



2022

**TD's Climate
Action Plan:**

Report on Progress and
Update on TCFD

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For more information about TD and our activities, please read our other reports:

- [+ 2022 Annual Report](#)
- [+ 2022 ESG Report](#)
- [+ 2022 TD Ready Commitment Report](#)



About this Report

Reporting Framework

This report presents our progress on TD's Climate Action Plan (CAP), including our actions to help us meet our target of net-zero greenhouse gas (GHG) emissions from our operations and financing activities by 2050, and our efforts toward implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Since 2018, we have released disclosures on how TD has embedded the assessment and disclosure of climate-related risks and opportunities into our governance, strategy and reporting. This is our fifth report. It outlines our approach, accomplishments, and priorities and has been combined with updates on our progress toward implementing our CAP during the reporting period November 1, 2021, to October 31, 2022, unless otherwise noted.

Throughout this report, "TD" or "the Bank" or "we" refers to TD Bank Group. "TD Bank" refers to TD Bank, America's Most Convenient Bank®.

Currency

All currency is in Canadian dollars unless otherwise noted.

External Assurance Reports

Ernst & Young LLP (EY) performed a limited assurance engagement over a selection of TD's social and environmental performance indicators and reasonable assurance engagements with respect to TD's use of net proceeds from its 2020 Sustainability Bond issuance and its 2021 Green Bond issuance. For further information, please see the links below:

- + [Assurance statement for the TD Sustainability Bond \(2020\) Issuance – Use of Proceeds](#)
- + [Assurance statement for the TD Green Bond \(2021\) Issuance – Use of Proceeds](#)
- + [Assurance statement for the 2022 ESG Metrics, Greenhouse Gas Emissions and Carbon Neutral Schedule](#)



Ways to Reach Us

With teams across TD dedicated to maintaining relationships, we interact with stakeholder groups on a regular basis, responding to the issues and concerns brought to our attention. If you would like to contact TD with feedback, here are a few ways to reach us:

Customers:
customer.service@td.com

Retail shareholders:
tdshinfo@td.com

Institutional investors:
tdir@td.com

Suppliers:
tdsource@td.com

Non-profits and community-based organizations:
tdreadycommitment@td.com

On Twitter:
[@TD_Canada](https://twitter.com/TD_Canada) or [TDBank_US](https://twitter.com/TDBank_US)

Messages from Our Leadership



Bharat Masrani
Group President and CEO

Protecting our environment and tackling climate change has never been more important. TD recognizes the opportunity before us and the critical role we play in supporting our customers and clients in their transition to a low-carbon future.

I am proud of TD's long history of environmental stewardship and our bold and ambitious Climate Action Plan. Across the Bank, we are building on our track record by investing in the transition to a low-carbon economy. We remain steadfast in our commitment to accelerate progress and build more inclusive and sustainable communities for all.



Janice Farrell Jones
SVP Sustainability and
Corporate Citizenship

The critical challenge of climate change demands bold and persistent action, and as a leading financial institution, TD recognizes that we have a role to play. In 2022, we are proud to have reached our goal of contributing \$100 billion in low-carbon lending, financing, asset management, and internal corporate programs; and we continue to move forward with the announcement of our new, broader Sustainable & Decarbonization Finance Target and additional Scope 3 targets for financed emissions. Building on that progress, and in response to the evolving ESG landscape, we are deepening our focus on the environment: working toward a greener future, and helping those who are living with the impacts of climate change today. As we work together to advance a more sustainable economy and a healthier planet, we are driven by the support of our colleagues, whose passion and dedication pushes us forward each and every day.

We view climate risk among our top and emerging risks and understand that it drives impacts across traditional risk areas, including credit risk and operational risk.

We are seeing an acceleration of calls to action from governments; sustained heightened focus from shareholders, investors, community groups and the public at large; and evolving expectations from regulators and other standard-setting bodies. Understanding this, our comprehensive risk management approach continues to evolve and mature. We have frameworks and policies in place to identify and manage climate-related risks. Further, each TD line of business contributes to the management of climate-related risks, as we embed risk policies and processes across the enterprise.

Highlights featured in this report include:

- Establishing a dedicated ESG Risk Management team under the leadership of the newly created role of Senior Vice President, ESG Risk Management.
- Enhancing our climate risk inventory and heatmap to support identification of climate risk drivers for transition and physical risk across our portfolios and operations.
- Further embedding climate risk in our credit risk policies and procedures, including enhanced due diligence tools and the newly developed climate credit risk dashboard to facilitate internal reporting of climate risk exposures and trends.
- Continuing to hone our risk assessment and measurement capabilities via scenario analysis exercises.

To effectively manage climate-related risks, we continue to invest in building our capabilities to identify, assess, measure, and monitor such risks. We continue to make progress, recognizing we are on a multi-year journey to build these capabilities to better understand, plan against and help mitigate the associated risks of a changing climate. We understand that the regulatory landscape continues to evolve, and that methodologies, data, and tools will mature over time, requiring us to be nimble and adaptive in our approach. TD will continue to work to advance the objectives we share with our stakeholders, clients, customers, and the communities we serve as we work toward building a sustainable economy and a healthier world.



Ajai Bambawale
Group Head and Chief Risk Officer

TCFD Recommendations Index

TD has aligned its reporting with the recommendations of the Task Force on Climate-Related Financial Disclosures since 2018.

TCFD Category	TCFD Recommendation	Reference
Governance	a. Describe the Board's oversight of climate-related risks and opportunities	Pages 9 and 10
	b. Describe management's role in assessing and managing climate-related risks and opportunities	Pages 9, 11, 12 and 13
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Pages 16, 18, 19, 20, 31, 32, 33, 34, 35 and 36
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Pages 18, 19, 20, 31, 32, 33, 34, 35, 36 and 37
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 37
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks	Pages 30, 31, 32, 33, 35 and 36
	b. Describe the organization's processes for managing climate-related risks	Pages 35 and 36
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Pages 34, 35 and 36
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 30, 32, 40, 41, 42, 43, 44, 45, 46, 47, 50, 51, 52 and 53
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Pages 40, 43, 44, 45, 46 and 47
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 40, 45, 46, 47, 51, 52 and 53

Our Progress Toward Net Zero by 2050



Achieved a
↓24.6%

reduction in operational emissions
relative to 2019 baseline.

4

high-emitting sectors covered by
financed emissions targets.

89%

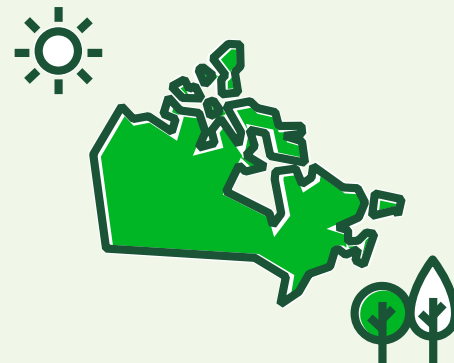
Expanded our financed emissions footprint
to cover 89% of our lending and investment
to carbon-intensive sectors and included two
new asset classes: consumer auto loans and
residential mortgages.

Set
\$500
billion

Sustainable & Decarbonization
Finance Target by 2030.¹

Deployed over
\$107
billion

in low-carbon lending, financing, asset management
and internal corporate programs since 2017.



\$10
million

1,500
square kilometres

Announced a \$10 million investment by TD Securities (TDS)
into the **Boreal Wildlands Carbon Project** to help conserve
more than 1,500 square kilometres of mixed hardwood
and softwood boreal forest in Northern Ontario.



Issued a
US\$500
million

green bond in December 2021 under our
2020 Sustainable Bonds Framework.

A Message from Our Head of Environment



Nicole Vadori
VP and Head of Environment

While TD has a long history of environmental leadership, the last few years have been particularly important in our climate journey. We developed our Climate Action Plan, set financed emissions targets for four high-emitting sectors, and launched our Climate Target Operating Model (TOM) to help us deliver on our climate objectives.

With our targets in place, challenging work lies ahead. We are eager to convert our ambitions to action, by transforming how we think, how we engage with our stakeholders, and how we do business. We also recognize that no one institution can meet international climate objectives and deliver on this transformation alone. Industry participants, governments and other stakeholders all have a role to play.

While the focus in recent years has been on addressing climate change, we are witnessing another environmental issue emerge: the loss of natural areas and biodiversity, the effects of which compound climate change due to the loss of the world's carbon sinks. Building on TD's long philanthropic history of helping to protect, conserve and restore forests and natural areas, we are evolving our approach to identify integrated actions that we can take to address these interconnected global challenges.

In 2022, we had an opportunity to co-structure and co-invest in a Canadian nature-based solution to help drive progress on both nature-loss and climate change. TD Securities (TDS) announced a \$10 million investment in the Boreal Wildlands Carbon Project led by the Nature Conservancy of Canada (NCC), the largest single private conservation project in Canada according to the NCC. Although deforestation is only one form of nature loss, it is estimated to

account for 11% of global CO₂ (carbon dioxide) emissions, demonstrating the role that nature can play in addressing climate change.²

Actions like this, on a larger scale, are necessary to move toward building a low-carbon future. And while building a low-carbon world is the ultimate goal, there is much to be done to understand and address inequities and unintended consequences in the transition to a low-carbon economy. The transition is already underway, and will progress over many years to come; achieving net-zero emissions will involve a transformation of our global energy systems.³ At TD, we continue to support our clients through responsible energy development and continue to invest in the energy systems of the future.

The year 2030 is fast approaching and, in preparation, we are concentrating our efforts on several elements of our Climate Action Plan. We are developing a more comprehensive and decarbonization-focused client engagement strategy, expanding our shelf of sustainable and decarbonization finance products and services, and leveraging nature-based solutions to help meet the scale of the challenge before us. There is much work to be done and we are taking the steps to help meet our climate objectives and support our clients through the net-zero transition.

Sincerely,

Nicole Vadori
VP and Head of Environment

Governance

By integrating climate-related oversight across the organization, we are focused on fostering a culture of accountability in the execution of our climate objectives.

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Introduction

TD's governance framework is anchored by our well-defined risk culture. As the banking landscape evolves, we are focused on managing both established and emerging risks while maintaining alignment with the Bank's purpose to enrich the lives of its customers, communities and colleagues.

Key Accomplishments

- Established an ESG Financial Reporting Team within the Chief Accountant's Department to grow our internal capabilities in preparation for emerging regulatory financial reporting requirements and frameworks.
- Made key structural changes to our teams to better support the management of climate risks and progress toward targets, including the establishment of our Enterprise Sustainable Finance and Enterprise Decarbonization teams, as well as the consolidation of the Environmental and Social Risk Management (ESRM), ESG Credit Risk, and ESG Central Office (ECO) under one leadership team.
- Developed an enterprise-wide climate data strategy to address business and risk monitoring and reporting requirements and launched a project to strengthen and build climate-specific data management capabilities.
- Provided education sessions to the Board and Senior Executive Team (SET) on climate topics, including financed emissions target-setting, carbon markets and carbon capture, utilization and storage.



TD's Approach to Climate Governance

TD believes that strong Board and Executive oversight of climate-related issues is essential for assessing and managing potential impacts on our business strategies and financial performance. We have integrated climate-related risk and opportunity considerations into our existing governance structures and are focused on developing strong independent oversight of ESG risks.

TD's Climate Governance Framework

Board of Directors

Approves TD's strategy and business objectives, and oversees the implementation, execution, and monitoring of performance, including progress related to TD's ESG strategy and objectives. The Board oversees risks and controls related to climate change issues affecting TD and its stakeholders, as well as the Bank's strategy to manage climate-related risks and opportunities. The Board also receives reporting on the progress of TD's Climate Action Plan (CAP).



Board Committees

Corporate Governance Committee (CGC)

Oversees and monitors alignment with our purpose and strategy, performance, and reporting on corporate responsibility for environmental and social (E&S) matters, including climate change

Risk Committee

Reviews and recommends our Risk Appetite Statement, and provides a forum for analysis of enterprise risk trends and current and emerging risks, including E&S risks

Human Resources Committee (HRC)

Oversees our people strategy, organization structure and compensation strategies, plans, policies, and practices to ensure they are consistent with the sustainable achievement of the Bank's business objectives, including those related to ESG. Determines compensation for members of the SET, including the integration and impact of ESG metrics on compensation awarded under the Executive Compensation Plan

Audit Committee

Oversees financial reporting and disclosures, and the effectiveness of internal control systems and processes in the areas of reporting (financial, operational and risk) and operations



Management Committees⁴

Enterprise Risk Management Committee (ERMC)

Oversees the management of major enterprise governance, risk, and control activities and promotes an integrated and effective risk management culture, including climate risk

Operational Risk Oversight Committee (OROC)

Oversees the identification, monitoring, and control of key risks within our operational risk profile

Enterprise Reputational Risk Committee (ERRC)

Oversees the management of reputational risk within our risk appetite and provides a forum for discussion, review, and escalation for non-traditional risks

ESG SET Forum

Provides oversight of ESG and climate strategy development

ESG Program Management & Executive Steering Committee (ESG PMC)

Provides direction and makes decisions related to the design and configuration of the elements that make up the Climate Target Operating Model (TOM); reviews the execution status of the ESG program including workstreams and projects in place to implement the CAP

Sustainable Finance Executive Council

Mobilizes our sustainable finance efforts and engages teams across our organization to develop new products and services that align with TD's enterprise-wide ESG strategy

ESG Disclosure Council

Supports the review and approval of ESG disclosures and plays a role in reviewing our financed emissions target disclosures



TD Lines of Business

Sustainability and Corporate Citizenship Group

Leads development of the enterprise climate strategy, provides enterprise guidance, analysis, and communication for CAP elements, champions their development and implementation within the enterprise, and leads reporting and public disclosure for sector-specific targets

ESG Centre of Expertise (COE)

Brings together the experience, expertise, and talent of colleagues working on ESG issues across the enterprise to support the development and implementation of our ESG strategy centred around six hubs

ESG Central Office (part of ESG Risk Management)

Determines accountabilities and coordinates involvement of stakeholders to define the Climate TOM and leads work to identify and develop related implementation plans

ESRM (part of ESG Risk Management)

Identifies, assesses, and supports the effective management and reporting of our climate risks

ESG Credit Risk Group (part of ESG Risk Management)

Coordinates the incorporation of ESG and climate risks into our credit risk assessments at both the borrower and portfolio levels

Board of Directors Oversight

TD's Board of Directors is focused on creating sustainable growth and long-term value for our shareholders. The Board oversees the implementation of an effective risk culture and internal control framework across the enterprise. TD's Board of Directors and executives oversee E&S risk, and assess and manage potential impacts on the Bank's business strategies and financial performance. The Board continues to oversee E&S risk as one of the top and emerging risks for the Bank and receives periodic updates on the Bank's progress on E&S matters. As part of its mandate, the Board oversees the management of risks and controls related to climate change issues affecting TD and its stakeholders and the delivery of a strategy that manages climate-related risks and opportunities. This includes oversight of TD's efforts to help support the transition to a low-carbon economy.

The Board and its Committees carry out their mandate by providing oversight of the Bank's management of climate-related risks.

Board Engagement on Climate

Board and Board Committees	Examples of 2022 Engagement
Board of Directors	<ul style="list-style-type: none"> Received updates on the Bank's Scope 3 financed emissions target-setting Participated in education sessions covering climate-related issues, coordinated by the Education, Knowledge Management & Communication Hub of the ESG COE. Topics included financed emissions target-setting, carbon markets, and carbon capture, utilization and storage
CGC	<ul style="list-style-type: none"> Received updates on setting and operationalizing financed emissions targets Monitored ESG-related risks and opportunities, including receiving presentations on stakeholder feedback and governance developments In the course of 24 meetings with institutional shareholders in 2022, the Board Chair and HRC Chair discussed ESG matters raised by shareholders
Risk Committee	<ul style="list-style-type: none"> Conducted regular reviews of TD's enterprise Risk Dashboard including E&S risk Received an update on a Bank of Canada-OSFI Climate Scenario Analysis Pilot
HRC	<ul style="list-style-type: none"> Considered the effectiveness of the link between ESG and executive compensation established for SET members in 2021 for fiscal year 2022
Audit Committee	<ul style="list-style-type: none"> Received an update on climate-related disclosure standards and the role of assurance in ESG reporting



Management Oversight

Roles and Responsibilities

At TD, the Chief Executive Officer (CEO) is ultimately accountable for the execution of the Bank's climate strategy, including the CAP. The ESG SET Forum, composed of senior executives from TD's business and corporate segments, provides oversight of ESG and climate strategy development. The Bank's various business-specific and enterprise risk committees are required to provide oversight and support management accountability by providing a platform to guide, challenge, and advise on existing and emerging E&S risks.

The Bank's work to integrate climate management capabilities into our lines of business is ongoing and is intended to reinforce ownership and accountability of climate risks and opportunities across the enterprise. Business and Corporate Segments are responsible for identifying, owning, and managing E&S risks within their respective areas. This includes incorporating E&S risk assessments into governance and business-as-usual processes, including, but not limited to, new clients, transactions and positions.

This year, we established our Enterprise Sustainable Finance team under the Sustainability and Corporate Citizenship group and appointed an Associate Vice President to lead the team. The Enterprise Sustainable Finance team shapes enterprise-wide, sector-focused strategies to support business opportunities aligned to TD's ESG focus areas, including a focus on the reduction of Scope 3 financed emissions. We also established the Enterprise Decarbonization team under the Sustainability and Corporate Citizenship group, appointing an Associate Vice President to lead the development of our enterprise decarbonization strategy and financed emissions accounting and target-setting work.

In 2022, the ESRM, ESG Credit Risk, and ECO teams were aligned under the leadership of the newly created role of Senior Vice President, ESG Risk Management. The ESRM team oversees climate risk identification, assessment, measurement, and monitoring and reporting through the ongoing development of risk frameworks, policies, internal processes, and tools. The ESG Credit Risk team is responsible for identifying, monitoring and addressing climate risk within the Bank's lending activities. The ECO team leads the development of the Climate TOM, which includes workstreams dedicated to the Bank's enterprise and risk strategy, and climate risk framework and identification. The ESG PMC provides oversight of these initiatives, including financed emissions calculations, operationalizing our GHG emissions targets and enterprise risk assessments. Bringing these teams together under the same leadership helps align our efforts, as we continue to build upon our risk management capabilities and integrate them across our lines of business.

We also established an ESG Financial Reporting team within the Bank's Finance division, which has a mandate to develop ESG financial reporting in line with evolving standards, including the design and implementation of internal governance and controls. Working closely with Sustainability and Corporate Citizenship and ESG Risk Management, the group is involved with advocating on topics related to ESG and climate-related financial reporting through various industry advocacy groups such as the Canadian Bankers Association.

Executive Compensation

In 2021, we integrated ESG metrics into the executive compensation package funding framework for the CEO and SET under TD's Executive Compensation Plan.⁵ Under this framework, ESG metrics covering climate change, diversity and inclusion, and employee engagement are considered under the business performance factor affecting senior executive compensation. As stated in our 2023 Proxy Circular, the climate metrics considered in executive compensation relate to progress against our net-zero target, including progressing against Scope 1 and 2 interim greenhouse gas (GHG) emission reduction targets, progressing target-setting for Scope 3 GHG emissions, and embedding ESG opportunities in business strategies. For more information on TD's Executive Compensation Plan, please see our [2023 Proxy Circular](#).



Management Oversight (continued)

Skills and Culture

We continue to enhance our internal expertise and capabilities to manage climate-related risks and opportunities. A very important focus area is hiring the right talent to advance our long-term goals. This year, we hired additional employees fully or partially dedicated to climate-related matters in many key areas of the enterprise including Sustainability and Corporate Citizenship and Risk Management, but also within corporate functions like Finance, Legal, Data and Analytics. We have also enhanced our ESG expertise within the different lines of business such as TDS's ESG Solutions team, TD Asset Management and TD Insurance, among others. By integrating and enhancing climate knowledge and capabilities across our businesses and growing our team, we continue to build our capacity and capabilities to better identify and manage climate-related risks and opportunities as we work toward meeting our net-zero target.

We leverage our skills, resources and talent to help build a more sustainable and inclusive future. We understand that TD can make the biggest impact when our people are fully engaged and can use their skills and passion to encourage positive change. In order to support the ongoing management and execution of our CAP, TD takes a Bank-wide approach to providing development opportunities to colleagues. As part of TD's ESG COE, our Education, Knowledge Management & Communications Hub is responsible for implementing our ESG education and learning programs. We are updating our internal knowledge packages to better inform our teams on TD's climate targets, including how TD can support our clients in the low-carbon transition. We also developed and launched the ESG Colleague Resource Centre to be a centralized, online tool for our colleagues to learn about TD's history on ESG topics, focus areas, and strategy. In addition to learning resources, the site directs colleagues to TD's internal learning platform, TD Thrive.

We have also created environment-focused programs for our teams, including environmental colleague engagement campaigns which provide our colleagues the opportunity to connect with nature and to learn about and share tips on living a more sustainable lifestyle. Our enterprise-wide TD Tree Days program, an annual flagship volunteer program, provides colleagues hands-on tree planting volunteer opportunities to take climate action into their communities.

