2021
TD's Climate Action Plan:
Report on Progress and Update on TCFD

Table of Contents

Introduction

Climate Action Plan

Governance

Strategy

Risk Management

Metrics and Targets

This publication is part of TD's Environmental, Social and Governance (ESG) reporting suite. For more information about TD and our activities, please read our other reports and TD Asset Management's (TDAM) TCFD report:

- **2021 Annual Report**
- **2021 Environmental, Social and Governance (ESG) Report**
- **2021 TD Asset Management TCFD Report** (*scheduled for publication in Spring 2022*)
- **2021 Principles for Sustainable Insurance – Annual Disclosure**
- **UN Principles for Responsible Investment Transparency Report**
- **2021 TD Ready Commitment Report**

About This Report

Reporting Framework

This report presents TD's progress on our Climate Action Plan, as well as our efforts toward implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our work is evolving and we are continually working to improve our processes, infrastructure, actions and disclosures related to addressing climate change. TD supports the recommendations from the Financial Stability Board's (FSB) TCFD, which provide important guidance on using a more consistent approach to assessing and reporting climate-related risks and opportunities. Since 2018, we have released disclosure on how TD has embedded the assessment and disclosure of climate-related risks and opportunities into our governance, processes and reporting. TD is on a journey to address the recommendations of TCFD and intends to continue in building our expertise for managing climate risks and opportunities. This is our fourth TCFD report, and it outlines our approach, accomplishments and priorities and has been combined with updates on our progress towards implementing our Climate Action Plan during the reporting period November 1, 2020 to October 31, 2021, 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 (EY) performed an independent limited and reasonable assurance engagement for a selection of TD's metrics, **available here**.

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**

Community groups: **tdreadycommitment@td.com**

On Twitter: **@TD_Canada** or **@TDBank_US**

Messages from Our Leadership

A Message from Our CEO

"Climate change is an urgent challenge, and the transition to a low-carbon economy will require collaborative efforts across multiple sectors over the long term. As a leading global financial institution, TD has an important role to play in the transition to a net-zero world, and we are committed to doing our part and supporting our customers, communities and colleagues as we progress on this journey.

Over the last year, we've continued to build on our track record of environmental leadership and have made significant progress against our ambitious Climate Action Plan announced in November 2020, which includes our target to achieve net-zero greenhouse gas (GHG) emissions by 2050 across our operations and financing.

Across our businesses, TD has become a trusted partner and advisor to our clients as they advance their own transition plans, offering expertise and holistic solutions to help them capture the opportunities of the low-carbon economy. Since 2017, we have contributed more than $86 billion toward our $100 billion target for low-carbon lending, financing, asset management and internal corporate programs, making rapid progress against our 2030 timeline.

TD was also proud to join the Net-Zero Banking Alliance in 2021, convened by the United Nations to help accelerate and support our collective efforts to address climate change. As part of TD's collaborative global efforts, we've taken important steps to create greater transparency towards our own sustainability commitments, including setting interim targets for our Scope 1 and 2 operational GHG emissions and our first Scope 3 financed emissions targets for the Energy and Power Generation sectors.

At TD, we know that we thrive when our communities, economies and broader society thrive, and we are committed to working with our stakeholders at a local, national and global level to advance the low-carbon transition and build a more inclusive and sustainable future for all."

Bharat Masrani
Group President and CEO

Norie Campbell
Group Head and General Counsel

Brian Levitt
Chair of the Board

"Our Climate Action Plan guides us as we make investments, commit our resources and talent, and collaborate with others to accelerate the transition to the low-carbon economy. This is a critical priority for us, across the Bank and with our clients. With the skills and passion of our 90,000 colleagues, we will deliver new approaches and creative solutions that support a vibrant planet and a sustainable future. It will require collective effort, global collaboration, and hard work but we are committed to the effort and are focused on the goal—a more sustainable future for everyone."

– Norie Campbell

"The Board recognizes the pressing business and environmental challenge of climate change. We believe that integrating ESG priorities into our business strategy and across our operations helps us most effectively manage the risks and capture the opportunities of the low-carbon economy. As we accelerate progress and support our clients through their own transitions, the Board will continue to closely monitor progress and support management in this critical work."

