's view that companies should have at least 30% women on boards, we did cast adverse votes against relevant board members. However, late in 2022, the company fulfilled its target and now meets the 30% threshold.

We continue to encourage further gender diversity and inclusion – at the board, in executive positions and across company ranks. TDAM will continue to deliberate on different dimensions of diversity, equity and inclusion as we further engage our investee companies.



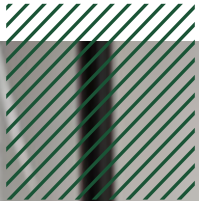
## Stewardship in Action – Assessing ESG Progress Within Alternative Markets

TDAM engaged directly with one of its infrastructure assets to review the company's 2022 ESG performance, as evaluated by the GRESB Infrastructure Assessment. The company observed a seven-point year-over-year score decline from 2021 to 2022 (out of 100).

More specifically, TDAM requested that the company focus its efforts on bolstering its ESG Risk Management processes and supporting documentation. We stated that this should include updating the documented risk assessment processes for all ESG issues the company identified in its GRESB submission: environmental (energy, air pollution, GHG emissions, etc.), social (employee engagement, community

development, health and safety, etc.), and governance (cybersecurity, whistleblower protection, etc.).

TDAM engaged directly with senior management to ensure the company conducted a gap assessment of its 2022 GRESB Assessment to identify corrective actions and opportunities for improvement. As a result of the engagement, the company updated its Environmental Policy Statement and Occupational Health and Safety Policy Statement in 2022, and it initiated plans to develop an inaugural ESG Report in 2023. Additionally, as a result of the engagement, the company identified areas to improve its internal capabilities to track and report on relevant ESG metrics and key performance indicators. These include metrics related to health and safety, not just for the company's own employees, but also for contractors and the communities where the company operates.







## ESG Integration and Consideration Across Asset Classes

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The following section focuses on recent progress across TDAM's applicable asset classes, providing a brief overview of each team's approach to ESG before laying out specific examples of how they have put ESG into action more recently. As a firm, we strive to integrate material ESG considerations into the investment process for applicable types of investments and investment strategies, with teams having varied approaches given their mandate(s). Investment stewardship is a significant part of our ESG approach, as discussed further in the **Stewardship section** of this report. For more information on each team's approach to ESG integration, please see TDAM's [Sustainable Investing Approach >](#) and the Sustainability Procedures of our Alternative strategies (Canadian real estate, global real estate, infrastructure and mortgages).



## Fundamental Equity

### ESG Approach Summary

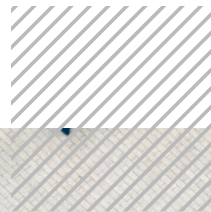
TDAM's Fundamental Equity team believes that consideration of ESG factors enables a robust view of risks associated with a particular investment. The process for incorporating these factors into decision-making is essentially threefold: integration, research and engagement. At the integration phase, 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 high 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.

### 2022 Highlights

The Fundamental Equity team continued to lead in terms of stewardship, conducting 181 engagements in 2022 within 144 unique meetings. In terms of sustainable fund solutions, the TD North American Sustainability Balanced Fund, which was launched in 2020, was awarded a top-tier ranking by Corporate Knights as part of its 2022 Responsible Fund Ranking. See the Sustainable Fund Solutions section of this report for more information.

### ESG in Action – Engagement About Environmental Commitments

The Fundamental Equity team, in cooperation with the ESG team, had several engagements over the course of 2022. One cornerstone engagement involved several meetings with a large Canadian energy company. We identified that the company lacked an interim emission reduction target on its path to net-zero by 2050. Our team members worked with the company to explain our position and make a case for advancing management's disclosure. Most of the company's peers had set specific targets in the 2030 to 2035 timeframe to measure their progress on decarbonization and we felt it was appropriate for the company to do the same. Our efforts culminated in a positive outcome: in late 2022, the company announced a new target to reduce Scope 1 and 2 GHG emissions by 40% by 2035 relative to the 2020 baseline. The commitment is to reduce the absolute level of corporate-wide emissions, not emissions intensity per unit of production.



## Quantitative Equity

### ESG Approach Summary

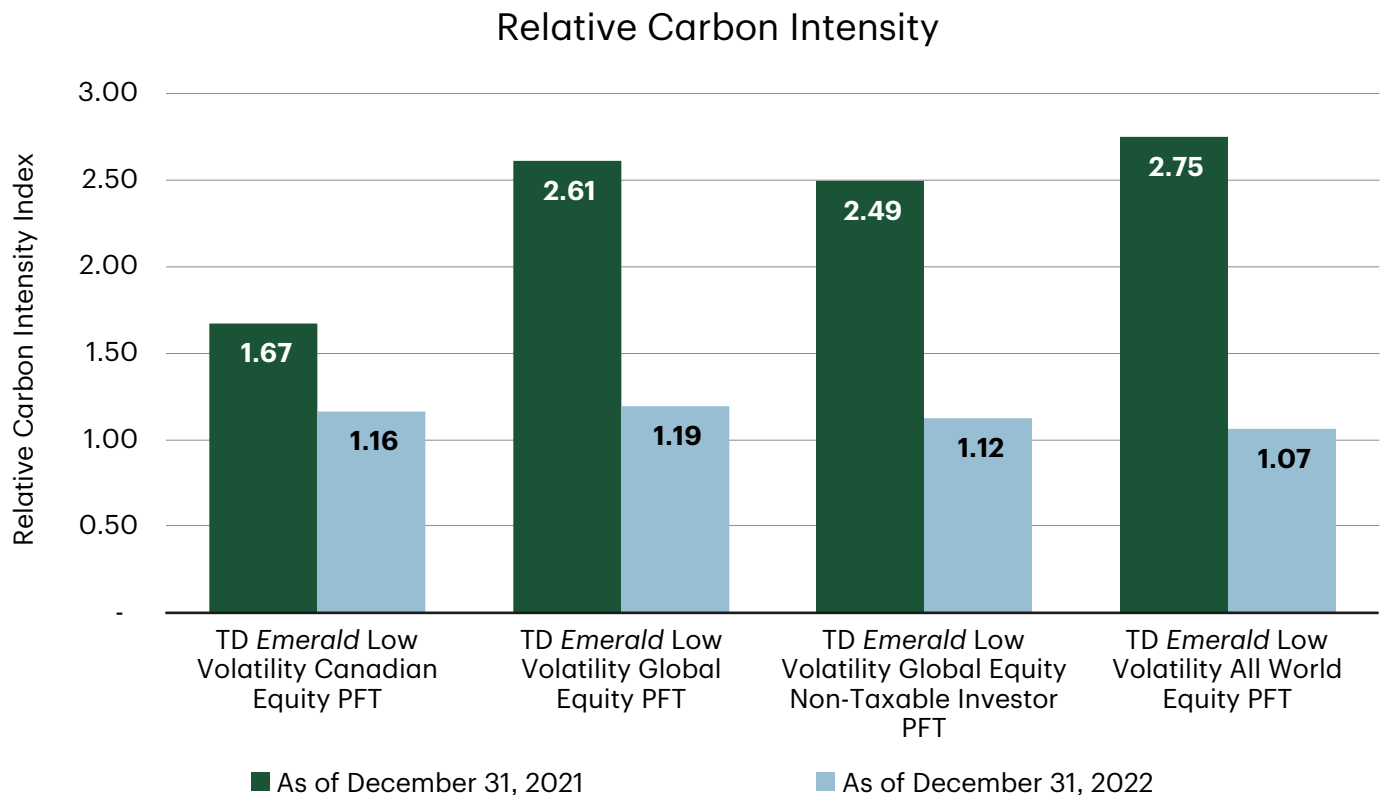
TDAM's Quantitative Equity team seeks to exploit market inefficiencies using a combination of their researchers' custom-built models and insights from their portfolio managers. While quantitative models facilitate objective decision-making as well as broad coverage of equity markets, no single model 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.