In addition to building broader awareness and education on climate topics, TD has put significant importance on building our climate capabilities through our ESG talent pipeline. To further develop our talent pipeline and build on our internal capabilities, the Sustainability and Corporate Citizenship group in partnership with Enterprise Risk Management introduced

a new two-year ESG Associate program to attract and retain graduate professionals to support TD's ESG work across the enterprise. The program is designed so that participants can develop broad experiences and knowledge in ESG and a holistic view of how our strategy is developed and operationalized.



TD's ESG Centre of Expertise

In 2021, we established TD's ESG Centre of Expertise (COE) to bring together the experience, knowledge and talent of colleagues working on ESG initiatives across the enterprise in order to coordinate and streamline efforts and provide thought leadership to support decision-making. For more information on the COE, please see our [2022 ESG Report](#).

Management Oversight (continued)

Case Study: Oversight of Our Financed Emissions Targets

We have formalized a governance structure to provide oversight and accountability over the development of financed emissions targets. This governance structure is cross-functional with representation from different lines of business (e.g., TD Securities, Canadian Business Banking, U.S. Commercial) and corporate functions (e.g., Risk and Finance) across the Bank, and consists of a Working Group, Executive Steering Committee, and the ESG Disclosure Council. The Working Group provides recommendations to the Steering Committee on target considerations and design decisions and engages both internal and external subject-matter experts from relevant sectors to inform decision-making. The Steering Committee reviews target design and feasibility, and provides guidance to the Working Group while updating the SET ESG Forum on progress. The ESG Disclosure Council was established in 2019 to support the review and approval of ESG disclosures, and plays a role in reviewing our financed emissions target disclosures. The ESG Disclosure Council is chaired by a SET member (i.e., the Senior Executive Vice President and Chief Human Resources Officer), and is comprised of senior management across key corporate functions and business segments.

Quarterly updates were provided to the CGC of the Board on target-setting, and the Board of Directors and CEO received regular updates on our approach to setting financed emissions targets. For more information on Board and Committee engagement on ESG, including climate, please see our [2022 ESG Report](#).



Upcoming Priorities

Establishing governance processes across our organization is an important step in our journey, but we recognize that processes will require continued enhancement to meet the evolving needs of the regulatory landscape and foster ongoing accountability for the oversight and delivery of our CAP.

The initial focus for the Climate TOM has been developing the model, the primary road map deliverables, and the supporting implementation plan in alignment with the Bank's climate strategy. Our upcoming priorities for the next phase of implementation will focus on enhancing climate capabilities, internal controls, and supporting data service infrastructure as we continue to integrate climate considerations across our enterprise and lines of business, all while supporting continued appropriate oversight.

Strategy

As the world transitions to a low-carbon future, we are focused on helping our clients, colleagues and communities embrace this change and overcome challenges on the path to net zero.

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Introduction

In 2020, we announced our Climate Action Plan (CAP) which includes our target to achieve net-zero greenhouse gas (GHG) emissions in our operations and financing activities by 2050 and defines our long-term climate ambitions across TD. Building on the initial financed emissions targets we set for the energy and power generation sectors in March 2022, this year we are announcing new targets for the automotive manufacturing and aviation sectors. Like our first two targets, these new targets also cover corporate lending and capital market activities. These targets represent an important step in our net-zero journey, but there is more work to do. As our targets take shape, we are continuing to develop internal processes to integrate our targets into our products and services.



Key Accomplishments

- Progressed on our financed emissions work in fiscal year 2023 by setting two new interim 2030 financed emissions targets for the automotive manufacturing and aviation sectors and expanded our financed emissions footprint calculations to cover 89% of our lending to carbon-intensive sectors.
- Set a \$500 billion by 2030 Sustainable & Decarbonization Finance Target with a focus on supporting environmental, decarbonization and social activities through lending, financing, underwriting, advisory services, insurance and the Bank's own investments.
- Launched TD Securities's (TDS) Carbon Advisory business, which provides innovative, low-carbon solutions that leverage TDS's capital markets expertise and deep client relationships.
- Provided input and feedback on several emerging climate risk management and disclosure standards proposed by standard-setters and regulators.
- Continued to mobilize sustainable finance across the enterprise by growing the suite of climate-related products and services available to clients to support their decarbonization journeys.
- Launched TDAM's new climate-themed fund in 2022: the TD Emerald Low Carbon Global Equity Index Non-Taxable Investor Pooled Fund Trust.
- Announced a \$10 million investment from TD Securities into the Boreal Wildlands Carbon Project, a Nature Conservancy of Canada (NCC) project protecting nearly 1,500 square kilometres of boreal forest in Northern Ontario. The investment demonstrates TD's commitment to supporting the growth and development of voluntary carbon markets by providing innovative financing solutions.

TD's Climate Action Plan Objectives and Priorities

TD's Climate Action Plan serves as the foundation of our climate strategy, and describes the actions TD is taking to address climate change, including how we are working toward our 2050 target of net-zero GHG emissions associated with our operations and financing activities. Our net-zero target was first announced in 2020, and we have since shared additional details on the actions we are taking to help us meet our targets. We are prioritizing high-emitting sectors based on their contribution to global GHG emissions, their weight within our portfolio, and the availability of decarbonization scenarios and high-quality data. Many of our clients have begun their climate journeys and are implementing their own climate change strategies and GHG emissions reduction plans. We aim to support our clients—including those in high-emitting sectors—to enable their low-carbon transitions.

Since the launch of the Climate Action Plan Roadmap in 2021, we have made progress toward our existing GHG emissions targets and have set new financed emissions targets for priority sectors. As a global financial institution, the Bank is exposed to a range of environmental and social (E&S) risks and opportunities and we are working toward integrating climate-related risks into our risk assessment processes, such as incorporating insights from our Climate Risk Heatmap into scenario analysis exercises. We are also making progress in enhancing our product offerings to capture climate opportunities, such as through our new Carbon Advisory business within TDS. Through all the work we have done to date, we have developed a better understanding of the steps required to meet our targets and refined our approach accordingly. As a result, we have updated the five pillars of our CAP Roadmap to better reflect our current approach.

Our CAP will continue to evolve year-over-year to incorporate industry best practices. For example, we have started to incorporate industry recommendations on transition plans. Elements of the transition plan framework developed by the GFANZ for financial institutions have been embedded throughout this report and we have organized disclosures within this framework. Some topics outlined in the GFANZ framework are also covered in the **Governance** and **Metrics and Targets** chapters of this report.

We recognize that the low-carbon transition will present unique challenges for our clients, and we are focused on supporting them to address these

challenges on the path to net zero. For more information on our climate opportunities, see the **Products and Services** section. Our approach to identifying, assessing and managing climate-related risks in line with the Bank's E&S Risk Framework is discussed in greater detail in the **Risk Management** section.

Our Climate Challenges

TD is focused on navigating the uncertainty and complexity inherent in a global economic transition. Below are several of the climate challenges we have identified that inform our approach.

Responding to the pace and scale of climate change

In 2022, we focused on integrating and enhancing climate knowledge and capabilities across the enterprise by growing our teams, building internal expertise, and making structural changes to better support climate-related risks and opportunities.

We expect that our clients in carbon-intensive sectors will continue to face headwinds from the rapid market and regulatory changes as society transitions to a low-carbon future. We believe we are well-positioned to provide our clients with products and services to help them meet their climate objectives. At the same time, we are prepared to work with regulators and other industry stakeholders to address challenges with the transition to net zero.

Tailoring our approach to the communities we operate in

The economies of Canada and the U.S. include a high representation of critical sectors that are both major contributors to GHG emissions and highly susceptible to climate-related risks. Supporting our clients within these sectors as they work to reduce their emissions while continuing to be competitive in the global market represents a central challenge for TD and the Canadian and U.S. economies.

We believe in the need for a just and orderly transition – to support workers, businesses and communities affected by the transition to a low-carbon

economy so that its benefits are shared widely. As we work to reduce our GHG emissions and help support our clients and customers with their transition plans, we recognize that we must be cognizant of the direct and potential indirect impacts of our actions.

Navigating evolving regulatory requirements and reporting standards

Climate-related regulations continue to evolve and vary significantly across jurisdictions. Expectations from regulators and international standard-setters continue to rise with respect to TD's management and disclosure of climate-related risks. Maintaining compliance with existing and forthcoming regulations and standards is a priority for us. We actively participate in a range of industry groups to provide input on future climate-related requirements and standards.

These developments have come in parallel with increased focus on companies' approaches to climate change – from regulators, clients, shareholders, and other stakeholders. This includes critical observation of, among other topics, the appropriateness and ambition of GHG reduction targets and methodologies and the robustness of climate-related disclosures. We aim to develop our approach in a way that is appropriate for our business, thoughtful in its planning, and transparent in its execution.

Please see the section titled Engagement with **Regulators and Standard-Setters** for more detail.



Climate Action Plan Roadmap



TD's GHG Footprint

Where are we today?

Objectives

Leverage established standards to account for our GHG emissions, including the GHG Protocol for our operational emissions (Scope 1 and 2) and the Partnership for Carbon Accounting Financials (PCAF) for our Scope 3 financed emissions⁶

Progress to Date

- We calculate, report and obtain assurance on our **Scope 1 and 2 GHG emissions**
- We expanded our Scope 3 financed emissions footprint estimate to include **four asset classes and seven carbon-intensive sectors**

External Pathways

How will the world get to net zero?

Objectives

Leverage external research to assess various pathways to net zero that are science-based and aligned with a maximum warming of 1.5°C, and use these pathways to guide TD's target-setting and CAP activities

Progress to Date

- Our CAP is grounded in science. We assessed multiple scenarios and consulted with industry experts to better understand the road ahead to reduce emissions across all scopes
- Our financed emissions targets are aligned with the International Energy Agency's Net-Zero Emissions (IEA NZE) by 2050 Scenario and are informed by its sectoral decarbonization trajectories. Using this scenario as a guide, we can prioritize sectors and develop strategies to help us achieve our net-zero target

TD's Baseline and Targets

What are our targets?

Objectives

Determine the GHG baselines for Scope 1 and 2 operational emissions, and Scope 3 financed emissions, and set interim targets using a science-based approach

Progress to Date

- Set a 2025 interim target for our **Scope 1 and 2 emissions**
- Set interim 2030 Scope 3 financed emissions targets for four carbon-intensive sectors: **energy, power generation, automotive manufacturing and aviation**

TD's Actions

How will TD get to net zero?

Objectives

Build internal capabilities and processes across our enterprise to help support the GHG reductions necessary to make progress toward our net-zero target

This plan will serve as our strategy to work toward our targets and help transition our business. Each business segment is tasked with determining its transition strategy and actions

Progress to Date

- We launched a sector-specific **client assessment and engagement framework**. Our plan is focused on supporting our clients as they transition and helping them achieve their emission reduction targets, including our ongoing work to develop the products and services that will help them on this journey
- This year, we established a **Sustainable & Decarbonization Finance Target** focused on supporting environmental, decarbonization, and social activities

Reporting

How are we reporting our progress?

Objectives

Provide annual disclosures with updates on our GHG footprint, and the actions taken, and progress made, against our targets

Progress to Date

- Throughout this report, we share the key elements and updates of our plan, and how we are building internal capabilities and enhancing our resources as we work toward our net-zero goal
- We intend to continue to disclose performance compared to our interim targets, as well as changes to our approach, as our priorities, guidance, methodologies and decarbonization scenarios continue to evolve

Our Implementation Strategy

In this section, we outline the actions we are taking to meet our financed emissions targets and support the transition to a low-carbon economy. The implementation strategy describes how business activities, products and services, and policies align with net-zero objectives of the climate action plan and translate into desired outcomes for the business.

Business Planning and Operations

Our Climate Target Operating Model (TOM) outlines how the Bank will design and establish new functions, capabilities, governance and related infrastructure support to deliver TD's CAP. Notable milestones reached in 2022 are outlined below.

- **Financed emissions measurement and target-setting:** Developed financed emissions baselines and targets for clients in the energy, power generation, automotive manufacturing and aviation sectors.
- **Risk strategy and identification:** Developed an enterprise-wide E&S Risk Policy and launched our Climate Credit Risk Dashboard. Please see [Case Study: Launch of TD's Climate Credit Risk Dashboard](#) in this report to read more about how the dashboard enhances climate risk assessment within our credit portfolios.
- **Business line strategy and front-line delivery:** Continued work to integrate climate targets and considerations into our business strategy, including governance processes, analytics tools to support business decisions and client engagement, and transaction and review processes for corporate lending clients in climate-sensitive sectors.
- **Enterprise climate data and technology:** Developed an enterprise climate data strategy to address financed emissions, risk management and financial disclosure related use cases and launched a major infrastructure project to centrally acquire, collect and store climate data using cloud-enabled data technology.



Our Implementation Strategy (continued)

Products and Services

We aim to provide our clients with products and services that can help implement their climate transition plans, mitigate climate risks, and capture the benefits of low-carbon technologies. Capitalizing on climate opportunities is an enterprise-wide effort, reflected in the growing range of climate-related products available to customers across the Bank. Our Sustainable Finance Executive Council (SFEC) mobilizes sustainable finance efforts across the Bank to align opportunities with our enterprise-wide ESG Strategy and CAP. We have enhanced these efforts by establishing an Enterprise Sustainable Finance team at TD, whose mandate is to identify and support product and market opportunities.



Legend ● Reduces TD's financed GHG emissions ● Supports client resilience to climate risks
● Advises on the net-zero transition

Line of Business	Products and Services ⁷	Our Impact ⁸
Retail Banking	<ul style="list-style-type: none"> Auto financing for Electric Vehicles (EVs) and Hybrid Electric Vehicles (HEVs) through TD's Eco Loan Program In 2022, we financed over 23,000 EV and HEV transactions valued at approximately \$266 million and US\$961 million in Canada and the U.S., respectively 	●
Business Banking	<ul style="list-style-type: none"> Environmental Lending Program to support Business Banking customers in reducing their carbon footprint. Eligible initiatives span a variety of categories including energy retrofits, renewable energy, pollution prevention and control, waste prevention and reduction, recycling and clean transportation 	●
TD Securities (TDS)	<ul style="list-style-type: none"> Structuring, framework advisory and underwriting for green, social and sustainability-linked financial products. Over \$19 billion in underwriting by TD Securities across green, social, sustainability and sustainability-linked bonds and loans in 2022 	●
	<ul style="list-style-type: none"> Advisory services on best practices and market standards for ESG integration in corporate strategy and reporting 	●
	<ul style="list-style-type: none"> ESG due diligence for M&A and private equity transactions 	●
	<ul style="list-style-type: none"> ESG positioning for equity capital markets transactions and pre-IPO ESG advisory Launched Carbon Advisory business in 2022 	●
TD Insurance (TDI)	<ul style="list-style-type: none"> Extended Water Damage product, which provides coverage for sudden and accidental water damage caused by sewer backup and sump pump failure, and ground and surface water entering a home below ground level and as overland flooding. In the event of paid loss, coverage includes a mitigation failure feature of up to \$1,000 toward the cost of installing a backwater valve or sump pump with a power backup system 	●
	<ul style="list-style-type: none"> EV and HEV insurance discounts In 2022, drivers of EVs and HEVs received the Green Wheel Discount on their premiums. EVs and HEVs represent 4.4% of TDI's auto portfolio by premium 	●
	<ul style="list-style-type: none"> Solar panel protection through standard homeowner insurance products 	●
	<ul style="list-style-type: none"> Mobile Response Units providing disaster relief support to areas experiencing catastrophic incidents related to severe weather 	●
	<ul style="list-style-type: none"> Resilience-related discounts on materials for Alberta customers who choose longer-life-expectancy roofing following a claim, to reduce future damage from extreme weather such as hailstorms 	●
	<ul style="list-style-type: none"> Eco-Efficient Rebuild feature of Enhanced Home Coverage, which helps cover the extra upfront costs of buying environmentally friendly materials following a claim 	●
TD Asset Management (TDAM)	<ul style="list-style-type: none"> Severe weather alerts provided to customers through the TDI app 	●
	<ul style="list-style-type: none"> Sustainability-focused solutions across equity and fixed income as well as active and passive mandates Launched a new climate-themed fund in 2022: the TD Emerald Low Carbon Global Equity Index Non-Taxable Investor Pooled Fund Trust 	●

Our Implementation Strategy (continued)

Sustainable & Decarbonization Finance Target

In 2017, TD was the first Canadian bank to announce a financial target to support the transition to a low-carbon economy – \$100 billion in low-carbon lending, financing, asset management and internal corporate programs by 2030. In 2022, the Bank achieved its \$100 billion low-carbon economy target reflecting our efforts to further climate opportunities within our business.

This year, we are proud to announce our new Sustainable & Decarbonization Finance Target of \$500 billion by 2030, which has been expanded to include eligible business activities in decarbonization and social categories as part of the Bank's ESG Strategy. For more information on the target and eligible activities, please see TD's [Sustainable & Decarbonization Finance Methodology](#).

Policies and Positions

TD supports a just and orderly transition to a low-carbon economy that also considers the strength and resiliency of the Canadian and U.S. economies. This is a key consideration as we execute our CAP, and we believe that TD has an important role to play in supporting well-functioning sustainable financial markets. We recognize that energy production from fossil fuels will continue to be a component of the energy mix, as has been acknowledged by the International Energy Agency (IEA). We support responsible energy development backed by government energy policy and regulation that help our clients as they transition to a low-carbon economy. By supporting our industrial clients who are engaged in their own transition journeys, we believe we can meet our climate objectives while managing the potential negative economic and social impacts that may occur if the supply of energy does not keep pace with demand.

To help manage climate-related risks and to support our CAP and financed emissions targets, TD has developed positions on financing for activities that are deemed to pose significant environmental risks. Please refer to the [E&S Risk Process](#) for additional details.



Our Engagement Strategy

Engagement is an important component of our approach to reducing our financed emissions and supporting the net-zero transition. Our engagement strategy includes working with our clients, industry, public sector and regulators to promote decarbonization, as well as the standards and policies that will help facilitate the transition.

Engagement with Clients

We believe that our suite of climate-related products and services, along with our organizational insight and expertise, can help support our clients on their decarbonization journeys. We are therefore developing sector-specific client assessment and engagement frameworks. Through these frameworks, we aim to have meaningful conversations with our clients about where they are on their journeys and how we might support them as they implement their own decarbonization targets and plans. **Our initial goal is to engage with clients responsible for at least 50% of our financed emissions in the energy and power sectors by the end of 2023.**⁹ These clients are at different stages in their journeys, and we will not have all the answers they need as they pursue their own decarbonization targets and plans. Yet, we believe that we can help these clients better understand the role of decarbonization targets and identify how our financial products and services can assist them in their journeys. In doing so, we expect that our client engagement approach will help us make progress toward our own financed emissions targets.

We plan to discuss a number of different topics with our clients as part of our quantitative and qualitative assessment of their emissions profile and decarbonization plans. For example, we plan to consider whether our clients have publicly available emissions data and whether they have set emissions reduction targets. Recognizing that these details may not tell the whole story, we aim to engage with our clients on various qualitative questions, tailored to each of our target sectors.

Engagement Topics for Power and Energy Sectors



Through our quantitative and qualitative client assessment, we aim to get a better understanding of the emissions profiles of these clients today, as well as how these emissions profiles might change by 2030 if they implement their transition plans and achieve their emissions targets. Each client is organized into one of three categories, which helps guide our engagement approach:

Client Assessment Framework

- ▶ **Early:**
Support client in developing foundational practices for its decarbonization journey
- ▶▶ **Advanced:**
Engage client on targeted commercial & financing solutions to support their decarbonization plans
- ▶▶▶ **Leading:**
Monitor progress and support the client to further advance their decarbonization plans

We use this categorization to inform discussions about climate-related opportunities and risks, as well as to evaluate how we can offer our expertise, products and services to help facilitate our clients' progress toward setting and achieving their own decarbonization goals. For example, for a client that has not yet published an emissions target, we may work together to identify and address roadblocks. For clients who are further on their journey, we may discuss opportunities to integrate climate-related key performance indicators (KPIs) into financial instruments to further help them achieve their decarbonization goals. A key principle of our strategy is a client-engagement-centred approach to support clients in their low-carbon transition. As we execute on our targets, this key strategic principle will be our priority and preference.

While we are already having conversations with clients about their decarbonization plans, we plan to roll out our new engagement framework and leverage it for future conversations in 2023. Based on the feedback we receive, we plan to review our frameworks and may modify or supplement the framework and our engagement goals and objectives for future years. We will also consider expanding to additional sectors over time.

Our Engagement Strategy (continued)



Case Study: TDS – Helping Our Clients Meet Their Sustainability Objectives¹⁰

Supporting our clients on their sustainability journeys is core to the Bank's approach to reaching our financed emissions targets. Through our ESG Solutions group (formerly the Sustainable Finance and Corporate Transitions group), TDS offers a range of products and services to support our clients' ESG initiatives and help them transition to a low-carbon economy.