– Brian Levitt

TCFD Recommendations Index

TCFD Category	TCFD Recommendation	Reference
Governance	a. Describe the Board's oversight of climate-related risks and opportunities.	Pages **22**, **23**
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages **22**, **24** and **25**
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Pages **12**, **13**, **14**, **30**, **31**, **38**, **39**, and **40**
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Pages **30**, **31**, **32**, **38**, **39** and **41**
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages **42**, **43** and **44**
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	Pages **36**, **37**, **38**, **39**, and **40**
	b. Describe the organization's processes for managing climate-related risks.	Pages **32**, **38** and **39**
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Pages **38**, **39** and **41**
Metrics & 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 **47**, **48**, **49**, **50**, **51**, **52**, **53** and **54**
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pages **48**, **49**, **50**, **51** and **54**
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Pages **48**, **49**, **53** and **54**

Our 2021 Progress – At a Glance

TD joined the Net-Zero Banking Alliance (NZBA), a global, industry-led initiative to accelerate and support efforts to address climate change

Set a new interim **Scope 1 and 2 GHG emissions reduction target of 25%** by 2025, relative to a 2019 baseline, using a science-based approach

Began measuring our Scope 3 financed emission footprint for 2 initial sectors, Energy and Power

Began analysis and engagement to set interim **2030 targets** for our **Scope 3 financed emissions** for the Energy and Power Generation sectors

Released **TD's Thermal Coal Position**, which outlines the Bank's approach to managing the risk associated with coal mining and unabated thermal coal power generation

Delivering on the objectives of our Climate Action Plan was incorporated into the compensation for **TD's Senior Executive Team**

Deployed a record $30 billion in low-carbon lending, financing, asset management and internal corporate programs towards our $100 billion by 2030 target to support the low-carbon economy

$42 billion underwritten by TD Securities across green, social, sustainability and sustainability-linked bonds and loans in 2021[1]

Approximately $11.7 billion held in green, social, sustainability or pandemic bonds as of October 31, 2021

Established an **ESG Credit Risk team** to enhance our approach to addressing climate risks in our lending portfolio

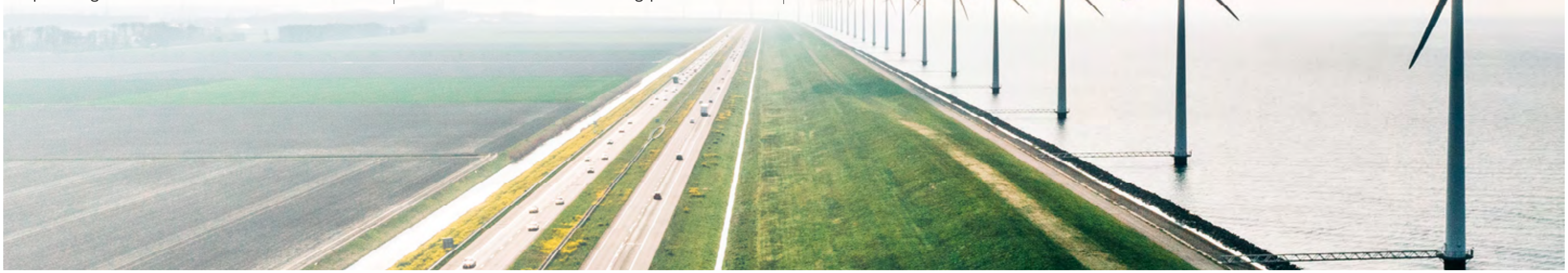
Developed a **climate risk inventory**, including Level 1, 2 and 3 risk definitions, to identify the impacts that climate change may have on TD, our assets and clients

Developed an initial **heatmapping framework**, supported by an Industry Risk Review process, to support physical and transition climate risk identification and assessment

Participated in a **climate scenario analysis pilot** with the Bank of Canada and the Office of the Superintendent of Financial Institutions (OSFI) to assess potential credit implications for sectors with heightened transition risks

Joined RMI's Center for Climate-Aligned Finance as a strategic partner to support the development of practical and scalable solutions that can help accelerate the transition to a more sustainable energy platform and economy

8 consecutive years listed on the **Dow Jones Sustainability World Index** (DJSI World). TD is the top-ranked North American-based bank on the index in 2021[2]



Our Commitment to Climate Action

TD Milestones and Goals

Past

2010

First major North American-based bank to become carbon-neutral

2013

Received a score of 'A' for the first time from CDP as a top-performing Canadian bank for climate disclosure

2014

First Canadian bank listed on the Dow Jones Sustainability World Index

First Canadian bank to issue a green bond

TD Insurance (TDI) became the second Canadian-based signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI)

2016

Joined RE100; met our 100% renewable electricity commitment

2017

Issued a US$1 billion green bond

Only financial institution globally to join all three pilot programs – lending, investment and insurance – convened by the UNEP FI to address the TCFD recommendations

2018

Published our first report addressing the TCFD recommendations

2019

TD Insurance established an Advisory Board on Climate Change

TD Asset Management joined Climate Action 100+

2020

Announced TD's Climate Action Plan which includes a target of net-zero GHG emissions from our operations and financing activities by 2050, a first for a major bank in Canada

Joined the Partnership for Carbon Accounting Financials (PCAF)