### 2022 Highlights

We recognize the risk that carbon-intensive companies pose to an investor's portfolio as countries around the world transition to a low-carbon economy. In response, the Quantitative Equity portfolio management team actively reduced the low volatility funds' exposure to high carbon emitters in 2022. Over the year, it decreased the intensity of each fund without compromising on volatility reduction.

**Figure 13: Relative Carbon Intensity Benchmark**



Note: Relative carbon intensity is defined as the ratio of a fund's carbon intensity to that of its respective benchmark. Estimation models are used by our third-party data provider to develop carbon emissions levels in the absence of company disclosure.

Source: TDAM, Sustainalytics, S&P, MSCI. As of December 31, 2022.

## Fixed Income

### ESG Approach Summary

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

### 2022 Highlights

The Fixed Income team conducted 40 engagements in 2022 within 26 unique meetings. This included 13 ESG-oriented discussions with sovereign and provincial governments. When it comes to our sustainable fund solutions, the TD North American Sustainability Balanced Fund was awarded a top-tier ranking by Corporate Knights as part of its 2022 Responsible Fund Ranking. A new fixed income solution, the TD North American Sustainability Bond Fund, has also been launched in 2023 and provides a dedicated fixed income product to the market. Both Funds invest in green and sustainable bonds as well as corporate bonds that exhibit low ESG risk characteristics, as determined internally by TDAM's ESG scoring. [See the Dedicated Sustainable Fund Solutions section >](#) for more information.

### ESG in Action – Dialogue on Green Bond Frameworks

#### Internal TDAM Guidance on Green, Social, Sustainability and Sustainability-Linked Bonds –

TDAM periodically invests in issuances labeled as green bonds, social bonds, sustainability bonds and sustainability-linked bonds. With deepening climate concerns and growing investor interest in identifying the ESG outcomes of their investments, we have seen a proliferation of these self-labeled bonds by debt issuers. Given the number of issuances, it is useful to have frameworks in place for evaluation, as the standards governing these bonds and target setting by issuers are voluntary thus far. TDAM has internal guidance for investment teams in order to advance consideration of minimum standards for these types of bonds as per internationally recognized standards such as the International Capital Market Association's principles and governing standards. This internal guidance continues to evolve but provides necessary direction as these bonds continue to come to market. In addition, TDAM has set up a screening tool to track which of the United Nations' Sustainable Development Goals (SDGs) are being impacted by our investments in labelled bonds.

Providing ESG feedback to issuers – In 2022, TDAM provided feedback to several governmental entities on their proposed green bond frameworks, including which SDGs to focus on and which projects could be funded with bond proceeds. TDAM also provided feedback to a major electrical grid provider on how to improve its ESG reporting, as well as on how to develop a framework for sustainability-linked bonds.

# Fixed Income



## Private Debt

### ESG Approach Summary

TDAM's Private Debt Origination and Research team fully adheres to the broader public Fixed Income Credit Committee approval process, evaluating ESG factors as part of a comprehensive credit rating review for all approved issuers. An ESG assessment is conducted for every approved issuer and is reviewed by TDAM's Credit Committee in the same way it is for publicly traded fixed income securities. To understand the relevant factors used to fully assess each credit and to understand how the issuers are addressing material ESG exposures, the team directly engages issuer management and conducts extensive due diligence and research. This includes engagement with third-party independent advisors when available. Following the same process as TDAM's active Fixed Income team, our credit research and issuer engagement informs a TDAM ESG Risk Score which is integrated into our internal credit rating. Our focus on long-term, resilient investments in sustainably focused sectors has resulted in TDAM ESG Risk Scores at the lower end of the ESG risk range on a portfolio basis.

#### TDAM ESG Risk Score

9-10	Highest ESG Risks
7-8	
5-6	Moderate ESG Risks
3-4	
1-2	Lowest ESG Risks

### 2022 Highlights

The Private Debt team engaged 14 companies on ESG in 2022. The portfolio includes a significant allocation to both renewable energy generation and social infrastructure as of October 31, 2022. During 2022, \$145 million was specifically invested in renewable energy projects.

### ESG in Action – Renewables and Community Inclusion

Since inception, the TDAM Private Debt team has been an active investor in renewable energy, social infrastructure, public transportation and energy efficient buildings. During 2022 our focus on long-term, resilient, sustainable investments was demonstrated by:

- Investment in a new windfarm in Alberta that will produce energy for over 25 years.
- Investment in hydro-electric facilities in Quebec that will allow the assets to economically produce renewable energy.
- Investment in the construction of an energy-efficient healthcare facility in the United States, which will improve access to medical care in the community.
- Financing wastewater infrastructure in a Canadian community to allow for improvements in water quality.





## Canadian and Global Real Estate

### ESG Approach Summary

Being a leading real estate investment manager means that ESG considerations are fully integrated into how we execute our Canadian and global real estate strategies. Across our real estate mandates, our sustainability strategy is fully aligned with our culture, which focuses on risk management, disciplined processes, sustainable returns and relevance to our key stakeholders, who include our clients, the tenants in our properties and the communities we are invested in. We integrate sustainability considerations in our real estate investment and portfolio management processes, including acquisitions, developments, capital planning, third-party due diligence and ongoing operations, with the goals of delivering stable, growing income streams, creating value and mitigating risks over the long term.

### 2022 Highlights

In 2022, the GRESB scores for both the Canadian and global real estate strategies improved.

The TD Greystone Canadian Real Estate Strategy improved its GRESB score by seven points – 80 out of 100 for 2022, up from 73 in 2021 – and it achieved its seventh consecutive Green Star ranking and its first GRESB four-star rating. A Green Star is obtained if you score over 50 points out of 100, and the one-to-five star rating is based on quintiles. The highest rating is a five-star rating. The GRESB Real Estate Assessment placed TDAM among the top 34% of submissions in the global Diversified/Non-Listed/Core category (of 259 submissions).

The Global Real Estate Fund saw an aggregate GRESB Portfolio Analysis score improvement of two points to 84 out of 100 - and achieved its second consecutive four-star GRESB ranking. TD Greystone Global Real Estate Strategy is an investor member in GRESB, thereby providing the fund access to underlying fund manager GRESB data. There was an increase in the cumulative score of its fund managers, with six of nine managers improving their scores. TDAM continues to prioritize ESG engagement with its fund managers and includes ESG criteria in its manager selection and ongoing monitoring processes.

### ESG in Action – Multi-Residential Certification Initiative

In 2022, TDAM initiated a portfolio-wide green building certification program for its multi-residential properties. The national certification initiative is focused on certifying properties under the Certified Rental Building (CRB™) Program and/or the Building Owners and Managers Association's Building Environmental Standards (BOMA BEST®) Portfolio Program initiative. The national initiative is anticipated to result in nearly all of TDAM's eligible multi-residential properties achieving a CRB or BOMA BEST certification as at year-end 2023.