- TDS supports Occidental's (Oxy) sustainability and decarbonization objectives through general lending and dedicated financial instruments. Oxy set targets to achieve net-zero GHG emissions in their operations (Scope 1 and 2) before 2040 and net zero across all GHG emissions (Scopes 1 to 3) before 2050. Oxy was the first U.S. oil and gas company to endorse the World Bank's pledge for Zero Routine Flaring by 2030, and Oxy successfully achieved this milestone in its U.S. operations in 2022. Through its subsidiary, Oxy Low Carbon Ventures, Oxy is scaling solutions in carbon management, including carbon capture, utilization and storage, and is developing capacity to capture and sequester millions of metric tonnes of CO₂ (carbon dioxide) annually to help it and others achieve their net-zero goals. Oxy is currently building its first direct air capture facility in the Permian Basin in Texas, which will be the largest facility of its kind in the world. Oxy has also acquired interests in more than 1,000 square kilometres of pore space along the U.S. Gulf Coast that can support up to five sequestration hubs with a capacity to store up to 6 billion metric tonnes of CO₂. In 2021, TDS supported Oxy in executing a sustainability-linked loan (SLL). The US\$4 billion facility was the first SLL for a U.S. upstream oil and gas company anchored to absolute Scope 1 and 2 GHG emissions reductions as a KPI. The ESG Solutions team served as a Co-Sustainability Structuring Agent, supporting Oxy on KPI selection and target analysis, credit agreement documentation, and lender materials.








- In 2021, TDS worked with Bruce Power to develop a first-of-its-kind green financing framework to support nuclear power generation. TD acted as a co-lead green structuring agent and joint bookrunner on the framework and related transaction, supporting with the framework design, second-party opinion process, and investor engagement. Bruce Power's \$500 million offering, priced in November 2021, marked the world's first nuclear green bond. As a low-carbon emissions energy source, nuclear is expected to play a critical role in the transition to net zero, emphasized by the International Energy Agency's Net Zero Emissions by 2050 Scenario, in which nuclear power increases between 2020 and 2050 to maintain an 8% global market share.¹¹
- TDS serves as financial advisor to clients who are on their own journeys to reduce GHG emissions from their portfolios and meet their climate objectives. For example, in November 2021, TDS advised Ontario Teachers' Pension Plan on the acquisition of a 50% interest in a portfolio of renewable energy assets from NextEra Energy.
- As part of TDS's principal investment strategy, the Bank served as a cornerstone investor in Idealist Capital, which aims to provide businesses with growth capital to accelerate the commercialization of proven solutions to address climate change.

Our Engagement Strategy (continued)

Engagement with Industry, Public Sector and Regulators

TD participates in several industry groups and has adopted a number of internationally recognized frameworks and standards to help deliver on our CAP. Below are some examples of TD's engagement with industry on climate change.







Group	TD's Engagement	
GHG emissions accounting and target-setting		
 Net-Zero Banking Alliance (NZBA)	The NZBA is a UN-convened coalition of banks that are working to align their lending and investment activities with the goal of achieving net-zero GHG emissions by 2050 or sooner. TD joined the NZBA in October 2021 and has since progressed on its commitments through measuring financed emissions, establishing baselines and setting targets for several carbon-intensive sectors. As a member of NZBA, TD participates in several working groups involved in developing sector-specific guidance and provides feedback on target-setting and reporting requirements for members.	
 Partnership for Carbon Accounting Financials (PCAF)	PCAF is an industry-led group working to develop shared standards for accounting and disclosing GHG emissions related to lending and investment activities. TD is a member of the industry-wide PCAF working group and participates in education and discussion sessions for carbon accounting and financed emissions calculations. Through its membership, the Bank also promotes consistency and harmonized approaches to data, metrics and methodologies.	
 Science-Based Targets Initiative (SBTi)	TD participates in SBTi's Expert Advisory Group, which supports and advises on the development of net-zero standards.	
Risk Management		
 United Nations Environment Programme Finance Initiative (UNEP FI)	TD is a member of UNEP FI working groups aimed at exploring key decarbonization pathways, climate stress tests, physical risk assessments and related disclosures for financial institutions.	
Risk Management Association (RMA)	RMA Climate Risk Consortium	In 2022, TD joined the RMA Climate Risk Consortium, which focuses on bringing financial institutions together to create guidelines for embedding climate-related considerations in risk management practices.
 EQUATOR PRINCIPLES	Equator Principles (EP)	The EP are a voluntary set of minimum due diligence standards to help financial institutions determine, assess, manage, and report on E&S risks with respect to projects that are in the scope of the EP. The Bank uses a comprehensive set of tools and guidance documents to identify and categorize eligible transactions in accordance with the principles. TD adopted the EP in 2007.
Sustainable Finance		
 RMI's Center for Climate-Aligned Finance	The Center for Climate-Aligned Finance, launched by RMI in July 2020, works to enable financial institutions, corporations, and experts overcome practical obstacles to sectoral decarbonization. TD participates in discussions on the latest climate-related financial regulation developments.	
 Institute for Sustainable Finance (ISF)	ISF is a network comprising academia, the private sector, and government working to advance research and innovation in sustainable finance. TD was a founding contributor and sponsor of ISF, which was established in November 2020. TD's Executive Vice President, Canadian Business Banking, represents the Bank on ISF's Advisory Board.	

Group	TD's Engagement
Sustainable Finance (continued)	
 Sustainable Finance Action Council (SFAC)	Launched by the Government of Canada in 2021, the SFAC brings together public- and private-sector experts to advance sustainable finance in Canada and globally. TD's participation enables active engagement in relation to critical market infrastructure needed to attract and scale sustainable finance in Canada. TD's Senior Executive Vice President and Chief Operating Officer, Canadian Business Banking serves as the Chair of SFAC's Disclosure Technical Expert Group.
Responsible Resource Use	
 Circular Economy Leadership Canada (CELC)	CELC was launched in 2018 as a network of corporate leaders, non-profit research organizations, and academic researchers working to promote the transition to a low-carbon, circular economy in Canada. TD joined CELC in 2022 and is a founding member of CELC's Circular Finance in Canada workstream.
Advocacy	
 Canadian Bankers Association (CBA)	TD is a member of the CBA – a national association representing banks operating in Canada. TD participates in public consultations and advocacy initiatives with the CBA on various topics including proposed climate risk and disclosure frameworks from regulators and industry groups.
 Institute of International Finance (IIF)	TD is a participating member of the IIF's Sustainable Finance Policy Expert Group (SFPEG), Sustainable Finance Data, Disclosure and Classification (SFDDC) Expert Group, and Sustainable Finance Risk & Alignment Methodologies (SFRAM) Expert Group. The SFPEG develops advocacy positions on behalf of the IIF's global membership and manages official sector engagement on sustainability topics. The SFDDC and SFRAM are practitioner forums for discussion around ESG risk management, disclosure, data and taxonomy-related topics. More information is available here .
Disclosure	
 Task Force on Climate-Related Financial Disclosures (TCFD)	TD supports the recommendations from the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures, which provides a framework to disclose decision-useful climate-related financial information. We have been providing disclosures aligned with the TCFD recommendations annually since 2018.
 Member of Dow Jones Sustainability Indices (DJSI)	Listed on the Dow Jones Sustainability World Index for the ninth consecutive year, TD is the only North American-based bank on the World Index, as of December 2022.
 CDP	Since 2010, TD has responded to CDP's climate disclosure and received a score of B for its 2022 submission, demonstrating its long-standing commitment to climate-related transparency and accountability.







Our Engagement Strategy (continued)

Engagement with Industry, Public Sector and Regulators

TD Insurance (TDI) is a member of the following industry-specific initiatives that aim to improve the resiliency of the Canadian insurance industry and communities to climate-related risks.

Group	TDI's Engagement	
Risk Management		
	UNEP FI Leadership Council	TDI's President and CEO sits on the UNEP FI Leadership Council. The council contributes to the discourse about the mainstreaming of ESG risk and impact disclosures and about aligning institutions and portfolios with climate and other sustainability objectives.
	Task Force on Flood Insurance and Relocation	TDI participated in the Task Force on Flood Insurance and Relocation, which has the mandate to explore solutions for low-cost flood insurance for residents at high risk as well as relocation alternatives. In 2022, the task force published its report, Adapting to Rising Flood Risk , which reviewed Canada's flood risk landscape, social vulnerabilities in areas of high flood risk, and models for flood insurance and relocation.
	Canadian Life and Health Insurance Association (CLHIA)	TDI participates in a number of CLHIA committees and has chaired the climate change working group since its inception in 2020.
Advocacy		
	Climate Proof Canada	TDI is a founding member of Climate Proof Canada, a broad coalition of insurance industry representatives, municipal governments, Indigenous organizations, environmental non-governmental organizations (NGOs), and research organizations. The coalition is encouraging the federal government to cut emissions and also make our communities more resilient against disasters.
	Insurance Bureau of Canada (IBC)	TDI's President and CEO is a board member of the IBC. TDI colleagues chair a number of IBC working groups and committees. During the reporting period, IBC formed a Sustainable Finance Expert Working Group tasked with developing positions on topics such as climate disclosure and the net-zero transition. In 2022, IBC dissolved the Sustainable Finance Expert Working Group and replaced it with the Natural Catastrophe & Climate Standing Committee. Our Associate Vice President, Environment, Government & Industry Relations, is the Deputy Chair of the newly formed committee.
Disclosure		
	Principles for Sustainable Insurance (PSI)	TDI's PSI annual disclosure highlights how the PSI are incorporated into strategy, operations, and risk management. TDI was the second Canadian-based signatory to the UNEP FI PSI in 2014. Since November 2020, TD Bank's Associate Vice President, Environment, Government & Industry Relations, has served as the vice chair on the PSI board of directors. TDI also contributes to thought leadership, including a position paper on TCFD and its application in the Life and Health Insurance sector.

TD Asset Management (TDAM) contributes to the industry conversation on managing the transition to a low-carbon economy by participating in several climate-focused external commitments and organizations.

Group	TDAM's Engagement	
Engagement		
	Climate Engagement Canada	In October 2021, TDAM became a founding member of Climate Engagement Canada, a finance-led initiative that drives dialogue between the financial community and corporate issuers to help Canadian public companies successfully transition to a net-zero economy.
	Climate Action 100+ (CA 100+)	Since 2019, TDAM has been an investor member of CA 100+. As an investor member, TDAM engages with some of the world's largest corporate GHG emitters to encourage necessary action on climate change.
Disclosure		
	Task Force on Climate-Related Financial Disclosures (TCFD)	As a supporter of the TCFD recommendations and as an end-user of TCFD reporting, TDAM believes that it is better equipped to evaluate and manage climate-related risks and opportunities in its portfolios. TDAM published its inaugural TCFD report in 2022.
	GRESB (Global Real Estate Sustainability Benchmark)	Since 2016, TDAM has been an active participant in GRESB, an investor-led organization providing standardized and validated ESG data for real estate assets.
	CDP	As an investor member of CDP, TDAM engages with companies to promote environmental-based disclosures.
	Principles for Responsible Investment (PRI)	PRI is a UN-supported international network of investors working to implement its six principles. TDAM was among the first Canadian bank-owned asset managers to sign the UN-backed PRI in 2008.

Our Engagement Strategy (continued)

Engagement with Regulators and Standard-Setters

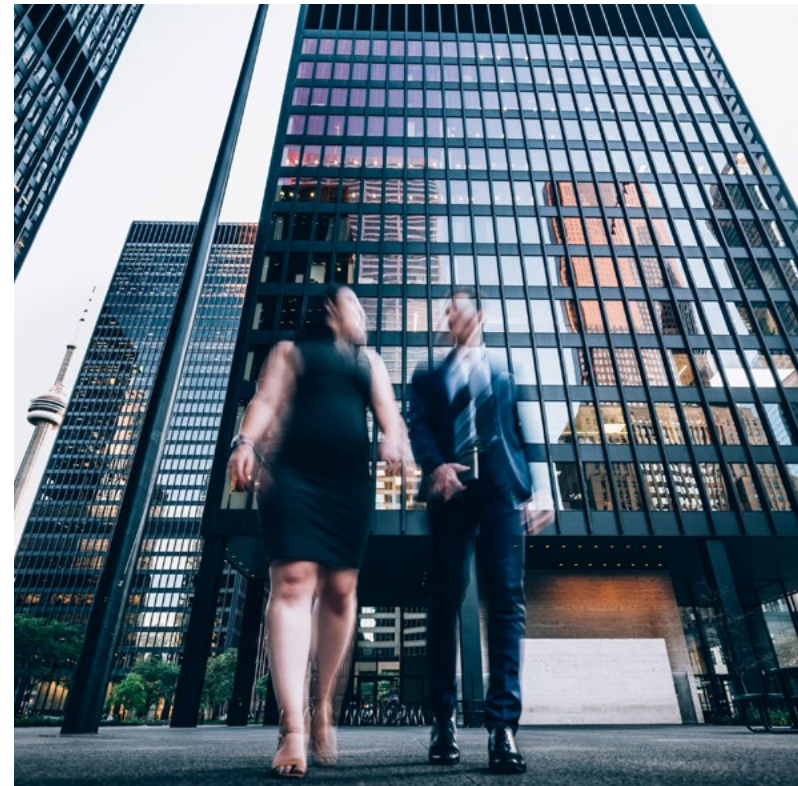
Over the past few years, we have seen an increased pace and scope of activity in the regulatory and standard-setting landscape across multiple jurisdictions with respect to the management and disclosure of climate-related risks and opportunities. Globally, the International Sustainability Standards Board (ISSB) released an exposure draft that aims to deliver a comprehensive global baseline for climate-related disclosures. Canadian and U.S. regulators, such as the Canadian Securities Administrators (CSA) and the U.S. Securities and Exchange Commission (SEC), have also released proposed climate-related disclosure requirements, while Canadian prudential supervisor, the Office of the Superintendent of Financial Institutions (OSFI), released its final Guideline B-15: Climate Risk Management on March 7, 2023. Proposed and final climate-related standards cover topics such as governance structures, risk management approaches and tools, scenario analysis and disclosures (including, but not limited to, transition plans, Scope 3 emissions, financial effects of climate-related risks and opportunities, and metrics and targets). TD has participated in various consultation initiatives through industry bodies, including the Canadian Bankers Association (CBA) and the Institute of International Finance (IIF). Examples of our engagement in 2022 include:

- CSA consultation on its proposed climate-related disclosure rule.
- Basel Committee on Banking Supervision consultation on its Principles for the Effective Management and Supervision of Climate-Related Financial Risks.
- Financial Stability Board consultation on supervisory and regulatory approaches to climate-related risk.
- SEC consultation on its proposed climate-related disclosure rule.
- ISSB consultation on general sustainability and climate-related disclosure guidance.
- OSFI consultation on its draft Guideline B-15: Climate Risk Management.

During TD's advocacy efforts, industry groups have highlighted the benefits of harmonization among regulators and standard-setters, in order to drive consistency in requirements and avoid divergent practice. Additionally, industry groups endorsed a principles- rather than rules-based approach because it facilitates interoperability and implementation across various jurisdictions and allows for entity-specific considerations. Industry groups also encouraged the benefits of implementation flexibility; for example,

with respect to location and timing of disclosures and the phasing in of disclosures over time, where methodologies are emerging and evolving.

TD has shown its support for climate disclosure standards by adopting the voluntary disclosure recommendations of the TCFD and publishing its first report addressing the TCFD recommendations in 2018. However, we are cognizant that methodologies and standards, data, and tools are in the emerging stages and that many institutions are on a journey to build the requisite internal capabilities and frameworks to manage and report on climate risks and opportunities. As such, we understand that disclosures will continue to evolve over time.



Case Study: TD Asset Management – Implementation and Engagement Strategies

As an investment manager of diversified asset classes, TDAM continues to integrate and monitor climate risks in its investment processes and actively encourages greater transparency around climate risks from its investee companies. TDAM's approach continues to evolve to position its portfolios to capitalize on investment opportunities arising from the transition to a low-carbon economy and help manage climate-related physical and transition risks:

Investments: TDAM seeks to appropriately manage climate-related risks to its investment portfolios and to capitalize on investment opportunities related to an accelerated transition to a low-carbon economy. TDAM strives to achieve this through a multi-tiered approach to addressing climate-related risks and opportunities, which includes integrating ESG factors within TDAM's investment strategies and developing new ESG and climate-focused solutions for clients.

Industry Collaboration and Thought Leadership: TDAM participates in several industry engagement initiatives such as Climate Engagement Canada, Climate Action 100+ (CA100+), and CDP. TDAM also regularly demonstrates thought leadership to help shape the asset management industry's approach to climate change.

Stewardship and Engagement: Engagements with investee companies is considered one of the primary ways in which TDAM can understand and manage climate risks within its portfolios. TDAM also participates (directly or indirectly), in Canadian and international regulatory consultations related to climate risk in the asset management industry.

For more information on TDAM's approach to climate-related risks and opportunities, see TDAM's [2021 Task Force on Climate-Related Financial Disclosures Report](#).

Our Other Strategic Focus Areas

Advancing Our Approach to Responsible Resource Use and Nature-Based Solutions

Responsible resource use, conserving nature and supporting nature-based solutions are all critical elements in addressing climate change. There is increasing recognition that climate change and nature loss are inextricably linked and mutually reinforcing. Land and water use changes, the overexploitation and unsustainable use of resources, climate change, pollution and invasive species all contribute to nature loss. Meanwhile, nature loss can worsen climate change. For example, deforestation results in the loss of carbon sinks and the release of GHG emissions.

This year we focused on building awareness on the role of responsible resource use in addressing nature loss, and the role financial institutions can play in tackling it.

We are also taking early steps to integrate nature-based solutions within our business strategy. In 2022, TDS announced a \$10 million investment in the Boreal Wildlands Carbon Project located near Hearst, Northern Ontario. The project is being developed by the NCC and is the largest single private conservation project ever undertaken in Canada, according to the NCC.

The project will help conserve more than 1,500 square kilometres of mixed hardwood and softwood boreal forest in Northern Ontario. The boreal forest is a natural carbon sink that, across more than 500 million square kilometres, is estimated to store 190 million tonnes of carbon. The project is being developed under the Verra Verified Carbon Standard. As part of the agreement, TDS will receive access to a portion of the carbon offsets generated from the project.

Looking ahead, we intend to continue to build out our efforts on addressing nature loss, which will be informed by evolving global frameworks, commitments and targets.

Supporting Climate Resilience for TD Insurance Customers

Through our products, industry engagement, and thought leadership, TDI is working to help our customers prepare for the physical impacts of climate change, such as extreme weather events. Examples of our work on climate resilience include the following:

- Insurance products that support climate resilience including extended water damage coverage and discounts for Alberta-based customers who opt for longer-life-expectancy roofing materials to better withstand damage from extreme weather events. We also provide severe weather alerts through the TDI app to provide advance notice to our customers and help them prepare.
- Participation in Climate Proof Canada, a coalition that encourages the federal government to make progress on reducing emissions in Canada and also make our communities more resilient against disasters.
- Philanthropic activities focused on improving climate resilience and mitigating potential impacts from extreme weather events. In 2022, TDI led three projects funded by the TD Friends of the Environment Foundation, one each in Quebec and Ontario focused on flood prevention, and one in British Columbia focused on wildfire risk reduction. Also in 2022, TDI provided funding for ACAP Saint John, a non-profit organization that works to provide solutions to existing and pending environmental problems in Atlantic Canada. The program supported by TDI enabled distribution of rain-collection barrels, with the goal of helping residents conserve water, reduce stormwater runoff to sewers, and reduce local flood risk.

Thought Leadership

TD is proud to participate in advancing the climate change discourse on the path to net-zero GHG emissions and promoting a just and orderly transition. We intend to continue participating in and, where appropriate, leading important discussions with governments, industry participants, and other stakeholders to help influence better outcomes for communities where we live and work. TD regularly demonstrates thought leadership on a wide variety of subjects through both external publications and our own channels. Given 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 publishing.

2022 Highlights:

- TD Economics paper on the importance of reliable energy in the clean energy transition: **Reliable Energy Supply is Crucial for the Sustainability of the Clean Energy Transition.**
- TD Economics paper on **Carbon Capture: Why It Shouldn't Be Ruled Out as a Key Piece of the Net Zero Puzzle.**
- TDS's **The Road to 2050** series covering topics including risks and opportunities in sustainability-linked products and developing voluntary carbon markets.
- TDS hosted its second annual Global Sustainability Summit where industry leaders came together to discuss the latest ESG topics and how companies and institutional investors can take actionable steps toward decarbonization.
- TDAM paper on **Managed Phaseouts: An Investor Alternative to Divestment.**



Our Other Strategic Focus Areas (continued)

Carbon Markets

TDS is active in the North American (WCI, RGGI) and European (EU ETS) compliance carbon markets, trading over US\$3 billion worth of carbon allowances in fiscal year 2022. TDS has continued to build out its capabilities across the carbon markets through the formation of a Carbon Advisory business as part of TDS's existing ESG Solutions group to provide advice and innovative, low-carbon solutions to our clients as they navigate the global carbon markets, including:

- Carbon offset advice for project acquisition and investment.
- Access to carbon markets and strategic insights.
- Carbon offset portfolio structuring.
- Risk assessment and valuation related to carbon assets/liabilities for mergers and acquisitions.
- Capital raising for project developers and market participants.