Issued our inaugural US$500 million sustainability bond, the first to be issued under the Bank's Sustainable Bonds Framework

2021

Joined UNEP FI's NZBA

Joined RMI as a strategic partner of the Center for Climate-Aligned Finance

Present

2022

Measured and disclosed our Scope 3 financed emissions for initial 2 sectors, Energy and Power

Set interim 2030 target for Scope 3 financed emissions for the Energy and Power Generation sectors

Planning to set additional interim 2030 targets for Scope 3 financed emissions for carbon-intensive sectors

Future

2023 – 2024

Planning to set additional interim 2030 targets for Scope 3 financed emissions for other carbon-intensive sectors

2025

Target date to reduce our Scope 1 and 2 GHG emissions by 25% relative to a 2019 baseline

Planning to set new Scope 1 and 2 GHG emissions interim targets

Planning to substantially complete implementation of the Climate Target Operating Model, integrating climate-related resources, processes and targets across the enterprise

2030 or sooner

Target date to reduce our Scope 3 financed emissions for carbon-intensive sectors from our first targets set

Planning to set new Scope 3 financed emissions interim targets

2050

Target date to achieve net-zero GHG emissions from our operations and financing activities

Climate Change Overview

Climate change is a global issue with far-reaching impacts across virtually all economic sectors. In August 2021, the Intergovernmental Panel on Climate Change (IPCC) published part one of its Sixth Assessment Report (AR6), which found that unless the pace of climate action increases considerably in the next decade, limiting global warming to close to 1.5°C or even 2°C above pre-industrial levels will be beyond reach.[3]

Accordingly, the World Economic Forum's *Global Risks Report 2021* ranked climate action failure as the top global risk over the next decade, underscoring the profound effect that climate-related risks are having on the global economy.

Against this backdrop, both the public and private sectors have mobilized in an unprecedented manner toward achieving net-zero emissions amid protracted economic effects from the COVID-19 pandemic. In Canada, the federal government committed to cutting its GHG emissions by 40%–45% below 2005 levels by 2030,[4] and signalled its plans to increase the minimum price of carbon by $15 per tonne each year starting in 2023 through 2030.[5] In the United States, President Biden convened a Leaders Summit on Climate involving 40 world leaders and the world's 17 largest economies and GHG emitters. At the summit, the U.S. committed to reducing its GHG emissions by 50%–52% below 2005 levels by 2030.[6] Meanwhile, the Glasgow Financial Alliance for Net Zero (GFANZ), chaired by Mark Carney, UN Special Envoy on Climate Action and Finance, is working to align net-zero initiatives across the financial system to help accelerate the transition to net-zero emissions by 2050 or sooner. Over 450 banks, insurers, asset owners and managers and financial services providers with $130 trillion in assets rallied to help steer the global economy toward net-zero emissions and achieve the Paris Agreement goals.[7]

The United Nations Framework Convention on Climate Change's 26th Conference of the Parties (COP26) in Glasgow in November 2021 saw a significant increase in the global ambition to tackle climate change. World leaders announced an array of new pledges and initiatives aimed at reducing the gap between current climate projections and the goals of the Paris Agreement. These included new net-zero commitments from high-emitting nations and global agreements to address deforestation and methane emissions by 2030. While we support the progress made in Glasgow, we recognize that it is contingent on following through with the commitments made and continuing to enhance the ambition and pace of climate action globally. TD will continue to play an active role through our participation in the NZBA, which is a part of GFANZ. Our businesses will also play a role by helping our clients and customers as they prepare for the transition to a net-zero future. We understand that as a global financial institution, we have an important role to play in the transition to a low-carbon economy. We also recognize that a challenge this big will only be met through a concerted multi-stakeholder effort involving regulators, financiers, governments, corporations, non-governmental organizations and consumers alike.

Global Climate Trends

Here is a summary of external climate change trends that inform our thinking and strategy.

Sustainable finance continues to grow rapidly

Sustainable finance will be a key lever for the transition to a low-carbon economy, as will the mobilization of the capital required to achieve national emission reduction targets.

