

Implementation of the Principles for Responsible Investment

July 2010

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

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

The sixth principle of the PRI commits signatories to report on their activities and progress towards implementing the Principles. The following summarizes the actions TDAM has taken to put the Principles into practice since our last update as of January 2009.

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

In 2007, we launched our Global Sustainability Strategy, which seeks to deliver long-term capital appreciation by investing primarily in equity securities of companies around the globe, that are viewed as contributing to the world's future sustainability. ESG issues, however, are not only relevant to our Global Sustainability Strategy. The investments of all of our clients can potentially take advantage of some of the same opportunities and are subject to the same risks and other financial considerations as our Global Sustainability Strategy. As a result, in April of 2009 TDAM adopted its Sustainable Investment Policy, which describes how we approach ESG issues as part of our decision making process.

http://www.tdaminstitutional.com/tmi/pdfs/Sustainable_Investing_Policy_-_April_2009.pdf

In late 2009 we finalized our proprietary sustainability matrix to help inform our investment decisions. Our sustainability matrix is managed internally and draws data from Asset4, the world's largest database of transparent, objective and auditable ESG information. In addition, we also use the services of traditional brokers, who provide different perspectives through their dedicated ESG teams. The sustainability matrix allows TDAM to better assess ESG related opportunities and risks associated with existing and potential investments across a broad array of investment mandates.

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

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

Engaging with companies in appropriate situations is an important part of being an active owner. We focus on companies where we can have the greatest impact, and on the issues that we consider to be the key drivers of financial value. We engage companies, where appropriate on ESG issues and participate in collaborative engagement initiatives. We prefer to have ongoing discussions with companies privately, rather than through the press or other public outlets, however we will act publicly when we think it will be more effective.

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

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proposals that involve ESG issues are voted on a case by case basis. In addition to governance issues, in the 2009 proxy season we supported approximately 50 shareholder proposals on a range of environmental and social issues. We have noticed that proposals which we supported in previous years, such as sustainability reporting, have been disappearing from shareholder meetings as more companies disclose the requested information. Many other 'E&S' proposals that we would have supported were withdrawn by the proponents after discussions with management.

In 2009 we also engaged with a foreign-based steel company in the wake of allegations in a leading financial publication that forced labour was used in an early stage of the company's supply chain – our discussions with this company will continue.

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

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

TDAM also participates in initiatives like the Carbon Disclosure Project (CDP), which among other things, seeks to improve disclosure on carbon emissions and climate change risks. In the spring of 2009 we corresponded with 77 Canadian-based companies who have not yet participated in the CDP to encourage them to do so.

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

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

In November 2009, TDAM presented at two conferences that included advocating the PRI and discussing implementation.

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

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

The objective of the CDP is to promote an ongoing dialogue between institutional investors and senior corporate management in relation to climate change. CDP plays a vital role in encouraging private and public sector organisations to measure, manage and reduce emissions and climate change impacts. The data collected by CDP provides investors with valuable insight into the strategies deployed by many of the largest companies in the world in relation to climate change. It also provides investors with a better understanding of risks and opportunities from climate change in their portfolios. TDAM is a supporting sponsor to the CDP 2009 – Canada Report and a member of the CDP Canada 2009 Advisory Board.

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

companies and policy makers to ensure that Canadian public companies have sound governance practices and a sound regulatory framework. On behalf of the CCGG members, including us, CCGG staff engaged with 35 Canadian companies in 2009 on a range of governance issues. TDAM is represented on the Board of the CCGG.

The UN PRI Clearinghouse allows us to review engagement requests from other PRI members and provides the opportunity to participate where our interests align. In June of 2009 TDAM participated in a request targeting global companies that had not previously responded to the Carbon Disclosure Project questionnaire.

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

TDAM is committed to reporting on how it is integrating ESG issues into its investment practices and communicating with clients about ESG issues and the Principles. This report is intended to provide an overview of our progress over the calendar year ending December 31, 2009.

About TD Asset Management

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