The TD Ready Challenge – Supporting a Just and Orderly Transition

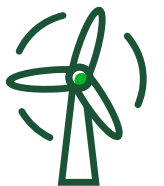
In June 2022, we launched the fifth annual TD Ready Challenge, a key initiative of the TD Ready Commitment, the Bank's corporate citizenship platform. The TD Ready Challenge focuses on helping to support the development of innovative, impactful and measurable solutions for a changing world. To date, we've awarded \$50 million to 60 non-profit and community-based organizations through the TD Ready Challenge. The 2022 TD Ready Challenge sought solutions designed to help people and communities who may be disproportionately affected by climate change to prepare for, adapt to and help mitigate the potential impacts of climate change and/or to work toward a transition to a low-carbon economy.

We've awarded ten \$1 million grants (either in Canadian or U.S. dollars based on the jurisdiction of residence of the selected applicants) to non-profit and community-based organizations whose solutions best addressed this year's problem statement. Meet the **2022 TD Ready Challenge grant recipients**.

Through the TD Ready Commitment, we also support organizations such as Black Owners of Solar Services, an organization working to support Black representation in the solar energy value chain. We're also collaborating with the Pembina Institute, with the goal of elevating the role of women in the low-carbon energy transformation through dialogues, workshops, and engagements across Canada. You can learn more about the TD Ready Commitment and the TD Ready Challenge [here](#), and to read more about TD's work to support a just and orderly transition, see our **2022 ESG report**.

Upcoming Priorities

As we work to make progress toward our financed emissions targets, we are focused on further developing and executing our client engagement strategy. We are also continuing to develop financed emissions targets for priority sectors and front-line strategies to meet those targets. With our new Sustainable & Decarbonization Finance Target, we believe that we are well-positioned to continue to support the low-carbon economy. The Sustainable & Decarbonization Finance Target reflects our continued effort to support the low-carbon economy and our new and existing clients in decarbonizing their operations and executing their emissions reduction plans, a key lever of our Climate Action Plan. We are also preparing to meet emerging regulatory requirements, including mandatory climate disclosure standards.



Risk Management

Climate change is an evolving and complex issue that poses significant risks to the financial industry, our customers, and the communities in which we operate.

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Introduction

Climate change presents an interconnected set of risks and opportunities for TD. Developing insights into our risk exposures and proactively working to manage them help to position us to support the low-carbon economy.

Climate risk is the risk of reputational damage and/or financial loss arising from materialized credit, market, operational or other risks resulting from the physical and transition risks of climate change to the Bank, its clients, or the communities the Bank operates in. This includes physical risks arising from the consequences of a changing climate, including acute physical risks stemming from extreme weather events happening with increasing severity and frequency (e.g., wildfires and floods) and chronic physical risks stemming from longer-term, progressive shifts in climatic and environmental conditions (e.g., rising sea levels and global warming). Transition risks arise from the process of shifting to a low-carbon economy, influenced by new and emerging climate-related public policies and regulations, technologies, stakeholder expectations and legal developments.



Key Accomplishments

- Environmental and Social Risk Management (ESRM), ESG Credit Risk, and ESG Central Office (ECO) teams were aligned under the leadership of the newly created role of Senior Vice President, ESG Risk Management.
- Participated in a variety of consultation initiatives, via industry working groups, on guidance and disclosure frameworks proposed by regulators, standard-setters and industry groups.
- Developed an enterprise-wide Environment & Social (E&S) Risk Policy.
- Launched a Climate Credit Risk Dashboard to facilitate internal reporting of climate risk exposures and trends, and to inform credit decision-making.
- Continued to participate in industry working groups and pilots to further develop standardized methodologies and approaches for risk identification, assessment and measurement.
- Expanded the scope and granularity of certain elements in the heatmapping framework and disclosure.
- TD Insurance (TDI) began work with the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada (BoC) on the first national flood systemic risk assessment looking at mortgage and insurance coverage.
- Incorporated E&S risk considerations into particular Strategic Sourcing Group processes (e.g., assessment of third-party vendors and strategic partnerships).

Approach to Identifying, Assessing and Managing Climate-Related Risks

Operating a global financial institution exposes the Bank's lines of business and operations to a broad range of E&S risks. Our risk management approach considers climate risk a transverse risk that could have implications for the Bank and our clients across various risk categories. Please see the **Risk Management Categories** section for further details. Assessing climate-related risk exposures for a large financial institution is complex, considering the number of clients carrying out business activities across regions and industry sectors, complicated by a variety of financial exposures such as loans, investments, and insurance policies.

Our processes for identifying, assessing, and managing climate-related risks are integrated into our enterprise risk management approach. The Bank's E&S Risk Framework sets foundational guidance for managing E&S risks, including climate risk, and entails:

- Managing carbon-related exposures within the Bank's strategy, risk appetite, and policies.
- Drawing on industry standards such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Partnership for Carbon Accounting Financials (PCAF).
- Integrating consideration of E&S risks into business decision-making, including new product development.

E&S risk (including climate risk) continues to be among the top and emerging risks for the Bank and, as a result, is identified, discussed and acted on by senior leaders and reported quarterly to the Risk Committee. To support this, in 2022 the ESRM, ESG Credit Risk, and ECO teams were aligned under the leadership of the newly created role of Senior Vice President, ESG Risk Management. To read more about the responsibilities of each of the teams comprising ESG Risk Management, see the **Governance** section. Our Climate Target Operating Model (TOM) supports our work to manage climate risks through dedicated workstreams, including an enterprise climate risk strategy and scenario analysis program.

In 2022, the Bank approved an enterprise-wide E&S Risk Policy. The policy requires all business and corporate functions to assess, control, monitor and report on E&S risks, including climate risk, in their business activities and adhere to enterprise-wide requirements, including positions and prohibitions.

TD also maintains additional internal policies and tools that support the Bank in monitoring E&S risks. For example, the **E&S Risk Process** includes a set of due diligence tools that are applied within the Bank's non-retail portfolios to applicable transactions.

The Bank's approach to climate risk management comprises four key processes: Risk Identification & Assessment, Measurement, Control, and Monitoring & Reporting.

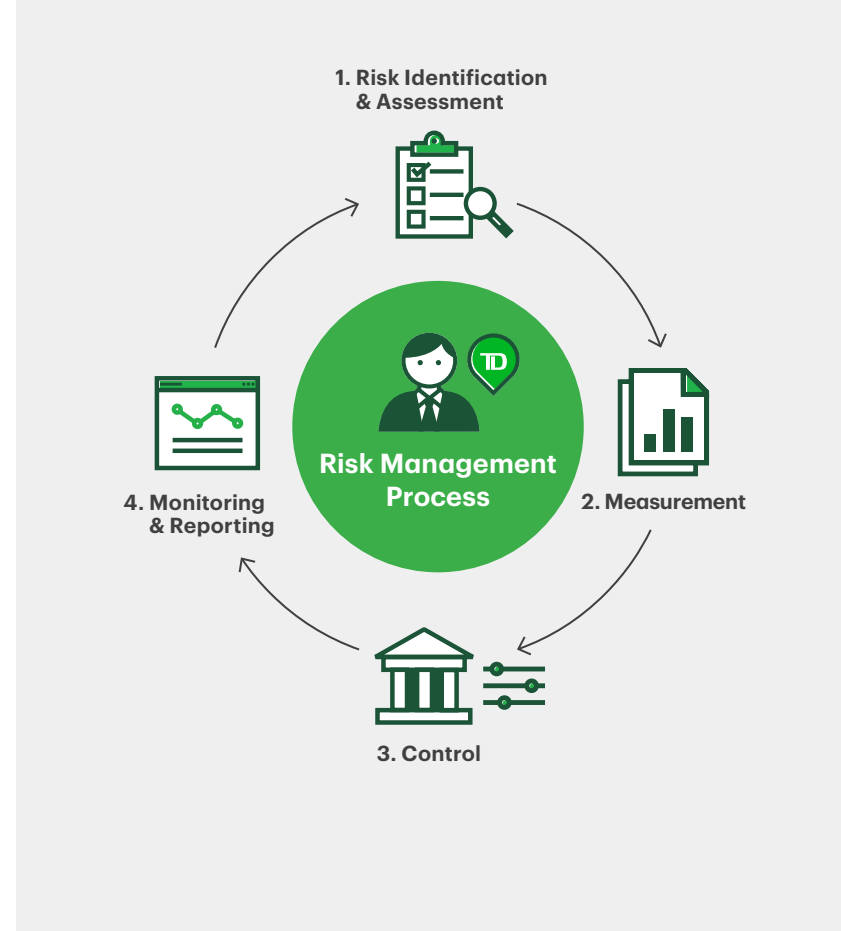
1. Risk Identification & Assessment is focused on defining, recognizing, and understanding climate risks, relating to the Bank's business activities and operations. In light of the evolving ESG landscape, increased regulatory focus and heightened stakeholder interest, the Bank continues to refine its definition of climate risk as well as its climate risk inventory (including Level 1, 2 and 3 risk definitions). The Climate Risk Heatmap represents one tool the Bank uses to identify climate risk vulnerabilities across a number of industry sectors to prioritize risk management activities and measurement work.

2. Measurement practices continue to evolve and help support the Bank's ability to provide timely and accurate quantification of the risks assumed. TD has published interim targets and an associated methodology for financed emissions and continues to develop scenario analysis and stress-testing methodologies.

3. Control is supported through our continued progress to embed climate risk into our enterprise E&S Risk Framework and supporting risk programs. This includes processes for evaluating risk for non-retail lending transactions and TD's Change Risk Framework.

4. Monitoring & Reporting represents ongoing monitoring and reporting of climate risk levels against the Bank's risk appetite. The E&S Risk Dashboard supports the monitoring and reporting of E&S risks, including climate risk. In 2022, new metrics were incorporated into the dashboard, that facilitated the trending of insights from physical and transition risk metrics.

TD's Enterprise Risk Management Framework



Our Climate Risks

In 2021, the Bank established a climate risk inventory that provides a view of climate risk drivers. The climate risk inventory supports a comprehensive identification of climate risks and provides a view of associated events and

impacts. In accordance with TCFD, we define physical risks as risks which arise from climate- and weather-related events that can result in financial losses or other adverse organizational impacts. We define transition risks as risks which

arise from the process of adjustment toward a low-carbon economy that could prompt the reassessment of the value of a large range of assets.

Our Climate Risk Inventory

Risks	Definition	Potential Events ¹²	Potential Impacts ¹³	
Physical Risks	Acute	Changes in severity and frequency of extreme weather events	<ul style="list-style-type: none"> Heatwaves Cold waves Riverine flooding Coastal flooding Wildfires Storms Landslides or avalanches 	<ul style="list-style-type: none"> Increased damage to real property assets and facilities, infrastructure and equipment Impacts on business activity and continuity Impacts on crop production and livestock farming Increased insurance costs Impacts on the coastal tourism industry Impacts on electricity generation industry Increased damage to roadways impacting transportation
	Chronic	Longer-term shifts in climate	<ul style="list-style-type: none"> Changes in mean precipitation Water stress Changes in mean wind speed Sea level rise Coastal erosion Changes in pelagic zone of ocean (e.g., salinity, acidity, etc.) Changes in mean temperature Changes in mean volume of snow and ice Changes in thickness of permafrost Drought 	<ul style="list-style-type: none"> Increased property insurance and labour insurance costs Increased operational costs from business interruptions Loss of land, infrastructure, or property Impacted marine species population affecting the fisheries industry Decreased crop production, affecting the agricultural industry
Transition Risks	Policy	Policy or regulatory changes that reduce adverse effects of climate change or promote adaptation	<ul style="list-style-type: none"> Policy changes that accelerate or require decarbonization Changes to the level, speed or nature of enforcement of policies related to decarbonization 	<ul style="list-style-type: none"> Increased operational costs to comply with new policies (e.g., carbon pricing) Market entry barriers caused by policy shifts
	Technology	Developments and improvements of technologies to support the transition to a low-carbon environment	<ul style="list-style-type: none"> Availability of alternative technologies that are climate-friendly Availability of decarbonization technologies Availability of technologies that enable or support decarbonization technologies 	<ul style="list-style-type: none"> Increased operational costs to shift to climate-friendly technologies Competition from peers utilizing climate-friendly technologies
	Reputation	Changes in perception of an organization's transition to a low-carbon environment	<ul style="list-style-type: none"> Customer preferences shift toward lower-carbon alternative products or services Employees avoid working for companies associated with carbon-intensive activities 	<ul style="list-style-type: none"> Increased costs to attract and retain customers Decreased sales due to changing customer preferences Increased training and recruitment costs Increased marketing costs to maintain brand image
	Market	Changes in market supply and demand of certain products and services due to climate-related risks and opportunities	<ul style="list-style-type: none"> Financial institutions avoid providing equity, debt, or insurance financing due to preference for low-carbon clients Customers have partners (e.g., suppliers, vendors) that participate in carbon-intensive activities Insurers avoid insuring customers engaged in carbon-intensive activities Investors avoid investing in carbon-intensive activities 	<ul style="list-style-type: none"> Reduced ability to purchase assets for expansion Decreased profitability Insufficient cash flow to cover operational costs Higher insurance costs Higher retention of insurance losses Limitations on growth prospects
	Legal	Legal developments related to climate mitigation, adaptation or disclosure	<ul style="list-style-type: none"> Climate-related legal and regulatory changes Litigation or regulatory enforcement action associated with failure to mitigate climate change, adapt to climate change, or provide adequate climate-related disclosures 	<ul style="list-style-type: none"> Increased litigation and regulatory costs Reputational harm Operational interruptions

Our Climate Risks (continued)

Heatmap

We have refreshed and expanded the scope of our Climate Risk Heatmap (the heatmap) to refine our understanding of the industry sector and geographic location sensitivities to climate risk. The heatmap was initially developed in 2021 by leveraging our climate risk inventory.

The heatmap provides a visual representation of the sensitivity to climate risk by industry sector or geographic location. The heatmap is considered a foundational risk management identification tool, which was developed by TD to provide a better understanding of how climate risks might affect our clients. The results of the heatmap have helped us to prioritize industry sectors and geographic locations for risk assessment and measurement work via scenario analysis. Additionally, the heatmap has also helped inform the build-out of other risk management actions, particularly within credit risk management and, over time, we expect to integrate it into business strategy decision-making, as well as industry and asset concentration limits.

Heatmap: Non-Retail

The non-retail heatmap utilizes a sensitivity scale developed by TD to show the potential impact (i.e., low to high) across various transition and physical risks, considering impact to overall industry sector earnings. The sensitivities are determined based on both a qualitative and quantitative analysis over a 10-year forward-looking horizon to the overall industry sector. The sensitivities to climate risk drivers are based on an inherent risk assessment and do not represent the risks specific to TD's clients. The client-level impact will depend on factors such as the location of physical assets, business activities, and management action taken to mitigate (e.g., ability of a borrower to absorb the costs of transition) the risks. Therefore, the non-retail heatmap should not be interpreted as a risk to specific clients, but rather as industry sectors we are proactively focusing on in the near term, to better understand, assess, measure, and manage our climate risk exposures.

Carbon-Related Assets

Carbon-Related Assets Relative to Total Assets is a climate-related risk metric that measures our exposure to carbon-related assets relative to our total (retail and non-retail) gross credit risk exposure (excluding counterparty credit risk exposures to repo-style transactions and over-the-counter (OTC) derivatives).¹⁸ This metric helps us monitor our concentration in and exposure to climate-sensitive industry sectors over time.

TCFD's 2021 Guidance on Metrics, Targets, and Transition Plans expanded the scope of the suggested definition of carbon-related assets from its 2017 report and provided an updated definition of carbon-related assets as "those assets tied to the four non-financial groups identified by the Task Force in its 2017 report (energy, transportation, materials and buildings, and agriculture, food,

and forest products)", with consideration for exclusion of "industries or sub-industries that are appropriate to exclude, such as water utilities and independent power and renewable electricity producer industries."¹⁹ Following this guidance, our exposure to carbon-related assets totalled \$254 billion as of October 31, 2022, or 15.2% of our total gross credit risk exposure.

Two enhancements were applied to our carbon-related assets calculation this year. First, in accordance with TCFD's 2021 guidance, borrowers within the following sub-industries have been excluded from TD's carbon-related assets calculation: water utilities, waste management systems, renewable electricity

producers, and nuclear electricity producers. Second, to address the potential limitation that some carbon-related exposures may exist outside of TCFD's four non-financial groups (e.g., government/public sector entities engaged in power generation), a review of government/public sector borrowers' operations was completed and, where applicable, exposures deemed to be carbon-related were included in the metric calculation.

We expect that TD's approach for calculating carbon-related assets will continue to be refined and will evolve as TD considers the application of industry guidance and best practices.

Counterparty Type	Industry Sector	Transition Risk					Physical Risk		Gross Credit Risk Exposures (\$ millions) ¹⁵	Gross Credit Risk Exposures as % of Total Non-Retail	Carbon-Related Assets (\$ millions) ^{16,17}	Carbon-Related Assets as % of Total Assets ¹⁸
		Policy	Technology	Reputation	Market	Legal	Acute	Chronic				
		Low Impact										
Non-Retail ¹⁴	Real Estate								\$ 105,363	11.4%	\$ 105,363	6.3%
	Agriculture								\$ 10,165	1.1%	\$ 10,165	0.6%
	Automotive								\$ 20,597	2.2%	\$ 20,597	1.2%
	Financial								\$ 86,886	9.4%	-	0.0%
	Food, beverage and tobacco								\$ 13,459	1.5%	\$ 13,459	0.8%
	Forestry								\$ 2,372	0.3%	\$ 2,372	0.1%
	Government, public-sector entities and education								\$ 478,875	51.8%	-	0.0%
	Health and social services								\$ 30,813	3.3%	-	0.0%
	Industrial construction and trade contractors								\$ 9,234	1.0%	\$ 9,234	0.6%
	Metals and mining								\$ 9,709	1.0%	\$ 9,709	0.6%
	Oil and gas								\$ 13,371	1.4%	\$ 13,371	0.8%
	Power and utilities								\$ 34,940	3.8%	\$ 20,904	1.3%
	Professional and other services								\$ 32,284	3.5%	-	0.0%
	Retail sector								\$ 12,497	1.4%	-	0.0%
	Sundry manufacturing and wholesale								\$ 25,515	2.8%	\$ 25,515	1.5%
	Telecommunications, cable and media								\$ 15,344	1.7%	-	0.0%
	Transportation								\$ 13,435	1.5%	\$ 13,435	0.8%
	Other								\$ 10,047	1.1%	\$ 10,047	0.6%
Total (non-retail)								\$ 924,906	100.0%	\$ 254,171		
Total (retail and non-retail)¹⁸								\$ 1,670,672		\$ 254,171	15.2%	

Our Climate Risks (continued)

Heatmap: Real Estate Secured Lending (RESL)

The RESL heatmap utilizes a similar sensitivity scale to show potential impact (i.e., low to high) across various transition and physical risks, considering impact to property value as a result of anticipated property damage. The sensitivities are determined based on both a qualitative and quantitative analysis for a forward-looking horizon to the applicable geographic locations as of 2030. The sensitivities to climate risk drivers are based on an inherent risk assessment, where there is no consideration of mitigation measures (e.g., loan-to-value ratios, insurance coverage, ability of a borrower to absorb the cost of physical risk events).

In 2022, we provide a more granular view of the acute physical risk ratings for Canada RESL and US RESL, considering three hazard types: flood, wildfire, and hurricane. This view provides a snapshot of our portfolios' sensitivities to each hazard type. Country-level acute physical risk ratings for the RESL heatmap were arrived at by taking the maximum hazard rating.

Heatmap: Indirect Auto Lending

The indirect auto lending heatmap utilizes a similar sensitivity scale to show the potential impact (i.e., low to high) across various transition and physical risks, considering impact to indirect auto lending sector earnings. The sensitivities are determined based on both a qualitative and quantitative analysis over a 10-year forward-looking horizon. The sensitivities to climate risk drivers are based on an inherent risk assessment, where there is no consideration of mitigation measures (e.g., loan-to-value ratios, insurance coverage, ability of a borrower to absorb the cost of physical risk events).

The heatmaps involve an iterative process, where the framework and methodology will continue to be progressively refined over the next few years, as data availability and quality improves. We will continue to assess opportunities to expand the scope of our heatmaps to cover additional portfolios across TD's assets, operations and clients.

Low Impact High Impact

Counterparty Type	Jurisdiction	Transition Risk					Physical Risk		Outstanding Loan Balance (\$ millions) ²⁰	% of Total RESL
		Policy	Technology	Reputation	Market	Legal	Acute	Chronic		
Retail	Canada Real Estate Secured Lending (RESL)								\$359,552	86.2%
	U.S. RESL								\$57,613	13.8%
Total									\$417,165	100.0%

Low Impact High Impact

Counterparty Type	Jurisdiction	Physical Risk		
		Acute		
		Flood	Wildfire	Hurricane
Retail	Canada Real Estate Secured Lending (RESL)			
	U.S. RESL			

Low Impact High Impact

Counterparty Type	Jurisdiction	Transition Risk					Physical Risk		Outstanding Loan Balance (\$ millions) ²¹
		Policy	Technology	Reputation	Market	Legal	Acute	Chronic	
Consumer installment and other personal	Indirect Auto Lending (Canada and U.S.)								\$ 63,572



Our Climate Risks (continued)

Lending Transactions Reviewed for Climate-Related Risks

We have embedded climate-related risk considerations into our processes for evaluating applicable non-retail lending transactions. Our Environmental and Social Risk Process for Non-Retail Lending Business Lines provides a framework to incorporate E&S risk management within our lending practices. Our lending teams perform due diligence to identify potential E&S risks, via a set of due diligence tools, such as questionnaires, environmental site assessments, site visits and industry research. For certain transactions, the lending teams complete an E&S Risk Assessment and produce an E&S Risk Rating score. If the score is above a certain threshold, an escalation process is initiated for additional review. Additional details can be found in the [E&S Risk Process](#).