Total global flows of climate finance reached **US$640 billion** in 2020; however, this needs to increase nearly eightfold to **US$5 trillion** per year by 2030 to stay aligned with a 1.5°C warming target.[8]

Global sustainable debt issuances reached record levels in 2021, surpassing **US$1 trillion** for the first time.[9]

Industry leaders are pursuing net zero

Key players across the global financial industry, including banks, insurers, asset owners and managers and financial services providers have committed to the **GFANZ**.[10]

The **International Energy Agency (IEA)** released its ***Net Zero by 2050*** report, which outlines how to transition to a net-zero energy system by 2050. The report highlights the unprecedented speed at which the world needs to deploy carbon-efficient technologies, while ensuring stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth.[11]

Policy-makers are exploring and enacting new climate regulations and requirements

The **Canadian Sustainable Finance Action Council** was launched by the Government of Canada to bring together public and private sector financial expertise to support the growth of a strong, well-functioning, sustainable finance market in Canada. This was a recommendation in the final report of the Expert Panel on Sustainable Finance.[12]

Global securities regulators are expected to move forward with mandatory climate-related disclosure requirements, including the **U.S. Securities and Exchange Commission** and **Canadian Securities Administrators**.[13,14]

In 2021, both the **Office of the Superintendent of Financial Institutions (OSFI)** in Canada and the **Office of the Comptroller of the Currency (OCC)** in the U.S., opened a consultation or requested feedback on climate-related risk to financial institutions in their respective jurisdictions. It is expected that this input will help guide regulatory and supervisory approaches to climate-related risks. OSFI included physical, transition and liability risks in its consultation.[15,16]

Physical impacts of climate change are intensifying and accelerating

In Canada, the summer of 2021 saw the **highest-ever recorded temperature of 49.6°C**, fuelling wildfires and health hazards.[17]

Vast areas of the southwestern United States experienced chronic drought conditions, which at their peak affected nearly **140 million people**.[18]

Severe weather events, including Winter Storm Uri with significant impacts in Texas, as well as Hurricane Ida which made landfall in Louisiana, resulted in **tens of billions of dollars in insured losses** for the industry.[19]

The World Bank Group released a report on the ***Social Dimensions of Climate Change*** that found the most vulnerable populations face disproportionate impacts from climate change, including Indigenous Peoples, ethnic minorities, people with disabilities, older people and other socially marginalized groups who are more exposed to challenges in terms of physical climate hazards, health effects and impacts on food, water and livelihood security and cultural identity.[20]

A Message From Our Head of Environment

Driving TD's Path to Net Zero by 2050

In 2021, TD continued its journey toward achieving our target of net-zero greenhouse gas emissions associated with our operations and financing activities by 2050, aligned to the associated principles of the Paris Agreement.[21]

Nicole Vadori
VP and Head of Environment

We announced our interim target for Scope 1 and 2 emissions using a science-based approach as well as our Scope 3 financed emissions targets for the priority sectors of Energy and Power Generation and joined the United Nations' NZBA in concert with our Canadian peer financial institutions.

There is increasing urgency for collective action around climate change.[22] The United Nations (UN) IPCC released a science-based assessment report in 2021, referred to by the UN Secretary General as "a code red for humanity,"[23] which states there is "irrefutable evidence" that human systems are the core driver of climate change. However, the report optimistically notes that strong and sustained reductions in emissions of greenhouse gases will help limit this change.[24] We are all part of a global economic transition that requires committed partnership and collaboration to address this crisis – every country, sector, organization and individual has a role to play. At TD, we take that role very seriously. Through our Climate Action Plan, which includes a target to achieve net-zero GHG emissions associated with our operations and financing activities by 2050, we are helping to lead the way to a low-carbon future for our customers, colleagues and communities in which we operate.

Through collaborations such as the NZBA, PCAF and RMI's Center for Climate Aligned Finance, we are working with our peers to help build a low-carbon economy and develop and promote universally accepted, science-based measurement of GHG emissions. We closely monitor emerging science and resulting recommendations to assess that our approach and progress are keeping pace with what is required to address climate change. We announced our ambitious Climate Action Plan in November 2020, which reflects our commitment to take action to support the just transition; that is, to support workers, businesses and communities impacted by the transition to a low-carbon economy so that its benefits are shared widely. In 2021 we developed our Climate Action Plan road map guiding us toward our 2050 net-zero goal. This includes establishing our baseline emissions and announcing our interim target for Scope 1 and 2 emissions using a science-based approach, that aligns with the 1.5˚C goal outlined in the Paris Agreement.

We joined PCAF in November 2020 to support the development of a harmonized approach to measuring and disclosing GHG emissions associated with our financing activities. We developed a customized methodology for setting Scope 3 financed emissions targets with the support of an external partner. As a result of this work, we set interim 2030 Scope 3 targets for the Energy and Power Generation sectors.