Building certifications benefit both owners and occupants by enhancing operational efficiencies and by ensuring sustainability considerations (e.g., energy reduction targets, responsible procurement and indoor air quality assessments) are systematically integrated into property management decisions. The BOMA BEST certification includes the consideration of 16 BEST Practices under the following categories: preventative maintenance, energy, water, waste, indoor environmental (air) quality, comfort, health and wellness, custodial services, and stakeholder engagement.



G R E S B  
★ ★ ★ ★ ☆ 2022



Fairmont Royal York Hotel in downtown Toronto<sup>17</sup>

## ESG in Action – Towards Canada’s First Zero Carbon Certified Hotel

TDAM is excited to be involved in a first of its kind project to decarbonize the historic Fairmont Royal York Hotel in Toronto. The project is targeting Canada Green Building Council’s (CaGBC) Zero Carbon Building Standards Certification™ for year-end 2023. Additionally, the project received Canada Infrastructure Bank (CIB) financing in the amount of \$46.5 million to support the major renovation, with a focus on energy efficiency and GHG reductions. It is anticipated that the retrofit will not only enhance the operational performance of the hotel, but that it will also attract significant customer and corporate support by hosting climate-friendly corporate functions and conferences.

The building is targeting a 66% reduction in total energy consumption and an 85% reduction in GHG emissions by the end of 2026, using 2019 as its base year.<sup>18</sup> The extensive retrofit will involve updating the building’s heating and cooling systems, back-up power and laundry facilities, and a move to smart, digitally enabled Building Automation Systems (BAS).

<sup>17</sup> <https://cib-bic.ca/en/medias/articles/cib-commits-38m-to-enable-kingsett-capitals-decarbonization-of-the-historic-fairmont-royal-york/>

<sup>18</sup> Information related to anticipated energy reductions, GHG emissions reductions, and certification timeline not independently verified by TDAM.





Charter Hall's Midwest Logistics Hub (Truganina, Australia), 2MW installed solar capacity

### **ESG in Action – Sustainable Developments Across the Globe**

In 2022, Charter Hall, one of the Australian managers for the Global Real Estate Fund, continued its focus on supporting solar development at its industrial real estate assets. Rooftop solar photovoltaic installations play an important role in transitioning to a low-carbon economy, and the Charter Hall Prime Industrial Fund (CPIF) has been actively supporting their installation. As of December 2022, total installed solar capacity in the CPIF surpassed 20 MW, with an additional 10 MW committed to be installed in 2023 across both operational and development assets. Additionally, as of year-end 2022, CPIF secured grid-supplied renewable electricity for 100% of its Workplaces, Office, and Industrial and Logistics assets within its operational control, further cementing its commitment to supporting the transition to a low-carbon economy.

### **ESG in Action – Global Real Estate Manager Engagement**

In 2022, the TDAM Global Real Estate team initiated ESG engagement meetings with each of the fund managers within the TD Greystone Global Real Estate Strategy. The focused engagements included a performance debrief of each manager's 2022 GRESB assessment (if applicable), a discussion of their 2023 ESG priorities, and a review of their capabilities with respect to managing and mitigating physical climate risks and risks related to the transition to a low-carbon economy. Findings from the focused engagements were favourable, with many of the fund managers highlighting decarbonization strategies and portfolio-level assessments of climate-related physical risk exposure. The focused engagements have offered the Global Real Estate team better insight into the sustainability performance, capabilities and ESG priorities of each of its managers. They will help create opportunities for further engagement in the future.

## Global Infrastructure

### ESG Approach Summary

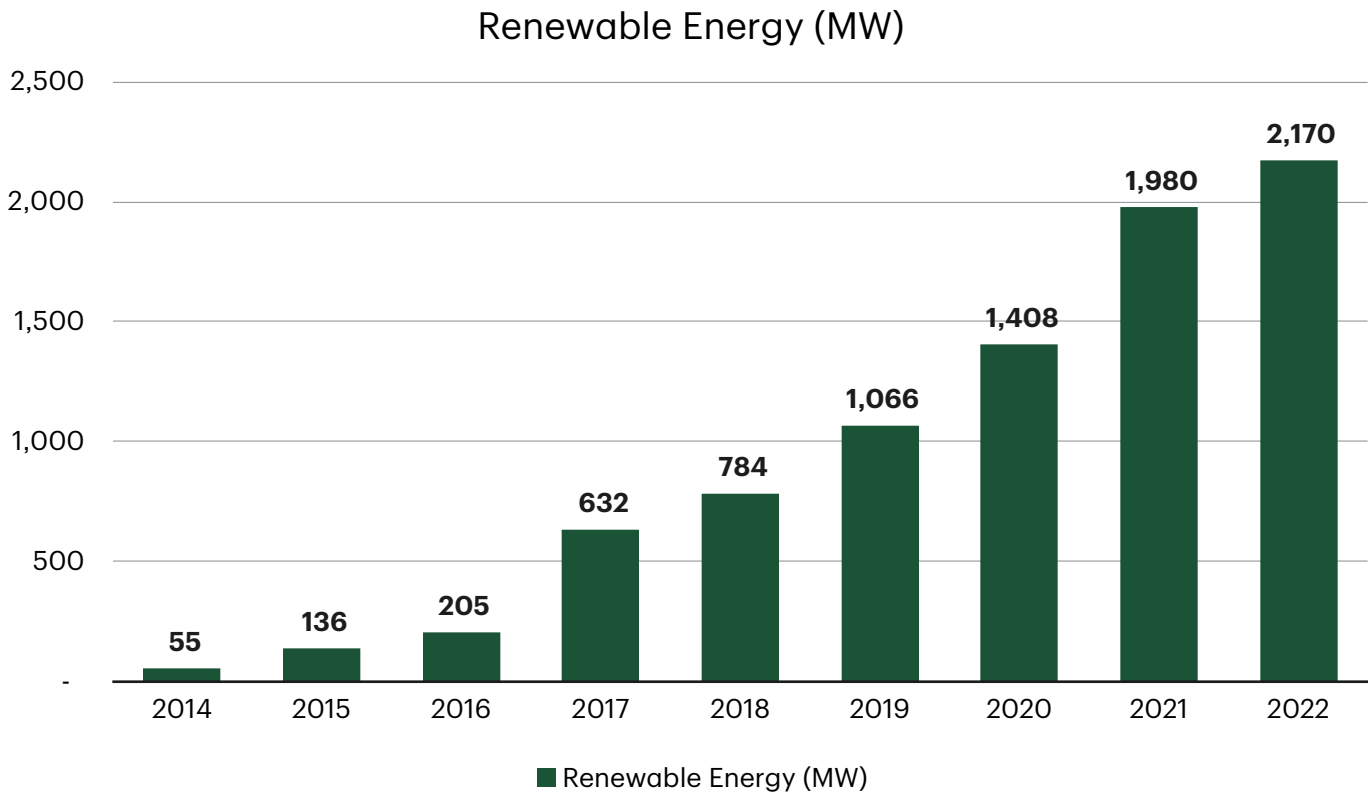
The TD Greystone Infrastructure Strategy is a mid-market portfolio that TDAM believes is well-positioned for growth through platforms with specialized teams and significant exposure to the energy transition. The Fund is committed to the integration and benchmarking of ESG performance throughout the investment lifecycle. During the sourcing and due diligence phases, we employ an ESG Due Diligence Toolkit to assess and rate the ESG characteristics, risks and opportunities of an investment. ESG due diligence is highlighted as a section of our investment committee approval memos, and it is a key part of our decision-making process. Further, during the standing investment and active asset management phases, we work collaboratively with management teams for the assets within the Fund – continually assessing ESG capabilities, benchmarking performance and implementing ESG measures to help mitigate ESG risks and capture ESG-related opportunities.