Case Study: Launch of TD's Climate Credit Risk Dashboard

In 2022, the Bank launched its Climate Credit Risk Dashboard to provide insights into how climate risk may manifest within the credit portfolio. The dashboard is used internally and facilitates the monitoring of climate risk exposures and trends and includes metrics such as loan exposure by climate risk ratings and trends in credit quality for financed emissions targets. The objectives of the Climate Credit Risk Dashboard are to enable the Bank to:

- Understand current credit exposures to climate risk.
- Quantify the financial impacts of climate risk on credit portfolios.
- Assess the adequacy of existing credit risk mitigants.
- Inform decision-making on climate risk management.

Going forward, we will continue to build and enhance our reporting and monitoring capabilities, including integrating further insights from climate scenario analysis activities and incorporating additional levels of detail.



Risk Management Categories

As a financial institution, we recognize that climate-related risks can have a wide range of impacts on our business activities, and we take specific actions to manage and mitigate those risks.

Risk Category	Climate-Related Risk	Actions to Identify, Assess and Mitigate
Credit Risk	Risk of financial losses as physical or transition climate-related risks have negative impacts on the financial health of our customers and clients	<ul style="list-style-type: none"> Established an E&S Risk Process for Non-Retail Lending Business Lines for applicable transactions, including enhanced due diligence to identify E&S risks and escalations as appropriate to the relevant Reputational Risk Committees E&S considerations are incorporated into our Industry Risk Review process and there are sector-specific guidelines for environmentally sensitive sectors within Non-Retail lending Ongoing participation in industry committees and working groups, including the United Nations Environment Programme Finance Initiative (UNEP FI), Climate Risk Tool Demonstration Working Group, and Canada Mortgage and Housing Corporation (CMHC) Homeowner Climate Data Working Committee, to understand the current landscape and develop standardized approaches to quantify and address the impacts of climate change within the Lending portfolio Build on existing tools and capabilities to continue to incorporate the impacts of climate risk into our Non-Retail Borrower risk assessments Continue to evaluate lending policies and processes with respect to potential forward-looking climate impacts Established our inaugural Climate Credit Risk Dashboard to provide insights into how climate risk may manifest within the credit portfolio
Insurance Risk	Insurance products where claims liabilities are exposed to changing climate patterns	<ul style="list-style-type: none"> TD Insurance (TDI) began work with the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada (BoC) on the first national flood systemic risk assessment looking at mortgage and insurance coverage, and TDI is providing data to support the analysis that will lead to a greater understanding of the flood risks facing Canadians and the financial system in support of mitigation efforts Resilience-related discounts, whereby customers in Alberta who choose stronger and longer-life-expectancy roofing materials to reduce damage from extreme weather events receive a discount Continue to lead and participate in industry association committees (Insurance Bureau of Canada and Canadian Life and Health Insurance Association) to collectively develop approaches and initiatives to address climate risk Continue efforts on the National Adaptation Strategy, via work to increase government funding and action to build a more disaster-resilient country as a member of Climate Proof Canada
Strategic Risk	Risk of not being able to meet changing customer and consumer expectations for ESG products and services	<ul style="list-style-type: none"> Initiated the implementation of the Climate Target Operating Model (TOM), which outlines steps to execute TD's Climate Action Plan (CAP) Continued to mobilize efforts across the Bank to deliver ESG products, services and programs through our Sustainable Finance Executive Council (SFEC) Achieved our target of \$100 billion in low-carbon lending, financing, asset management and internal corporate programs and set a new target in fiscal year 2023 Through its ESG Solutions Group (formerly: Sustainable Finance and Corporate Transitions) TD Securities (TDS) launched the Carbon Advisory business Launched TD Asset Management's new climate-themed fund in 2022: the TD Emerald Low Carbon Global Equity Index Non-Taxable Investor Pooled Fund Trust TD Insurance (TDI) helps Canadians prepare for the physical impacts of climate change through innovative product offerings (e.g., resilience-related discounts, extended water damage coverage, auto insurance discounts for Electric Vehicles (EVs) and Hybrid Electric Vehicles (HEVs)), as well as thought leadership on climate resilience (e.g., UNEP FI Leadership Council)

Risk Management Categories (continued)

Risk Category	Climate-Related Risk	Actions to Identify, Assess and Mitigate
Operational Risk	Impact of extreme weather events on physical operations	<ul style="list-style-type: none"> ESG risk considerations have been incorporated into the Bank's Sourcing Request process for third-party vendors Incorporated ESG risk considerations into TD's Strategic Relationships Program to assess the E&S risks of the Bank's strategic partnerships TD's Change Risk Management Framework and assessment process continues to evaluate the E&S risks and impacts associated with material changes made to TD products, services, projects, and initiatives The Bank's enterprise-wide Business Continuity and Crisis Management Program continues to support management's ability to operate the Bank's businesses and operations in the event of a business disruption incident
Reputational Risk	Stakeholder perceptions of TD's action or inaction in relation to climate change Increased focus from NGOs to apply sustainable investment and business practices	<ul style="list-style-type: none"> Continue to reinforce TD's track record of environmental leadership as a purpose-driven bank Develop sustainable products and services to help finance the transition to the low-carbon economy Understand stakeholder perspectives through regular engagement on climate change topics and promote awareness of TD's CAP Manage emerging climate issues through governance forums, including Reputational Risk Committees
Legal, Regulatory Compliance and Conduct Risk	Increased potential for climate-related litigation and/or legal or regulatory enforcement action Introduction of new, and changes to, laws and regulations, novel application of current laws and regulations in E&S, and issuance of judicial or regulatory decisions that may result in new or unanticipated legal requirements Non-compliance with existing laws and regulations as they apply to climate-related matters Increase in international policy and standard-setting initiatives concerning climate action and the management and disclosure of climate-related risks and opportunities	<ul style="list-style-type: none"> The Bank has processes in place to monitor and evaluate the potential impact of applicable legal, regulatory, and policy developments in the jurisdictions where it operates, and to identify existing laws and regulations applicable to the Bank that may have an impact on ESG Advocate for more standardized industry, regulatory and legislative guidance related to climate risk management and disclosure through a variety of stakeholder forums
Market Risk	Impact of physical and transition risk on market factors such as equity prices, commodity prices and credit spreads	<ul style="list-style-type: none"> TD is establishing an ESG governance structure for market risk, including a road map for the inclusion of additional ESG provisions within the market risk management framework Current stress-testing framework includes key climate scenarios (e.g., commodity price shocks and extreme weather events)

Scenario Analysis

Climate change risks and opportunities will manifest differently over time, as will their impacts on the Bank. Climate scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. The TCFD recommends that organizations describe the resilience of their strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Scenarios are plausible constructs and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for organizations to consider how the future might look and how they can prepare for those hypothetical future states.

TD's Climate Scenario Analysis Program

In 2022, we advanced our climate scenario analysis program through an evaluation of physical risk in a scenario that exceeds a 2°C global warming threshold. The objective of this work was to continue building our scenario analysis capabilities, support our climate risk identification processes, and enhance our understanding of the breadth of potential physical climate risks within our portfolios.

This physical risk scenario analysis assessment is an integrated part of our risk measurement processes. Insights from our heatmapping exercises highlight exposures for further risk assessment. As real estate represents our largest lending category (e.g., with real estate secured lending outstanding loan balances amounting to approximately \$380 billion), we prioritized a scenario analysis assessment for our real estate-related portfolios (RESL, commercial real estate, and home insurance) within our North American footprint to evaluate the potential range of impacts including expected losses. The assessment focused on understanding physical risk impacts across four key hazards: flooding, hurricane, wildfires, and severe convective storms (e.g., wind, hail, tornadoes, etc.). We undertook a borrower-level evaluation based on property characteristics and location that estimated both direct impacts (e.g., property damage and business disruption) and indirect impacts (e.g., increased insurance costs and market value impacts). This approach allowed us to better understand the various transmission channels where climate risks can generate financial impacts and shed further insight on drivers for potential losses. Over time, we plan to integrate the

insights from our physical climate risk scenario analysis assessment into our risk identification processes (e.g., Climate Risk Heatmap), as well as risk monitoring processes (e.g., Climate Credit Risk Dashboard).

We recognize that quantification approaches for scenario analysis methodologies, including those to estimate potential losses, are still in the early stages of development and, as a result, reliability of results may be limited. As we continue to enhance our internal capabilities for scenario analysis, we intend to focus on addressing data limitations in order to improve the quality and reliability of the outputs of our analysis. Furthermore, as new methodologies are introduced by regulators and standard-setters, we may refine our internal approach and processes as we continue to build upon our internal capabilities.

In addition, in 2022 we participated in a pilot with Moody's Analytics to explore an approach to quantifying climate change impacts on a sample of individual non-retail lending borrowers. Moody's Analytics used its internally developed tools to evaluate the climate-related risks for a sample of TD's Commercial & Industrial (C&I) and U.S. Commercial Real Estate (CRE) borrowers. The assessment used a set of three Moody's Analytics proprietary macroeconomic scenarios that align with the Network for Greening the Financial System scenarios, including elements of chronic physical and transition risks. While the exercise covered only a small portion of TD's total portfolio, we gained several valuable insights that have been incorporated into our scenario analysis program. For more information see UNEP FI's [The Climate Risk Tool Landscape: 2022 Supplement](#).

Scenario Analysis: Looking Forward

We recognize that climate scenario analysis is an evolving industry practice and that we are on a multi-year journey to mature this risk management discipline. Going forward, we intend to advance our climate scenario analysis capabilities through continued engagement with industry participants (e.g., industry working groups, regulators, etc.). We will also focus on developing our internal capabilities with planned assessments to expand the scope of our analysis for key portfolios and to integrate lessons into our risk management processes.

Upcoming Priorities

We intend to continue to embed climate risk considerations across the various risk categories and across TD's lines of business. In the near term, we are focused on implementing the Bank's new enterprise E&S Risk Policy, including providing tools and guidance to support policy implementation. ESG Risk Management is also working to enhance existing tools, such as our newly launched Climate Credit Risk Dashboard and our E&S Risk Dashboard through the addition of new metrics that we believe will help support the Bank in efficiently identifying climate risks and integrating risk considerations into our decision-making. We intend to grow our heatmapping capabilities as we expand its scope and application. As we advance our scenario analysis program, we plan to work to embed insights from our physical risk assessment into our climate risk monitoring activities, while also working to develop our capabilities in scenario analysis by continuing to participate in pilots with OSFI and other regulators and industry groups.



Metrics and Targets

We use industry-aligned metrics to monitor our climate-related risks and opportunities and measure progress over time.

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Introduction

TD is focused on measuring and managing our performance using metrics, and setting targets, to focus our decision-making and to help us progress over time. We use a variety of metrics and targets to monitor our exposure to climate-related risks and assess how our activities are helping the Bank capture new business opportunities.

We aim to present the results of our progress in a clear and transparent manner with appropriate context and methodological details. We continue to participate in industry groups to improve the quality, reliability, and availability of data. We are working with industry partners, including the Partnership for Carbon Accounting Financials (PCAF) and the Net-Zero Banking Alliance (NZBA), to support the development and ongoing refinement of methodologies for measuring and monitoring our financed emissions.

Our Climate Action Plan (CAP) set our ambition to achieve net-zero greenhouse gas (GHG) emissions associated with our operations and financing activities by 2050 and guided the Bank in setting interim GHG reduction targets. In March 2022, we released interim Scope 3 financed emissions targets for the energy and power generation sectors as well as a methodology outlining our target-

setting approach. We have now set additional financed emissions targets for the automotive manufacturing and aviation sectors. In line with the Task Force on Climate-Related Financial Disclosures (TCFD) guidance, we also utilize key metrics to help monitor our climate-related risks, such as our exposure to carbon-related assets.

In addition, we consider sustainable and decarbonization finance to be an important lever to support our ESG Strategy and Climate Action Plan. TD has deployed over \$107 billion in low-carbon lending, financing, asset management, and internal corporate programs since 2017 and, this year, set a new Sustainable & Decarbonization Finance Target to mobilize \$500 billion by 2030. For more information on the Sustainable & Decarbonization Finance Target, please see TD's [Sustainable & Decarbonization Finance Target Methodology](#).



Key Accomplishments

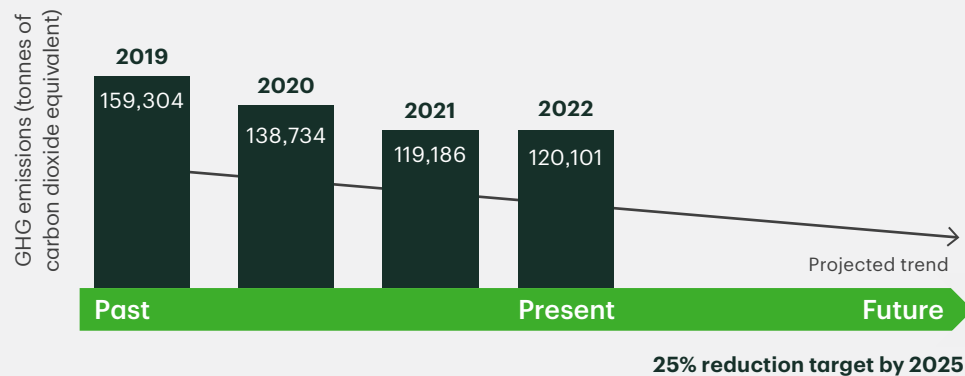
- Reduced our location-based Scope 1 and 2 emissions by 24.6% compared to our 2019 base year.
- Expanded our financed emissions footprint calculations to cover 89% of our lending to carbon-intensive sectors, including: energy, power and utilities, automotive, shipping, aviation, industrials and agriculture. We have also included four PCAF asset classes, including our business loans, on-balance sheet investments (i.e., listed equity and corporate bonds), residential mortgages and consumer motor vehicle loans portfolios.
- Achieved a 7% reduction in our Scope 3 financed emissions physical emissions intensity relative to our 2019 base year for the power generation sector.
- Achieved a 5% reduction in our Scope 3 financed emissions lending intensity relative to our 2019 base year for the energy sector when excluding the impact of company valuations to our metric. However, significant market volatility in 2020 overshadowed our progress and resulted in an overall 19% increase relative to our 2019 base year. For more information, please see the [Our Sectoral Targets](#) section.
- Set two new interim 2030 financed emissions targets for the automotive manufacturing and aviation sectors.
- Achieved our target of \$100 billion in low-carbon lending, financing, asset management and internal corporate programs, and set a new \$500 billion Sustainable & Decarbonization Finance Target.

TD's Interim Scope 1 and 2 GHG Emissions Reduction Target

In 2021, we announced our interim target to achieve an absolute reduction in our Scope 1 and 2 GHG emissions by 25% by 2025, relative to a 2019 baseline. This interim target was set using a science-based approach and is in line with the 1.5°C trajectory recommended by the Paris Agreement. We used the SBTi absolute contraction approach, which allows for equal annual decreases in absolute GHG emissions to zero by 2050.

As of the end of 2022,²² we have reduced our location-based Scope 1 and 2 emissions by 24.6% compared to our 2019 base year. We saw only a slight increase in our operational emissions compared to 2021 despite an increase in the number of colleagues who have returned to the office, and a colder winter and warmer summer compared to the previous year. Overall, TD's emissions reductions are primarily attributed to proactive energy reduction measures (e.g., building controls, LED lighting and solar) and portfolio adjustments. TD continues to remain focused on reducing our operational emissions in line with our target by implementing resource efficiency measures and portfolio adjustments across our operations.

Our Scope 1 & 2 GHG Emissions Performance



Case Study: Addressing Our Operational GHG Emissions

TD's progress on operational GHG emissions reduction reflects the efforts of our long history of environmental leadership. TD has been carbon-neutral²³ since 2010, driving energy efficiency in our physical premises and procuring renewable energy certificates (RECs) and carbon offsets to address our residual Scope 1 and 2 emissions. Recognizing that reaching net zero will require an enterprise-wide transformation, we are focused on taking steps to further drive down GHG emissions in our operations over time. We continue our work toward achieving this goal through several ongoing initiatives:

- The incorporation of green building design standards into new and existing locations. The Bank has over 280 LEED-certified locations (Leadership in Energy and Environmental Design) that promote energy efficiency, reduced water consumption, and renewable power sources. TD's continued focus on expanding the number of LEED-certified locations reflects our commitment to our ongoing carbon reduction and green building design that conserves natural resources and energy.
- The integration of solar energy across North America. The Bank has equipped a number of branches and stores across Canada and the U.S. with on-site solar panels. We currently have over 150 locations with on-site solar systems, generating approximately 3,000,000 kWh of energy.
- The acceleration of our Smart Retail Controls program to drive energy efficiency across our branches and stores. This program was introduced in 2018 to provide real-time visibility, remote monitoring, and performance assessment for multiple retail locations in the U.S. and Canada. This system enables us to remotely monitor energy consumption, optimize equipment operation, and control temperature at

around 1,500 locations. With targeted completion in 2023, this initiative is expected to save over 8,000 tonnes of CO₂ (carbon dioxide) equivalent per year.

- The rollout of our pilot program to convert heating, ventilation and air conditioning (HVAC) equipment from gas to electric at the time of scheduled life cycle replacement. Due for completion in the summer of 2023, the objective of this pilot is to identify locations where TD could realize Scope 1 and 2 GHG reductions from electrification (i.e., where the emissions intensity of local electricity grids is lower than that of natural gas).
- The identification of new net-zero opportunities and innovations. Our Cypress Creek location in Florida, constructed in 2011, was the Bank's first net-zero energy branch in the U.S. It is equipped with over 400 solar panels on the building and surrounding property and generates more electricity than it consumes. In 2022, over 110,000 kWh of energy was generated on-site at Cypress Creek.

We intend to continue to provide updates on our progress toward our interim Scope 1 and 2 GHG emission reduction target and our plans to drive meaningful reductions.

In addition to the steps we are taking to reduce our operational emissions, we also carry out regular engagement with suppliers through the CDP Supply Chain Program. While TD's supply chain GHG emissions fall outside the scope of our operational target, we work with our top suppliers to report on and reduce GHG emissions. In 2022, we asked 232 suppliers to respond to the program.

TD's Scope 3 Financed Emissions

TD was the first major bank in Canada to announce a target to achieve net-zero GHG emissions by 2050 for our operations and financing activities, in line with the associated principles of the Paris Agreement. In 2022, we continued to drive progress by announcing interim Scope 3 financed emissions targets for the energy and power generation sectors. We remain dedicated to leveraging our skills and resources to support the transition to a low-carbon economy and this year, we have expanded our interim Scope 3 financed emissions targets to include the automotive manufacturing and aviation sectors.

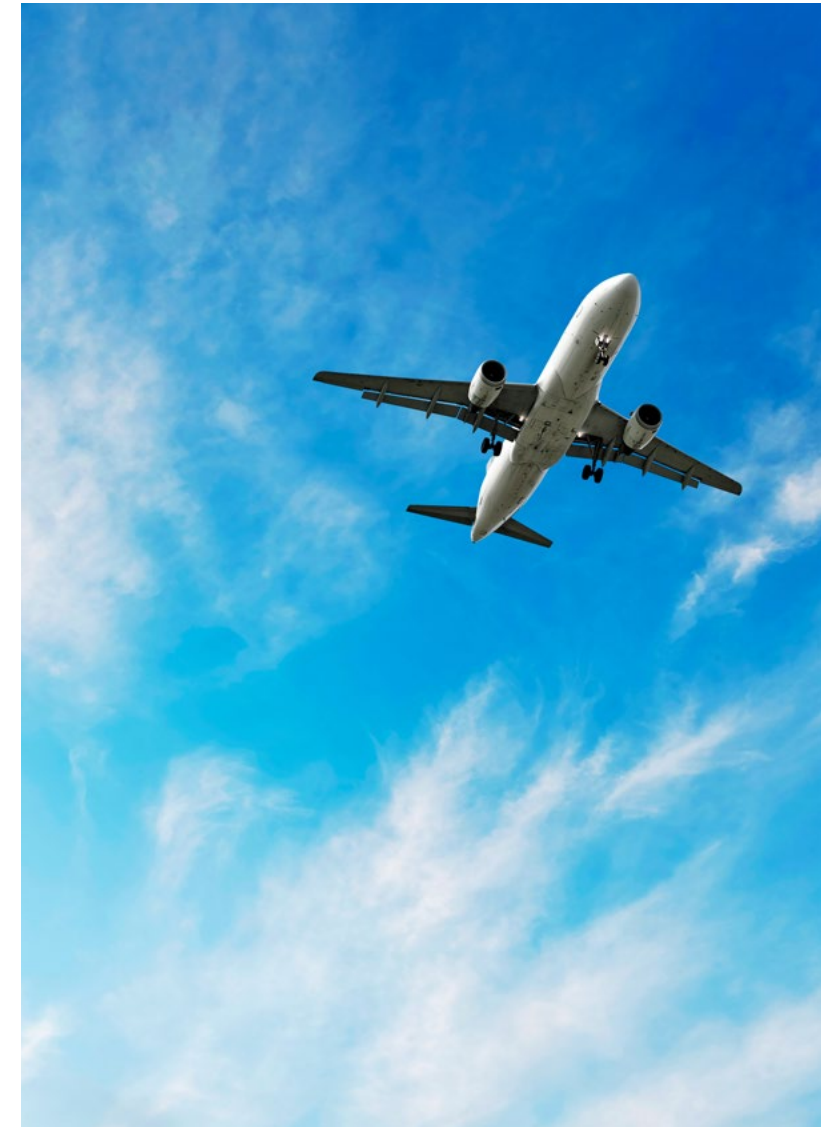
We recognize that there will be many challenges and uncertainties on our road to net zero, including incomplete or imperfect data, and evolving methodologies. Yet the urgency of climate change has underpinned our decision to act. While we will continue to improve the data and methodologies that inform our approach, we know we can make progress with the methodologies we have today— so we are doing this work now. However, due to the evolving nature of the methodologies and the non-linear trajectory of the transition to the low-carbon economy within each sector, we anticipate that our progress toward our interim 2030 targets will not be linear, consistent, or fully comparable across each year through to 2030.