In 2021, we announced a new strategic partnership with RMI's Center for Climate-Aligned Finance to focus on the development of practical and scalable net-zero solutions for carbon-intensive sectors. Supporting RMI is an important step of our Climate Action Plan. We've also established a Climate Target Operating Model (TOM), which will help embed sustainability and ESG into TD's business-as-usual processes. We view our products and services as an opportunity to help customers deal with impacts resulting from climate change and support clients in their transition to a low-carbon future. This is exemplified through TD's major business segments, such as TD Securities' Sustainable Finance and Corporate Transitions (SFCT) group that advises clients on their transition efforts, TD's Sustainable Finance Executive Council (SFEC), established in 2019, which is helping to align sustainable finance opportunities with TD's enterprise-wide strategy, and TDAM, which continues to integrate ESG practices within its investment philosophy. TD Insurance continues to be a leader in cross-sector collaborations, including being a founding member of Climate Proof Canada, a climate resilience group focused on encouraging the Canadian federal government to take action and prepare for future climate-related disasters. Additionally, as part of TD's ongoing commitment to support the transition to a low-carbon economy, we have just released our **Thermal Coal Position**. Coal is the most carbon-intensive fossil fuel and global alignment with the Paris Agreement calls for a rapid transition away from coal as a source of energy.

"Through our Climate Action Plan, which includes a target to achieve net-zero GHG emissions associated with our operations and financing activities by 2050, we are helping to lead the way to a low-carbon future for our customers, colleagues and communities in which we operate."

As an organization, we've dedicated more resources to developing our ESG expertise. This is evidenced by the rise in ESG professionals operating not in silos, but within our different business lines across TD. We regularly conduct ESG education sessions with our Board of Directors and Senior Executive Team members, including topics such as carbon pricing and border adjustments, financed emissions and target setting. Additionally, TD executives are playing leading roles in major climate-related transition conversations. Norie Campbell, Group Head and General Counsel, is a council member on the Government of Canada's Sustainable Finance Action Council (SFAC), David Pinsonneault, Executive Vice President of Canadian Business Banking, is an advisory board member of the Institute of Sustainable Finance and James Russell, President and CEO of TD Insurance, accepted an invitation to sit on the UNEP FI Leadership Council.

We know that the world needs to reach net-zero emissions by 2050 to limit the worst impacts of climate change. Although the specific path to transitioning to a low-carbon economy is uncertain, the time to act is now. We also know that the transition to a low-carbon economy will look different across sectors and economies.[25] Particularly in resource-intense economies, as in Canada, it is critical to understand the potential socio-economic impacts of the transition away from carbon-intensive energy sources. Supporting the just transition to a low-carbon economy presents a significant economic and social opportunity to look for innovative solutions to redefine the Energy sector. As a financial institution, TD has a role to help support the economy, including traditional Energy sectors, through this global transition. By working alongside our customers and clients on their journey to a low-carbon future, we are working so that the benefits are shared widely.

Sincerely,

Nicole Vadori
VP and Head of Environment

Climate Action Plan

TD is taking clear and ambitious steps to help address the urgent challenges of climate change to help economies transition successfully to the low-carbon economy. The Bank recognizes that it has an important role to play in helping create a more vibrant planet and sustainable growth for our customers and clients, the communities we serve and the economies we support.

In this section

TD's Climate Action Plan

TD's Climate Action Plan (CAP), announced in 2020, builds on our longstanding environmental leadership and outlines how we are working toward achieving our target of net-zero greenhouse gas (GHG) emissions associated with our operations and financing activities by 2050, which is aligned to the associated principles of the Paris Agreement.

Our journey to net zero requires new innovations, strategies, technologies and collaborations across governments, industries, sectors and with our customers and the communities we serve. As a global financial institution, we acknowledge our role and responsibility in climate action, but we also recognize that we cannot do it alone. This climate challenge requires collaborative global solutions. In that spirit, we are active in the dialogue about climate risks and have been leading and participating in local, national and international activities that focus on climate change. We are also ardently engaged in meaningful and productive collaborations that will help us get closer to achieving our climate objectives. Examples of our collaborative efforts to help the transition progress include joining the Net Zero Banking Alliance (NZBA), working with credible organizations such as the Institute of Sustainable Finance (ISF) and RMI's Center for Climate-Aligned Finance, and participating in the global undertaking to adopt sets of harmonized reporting standards, such as the Partnership for Carbon Accounting Financials (PCAF).

As part of our journey to achieve our net-zero goal, we recognize that we must expand our understanding of our GHG emissions. As such, in 2021, we began to calculate the footprint of our Scope 3 financed emissions. We have disclosed these Scope 3 emissions in two initial carbon-intensive sectors, Energy and Power, in addition to our Scope 1 and 2 emissions which we have been measuring and disclosing for several years. This work not only helps us understand our own impact, but also helps to inform how we will continue to support our clients in a meaningful way, as they progress on their journeys to decarbonize. Despite data challenges and evolving standards, we worked to calculate our financed emissions footprint in a way that is credible and decision useful, consistent with PCAF methodology. We also actively participate in PCAF working groups to help inform, influence and learn as the methodology evolves.