### 2022 Highlights

In 2022, The TD Greystone Infrastructure Strategy improved its score by two points – 87 out of 100, up from 85 in 2021 - and achieved its fourth consecutive Green Star ranking. The TD Greystone Infrastructure Strategy scored above the GRESB Global Average and in line with its Peer Group (Diversified/Private/Non-Listed/Global) average. Five of the Fund's six operating assets that submitted to GRESB scored above their Peer Group averages. Since participating in the GRESB-Infrastructure benchmark in 2019, the Fund has improved its score by over 20 points.

The portfolio includes a significant renewable allocation that has grown from 50 MW (roughly the equivalent of powering 12,000 homes), to 2,170 MW (roughly the equivalent of powering over 500,000 homes), as of December 31, 2022. **Over 50% of the Fund is invested in renewables, with other investments including transmission and energy storage projects.**

**Figure 14: Renewable Energy (MW) for Global Infrastructure Strategy**



Source: TDAM. As of December 31 of each year.





Verbrugge International 25 Million kWh rooftop solar project<sup>19</sup>

### ESG in Action – Expanding Transportation Infrastructure Expertise

In 2022, the Fund invested in two new transportation and logistics-focused infrastructure platforms – Verbrugge International and Ports America Group. Verbrugge International, based in the Netherlands, operates three terminals strategically located between Antwerp and Rotterdam. They facilitate the movement of essential commodities such as wood pulp, bulk, paper and agricultural products across Continental Europe. Ports America Group is one of the largest port operators in the U.S. with a market share of 25% and a presence across 33 ports in the country. The two port-based logistics platforms enhance the portfolio’s sector diversification, develop the Fund’s capabilities with respect to ESG best practices within transport infrastructure, and provide exposure to the critical transport of essential goods

In 2022, in partnership with KiesZon and Stedin, Verbrugge International completed one of the largest solar rooftop projects in Europe at 25 million kWh.<sup>20</sup> The total number of solar panels installed at two Verbrugge locations in Vlissingen-Oost totalled 77,250 – and the project generates enough electricity to power approximately 9,000 Dutch homes. The project contributes meaningfully to the Regional Energy Strategy (RES) in the Province of Zeeland and has the added advantage of using lightweight, flexible solar panels glued directly to the roofs of the

buildings, which removed the need to substantially reinforce or retrofit the existing structures.



Left to right: Erik Versteeg (Kieszon), Martin Verbrugge and Machiel Jooisse (Stedin) during the symbolic handover for the solar project in Zeeland (Netherlands)<sup>21</sup>

The Verbrugge International transaction in 2022 also offered an opportunity to utilize an updated version of TDAM’s ESG Due Diligence Toolkit. The Toolkit was adapted from the GRESB open-source ESG Due Diligence Tool, which provides an entry point and natural lead-in to annual monitoring of investments. For each acquisition, 46 ESG factors are assessed for materiality, incorporated into the risk impact assessment, and weighted according to relevance and priority in overall scoring.

<sup>19</sup> [https://www.verbruggeinternational.com/sites/default/files/styles/pg\\_text\\_media/public/media/images/2020-07/vi\\_vst\\_001-1.jpg?itok=SnIHHUfr](https://www.verbruggeinternational.com/sites/default/files/styles/pg_text_media/public/media/images/2020-07/vi_vst_001-1.jpg?itok=SnIHHUfr)

<sup>20</sup> Information related to the solar rooftop project provided by Verbrugge International and not independently verified by TDAM.

<sup>21</sup> <https://www.verbruggeinternational.com/en/news/verbrugge-solar-roofs-completed-25-million-kwh-per-year-of-solar-power>

## ESG in Action – Supporting the Energy Transition

In 2022, the Fund continued to reach new milestones across our North American Solar (Silicon Ranch Corporation), European Wind (Rabbalshede Kraft AB) and Battery Storage (Enfinite) platform investments.

Silicon Ranch added 675 MW of operating capacity across 17 solar projects and is currently operating a total of 2.4 GW of capacity across 148 projects. Rabbalshede Kraft AB has a total operating capacity of 253 MW across 17 wind projects and is actively looking at diversifying its presence by geography and renewable energy source. Additionally, Rabbalshede Kraft, in concert with Euromekanic, has been actively planning a 1 MW green hydrogen project (100% wind-powered) in Lilla Edet (Sweden) with an anticipated start date of December 2023. Enfinite now operates the largest fleet of battery storage facilities in Canada at 105 MWh of storage capacity,

with 210 MWh of late-stage developments in Alberta. Throughout 2023 there remains capacity to continue to meaningfully expand this battery storage platform to 315 MWh.<sup>22</sup>

Enfinite's facilities both store and generate electricity; its electrical generation assets use waste heat and gas produced by large midstream, exploration and production companies. Additionally, Enfinite's battery energy storage systems facilitate the delivery of sustainable energy, renewable generation smoothing, system voltage and capacity support, as well as grid frequency regulation. Enfinite's goal is to significantly contribute to decarbonization while offering stable, long-term returns to stakeholders. In support of the energy transition, Enfinite is committed to investing in and operating energy assets that deliver reliable, readily available and cost-effective power to local communities.



Enfinite eReserve Battery Storage Project (Alberta, Canada)

<sup>22</sup> Information concerning asset-specific and platform-level operating capacity (MWh), size (MW), number of projects, anticipated start/completion dates, and development capacity/potential has been provided by the TD Greystone Infrastructure Strategy's platform companies and assets.



## Mortgages

### ESG Approach Summary

ESG considerations are integrated throughout the investment process to mitigate risks and identify opportunities within the TD Greystone Mortgage Fund. Material ESG issues are evaluated within the context of our risk management framework. We believe this is crucial in providing support to the firm's goals and in meeting the evolving needs of TDAM's investor clients.

To this end, the Fund has developed a multi-faceted approach to incorporating ESG into its underwriting and portfolio management practices. During origination, each mortgage opportunity has its own dedicated ESG Due Diligence Checklist, where ESG factors - e.g., potential environmental contamination identified via a Phase 1 or 2 Environmental Site Assessment (ESA) - are evaluated. The Fund also attempts to find operating efficiencies when considering ESG factors in its underwriting by integrating with the TDAM Real Estate team. In contrast, lenders who solely rely on market comparables for underwriting may not fully incorporate the value of the ESG benefits, which could result in inflated operating cost estimates and mispricing of the opportunity.

### Figure 15: ESG Investment Approach of the TD Greystone Mortgage Fund



### 2022 Highlights

As of December 31, 2022, 87% of eligible loans by AUM within the TD Greystone Mortgage Fund were actively engaged on ESG considerations.<sup>23</sup> Our methods of engagement are described below.