Working to achieve net-zero goals—both at TD and globally—is a monumental task requiring a transformation of the global economy and energy system. This will only be possible with significant efforts across industries, members of society and governments, including public policy to support this transformation. While many of the conditions required for achieving our net-zero goal and interim targets go beyond TD's actions or control, we aspire to play a meaningful role in supporting the transition. We continue to work with governments, industry groups and associations, as well as standard-setting organizations, to foster sustainable economic growth and accelerate the low-carbon transition.

Our strategy is focused on supporting clients in their transition initiatives. Our objective is to proactively engage, advise and provide products and services to our existing and new clients to facilitate a sustainable, just, and orderly transition, while also realizing business opportunities. We have made progress on developing our client engagement strategy this year, including setting our client engagement goal. For more details please see the [Strategy](#) section.

Transparently disclosing metrics and targets is a key pillar of our climate strategy, which is designed to help us meet our overarching goal of achieving net-zero absolute financed emissions across our portfolio by 2050. This report sets out our continued progress in these areas:

- Expanded reporting of our absolute financed emissions footprint to include seven carbon-intensive sectors and four PCAF asset classes, including our business loans, on-balance sheet investments (i.e., listed equity and corporate bonds), residential mortgages and consumer motor vehicle loans portfolios.
- Progress updates on our previously announced energy and power generation 2030 interim targets.
- The announcement of our second set of 2030 interim targets, for two additional sectors, automotive manufacturing and aviation.



TD's Scope 3 Financed Emissions (continued)

Our financed emissions reporting consists of two important and complementary components:

- Our financed emissions **footprint**, which represents a snapshot of our attributed absolute financed emissions in a given year.
- Our financed emissions **targets**, which represent forward-looking targets that we aim to achieve by 2030. Our targets are intensity-based and are set for specific sectors to guide our business strategy and client engagement.

Footprint

We estimate our **financed emissions footprint** in accordance with the guidance published by PCAF. By publishing our footprint, we aim to provide an overview of TD's attributed absolute financed emissions profile across sectors and asset classes, along with information on the quality of data underpinning our financed emissions calculations. This analysis helps us understand our financed emission concentrations across sectors and asset classes and informs our priority areas for target setting.

The footprint is a holistic representation of our estimated absolute financed emissions and therefore includes all parts of the value chain within the sectors we finance, even where data is unavailable. Where data is available, we use the most current data, in accordance with PCAF guidance. Where actual client emissions data is not readily available (as is the current case in some sectors) we leverage PCAF emission factors to estimate the footprint. The underlying data we are using to estimate our footprint is as of fiscal year-end 2020 and 2021 depending on the sector and the availability of data. To calculate our footprint for business loans and investments, we used S&P Global Trucost 2020 emissions data as 2021 data were not yet available. For this reason, we report fiscal year-end 2020 results for these asset classes. For our consumer auto loans portfolio, 2021 emissions data was available and therefore was used for our footprint calculation.

While we include our lending activities and on-balance-sheet investments managed by our Treasury and Balance Sheet Management group in our financed emissions footprint calculations, we currently do not include financed emissions from capital market facilitation transactions and derivatives, as the PCAF guidance was forthcoming at the time our analysis was completed. We intend to continue to refine our financed emissions footprint calculations as the PCAF guidance and the data landscape evolves, which may result in changes to our disclosures in this area.

Targets

We set our **financed emissions interim targets** in accordance with Net-Zero Banking Alliance (NZBA) guidance. Like our footprinting exercise, our interim target setting aims to provide stakeholders with additional transparency on significant sectors in our portfolio. Our approach to setting interim targets is broadly consistent with our approach to footprinting, but there are four primary differences:

- **Our financed emissions targets focus on the most relevant parts of a sector's value chain:** While the financed emissions footprint broadly covers emissions from applicable clients in high-emitting sectors, with lending or investment activities in scope, our financed emissions targets focus on specific parts of the value chain that represent the majority of a sector's emissions and/or can drive significant knock-on effects across the sector. As an example, while our power & utilities footprint covers clients in power generation, transmission and distribution and service provider sub-sectors, our sector target is focused on clients with power generation activities because these clients are ultimately responsible for the electricity fuel mix in a given jurisdiction and represent the majority of our financed emissions exposure to the power sector.
- **Our financed emissions targets are intensity-based, not absolute:** Intensity-based metrics quantify financed emissions per unit of output (e.g., CO₂ per megawatt hour) or financed emissions per economic unit (e.g., CO₂ per dollar lent). We believe intensity metrics provide the insights that allow us to set informative targets that can drive meaningful engagement with new and existing clients of different sizes. Use of an intensity-based metric can facilitate comparisons across different companies, sectors, or portfolios. Physical financed emissions intensity targets, which are based on the financed emissions per unit of physical output, are also less sensitive to market fluctuations and company

valuation changes. These interim targets are designed to support our clients in their decarbonization efforts while driving progress toward our long-term ambition for net zero absolute financed emissions by 2050. The use of intensity metrics is also consistent with NZBA guidance.

- **Our financed emissions targets include capital markets facilitated activities:** Debt and equity capital markets are key sources of financing for our clients, and we play a role in facilitating these transactions on their behalf. These activities are currently excluded from our footprint calculation as the PCAF methodology is not yet finalized; however, we have included attributed deal values in scope for target-setting given their strategic role in providing capital to our clients, and with the expectation that a methodology will be finalized in the near term. We will continue to assess our approach as PCAF guidance evolves, which may result in changes to our disclosures in this area.
- **Our financed emissions targets use 2019 as the baseline year:** As these targets are forward-looking, it is critical that we first understand our starting point for comparison. Given the significant volatility in 2020 and 2021 from global events (e.g., COVID-19 lockdowns and subsequent reopenings), we have used 2019 as our financed emissions baseline for all targets established to date so that the baseline reflects "normal" client operations.

Additional details on the financed emissions footprint and targets, including the supporting methodology for our new targets in automotive manufacturing and aviation, is disclosed on the following pages. Please refer to **Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets**, published in March 2022 for details on the previously disclosed energy and power generation targets.

Our Financed Emissions Footprint

Our financed emissions footprint represents a snapshot of our absolute financed emissions in a given year. It is estimated in accordance with PCAF guidance published in 2020 and is disclosed on an asset class and sector basis. TD is committed to working with industry associations to help develop and implement a harmonized approach to measuring and disclosing financed emissions. We participate in several PCAF working groups, including the PCAF Canada and North America Working Groups, PCAF Business Loans Working Group, and the PCAF Motor Vehicle Loans Working Group.

Key insights:

- Our analysis shows that our financed emissions are primarily driven by our business loans and investments with corporate and commercial clients.
- Our footprint now covers approximately 89% of our lending to carbon-intensive sectors as defined by NZBA (including both non-retail and retail lending).²⁴ Our footprint analysis reinforced our prioritization of the energy and power sectors for interim target setting given their significant contribution to our financed emissions profile, and also supported our decision to expand the interim targets methodology to include two transportation sectors: automotive manufacturing and aviation. We believe our focus on setting interim targets for clients in these sectors will help drive absolute emissions reductions across the sector value chain and downstream sectors, which we expect will be seen over time in our footprint.
- We recognize that the PCAF methodology is based solely on drawn balances since those figures represent the funds actually disbursed; however, for greater transparency, we have included a view of our absolute financed emissions footprint based on both committed and drawn balances. As described in the **Our Approach to Setting and Achieving Our Financed Emissions Targets** section, we see advantages in using committed business loan amounts, as opposed to drawn balances, to minimize volatility and better reflect the Bank's credit decisioning. The committed lending approach includes off-balance sheet commitments,²⁵ which increases the overall in-scope exposure, and in turn, the absolute financed emissions under this approach are higher.

Detailed results by sector and asset class (drawn lending basis for business loans)²⁶

PCAF Asset Classes	Sector	Year	Scope 1 and 2 Financed Emissions MtCO ₂ e	Scope 1 and 2 Data Quality Score 1-5	Scope 3 Financed Emissions MtCO ₂ e	Scope 3 Data Quality Score 1-5
Business loans and investments combined	Energy ²⁷	2020	2.3	3.6	23.7	4.1
	Power & utilities ²⁷	2020	1.0	3.7	–	–
	Automotive	2020	0.5	4.3	1.3	3.0
	Shipping	2020	0.2	4.6	–	–
	Aviation	2020	4.5	4.6	–	–
	Agriculture	2020	9.3	4.9	–	–
	Industrials	2020	0.3	4.8	0.1	4.8
Consumer auto loans ²⁸		2020	7.6	2.3	–	–
		2021	7.1	2.3	–	–
Residential mortgages ²⁹		2021	2.4	5.0	–	–

Detailed results by sector and asset class (committed lending basis for business loans)²⁶

PCAF Asset Classes	Sector	Year	Scope 1 and 2 Financed Emissions MtCO ₂ e	Scope 1 and 2 Data Quality Score 1-5	Scope 3 Financed Emissions MtCO ₂ e	Scope 3 Data Quality Score 1-5
Business loans and investments combined	Energy ²⁷	2020	8.5	3.0	80.1	3.7
	Power & utilities ²⁷	2020	6.1	3.2	–	–
	Automotive	2020	0.9	3.7	6.1	3.0
	Shipping	2020	0.4	4.4	–	–
	Aviation	2020	4.6	4.3	–	–
	Agriculture	2020	9.6	4.8	–	–
	Industrials	2020	0.4	4.2	1.5	4.3
Consumer auto loans ²⁸		2020	7.6	2.3	–	–
		2021	7.1	2.3	–	–
Residential mortgages ²⁹		2021	2.4	5.0	–	–

Our Financed Emissions Footprint (continued)

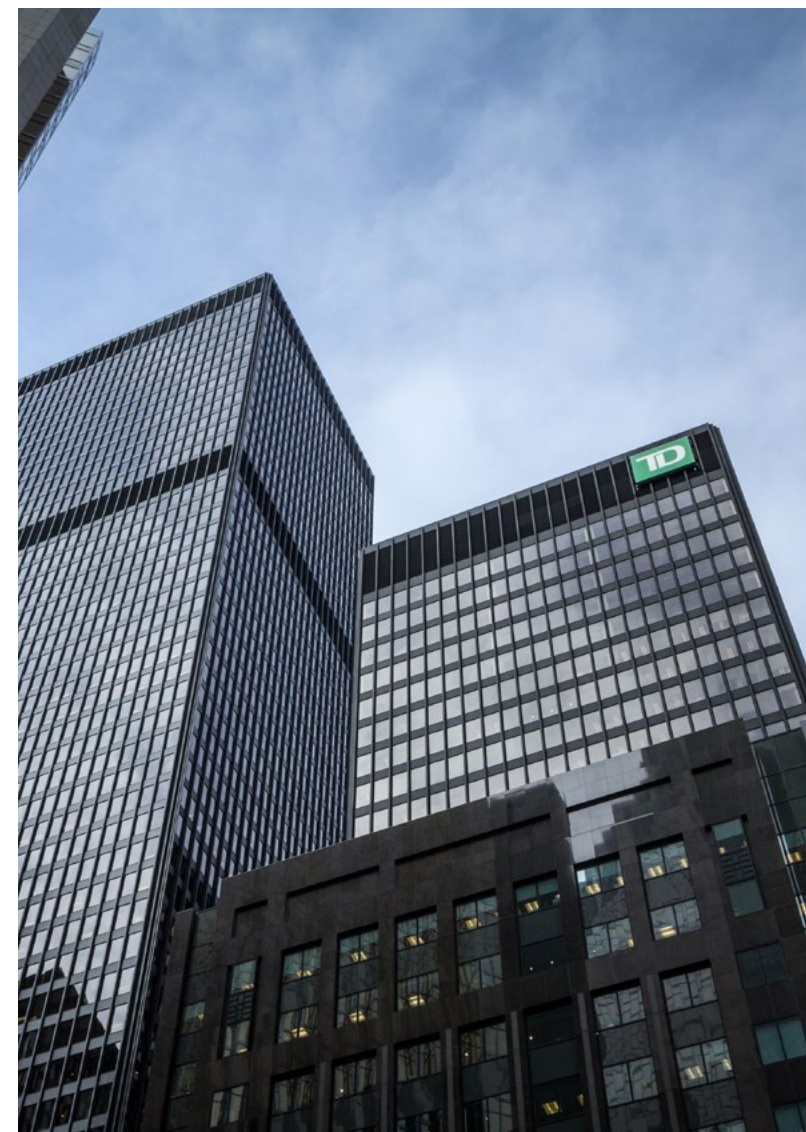
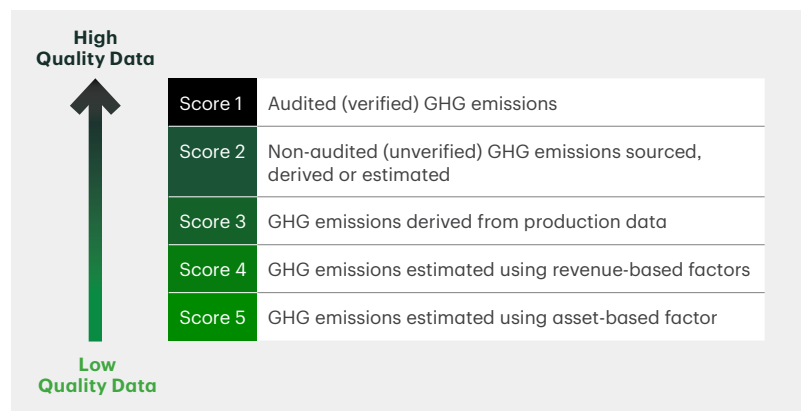
Data Quality

This report reflects available data as of February 2023. We leveraged external sources, including S&P Global Trucost for emissions and client financial data, and EPA emissions data for consumer auto loans; where data were unavailable, we followed PCAF guidance for alternative estimation methodologies. Data quality scores are reported for each sector and asset class on a scale of 1-5, in accordance with PCAF guidance, with 1 being the highest quality data (e.g., reported and audited emissions data) and 5 relying on estimation methodologies (e.g., economic intensity factors). Each client calculation has a discrete data quality score, which we then aggregate to a portfolio view using an exposure weighted average. We currently report business loans and investments exposures to corporate clients on a two-year lag (i.e., fiscal year 2020 results are disclosed in this report) due to data availability. We intend to continue to monitor the emissions data landscape and collaborate with our clients and vendors as appropriate to improve reporting. We are also focused on disclosing updated results for other asset classes when reasonably reliable data are available, for example, in this year's report for motor vehicle loans and residential mortgages, we are disclosing fiscal year 2021 results.

For business loans and investments, we generally observe that data quality is better for Scope 1 and 2 emissions compared to Scope 3. We also observe that data quality is stronger for larger public companies compared to smaller private companies; that is why, under the committed lending approach (which skews toward larger public companies), we see slightly better data quality scores. We intend to continue to update our financed emissions disclosures, including our data quality scores, over time as data quality and data coverage improve.

For real estate, there are still significant challenges in sourcing property-level emissions data needed for these calculations. The figures included in this report for residential mortgages are based on emissions factors provided through PCAF, aligned to the property location and property type. We plan to further refine this estimate (and expand our footprint to include commercial real estate) over time as data and methodologies improve for this sector. We also see significant data challenges in the agriculture sector, where a significant majority of our exposures are to smaller, commercial clients with limited emissions data available today. We plan to further refine our financed emissions estimate over time as data and methodologies improve for the agriculture sector.

As per the GHG Protocol, accounting for Scope 3 emissions is important because it helps facilitate emissions reductions by multiple entities in the same value chain. However, methodologies to estimate Scope 3 financed emissions are nascent and evolving and frequently result in multiple entities counting and reporting on the same emissions. This is the case for several reasons. First, the estimated Scope 3 financed emissions reported by TD are, by definition, the direct emissions reported by our clients. Therefore, they are inherently double counted, in that they are counted in both our financed emissions footprint and our clients' GHG emissions reporting. Furthermore, based on multiple relationships TD may have along the value chain in a given sector or related sectors, our financed emissions footprint also counts the same emissions more than once where they are included in the Scope 3 financed emissions of multiple actors in the same value chain. For example, our interim financed emissions target for the energy sector covers, among other things, the Scope 3 emissions of our energy clients attributable to gasoline consumption by automobiles. These same emissions may also be reported by our automotive manufacturing clients as their own Scope 3 tank-to-wheel emissions associated with the automobiles they produce. As a result, our estimation of our financed emissions footprint will overlap with the emissions footprints of multiple clients. But, as we make progress in supporting our clients in their efforts to reduce their emissions, we expect, in turn, to see progress in reducing our own Scope 3 financed emissions across different scopes in different sectors at the same time.



Our Financed Emissions Targets

Our previously published energy and power generation targets reflect available data and scenario projections as of February 2022. Our new automotive manufacturing and aviation targets reflect available data and scenario projections as of February 2023.





Future updates to the International Energy Agency Net-Zero Emissions (IEA NZE) scenarios and/or other inputs may result in a recalibration of our interim targets. This may include, for example, changes in government regulation updated benchmark scenarios. Several additional factors, including changes to the coverage, quality, and availability of our data and methodologies, as well as the factors described in TD's **Cautionary Statement Regarding Disclosure on Emission Targets**, may also necessitate refinements to our 2019 baseline or 2030 interim target for one or more of the included sectors. We will regularly monitor these developments and periodically assess the appropriateness of our metrics and targets.

Our Approach to Setting and Achieving Our Financed Emissions Targets:

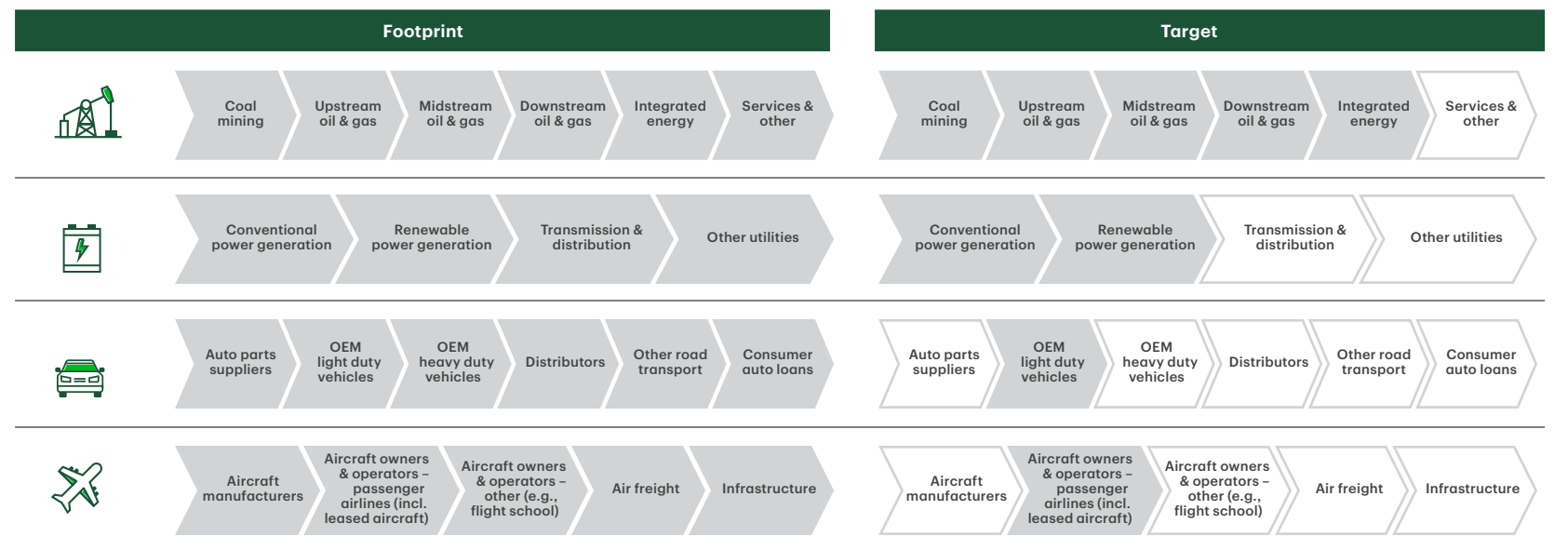
- ✔ Help our clients to decarbonize, and in turn, the wider economy, while supporting a just and orderly transition
- ✔ Calibrate our targets in a manner that is consistent with science-based scenarios and credible and well-known industry guidance
- ✔ Work to integrate our targets into our core business strategy
- ✔ Continually improve and expand our data and methodologies over time

For more information, please see **Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets**

Summary of Our Targets

	 Energy	 Power Generation	 Automotive Manufacturing	 Aviation
Target metric	Financed Emissions Lending Intensity	Physical Emissions Intensity	Physical Emissions Intensity	Physical Emissions Intensity
Baseline year	2019	2019	2019	2019
Measurement	gCO ₂ e/\$	kgCO ₂ e/MWh	gCO ₂ e/vkm	gCO ₂ e/pkm
Emission baseline	2,078	376	194	87
Target reduction by 2030	-29%	-59%	-50%	-8%
2030 emissions target	1,475	156	97	80
Reference scenario	IEA Net Zero (2021)	IEA Net Zero (2021)	IEA Net Zero (2022)	IEA Net Zero (2022)

Sub-Sector Inclusion: Footprint vs Targets



Our Financed Emissions Targets (continued)

Key Target-Setting Design Decisions

Setting financed emissions reduction targets requires several scoping and methodology decisions. Our most important design decisions are discussed below.