The next major step in our journey is setting interim targets for our Scope 3 financed emissions. We have taken a strategic and thoughtful approach to the methodology for our target setting. We have started with the carbon-intensive sectors of Energy and Power Generation. We have developed science-based targets that encourage engagement with our clients to support their actions for decarbonization. Our business leaders have been, and continue to be, fully engaged in the development and implementation of these targets in our businesses. We are committed to using the full suite of our capabilities to assist our clients in developing, financing and executing their respective transition strategies. For more information on our target setting methodology, please see ***Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets***.

We are leveraging Environmental, Social and Governance (ESG) and climate-related governance, risk management and oversight processes that we have developed over the years and we continue working to enhance them as we progress on this journey. We are also taking steps to embed our targets, as well as the broader Climate Action Plan, into our broader enterprise strategies and business processes – from short, medium and long-term planning to transaction-level decision frameworks. Embedding our targets will require significant effort and engagement from stakeholders and business leaders across the Bank. We aim to have near-term impacts in the real economy and so we are beginning with an initial focus on our Corporate, Commercial and Investment Banking businesses. Many of our clients from these businesses are already on their decarbonization journeys and we can continue to actively support them in an impactful way in the near term.

We recognize that the transition will have varying impacts across industries and that environmental and social challenges are intertwined. Our commitment to climate action includes our engagement to support a just and orderly transition for the workers, businesses and communities impacted by the transition to a low-carbon economy so its benefits are shared widely.

We understand that transparency is a key factor in the success of the transition. We will continue to share our progress on this journey with a focus on transparency and disclosure.

The journey is ongoing. Over the coming months and years, we will continue to set additional targets and work to translate those targets into real-world progress with our clients and customers as we help to facilitate their low-carbon transition journeys. TD will continue to be a strategic and thoughtful leader in the low-carbon transition as we advance on our Climate Action Plan and work to meet our interim targets and 2050 net-zero goal.

A Net-Zero Primer

Net zero is achieved by reducing GHG emissions to the greatest extent possible, followed by balancing any residual GHG emissions through removing an equivalent amount of greenhouse gases from the atmosphere. This year, we set a target to reduce our Scope 1 and Scope 2 GHG emissions by 25% by 2025 from a 2019 baseline. This target was set using a science-based methodology, which means that it aligns with meeting the goals of the Paris Agreement to limit warming to 1.5°C above pre-industrial levels.

TD has set its first interim targets for reducing Scope 3 financed emissions for the Energy and Power Generation sectors, and we will work to set additional reduction targets for other carbon-intensive sectors. Scope 3 financed emissions are the GHG emissions associated with a financial institution's financing and services provided to clients. Calculating these financed emissions is an evolving practice being developed by PCAF. We have been working to calculate our Scope 3 financed emissions over this past year for the Energy and Power sectors. While this exercise is complex, calculating Scope 3 financed emissions helps us better understand our clients' journey and support them in reducing GHG emissions in line with the goals of the Paris Agreement. To do so, we are designing sector-specific emissions reduction targets to inform our engagements with clients. Once completed, we believe that these targets will help guide our journey towards net zero and a 1.5°C transition pathway.

The Climate Action Plan Roadmap

Our Baseline

Where we are today and where are our gaps?

Establish TD's Scope 1 and 2 GHG emissions baseline and calculate our Scope 3 financed emissions based on the PCAF methodology.

We have calculated and reported on our Scope 1 and 2 GHG emissions since 2008 and chosen 2019 as our base year to set science-aligned targets. In 2021, we started the work to calculate Scope 3 financed emissions across two carbon-intensive sectors, with a focus on understanding our data quality and coverage for our portfolio. This will inform how we work with clients in support of their transition to net zero.

Our Targets

What are our targets?

Set interim 2025 Scope 1 and 2 GHG emissions targets, as well as interim 2030 Scope 3 financed emissions targets using a science-based methodology.

In July 2021, we set an interim target to achieve an absolute reduction in GHG emissions from our operations (Scope 1 and 2 GHG emissions) by 25% by 2025, relative to a 2019 baseline, using a science-based methodology. In 2021, we have begun to develop science-based targets for our Scope 3 financed emissions for key carbon intensive sectors, starting with Energy and Power Generation, to support our long-term objective of reaching net-zero emissions in our operations and financing by 2050.

External Pathways

How will the world get to net zero?

Assess leading institutions' external climate pathways to inform TD's understanding of sector-specific decarbonization approaches.

We are leveraging multiple external scenarios such as the ones from the International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS) in our analysis to help inform our targets and decarbonization pathways.

Our Pathways

How will TD get to net-zero?

Develop our own net-zero pathway to support our decarbonization, as well as our clients.

In 2021, we defined our universe of carbon intensive sectors and sub-sectors, which is in alignment with NZBA requirements, and prioritized two sectors for target setting and engagement.