### ESG in Action – Borrower Engagement and ESG Opportunities

TDAM engages its mortgage borrowers on ESG considerations, utilizing an ESG Borrower Survey and Annual ESG Review to facilitate borrower engagement and identify potential ESG opportunities. The Survey helps identify if any sustainability-focused improvements (e.g., energy efficiency-focused retrofits) can be made that may be applicable for financing by the Fund. These would be considered loan increases that improve the underlying asset (collateral) and therefore may enhance the borrower's ability to service the mortgage.

The Fund began formally tracking ESG engagement with borrowers through our ESG Borrower Survey and our Annual ESG Review in 2021, both of which were updated in 2022 to collect a more comprehensive dataset. TDAM now has a standardized system to track the ESG progress of the borrowers and our underlying properties. This engagement has facilitated investments that we expect will improve the environmental and social attributes of the Fund's underlying properties.

<sup>23</sup> Eligible loans include those for existing buildings (land/construction financing is ineligible) serviced by TDAM's wholly-owned mortgage servicing group, GMI Servicing Inc., which constitutes 58% of total Fund AUM.



Renfrew (Langford, BC)

### ESG in Action – Expanding Affordable Housing

In 2022, the TD Greystone Mortgage Fund provided a financing solution for an affordable housing project in Renfrew, BC. By meeting affordability thresholds, the building was approved for greater densification by the local regulators, which improved cashflow metrics for the borrower such as the take-out debt service coverage ratio. As a result of the improved loan fundamentals (cashflow metrics), the Fund was able to provide a higher loan-to-value position. Additionally, support from the city, the project's proximity to transit, and analytical support provided by TDAM's Real Estate Investment Team provided additional assurance on the operability of the loan structure. The project reinforced that integrating social considerations can enhance portfolio yield and investment exit strategy.

# Affordable Housing



# Sustainable Fund Solutions

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Over the last few years, TDAM has significantly expanded its sustainable fund solutions. These funds provide a more focused avenue for clients to achieve their ESG-oriented objectives. We provide a diverse set of solutions, across equity and fixed income as well as passive and active. Below you will find details on each of the sustainable fund solutions launched recently, along with links to fund cards for more information.

## Funds Launched in 2022

### [TD Emerald Low Carbon Global Equity Index Non-Taxable Investor Pooled Fund Trust >](#)

The Fund is passively managed against the MSCI World Low Carbon Target Index (Low Carbon Index) by the Passive Equity Portfolio Management team. The Fund intends to achieve its objective by investing primarily in common shares of corporations which are included in the Low Carbon Index. It may invest in units of investment funds, ETFs, American depository receipts (ADRs) and global depository receipts (GDRs) that provide exposure to common shares included in the Low Carbon Index, including investment funds managed by TDAM. The portfolio of the Fund will be invested in securities included in the Low Carbon Index, normally in substantially the same proportion that such securities are weighted in the Low Carbon Index. However, the Fund will not necessarily hold all of the securities in the Low Carbon Index.

## Funds Launched in 2021

### [TD Morningstar ESG Canada Equity Index ETF >](#)

*\*Awarded top-tier ranking by Corporate Knights as part of its 2022 Responsible Fund Ranking*

Seeks to track the performance of a Canadian equity market index which measures the investment return of Canadian large- and mid-capitalization issuers that exhibit higher ESG ratings relative to their peers.

### [TD Morningstar ESG U.S. Equity Index ETF >](#)

*\*Awarded top-tier ranking by Corporate Knights as part of its 2022 Responsible Fund Ranking*

Seeks to track the performance of a U.S. equity market index which measures the investment return of U.S. large- and mid-capitalization issuers that exhibit higher ESG ratings relative to their peers.

### [TD Morningstar ESG International Equity Index ETF >](#)

Seeks to track the performance of an international equity market index which measures the investment return of large- and mid-capitalization issuers in developed markets outside of North America that exhibit higher ESG ratings relative to their peers.

### [TD Morningstar ESG Canada Corporate Bond Index ETF >](#)

Seeks to track the performance of a Canadian corporate bond index which measures the investment return of fixed income securities of issuers that exhibit higher ESG ratings relative to their peers.

### [TD Morningstar ESG U.S. Corporate Bond Index ETF >](#)

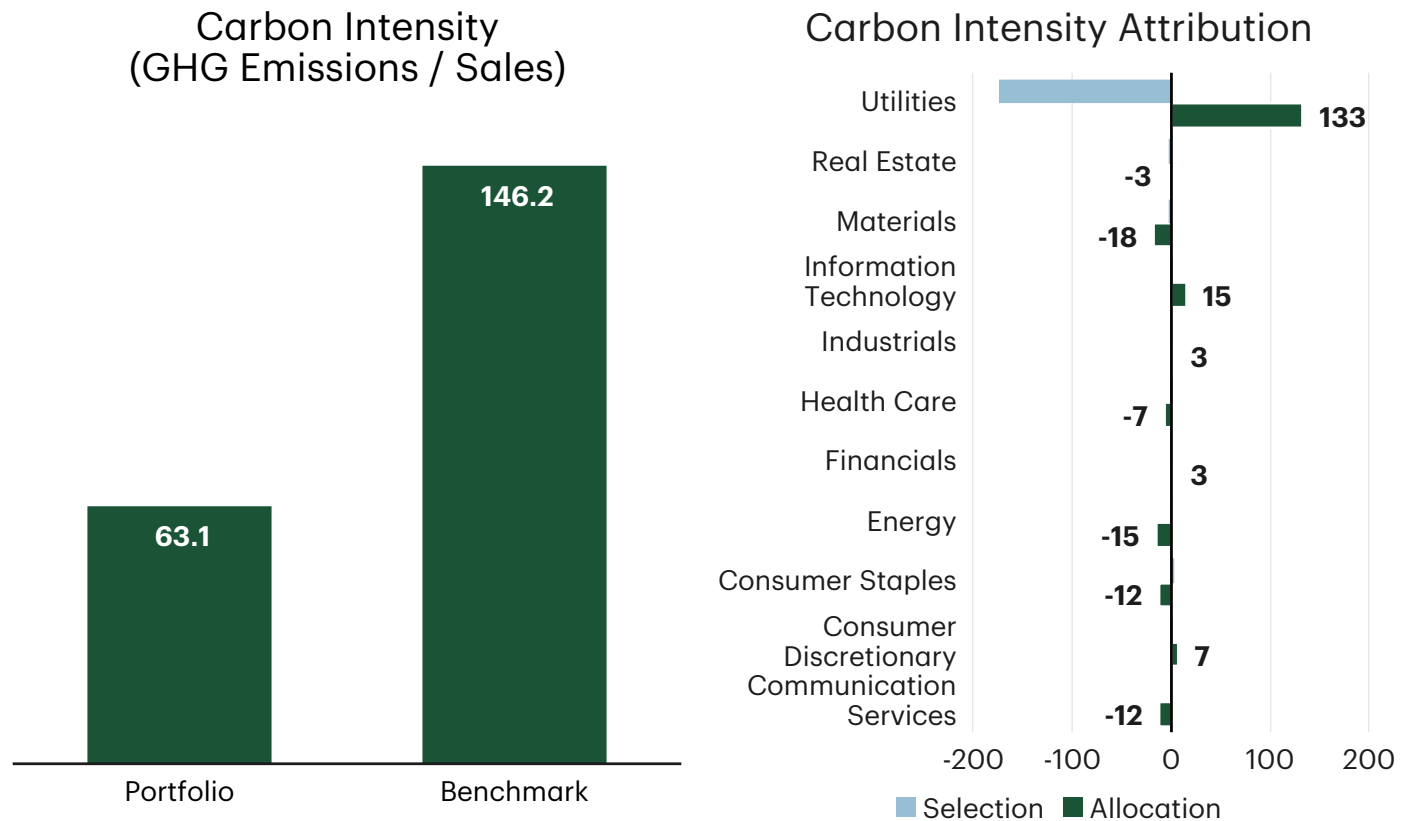
Seeks to track the performance of a U.S. corporate bond index which measures the investment return of fixed income securities of issuers that exhibit higher ESG ratings relative to their peers