- **Sector selection:** We prioritize certain carbon-intensive sectors based on their contribution to global emissions, significance within our portfolios, and the availability of both science-based decarbonization scenarios and high-quality data. As of the date of this report, we have set interim targets for four sectors (energy, power generation, automotive manufacturing, and aviation). Over time, we intend to set targets for additional sectors in accordance with our NZBA-aligned objective to cover a significant majority of our financed emissions where data and methodologies allow.
- **Business activities covered by targets:** Our financed emissions baseline and targets cover non-retail financing (relationship lending to corporate and commercial clients) and our capital markets facilitation activities (i.e., debt and equity capital markets) to our prioritized sectors. We define lending for the purpose of target setting to be our total commitments, which include our clients' drawn balances, any undrawn balances under committed loan agreements, as well as other off-balance sheet commitments such as letters of credit and guarantees. We believe that using the committed amount is preferable to the drawn amount because it most accurately reflects our decision to extend credit to a client. It also reduces potential volatility from changes in client loan utilization rates, which may be unrelated to emissions performance.
- **Scenario selection:** Each of our interim targets are calibrated based on the IEA NZE scenarios, which model a possible pathway for global energy supply and demand to achieve net-zero CO₂ emissions by 2050. The IEA NZE scenarios describe the conditions required in 2030 to ensure that global CO₂ emissions are in line with the trajectory for GHG reductions required in 1.5°C scenarios with no or limited temperature overshoot. They include assumptions about a broad range of policies and measures that have yet to be implemented in all jurisdictions (such as renewable fuel mandates, market reforms and efficiency standards) and information regarding technologies that have yet to be developed or made available at scale (such as hydrogen, bioenergy, and carbon capture). We may need to recalibrate our targets periodically as technology, policy assumptions, and scenario methodologies change over time.

Metric Selection Process

The metrics we used for estimating emissions in each sector were driven by the sector's specific emissions reduction pathway, the composition of our portfolio, the metric's ability to guide sector decarbonization, as well as data and methodology availability. For the reasons discussed above, we prioritized two intensity metrics in setting our sectoral targets: Financed Emissions Lending Intensity (FELI) and Physical Emissions Intensity (PEI). We will also continue to monitor absolute emissions for all portfolios through our portfolio footprinting and assess the appropriateness of our metric selection periodically. Additional details on the data sources leveraged for the calculations can be found in the **Our Sectoral Targets** section of this document.

- **FELI** is a metric based on absolute financed emissions, which is calculated by multiplying the absolute emissions of the borrowers by an attribution factor. Consistent with the PCAF methodology, we calculate the attribution

factor by using the ratio of our financial exposure to the company's total enterprise value.³⁰ For FELI, we then normalize financed emissions based on the amount of financing we commit to that specific sector. This normalization improves comparability across clients, portfolios, and with peer banks. This attribution factor allocates total corporate emissions among banks and investors and thereby reduces the double counting of emissions. However, company valuations can be sensitive to external market factors, such as commodity prices or other economic considerations, resulting in significant fluctuations in absolute financed emissions and FELI that are not necessarily linked with actual emissions levels. These dynamics are discussed further in the **Our Sectoral Targets** section.

Financed Emissions Lending Intensity (FELI)

$$\frac{\sum \left(\frac{\text{Financing to client}}{\text{Company EVIC}^{30}} \times \text{Company emissions} \right)^*}{\text{Total sector financing}} = \sum \left(\frac{\text{Company emissions}}{\text{Company EVIC}^{30}} \times \frac{\text{Financing to client}}{\text{Total sector financing}} \right)$$

* The numerator represents absolute financed emissions

Our Financed Emissions Targets (continued)

- **Physical emissions intensity** is another metric that enables comparison across clients and with peer banks. This metric normalizes a company's emissions for production or output (e.g., the number of megawatt-hours generated or vehicle kilometres driven). At the portfolio level, we use a weighted average of company emissions intensities based on TD's exposure to the company. This provides a clear view of emissions efficiency relative to production for the portfolio as a whole. However, this metric requires additional data on sector-specific produced output, which can limit the types of companies that can be included (e.g., services or distribution companies that do not directly produce outputs, but that still play an integral role in energy supply, could not be included as this metric requires a production output). These metrics are also specific to the production output of a particular sector; therefore, comparison across sectors is difficult. As an example, we measure power generation companies based on their emissions relative to the total amount of electric power produced, while we measure automotive manufacturers based on their emissions relative to the total amount of lifetime kilometres travelled by the vehicles they manufactured.

While we work toward the goal of standardized data and metrics, TD has chosen to combine multiple approaches (and in some cases, datasets) to create metrics and processes that we feel better inform decision-making. We have elected to set targets for the power generation, automotive manufacturing and aviation sectors using physical emissions intensity metrics, and set a target for the energy sector using FELI.

For many sectors, the IEA NZE scenarios assume that production will increase by 2030 (e.g., electricity production is expected to increase from 2019 levels by 2030, and passenger demand for air travel will increase 2-3% per year from 2019 levels through 2030). Because of this, in the near term, we believe physical emissions intensity metrics allow us to recognize that our clients' operations will likely grow as needed, and help demonstrate when growth is aligned with the transition to a low-carbon economy.

For the energy sector, we have opted to use FELI instead of physical emissions intensity for two primary reasons:

- **Enables inclusion of the midstream sub-sector:** Midstream clients are responsible for the transportation and storage of oil and gas. Because these clients do not directly produce energy products, capturing their activities through a physical emissions intensity metric is challenging. Midstream clients represent an important contribution to our overall financing within the energy sector and their inclusion was an important consideration in our metric selection process.
- **Decarbonization scenarios assume production decreases over time:** Unlike other sectors cited above that are forecast to expand activity over time, the IEA NZE scenario forecasts a decrease in fossil fuel use (and by extension fossil fuel production) due to electrification and increased low-carbon fuels supply by 2030 and beyond. FELI allows us to better reflect any actions our clients take to diversify into less carbon-intensive lines of business and over time, reduce oil and gas production.



Physical Emissions Intensity

$$\sum \left(\frac{\text{Company emissions}}{\text{Company production}} \times \frac{\text{Financing to client}}{\text{Total sector financing}} \right)$$

Our Sectoral Targets

Energy and Power Generation

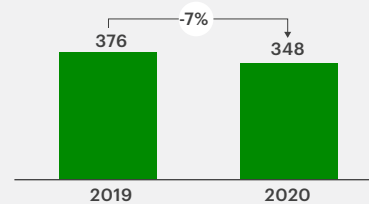
In our 2021 report, we disclosed for the first time our fiscal year 2019 financed emissions intensity baselines for the energy and power generation sectors. As we have done in this year's report, we plan to continue to provide updates on our progress toward achieving our 2030 interim targets in our annual Climate Action Report. This year's report includes updates as of fiscal year 2020.

Please refer to [Advancing our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets](#), published in March 2022 for additional details on the energy and power target-setting design decisions and supporting data sources.

Power

Our power generation sector physical emissions intensity has decreased by 7% in 2020 from the 2019 baseline. Unlike FELI, physical emissions intensity is not impacted by company valuations. As a result, most of the movements can be attributed to actions our clients have taken to reduce emissions and transition electricity production toward cleaner sources, as well as the Bank's actions to increase financing to renewable power companies and clients in transition.

Power: PEI (kgCO₂e/MWh)



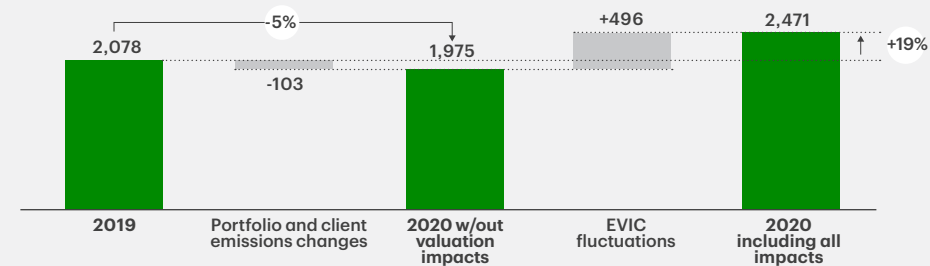
Energy

Our energy sector FELI decreased approximately 5% from the 2019 baseline when considering changes in our portfolio mix and client emissions levels. This analysis assumes constant company valuations from 2019 to 2020. However, significant market volatility and falling oil and natural gas prices in 2020 led to lower company valuations for energy clients. Since company valuations impact FELI, this volatility overshadowed our progress and resulted in a 19% net increase in FELI above the 2019 baseline for 2020.

Since financed emissions are attributed to a financial institution based on the ratio of the financing commitments to the client and the client's enterprise value, these adverse valuation changes led to a higher attribution ratio. In 2020, this impact was significant; lower energy company valuations resulted in an increase in FELI irrespective of the steps taken by the Bank and our clients to reduce attributed emissions.

Company valuations for 2021 indicate that the FELI increase observed in 2020 is temporary and the observed rebound in oil and natural gas prices and company valuations are expected to reverse some of this impact. As a member of PCAF, we continue to work with PCAF members and standard-setting bodies to consider methodology enhancements such as smoothing approaches that could help to reduce volatility and improve year-over-year reporting.

Energy: FELI (gCO₂e/\$)



Our Sectoral Targets (continued)

Automotive Manufacturing

Our interim target for the automotive manufacturing sector is a reduction in the physical emissions intensity of our clients' light-duty vehicle (LDV) fleets to 97 grams of CO₂ per vehicle kilometre (gCO₂/vkm) by 2030. This represents a 50% reduction from our 2019 baseline. Emissions reduction in this sector will primarily be driven by a shift away from internal combustion engine (ICE) vehicles toward the production of Electric Vehicles (EVs) and Hybrid Electric Vehicles (HEVs), along with improvements to operational emissions from factories during vehicle production.

Decarbonizing the automotive sector, and in turn achieving our target for the sector, depends on several key external factors and parties. This includes, but is not limited to, a regulatory environment and government support and incentives to facilitate the widespread adoption of EVs and HEVs, sufficient consumer demand for these types of vehicles, an expanded and decarbonized electricity grid, readily available charging infrastructure, and a responsible and reliable supply chain of minerals and materials required for battery, EV and HEV production. Further information can be found in our [Cautionary Statement Regarding Disclosure on Emission Targets](#). TD will continue to support our clients as they implement their emissions reduction plans.

The target specifically focuses on the physical emissions intensity of original equipment manufacturers (OEMs) for LDVs. These OEMs have the greatest influence on the decarbonization of the automotive sector, as they control the inventory of vehicles supplied to automotive dealers and rental car companies.

We calibrated the 2030 target reduction based on the IEA NZE scenario released in 2022 with an adjustment to reflect the emissions intensity of new vehicles manufactured each year, as the NZE scenario includes new sales and existing cars on the road. This is because manufacturers have more direct control over new vehicle sales than the stock of vehicles on the road in a given year, which includes used and older vehicles that remain in circulation.

Emissions Scope: Most emissions in the automotive manufacturing sector are generated when the vehicles are being driven. These emissions are also known as "tailpipe" emissions, or "tank-to-wheel" (TTW) emissions, and for an automotive manufacturer these are considered Scope 3. Therefore, in addition to direct emissions from manufacturer plant operations (Scope 1) and indirect emissions from utilities (e.g., power, heat) purchased to support plant operations (Scope 2), we have also included Scope 3 TTW emissions in our intensity calculations.

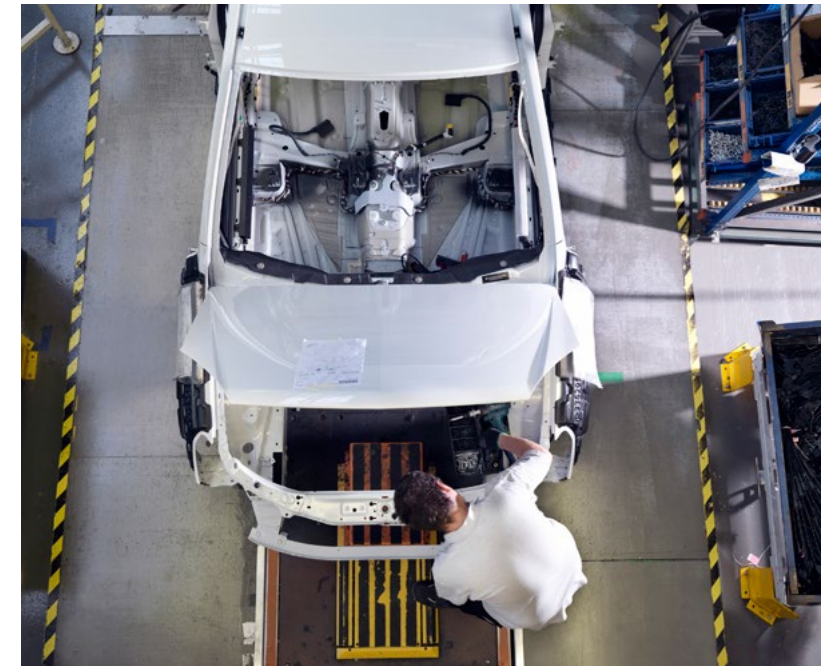
Metric Calculation:

$$\text{Portfolio Physical Emissions Intensity} = \sum \left(\frac{\text{Client financing}}{\text{Total sector financing}} \right) \times \left(\frac{\text{Scope 1 + Scope 2 + Scope 3 TTW CO}_2 \text{ company emissions}}{\text{Vehicles produced} \times \text{Average lifetime kilometres}} \right)$$

Currently we are excluding other Scope 3 emissions (emissions generated during fuel procurement, emissions generated by parts suppliers, and emissions generated from car disposal) from the target. Emissions generated during fuel procurement are addressed by our energy (for ICE) and power generation (for EVs and HEVs) targets, and there is limited data available today on emissions related to parts development and vehicle disposal at the manufacturer level. We will continue to monitor the data landscape and may include additional emissions and sub-sectors in scope, as appropriate.

Metric Calculation: Our primary data sources for client-level calculations are S&P Global Trucost, Asset Impact,³¹ and the IEA. We calculate the physical emissions intensity at the client-level, and then aggregate client intensities to a portfolio metric based on an exposure-weighted average.

Additional Considerations: TTW emissions are measured during test cycles, which are performed by national regulatory bodies on vehicles seeking fuel efficiency approval. As a result of varying national standards, the test cycle used to approve a vehicle relies heavily upon its sales location. Our automobile manufacturer clients sell globally and, consequently, their emissions are reported according to the international test cycle standard, the Worldwide Harmonized Light Vehicle Test Procedure (WLTP). This test cycle was released more recently than the New European Driving Cycle (NEDC) and, on average, can report emissions approximately 20%³² higher than NEDC results. We have aligned our baseline measurement, and 2030 interim targets, to the newer WLTP cycle as we believe that it better reflects real-world driving conditions and actual emissions generated from clients' fleets. This may drive higher emissions intensity values than our peers or industry groups that report physical emissions intensity for Automobile Manufacturers on an NEDC basis.



Our Sectoral Targets (continued)

Aviation

Our interim target for the aviation sector is a reduction in the physical emissions intensity of our airline clients to 80 grams of CO₂ per passenger kilometre (gCO₂/pkm) by 2030, which represents an 8% reduction from our 2019 baseline. Our 2019 baseline is already 25% lower than the global 2019 IEA NZE level³³ for this sector³⁴ given our portfolio composition, which includes financing of newer, more efficient aircrafts through aircraft specific financing products.

According to the IEA 2022 World Energy Outlook and the Mission Possible Partnership scenarios, in the near-term, the decarbonization of the aviation sector will first be driven by the modernization of legacy fleets and continued focus on route and seating efficiency. Over time, it is assumed that alternative fuels (e.g., sustainable aviation fuels) and new technologies (e.g., electric planes, next-gen propulsion technologies) will be available at scale. This sector is considered a hard-to-abate sector, and some of the required technologies to align with a “net zero by 2050” world are still in early stages of development and not yet commercially available. As a result, the emissions reduction pathway in the scenario from 2019 to 2030 is less steep than in other sectors, followed by a steeper decline in emissions in the later decades.

The target specifically focuses on passenger airlines, including both their owned and leased aircraft, as most of the emissions in this sector (approximately 90%³⁵) are attributed to passenger flights including belly freight. In addition, the substantial majority of these emissions occur during jet fuel combustion while in-flight, taking off and landing. Airlines have direct control over their fleet mix and the purchase or lease of new aircraft (with more efficient engines), as well as other efficiency factors like route planning and seating layouts. Furthermore,

as large potential purchasers of low-carbon fuels, airlines are best suited to positively influence their supply and availability, for example, through innovative structures such as sustainable aviation fuel (SAF) offtake contracts.

The 2030 target level was calibrated based on the IEA Net Zero emissions scenario released in October 2022, with an adjustment to remove dedicated freight activity and focus specifically on passenger flight (including any belly freight). We also benchmarked this target level to pathways published by the Mission Possible Partnership.

Emissions Scope: Our target focuses on the carbon dioxide emitted during the combustion of jet fuel. These emissions are considered Scope 1 for airline clients operating the aircraft, and Scope 3 for companies leasing the aircraft to an airline operator. We believe that this approach best reflects the emissions contributions of airlines, and our approach to focus on emissions from fuel combustion is consistent with industry guidance from the International Civil Aviation Organization (ICAO) and scenario data from the IEA NZE.

Metric Calculation: Our primary data sources for the client and aircraft-level calculations are Asset Impact, the OAG flight database, and additional airline- and aircraft-specific data. Where we finance specific aircraft purchases and data is available, we measure emissions intensity based on that specific aircraft. Where we provide general lending to or facilitate capital markets transactions for an airline client, we measure emissions intensity based on the overall fleet of the company. These transaction-level intensities are aggregated to a portfolio metric based on an exposure-weighted average.

Future Priorities for Financed Emissions

As an enterprise, we are committed to continuing to advance our net-zero transition and to implement our commitment to set interim targets for a significant majority of our financed emissions where data and methodologies allow. We intend to continue to work on improving data coverage and data quality for our financed emissions metric calculations across sectors.

Calculating and disclosing our footprint for the retail residential mortgage portfolio and agriculture business loans and investments were critical steps forward for TD, as these businesses contribute significantly to our lending to carbon-intensive sectors/asset classes. However, data quality and availability continue to be a key challenge.

The financed emissions footprints we report today for these two portfolios have a PCAF data quality score of “5” and rely almost entirely on fallback methodologies using PCAF emissions factors due to a lack of data. Our main priority for 2023 is to further analyze these portfolios, along with the commercial real estate portfolio, to explore approaches to address data challenges and refine the footprint calculation if possible. In 2023, we will continue to consider potentially expanding our interim targets to new sectors and portfolios and will continue to focus on internalizing and embedding our stated targets within our operations.

Metric Calculation:

$$\text{Portfolio Physical Emissions Intensity (gCO}_2\text{ per passenger km)} = \sum \left(\frac{\text{Client financing}}{\text{Total sector financing}} \right) \times \left(\frac{\text{CO}_2\text{ emissions}}{\text{\# of revenue passengers} \times \text{kilometres travelled}} \right)$$



Sustainable Finance

Since 2017, we have deployed over \$107 billion in low-carbon lending, financing, asset management, and internal corporate programs, achieving our \$100 billion by 2030 target to support the low-carbon economy. For a detailed breakdown of our low-carbon target by TD segment and sector please see our [2022 ESG Report](#).

In 2023, we set a Sustainable & Decarbonization Finance Target to mobilize \$500 billion by 2030, with a focus on supporting environmental, decarbonization and social activities through lending, financing, underwriting, advisory services, insurance and the Bank's own investments.

We have developed a methodology outlining the environmental, decarbonization and social activities that are eligible for inclusion toward our target which was informed by guidelines, frameworks and industry practices.