We have been identifying drivers of our Scope 1, 2 and 3 emissions and the measures the Bank can take to reduce them across our business segments.

Reporting

How are we transparently reporting progress against our targets using a standardized approach?

Share our progress and challenges towards achieving our targets and calculating our financed emissions.

In July 2021, we announced our interim 2025 Scope 1 and 2 GHG emissions reduction targets. We have also now announced our Scope 3 financed emissions footprint and interim targets for key carbon intensive sectors. In 2022, we will continue our Scope 3 financed emissions target setting work for additional sectors.

Executing the Climate Action Plan

TD's Climate Target Operating Model (TOM) is a framework that outlines how functions, capabilities, governance and supporting infrastructure will be configured or managed to achieve the strategic objectives of TD's Climate Action Plan.

TD's Climate Target Operating Model (TOM) is a framework that outlines how functions, capabilities, governance and supporting infrastructure will be configured or managed to achieve the strategic objectives of TD's Climate Action Plan. The Climate TOM roadmap identifies and sequences the actions necessary to reach the 'target state' and outlines the roles and responsibilities of the various teams involved in the implementation. This will help enhance our existing processes to make them even better, more efficient and scalable. TD's ESG Central Office (ECO) led the work to develop the Climate TOM and roadmap by working with TD stakeholders to assess the Bank's 'current state' practices relative to agreed upon future or 'target state' capabilities.

The framework represents an important step towards implementing the actions necessary to reduce the Bank's emissions, further embed enterprise climate-related risk management practices into our business activities and capitalize on climate-related opportunities associated with helping our clients to successfully transition their businesses towards the low-carbon economy.

In 2022, we will begin the work to achieve the Climate TOM within TD Securities (TDS). This will support TDS' objective of helping to support its clients in achieving their respective transition journeys and providing learnings that can be applied to activities conducted in other TD businesses which will be added to the Climate TOM scope over time.

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 the climate crisis

The latest science shows that there is a need to move quickly to limit the worst impacts of climate change.[26] However, to be successful, actions need to be targeted, thoughtful and adequately resourced. We also recognize that we must play a part in meeting current demands for energy in a way that aligns to meaningful climate action and the targets that we are setting. Leveraging our competitive advantages and influence in the market will be key to fostering the scale and pace of change needed to achieve our interim and long-term GHG targets.

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 reduce 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 impacted by the transition to a low-carbon economy so its benefits are shared widely. As Canada and the U.S. work to meet their GHG emissions targets and the global economy decarbonizes, the demand for oil and gas is expected to fall.[27] This will put Energy sector workers at risk of displacement. Some of these workers may transition to clean Energy sectors, but this is not guaranteed. Ensuring a just transition is a priority for the Government of Canada which signed a declaration "Supporting the Conditions for a Just Transition Internationally" at COP 26.[28] As we work to reduce our GHG emissions and help support our clients and customers with their transition plans, we will be cognizant of the direct impacts and other potential impacts of our actions. In order to help share the benefits of the green economy widely, we are dedicated to working with and supporting our clients as well as policy-makers and other affected groups.

Navigating evolving regulatory and reporting requirements

Climate-related regulations continue to evolve and vary significantly across jurisdictions. Maintaining compliance with existing and forthcoming legislation is an important consideration for us. We actively participate in a range of industry groups to provide input on future climate-related regulations and standards.

By leveraging our long history of environmental leadership and financial relationships across Canada and the U.S., we believe our Climate Action Plan can help us play an important role in addressing these challenges and helping to drive the transition to a net-zero economy.

Signatories and Memberships

TD has made a number of public commitments that support our climate ambitions, align our actions with globally accepted standards and frameworks, and bolster our ability to deliver on our Climate Action Plan.