### [TD Emerald Low Carbon / Low Volatility Global Equity Pooled Fund Trust >](#)

This quantitative Fund for institutional clients intends to achieve its objective by investing primarily in common shares of corporations in the MSCI World Total Return Index. The Fund will generally overweight the portfolio with securities that it expects to deliver fewer volatile returns, and underweight its portfolio with, or exclude from it, securities that have a high carbon footprint and are expected to deliver more volatile returns. The portfolio management team uses an optimization process to find the portfolio with lowest forecasted risk subject to efficient trading and to investment constraints. These include our low-carbon footprint target and constraints precluding investment in companies with direct involvement, and/or indirect involvement through

corporate ownership, in oil sands, coal extraction and combustion, controversial weapons as well as tobacco companies.

**Figure 16: TD Emerald Low Carbon / Low Volatility Global Equity PFT vs. MSCI World Total Return Index**



Source: TDAM, Sustainalytics, MSCI. As of December 31, 2022.

## Funds Launched in 2020

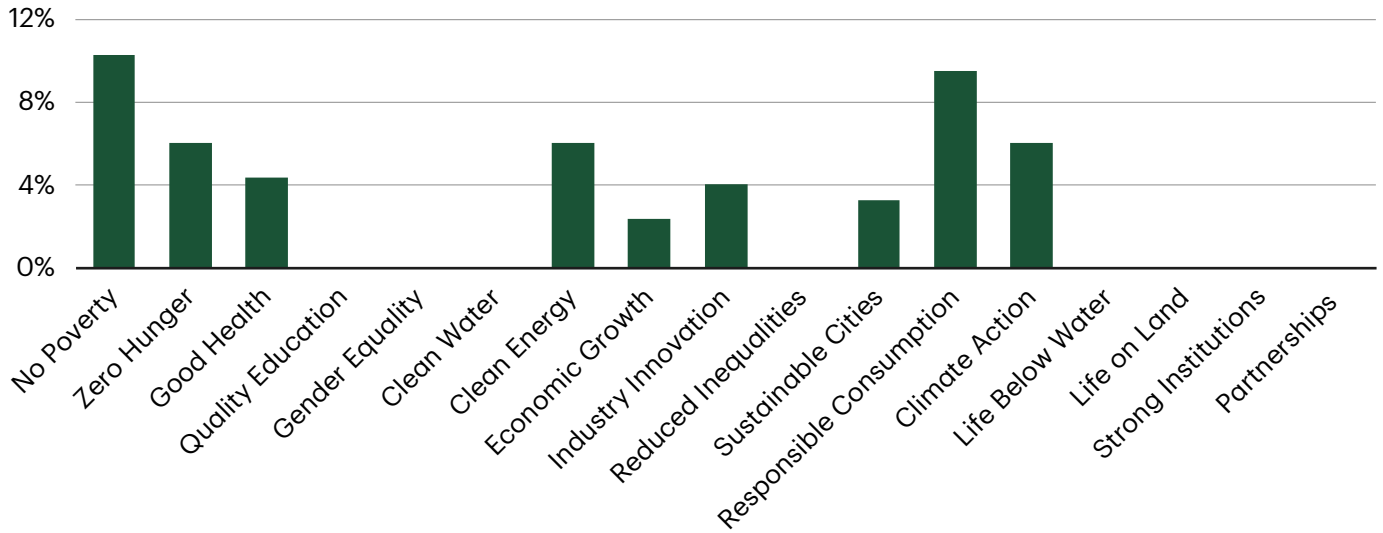
### TD North American Sustainability Equity Fund >

This Fund invests primarily in a diversified portfolio of North American securities. Security selection focuses on an issuer’s ability to profitably generate and grow free cash flow and its efficiency at allocating capital, while also demonstrating positive contributions towards the SDGs as set out by the UN. This Fund offers active fundamental management, a robust investment process and disciplined integrated ESG approach with fundamental risk diversification.

The Fund’s assessment on a company’s SDG contribution or alignment is based on the following two components:

- Revenue/Product alignment assesses the revenue generated by the company from products and services that address relevant SDGs.
- Operational alignment evaluates whether the company’s operations may result in a positive or negative impact on addressing specific SDGs.

**Figure 17: TD North American Sustainability Equity Fund Revenue/Products Alignment with UN Sustainable Development Goals (SDGs)**



Source: TDAM, MSCI. As of December 31, 2022.

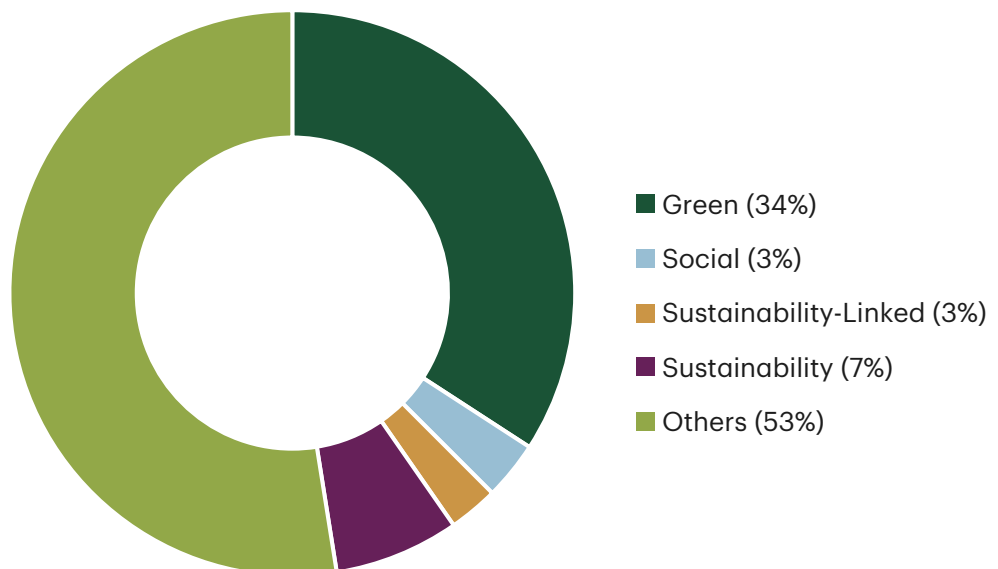
**TD North American Sustainability Balanced Fund >**

*\*Awarded top-tier ranking by Corporate Knights as part of its 2022 Responsible Fund Ranking*

This Fund focuses on investing in a combination of common share and bond investments that we find to demonstrate positive contributions towards the SDGs as set out by the United Nations. The common share investments will tend to focus on industry leaders that, in our view, have sustainable competitive advantages evidenced by the high returns on capital, strong balance sheets and management teams that are able to manage capital efficiently. The bond investments will tend to focus on corporate bonds, which may include non-investment-grade bonds, using rigorous bottom-up security selection while also being mindful of the macro environment.