The inclusion of decarbonization activities in our target reflects our focus on supporting new and existing clients in decarbonizing their operations and executing their emissions reduction plans. Eligible decarbonization

activities are those that align with industry best practice including the IEA NZE and other guidance developed by external bodies. You can read our full methodology [here](#).

TD intends to report annually, on a cumulative basis, on its progress toward the Sustainable & Decarbonization Finance Target in one or more future ESG-related reports.

Treasury Investment Portfolio

In 2022, TD set a target to hold \$15 to \$20 billion in green, social, sustainability and pandemic bonds in its Treasury investment portfolio by the end of 2025.³⁶ As of October 31, 2022, these portfolios included approximately \$22.3 billion in green, social, sustainability and pandemic bonds.

Sustainable Debt Financing

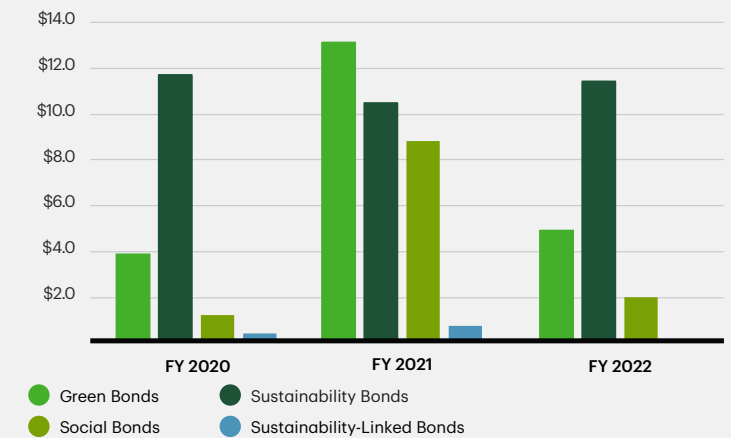
TD has been active in the sustainable finance markets for over a decade through issuing, underwriting and investing in green, social, sustainability and sustainability-linked (GSSS) bonds and sustainability-linked loans (SLLs). To date, TDS has underwritten over \$122 billion in global GSSS bonds and SLLs across 400+ transactions, 150+ borrowers, and 20 currencies. In 2022, TD ranked as the top Canadian bank for global GSSS bonds, with over \$15 billion in apportioned underwriting.³⁷

Sustainable Finance Highlight: 2021 Green Bond

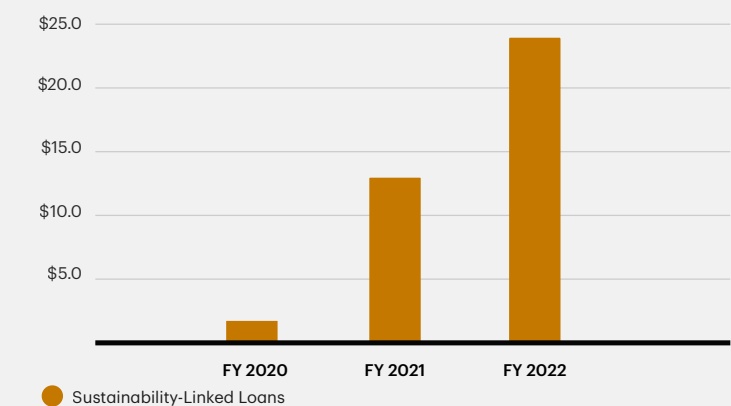
In December 2021, the Bank closed a three-year US\$500 million green bond offering. The issuance was underwritten by a syndicate of underwriters that includes minority-, women- and veteran-owned business enterprises (MWVBEs).³⁸ This is the first time that a Canadian bank bond offering has been led by a syndicate group that included MWVBEs as Active Joint Bookrunners, reflecting TD's strong commitment to diversity and inclusion. The transaction marked TD's first green bond issuance under its Sustainable Bonds Framework, which was put in place in 2020.

Sustainable Debt Dashboard

GSSS Bonds (\$ billions)



Sustainability-Linked Loans (\$ billions)



\$500 Billion

Environmental

- Renewable energy
- Energy efficiency
- Green buildings
- Climate resilience and adaptation
- Clean transportation
- Environmentally sustainable management of living natural resources and land use
- Sustainable water and wastewater management
- Circular economy
- Pollution prevention and control

**CO₂↓
Decarbonization**

- Carbon capture
- Low-carbon intensity fuels
- Nuclear energy
- Electrification

Social

- Affordable and community housing
- Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing
- Access to essential services: health care
- Access to essential services: education
- Socioeconomic advancement and empowerment

Our Performance

This information is intended to provide transparency on the metrics we use to manage our climate-related risks and opportunities. It was developed in line with TCFD's October 2021 Guidance on Metrics, Targets, and Transition Plans.

Category	Metric	Category	Unit	2022	2021	2020
GHG Emissions	Scope 1 emissions ³⁹	Operations*	tonnes CO ₂ e	43,021	40,227	44,734
	Scope 2 emissions	Operations*	tonnes CO ₂ e	77,081	78,959	93,999
	Scope 3 emissions (operational)	Purchased goods and services ⁴⁰	tonnes CO ₂ e	1,058,672	986,108	923,998
		Capital goods ⁴⁰		74,060	65,379	102,555
		Fuel and energy-related activities (excl. international)		20,433	17,786	23,436
		Business travel*		12,092	1,788	8,593
		Downstream leased assets*		990	866	1,121
	GHG emissions intensity (per millions in revenue)	Operations	tonnes CO ₂ e/millions of dollars	2.45	2.79	3.18
	GHG emissions intensity (per square foot)	Operations	kg CO ₂ e/sq ft	5.29	5.21	5.94
	Carbon neutrality ²³	Operations*	Y/N	Y	Y	Y
	Scope 3 financed emissions (based on drawn lending balances) ^{41, 42}	Energy ²⁷	mega tonnes CO ₂ e	-	-	2.3
		Power & utilities ²⁷		-	-	1.0
		Automotive		-	-	0.5
		Shipping		-	-	0.2
		Aviation		-	-	4.5
		Agriculture		-	-	9.3
		Industrials ⁴³		-	-	0.3
		Consumer auto loans ²⁸		-	7.1	7.6
		Residential mortgages ²⁹		-	2.4	-
	Scope 3 financed emissions (based on total lending commitments) ^{41, 42}	Energy ²⁷	mega tonnes CO ₂ e	-	-	8.5
Power & utilities ²⁷		-		-	6.1	
Automotive		-		-	0.9	
Shipping		-		-	0.4	
Aviation		-		-	4.6	
Agriculture		-		-	9.6	
Industrials ⁴³		-		-	0.4	
Consumer auto loans ²⁸		-		7.1	7.6	
Residential mortgages ²⁹		-		2.4	-	
Financed emissions footprint's coverage of TD's lending to carbon-intensive sectors (including retail and non-retail lending) ²⁷	Lending	%	-	-	89%	

* EY has performed a limited assurance engagement over this metric.

Our Performance (continued)

This information is intended to provide transparency on the metrics we use to manage our climate-related risks and opportunities. It was developed in line with TCFD's October 2021 Guidance on Metrics, Targets, and Transition Plans.

Category	Metric	Category	Unit	2022	2021	2020
Transition Risks	Carbon-Related Assets relative to Total Assets		%	15.2%	15.0%	2.3% ⁴⁴
	Non-retail carbon-related assets for select high risk industry sectors: ⁴⁵	Automotive	millions of dollars	20,597	-	-
		Industrial construction and trade contractors		9,234	-	-
		Metals and mining		9,709	-	-
		Pipelines, oil and gas		13,371	-	-
		Power and Utilities		20,904	-	-
	Sundry Manufacturing and wholesale	25,515	-	-		
Physical Risks	To learn more about TD's physical risks, please see our heatmaps included in the Risk Management section	N/A	N/A	N/A	N/A	N/A
Climate-related Opportunities	GSSS bonds issued	Issuance	millions of U.S. dollars	\$500.0	-	\$500.0
	GSSS bonds underwritten	Financing		\$19.0	\$31.6	\$13.9
	Green, Social, Sustainability or Pandemic bonds held	Investing	billions of dollars	\$22.3	\$11.7	-
	Amount committed in Sustainability-Linked Loans	Lending		\$23.8	\$10.5	-
	Extended water damage coverage – penetration rate	Insurance	%	80%	90%	70%
	Low Carbon Economy Contribution ⁴⁶	TD's cumulative contribution to supporting the low-carbon economy since 2017	billions of dollars	Over \$107.0	Over \$86.0	Over \$56.0
Internal Carbon Prices	Internal price on carbon		dollars per tonne CO ₂ e	\$7.0	\$8.0	\$6.0

Upcoming Priorities

As the Bank works to make progress on the targets we have in place, we are continuing our work to set financed emissions targets for carbon-intensive sectors accounting for a significant majority of our financed emissions, in line with guidance from the Net-Zero Banking Alliance (NZBA).

Over time, we also plan to continue to refine and expand the climate-related metrics we use to measure and manage our climate-related risks as well as act on climate-related opportunities.

We recognize that measurement is an emerging field. We intend to continue to play a leadership role in this evolution through participation in industry forums as we work to refine, update, and improve our methodologies, while promoting convergence and consistency, and improve data availability and quality.

End Matter

Caution Regarding Forward-Looking Statements

This document is not required to be prepared or filed by the Bank (as defined in this document) under Canadian or U.S. securities laws, and the information contained herein should not be read as necessarily rising to the level of materiality of disclosure required in our securities law filings. In addition, from time to time, the Bank makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document regarding the Bank's financial performance objectives, vision and strategic goals and the Bank's social, economic, environmental and governance-related impacts and objectives, including the Bank's greenhouse gas (GHG) emission reduction targets, the Bank's position on Thermal Coal, and the Bank's Sustainable & Decarbonization Finance Target. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "may", and "could".

By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and

credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include the economic, financial, and other impacts of pandemics, including the COVID-19 pandemic; general business and economic conditions in the regions in which the Bank operates; geopolitical risk; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; technology and cyber security risk (including cyber-attacks or data security breaches) on the Bank's information technology, internet, network access or other voice or data communications systems or services; model risk; fraud activity; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information, and other risks arising from the Bank's use of third-party service providers; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance and the bank recapitalization "bail-in" regime; regulatory oversight and compliance risk; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank's credit ratings; changes in currency and interest rates (including the possibility of negative interest rates); increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk (including climate change); and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. In addition,

information on the assumptions, risks, uncertainties and other factors affecting the Bank's GHG emissions targets, the Bank's position on Thermal Coal, and the Bank's Sustainable & Decarbonization Finance Target may be found here:

Cautionary Statement Regarding Disclosure on Emission Targets, Cautionary Statement Regarding Thermal Coal Position, and Cautionary Statement Regarding Disclosure on Sustainable & Decarbonization Finance Target.

The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2022 Management's Discussion and Analysis (MD&A), as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Significant Acquisitions" or "Significant and Subsequent Events and Pending Acquisitions" in the relevant MD&A, which applicable releases may be found on www.td.com. All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. The Bank cautions readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2022 MD&A under the headings "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, each as may be updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date

hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. This document should not be used as a basis for trading in securities of the Bank or for any other investment decision. This document is not intended to constitute financial, legal, tax, investment, professional or expert advice. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained in this document. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.

Any references to "sustainable investing," "sustainable finance," "ESG," "carbon neutral", "net-zero" or similar terms in this document are intended as references to the internally defined criteria of the Bank and not to any jurisdiction-specific regulatory definition that may exist. This Report may provide addresses of, or contain hyperlinks to, websites that are not owned or controlled by the Bank. Each such address or hyperlink is provided solely for the recipient's convenience, and the content of linked third-party websites is not in any way included or incorporated by reference into this Report. The Bank takes no responsibility for such websites or their content, or for any loss or damage that may arise from their use. If you decide to access any of the third-party websites linked to this document, you do so at your own risk and subject to the terms and conditions of such websites.

Endnotes

- 1 For more information on the Sustainable & Decarbonization Finance Target, please see **TD Sustainable & Decarbonization Finance Methodology**.
- 2 Food and Agriculture Organization of the United Nations (FAO). REDD+ Reducing Emissions from Deforestation and Forest Degradation. Available at: <https://www.fao.org/redd/en/>.
- 3 International Energy Agency (IEA). 2021, October. Net Zero by 2050 – A Roadmap for the Global Energy Sector. Available at: https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf.
- 4 The Management Committees, specifically the ERM, OROC, ERRC and SET ESG Forum, represent the enterprise governance structure, and are supported by segment- and jurisdiction-specific governance structures.
- 5 TD's CEO and other Named Executive Officers (NEO), as well as approximately 2,000 of the Bank's most senior executives, participate in the Executive Compensation Plan.
- 6 In fiscal year 2023, we estimated our financed emissions footprint in accordance with the PCAF Global Accounting Standard for the Financial Industry published in November 2020.
- 7 The products and services listed here are for illustrative purposes and not intended as an exhaustive list.
- 8 These represent some of the expected impacts of our products and services. We recognize that there may be additional effects not captured here.
- 9 Please see the **TD's Scope 3 Financed Emissions** section of this report for more information on our financed emissions footprints in the energy and power sectors. Clients within these sectors were the focus of our first set of interim financed emissions targets, released in March 2022.
- 10 Information and specifications, including expected benefits, have been provided by the clients noted.
- 11 See Net Zero by 2050: A Roadmap for the Global Energy Sector
- 12 TD's Climate Risk Inventory was developed by leveraging the TCFD methodology. For physical risk, publications from the Intergovernmental Panel on Climate Change (IPCC) were utilized to identify physical risk drivers appropriate to TD's geographic locations. TD will continue to validate and refine its Climate Risk Inventory as it considers appropriate.
- 13 Identified impacts are for illustrative purposes and represent potential impacts on TD or its clients.
- 14 The scope of the heatmap includes certain gross credit risk exposures, namely, non-retail exposures by industry sector, which includes loans, debt securities and deposits with other financial institutions. It reflects TD's banking book positions and excludes the insurance business.
- 15 See **TD's 2022-Q4 Supplemental Regulatory Disclosure**, pg. 18. Excludes counterparty credit risk exposures to repo-style transactions and OTC derivatives.
- 16 Please refer to Endnote 15 for basis of carbon-related assets calculation. Additionally, adjustments have been made in accordance with how carbon-related assets are defined by TCFD's 2021 Guidance on Metrics, Targets, and Transition Plan, which states "those assets tied to the four nonfinancial groups identified by the Task Force in its 2017 report (energy, transportation, materials and buildings, and agriculture, food, and forest products)", with consideration for exclusion of "industries or sub-industries that are appropriate to exclude, such as water utilities and independent power and renewable electricity producer industries". Available at: https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf
- 17 To address the potential limitation that some carbon-related exposures pertaining to the TCFD's four non-financial groups may be classified in other industry sectors, a review of borrowers' operations was completed. In cases where Government and public sector entities engaged in power generation were deemed to be carbon-related, applicable exposures were reclassified to the Power and utilities industry sector and included in the carbon-related metric calculation.
- 18 As reported under Basel Pillar 3 CRB (e) columns A, B, and C; see **TD's 2022-Q4 Supplemental Regulatory Disclosure**, pg. 18, Line #9 where total (retail and non-retail) gross credit risk exposures (excluding counterparty credit risk exposures to repo-style transactions and over-the-counter (OTC) derivatives), amounts to \$1,670,672, and represents Total Assets for the purpose of the Carbon-Related Assets Relative to Total Assets climate-related risk metric.
- 19 Available at: https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf.
- 20 For Real Estate Secured Lending, see **TD's 2022 Annual Report**, pg. 54, Table 28 (insured and uninsured).
- 21 For Indirect Auto Lending, see **TD's 2022 Annual Report**, pg. 52, Table 25 (Canada and United States).
- 22 The reporting period for GHG emissions from real estate (electricity, propane, chilled water, diesel, heating oil, steam and natural gas) is August 1 to July 31 in order to allow for more timely data. Other sources of emissions remain with TD's fiscal year (November 1 to October 31). The quantification of the GHG emissions associated with TD's activities is performed by WSP, an engineering and consulting firm.
- 23 Carbon neutrality entails compensating for GHGs emitted to the atmosphere through preventing the release of an equivalent amount of GHG emissions. TD maintains its carbon-neutral status through its carbon offset and renewable energy certificate purchase program. TD's carbon neutrality covers Scope 1 and 2 emissions, and some Scope 3 indirect emissions, but does not include Scope 3 financed emissions. At the same time, TD also works to reduce our operational GHG emissions for which we set Scope 1 and 2 GHG emission reduction targets.
- 24 Fiscal year 2021. Based on drawn and undrawn balances for non-retail lending (through lending facilities), and total loan amounts for residential real estate mortgages and consumer auto loans.
- 25 Includes off-balance sheet arrangements other than derivatives and undrawn commitments (e.g., letters of credit, letters of guarantee).
- 26 When reporting our financed emissions footprint, our clients' Scope 3 emissions are included for energy, as well as aluminum and iron & steel, in accordance with PCAF requirements. All other sectors represent only our clients' Scope 1 and 2 emissions, except for the automotive sector, which also includes Scope 3 tank-to-wheel emissions (tailpipe emissions) associated with companies in-scope for the automotive target (manufacturers of light-duty vehicles only). Industrials includes cement, aluminum and iron & steel sectors.
- 27 Our 2021 Climate Action Report also included 2020 emissions for these sectors, but they were based on lagging emissions metrics (2019 emissions data, 2020 exposure and client enterprise value data). The reported figures this year have been updated to be more comprehensive (by including additional sub-sectors) and to use the latest available data. In particular, our revised estimates: (a) use 2020 emissions for a complete 2020 footprint; (b) include additional utilities companies within the power estimate and additional services clients within energy; (c) include Scope 2 emissions for power; and (d) include financed emissions from on-balance sheet investments in addition to lending.
- 28 Consumer auto loans include indirect loans executed through TD's Auto Finance group. This footprint does not include personal loans secured by automobiles, nor does it include auto loans for towable trailers (i.e., trailers without an independent engine).
- 29 Excludes home equity lines of credit (HELOC) exposures in accordance with PCAF guidance.
- 30 For public companies, enterprise value including cash (EVIC) is leveraged. For private companies or companies where EVIC is not readily available, debt and equity are used. For all other clients, other fallback methodologies are used in accordance with PCAF guidance.
- 31 Formerly known as Asset Resolution.
- 32 Analysis performed by the ICCT in the white paper "On the way to real-world CO₂ values: The European passenger car market in its first year after introducing the WLTP". Available at: https://theicct.org/sites/default/files/publications/On-the-way-to-real-world-WLTP_May2020.pdf.
- 33 Based on IEA reporting.
- 34 Based on emissions levels from the IEA WEO 2022 report with an adjustment to remove dedicated freight activity.
- 35 2019 global aviation Scope 1 CO₂ distribution per SBTi. Passenger airlines includes belly freight.
- 36 Future balances may fluctuate due to many factors, including market investment opportunities, changes in portfolio size, bond maturities and foreign exchange rates.
- 37 TD's fiscal year 2022 apportioned underwriting. Source: Bloomberg.
- 38 The enterprises were certified as MWVBEs by certification programs of the U.S. Department of Veterans Affairs, the State of New Jersey, and the New York & New Jersey Minority Supplier Development Council, as applicable.
- 39 We have restated our 2019, 2020 and 2021 results due to a change in methodology as a result of data quality and data availability for refrigerant emissions information. This change in methodology remains aligned with industry standards. In order to maintain carbon neutrality, we have retired an additional 4,751 tonnes of carbon offsets in 2022 to compensate for the net increase in our Scope 1 emissions over this period. Please see our **2022 ESG Report** for more details.
- 40 We have restated our 2020 and 2021 results due to a calculation error in currency conversion. This has resulted in a decrease in emissions of 41% in 2021 and 2020 for Scope 3 Purchased Goods and Services and Capital Goods.
- 41 NZBA defines the priority sectors for financed emissions calculation and target setting as "agriculture, aluminum, cement, coal, commercial & residential real estate, iron & steel, oil & gas, power generation, and transport". Given the materiality (high or low) of some of these sectors, TD has combined cement, aluminum, and iron & steel under "industrials" and separated "transport" into "automotive, shipping and aviation".
- 42 Our financed emissions footprint is more comprehensive than targets, covering major parts of the value chain within each sector reported. Footprint data is from 2020 unless otherwise noted. Includes Clients' Scope 1 and 2 emissions only for all sectors in this list.
- 43 Includes cement, aluminum and iron & steel.
- 44 In October 2021, TCFD published its Guidance on Metrics, Targets, and Transition Plans and updates to its 2017 Annex, which expanded the scope of the suggested definition of carbon-related assets from its 2017 report. The new 2021 Annex, which supersedes the 2017 version of "Implementing the Recommendations of the TCFD," includes a new suggested definition for carbon-related assets as "those assets tied to the four non-financial groups identified by the Task Force in its 2017 report (energy, transportation, materials and buildings, and agriculture, food, and forest products)." Our 2020 figures were calculated under the TCFD's 2017 definition and therefore are not directly comparable to 2021 and 2022 figures.
- 45 We refined our approach for calculating carbon-related assets in fiscal 2022 and began calculating it at the non-retail industry sector level.
- 46 This metric includes retail banking and insurance, lending, investment banking, asset management, green bond underwriting, and internal corporate programs.