NEI

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Q4 2022
CORPORATE ENGAGEMENT PROGRESS REPORT: TD BANK

Sector
Financials

Focus theme; sub-theme(s)
Net-zero alignment

Related UN Sustainable Development Goal(s)

Engagement activity
Solo check-in

Responsiveness
Responsive

Holding status (subject to change without notice)
NEI Canadian Equity RS Fund, NEI Canadian Bond Fund, NEI Canadian Dividend Fund, NEI Canadian Equity Fund, NEI ESG Canadian Enhanced Index Fund, NEI Fixed Income Pool, NEI Global Equity Pool, NEI Global Sustainable Balanced Fund, NEI Growth & Income Fund

TD's choice of emissions reduction metric sets it apart

Objective: Assess progress toward net zero, compare/contrast Canadian banks' climate strategies.

We met with 5 banks in Q4 to continue our multi-year engagement on their role in driving the global transition to net zero and their unique ability to speed the decarbonization of companies in their lending portfolios. There remains much ground to cover, yet all banks are committing real resources to this complex challenge.

In many ways the banks' approaches are similar. They are members of the Net-Zero Banking Alliance; they use the International Energy Agency's "Net Zero by 2050 Scenario" (though they appear to diverge from it in different ways); and they want to support high-emitting sectors with the capital they need to transition rather than refuse financing. They are all building out advisory functions in their firms to help companies develop transition plans.

But there are differences. TD has addressed the critique of having intensity-based targets for the energy sector by committing to disclose the absolute emissions associated with those companies. They have also included their underwriting activities in their target setting, thus capturing a more complete picture of their exposure. And their energy sector targets capture the entire value chain: upstream, midstream and downstream. To achieve this, they are using "economic emissions intensity" instead of "physical emissions intensity" to measure carbon reduction. By measuring emissions intensity per unit of revenue instead of per barrel of oil, TD can not only include a broader array of companies in the calculation, they can better capture the degree to which a company is reducing its risks through diversification. But there is a drawback: economic intensity can fluctuate with ups-and-downs in revenue that may not even be related to emission reduction efforts. The company is cognizant of the risks and says it will work to mitigate them.

Next steps: Set a follow-up meeting on biodiversity.

Leadership in corporate engagement

Our goal is to protect shareholder value while influencing accountability to all stakeholders.

We believe the most effective tool for achieving that goal is corporate engagement. We talk directly with companies—alerting them to ESG risks, encouraging them to improve their ESG performance, and influencing how they are run. The NEI approach to corporate engagement is a proprietary model that incorporates internationally recognized principles and frameworks such as the Principles for Responsible Investment, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the UN's Sustainable Development Goals.

Talk to your advisor today about how responsible investment solutions from NEI can help you achieve your goals.

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