**Figure 18: TD North American Sustainability Balanced Fund Breakdown of Bonds by ESG Label**

TD North American Sustainability Balanced Fund



Source: TDAM. As of December 30, 2022.



# ESG Thought Leadership, Consultations and Industry Events

TDAM regularly publishes thought leadership on a variety of subjects both in external publications and our own channels. Given the importance of climate change to our business, the systemic risks associated with climate change and our belief that we have a role to play in shaping the industry's approach to climate change, we have made climate a focus area for our thought leadership program. TDAM leverages expertise from across the firm to contribute to research pieces, covering a range of ESG topics.

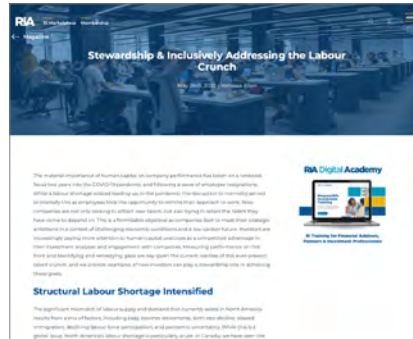


## Managed Phaseouts: an Investor Alternative to Divestment >

*John McHughan, Vice President, ESG Research and Engagement, TDAM*

RIA, August 2022

In the journey to net-zero, investors remain supportive of oil and gas decarbonization efforts, while prioritizing the reduction of real-world emissions. One way investors can do this is by encouraging investee companies to adopt responsible asset transfer policies and implement a framework for a managed phaseout of carbon-intensive assets.



## Stewardship and Inclusively Addressing the Labour Crunch >

*Vanessa Allen, Vice President, ESG Research and Engagement, TDAM*

RIA, May 2022

The material importance of human capital on company performance has taken on a renewed focus amid the COVID-19 pandemic and following a wave of employee resignations. This has served to intensify labour shortages. This article discusses the importance for companies to build healthy corporate cultures to attract and retain talent in a heated job market, including the need to have diverse and inclusive workplaces.



## Inclusive Growth: A Multi-Asset Framework on Indigenous Rights and Reconciliation in Investing >

*Samantha McDonald, Vice President, ESG Research and Engagement, TDAM; Aidan Jeffrey, Intern Associate, ESG Research and Engagement, TDAM*

RIA, February 2022

Multi-asset investment managers can address Indigenous rights and reconciliation in the investment process by using different tools and investment vehicles, unique to each asset class. This article offers insights on how investors can integrate Indigenous rights via a multi-asset lens.

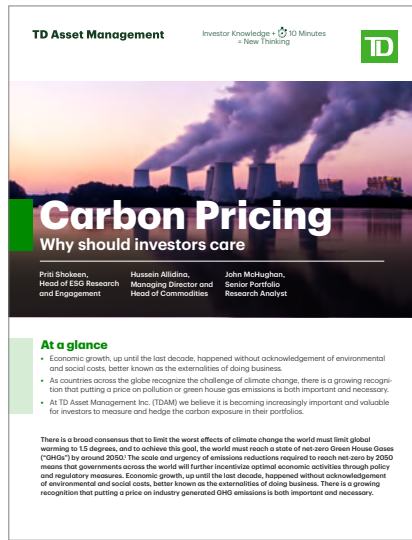


## Investing in Carbon Prices: Harnessing a New Asset Class to Invest in the Green Transition and Hedge Carbon Risk

*Michael Craig, Managing Director and Head of Asset Allocation and Derivatives, TDAM; Hussein Allidina, Managing Director and Head of Commodities, TDAM; Christian Medeiros, Portfolio Research Manager, TDAM; Zahra Ahanchian, Senior Portfolio Research Analyst, TDAM*

TDAM, August 2022

The article discusses the role of carbon pricing in tackling climate change and its implications for investors. It explains the concept of carbon pricing and how it works, highlighting various types of carbon pricing mechanisms across the globe. The article also outlines the benefits of investing in carbon pricing, including the potential for risk mitigation and opportunities for financial returns.



## Carbon Pricing: Why Should Investors Care? >

*Priti Shokeen, Head of ESG Research and Engagement, TDAM; Hussein Allidina, Managing Director and Head of Commodities, TDAM; John McHughan, Senior Portfolio Research Analyst, TDAM*  
TDAM, May 2022

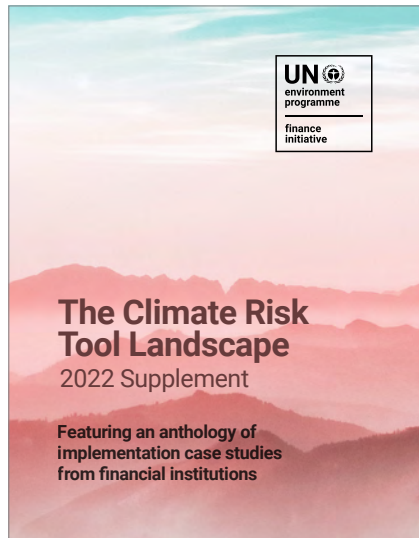
As countries across the globe recognize the challenge of climate change, there is a growing recognition that putting a price on pollution or GHG emissions is both important and necessary to limit the worst effects of climate change. In this article, TDAM defines carbon credits and discusses why they may be instrumental in reducing carbon emissions and why investors should care.



## Beyond Perception: Nuclear Energy's Role in the Global Green Transition >

*Don Li, Vice President, Private Debt, TDAM; Priti Shokeen, Head of ESG Research and Engagement, TDAM; Robert Vanderhooft, Senior Vice President, TD Bank Group and Vice Chair, TDAM*  
TDAM, April 2022

Some may not consider nuclear energy to be technically green as it generates highly concentrated but radioactive waste. However, it generates extremely low GHG emissions (none in production and low in life cycle). Recent technological innovations such as Small Nuclear Reactors, as well as developments in health and safety and waste management in the industry also contribute to the industry's growing attractiveness to investors. Therefore, we argue that nuclear should be a significant part of the solution in the quest to achieve net-zero emissions by 2050 and that there should be more investment in nuclear power generation.



**The role of infrastructure in the energy transition within the Responsible Investor's Report: The Road to COP27 – 27 Steps to Net Zero >**

*Carl Elia, Vice President and Director, Infrastructure Investments, TDAM; Benjamin Lemire, Vice President, ESG Research and Engagement, TDAM*  
 Responsible Investor, November 2022

In this interview, TDAM discusses how the transition to clean energy may present infrastructure investment opportunities. We stress that long-term thinking is key, and argue that investments in generation, storage and transmission of energy will play a key role in the transition.

