TD Bank's Risk Management Practices: Financial and Non-Financial Risks, Driven by Environmental and Social Risk, Including Climate Risk

Operating a complex financial institution in multiple jurisdictions exposes the Bank's businesses and operations to a broad range of financial and non-financial risks. Environmental and social issues, including climate change, expose the Bank to a set of risks (collectively, E&S risks) that are transverse, meaning they can drive financial and non-financial risks, including but not limited to credit, strategic, reputational, legal and regulatory compliance risks.

TD has a responsibility to our stakeholders, including our investors, customers, colleagues, and regulators to maintain strategic, financial, and operational resilience through sound risk management practices. The Bank's decisions are based on its appetite for risk, as determined by its Senior Management and Boards of Directors. TD's enterprise risk framework outlines how the Bank governs and manages risk, including E&S risk, and is supported by frameworks, policies, procedures and practices to identify, assess, measure, control, monitor and report on risks.

TD applies a risk-based approach in the ordinary course of making business decisions; risk identification and assessment processes are a core part of how the Bank manages risk, and these processes are embedded throughout the organization in governance processes, risk programs and practices. This includes conducting risk-based analysis for all material financial and non-financial risks that the Bank faces, including E&S risk. As with any other financial or non-financial risk, the Bank has developed tools to identify, assess, monitor, mitigate and report E&S risks, including climate risks.

With respect to non-retail lending, the Bank takes a measured, client-focused and risk-based approach to E&S risks. When a risk assessment indicates a heightened level of risk, the Bank conducts enhanced due diligence that could include the use of tools such as physical risk identification, heatmaps, industry risk ratings, client engagement and questionnaires, financed emissions estimation and analytics systems, environmental site assessments, site visits, industry research, and media scans, as applicable.

Risk assessment and enhanced due diligence results follow the Bank's risk governance process, which may include segment-level and enterprise-level reputational risk committee oversight. Following this process, TD makes decisions to conduct transactions based on the risks presented by an individual customer and the Bank's ability to manage those risks.