**UNEP FI – The Climate Risk Tool Landscape >**  
 (includes TDAM case studies)

*Jean-Francois Fortin, Vice-President, Quantitative Equities, TDAM; Carlin Pohl, Associate, Investment Risk, TDAM; Chantal Laplante, Associate, Investment Risk, TDAM; Colin Lynch, Managing Director and Head of Global Real Estate Investments, TDAM; Priti Shokeen, Vice President and Director, Head of ESG Research and Engagement, TDAM*

March 2022  
 As part of the UNEP FI TCFD Program, multiple investors took part in piloting various third-party climate risk tools. This publication serves both to provide feedback to those tool providers and to further build investor awareness around measuring climate risks. TDAM trialed a few different tools that measured transition and physical climate risk, submitting case studies conducted on some of our quantitative equity and real estate portfolios.



## Regulatory and Industry Engagements

### August 2022

- Participation in PRI-led discussion with the **Autorité des marchés financiers (AMF) on climate-related disclosures**

### July 2022

- Feedback to Canadian Coalition for Good Governance (CCGG), Investment Company Institute (ICI), Principles for Responsible Investment (PRI) and the Responsible Investment Association (RIA) on each of their responses to the **International Sustainability Standards Board's (ISSB) consultation on Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information and Exposure Draft IFRS S2 Climate-Related Disclosures**

### June 2022

- Participation in PRI-led discussion with the **Ontario Securities Commission (OSC)** on the climate-related disclosures proposed by the Canadian Securities Administrators (CSA)

### May 2022

- Feedback to the Investment Funds Institute of Canada on the **Canadian Investment Funds Standards Committee (CIFSC) Responsible Investment Identification Framework**

### April 2022

- Feedback to PRI on the **U.S. Securities and Exchange Commission's (SEC) climate disclosure requirements**

## Speaking Opportunities at Industry ESG Forums and Events in 2022

- Climate Engagement Canada at COP27 – The Role of Engagement in Driving Climate Action Towards Net Zero – November 2022
- Responsible Investor – Engagement, Divestment and Beyond: How Should Canada's Investors and Financial Institutions Engage with Its Natural Resource Companies? – October 2022
- RIA ESG Product Knowledge Series – Bringing ESG and Sustainability to Life – September 2022
- RIA Virtual Conference – Canada's Sustainable Finance Action Council: Key Objectives and Developments for Investors – June 2022
- Sustainable Finance Summit – **Joining Forces to Build a Leading Sustainable Finance Sector >** – May 2022
- International Corporate Governance Network 2022 Conference – Global Sustainability Standards: Convergence and the Future – **Panel Discussion on Audit/Assurance of Sustainability Reporting: What Are the Issues and Will This Be Made Easier with the Establishment of the ISSB? >** – March 2022
- SHARE Investor Summit 2022 – Reunite, Reignite, Shifting Capital Markets towards Inclusion, Justice, Reconciliation, Sustainability and Resilience – March 2022

## ESG Conferences and Continuing Education

In the spirit of staying on top of developments at the intersection of ESG and investing, TDAM occasionally hosts ESG-focused educational sessions for its investment professionals and other colleagues from around the firm. The aim of these sessions is to provide team members with investment-relevant information, with help from external and internal subject matter experts on the sustainability topics. In 2022, TDAM held sessions on ESG and company performance, different methods of conducting ESG research, carbon credits and offsets, and managed phaseout of fossil fuel assets, among others.

In 2023, all of TDAM's investment team members will be taking a course offered by the PRI to further enhance the team's understanding of the materiality of ESG issues.

TDAM professionals also attend relevant conferences throughout the year to share ideas and insights and learn from industry leaders. Some of the conferences TDAM team members attended this year include:

- 2022 United Nations Climate Change Conference (COP27), Sharm el-Sheikh, Egypt
- 2022 United Nations Biodiversity Conference (COP15), Montreal, Canada
- Responsible Investor (RI) Canada Conference, Toronto, Canada
- ICGN Proxy Season Review 2022; Annual Evaluation and Future Trends, London, England





## Looking Forward

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Momentum continues maturation of ESG integration, with the industry refining its tools to deliver robust ESG analysis. TDAM is following suit and we will continue to refine our approach to ESG integration and stewardship. Over the coming year, TDAM plans to update its sustainable investing approach to incorporate the advancements seen across teams. We will also deepen our stewardship efforts by delving further into our work with Climate Engagement Canada and PRI's Advance initiative, and also expanding our focal areas to include biodiversity – a topic deserving increased attention given the global dependence on the natural world. We will continue to leverage the collective expertise seen within TDAM to drive measurable outcomes, working in partnership with investee companies and other investors. We will continue to lean on constructive dialogue and a fact-based approach to our analysis. We believe that this work will help us stay on course and bring the most informed approach to managing portfolios on behalf of our clients.

Look out for the following developments as we move our work forward:



## Stewardship

Stewardship will remain a critical component of our efforts to advance sustainability across applicable portfolios. Our 2022 focus on climate, human capital and human rights will remain key areas of our research and stewardship efforts will be key going into 2023. Biodiversity will add a layer of analysis, as many of the companies underperforming in this area also underperform in one of the other focus areas. We will continue to play a role within industry engagement efforts and will pay particular attention to seeing out our work with PRI's Advance as they launch their first set of engagement meetings regarding human rights with target companies in 2023. We will also take further steps to advance best practices when it comes to board governance: we have updated our proxy guidelines to advance further on-board independence and board refreshment.

## Biodiversity

The addition of biodiversity as a new focal theme in our stewardship efforts recognizes the links between biodiversity loss and climate change. The Kunming-Montreal Global Biodiversity Framework, signed at the end of 2022 at the Conference of Parties to the UN Convention on Biological Diversity, hosted in Montreal, will serve as a guide to our engagements with our portfolio companies. By doing this, we expect to grow our understanding of the risks of

biodiversity loss posed by and to our investee companies. We will then take those learnings and integrate them into our investment processes.

## Knowledge Building

We will continue to invest in our people as they look to build up their expertise in sustainable investing. The enhanced knowledge will allow us to better perform our work, factoring in a growing body of ESG-oriented information. We have budgeted for formal sustainable investing training for each investment team professional and will continue to encourage knowledge building both internally and via external organizations. Knowledge sharing will extend to TDAM's board of directors as well, with the Head of the ESG Research and Engagement team presenting on TDAM's ESG practices.

## Client-Driven and Thematic Sustainable Fund Solutions

Our product suite has grown substantially over the last couple of years, with more to come in 2023. A new dedicated fixed income solution, the TD North American Sustainability Bond Fund, launched at the start of 2023. This Fund will enhance the ESG offerings on the fixed income side of the market. We will continue to rise to the occasion as the needs of our clients grow and work with them as they look to us to help them meet their sustainability goals.







TDAM continues to see ESG as a priority. Regulators, governments and standard-setting bodies appear to be of the same view. As we do so, we will look to focus on the issues most critical to the portfolios that we manage. While we recognize the evolving nature of ESG information and standards, we will continue to assist in moving the needle by doing our part to foster improvement where we see the need. The maturation of this field and further management of ESG risks across companies and sectors will be necessary to ensure our financial markets remain resilient over the long term. ■



# TDAM ESG Memberships & Affiliations

Signatory of:



## Connect with TD Asset Management



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ETF units are bought and sold at market price on a stock exchange and brokerage commissions will reduce returns. Please read the fund facts or summary documents and the prospectus, which contain detailed investment information, before investing in the Funds. The Funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer and are not guaranteed or insured. Their values change frequently. There can be no assurances that a money market fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment will be returned to you. Past performance may not be repeated. 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. 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. 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