Group	TD's Engagement
Net-Zero Banking Alliance (NZBA)	The NZBA is an industry-led, UN-convened coalition of banks that are working to align their lending and investment portfolios with net-zero GHG emissions by 2050 or sooner. TD joined the NZBA in October 2021.
Partnership for Carbon Accounting Financials (PCAF)	PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assessing and disclosing GHG emissions associated with financial institutions' loans and investments. TD became a member of the partnership in November 2020.
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 guidance to improve and increase reporting on climate-related financial information. We have been providing disclosure aligned to the TCFD recommendations annually since 2018.
RMI's Center for Climate-Aligned Finance	RMI, through its Center for Climate-Aligned Finance, is working with large multi-national banks to support the development of practical and scalable solutions that can help accelerate the transition to a more sustainable energy platform and economy. TD's support of RMI, a non-profit clean energy organization dedicated to developing market-based solutions for a sustainable future, is an important step in the Bank's Climate Action Plan. TD announced its strategic partnership in February 2021.
Institute for Sustainable Finance (ISF)	ISF is at the intersection of sustainability and finance with the objective to align mainstream financial markets with Canada's transition to a sustainable economy. TD was a founding contributor and sponsor of ISF, which was established in November 2020. David Pinsonneault (Executive Vice President, Canadian Business Banking) represents TD on ISF's Advisory Board.
Sustainable Finance Action Council (SFAC)	In May 2021, the Government of Canada launched the SFAC which brings together public and private sector financial expertise to support the growth of a strong, well-functioning, sustainable finance market. SFAC serves as a centre of expertise, partnership, and dialogue on sustainable finance issues in Canada and internationally. TD's participation enables the Bank to be actively engaged in relation to the critical market infrastructure needed to attract and scale sustainable finance in Canada. Norie Campbell, Group Head and General Counsel, is serving as the Chair of SFAC's Disclosure Technical Expert Group.
Equator Principles (EP)	The EP are a voluntary set of minimum due diligence standards to help financial institutions determine, assess, manage and report on Environmental & Social (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 Equator Principles deals appropriately. TD adopted the EP in 2007.
CDP	Since 2013, TD has been recognized as a top-performing Canadian bank for climate disclosure by CDP, the global environmental disclosure system, and received a B score for its 2021 submission, demonstrating its long-standing commitment to transparency and accountability.

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

	Group	TDI's Engagement
	Climate Proof Canada	In June 2021, TDI became a founding member of the coalition, which facilitates engagement with Canadian policy-makers on national climate adaptation and resilience.
	Insurance Bureau of Canada (IBC)	James Russell, Executive Vice President, Insurance, is a board member of the IBC. TD Insurance colleagues chair a number of IBC working groups and committees. TDI is a leading voice to advance climate resiliency within the Canadian home and auto insurance industry.
	Canadian Life and Health Insurance Association (CLHIA)	TDI participates in a number of CLHIA committees, and has chaired the sustainability committee since its inception in 2020. This enables TDI to influence how the life and health insurance industry in Canada addresses climate change.
	Principles for Sustainable Insurance (PSI)	TDI was the second Canadian-based signatory to the UNEP FI PSI in 2014. TDI's **PSI Annual Disclosure** highlights how the PSI are incorporated into strategy, operations and risk management. Since November 2020, Moira Gill, Associate Vice President, Environment, Government & Industry Relations, has served as the vice chair on the PSI Board of Directors.

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
	Climate Engagement Canada[29]	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 promote a just transition to a net-zero economy.
	Task Force for Climate-related Financial Disclosures	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 will also be publishing its inaugural standalone TCFD report in 2022.
	Climate Action 100+ (CA 100+)	Since 2019, TDAM has been an investor member of CA 100+, As an investor member, TDAM collaborates with other global investors to engage with some of the world's largest corporate GHG emitters to take necessary action on climate change.
	GRESB	TDAM has been an active participant in GRESB since 2016, 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	Principles for Responsible Investment is a United Nations-supported international network of investors working together to implement its six principles. TDAM was among the first Canadian bank-owned asset managers to sign the UN-backed PRI in 2008.

Leadership

TD is proud to advance the conversation on climate change, the path to net-zero emissions and promoting a just transition, including with financial support. We will continue to participate in and lead important discussions with governments, industry participants and other stakeholders on the best outcomes for communities where we live and work.

The road to net zero

TD Economics paper on ***Carbon Pricing and Carbon Border Adjustments***

TD Economics paper on ***Decarbonization: A Simple Framework for a Complex Problem***

TDAM report on lithium batteries and the circular economy, ***Lithium: A Circular Economy Perspective for ESG Investment and Stewardship***

TDAM report published in Responsible Investor's COP26 report, ***A Roadmap for Asset Allocators to Achieve Net Zero Portfolio Emissions***

TDS conferences, which bring together institutional investors and corporate clients for presentations, fireside chats and keynote speakers. Topics covered in 2021 include the **potential of hydrogen to transform renewable energy**, **reducing carbon footprints of power and utility companies**, **The Disruptors series, covering technological innovation in energy transition** and the Road to 2050: Navigating the ESG Landscape, a conference that brought together ESG innovators, market experts and business leaders to help accelerate the transition to a low-carbon economy

Sustainable finance

TDS Viewpoint podcast, which covered various topics including the podcast entitled, ***De-mystifying Sustainability-Linked Loans and the advantages of entering into one***

TDS hosted Virtual Energy Conference, which included a segment on the emergence of new sustainability-linked financial products and frameworks

TDAM report: ***Quantitative Equity: Low Carbon and Low Volatility***

Participated in a panel discussion hosted by the Institute for Sustainable Finance, entitled, *Developing a Capital Mobilization Plan for a Transition to a Low-Carbon Economy*

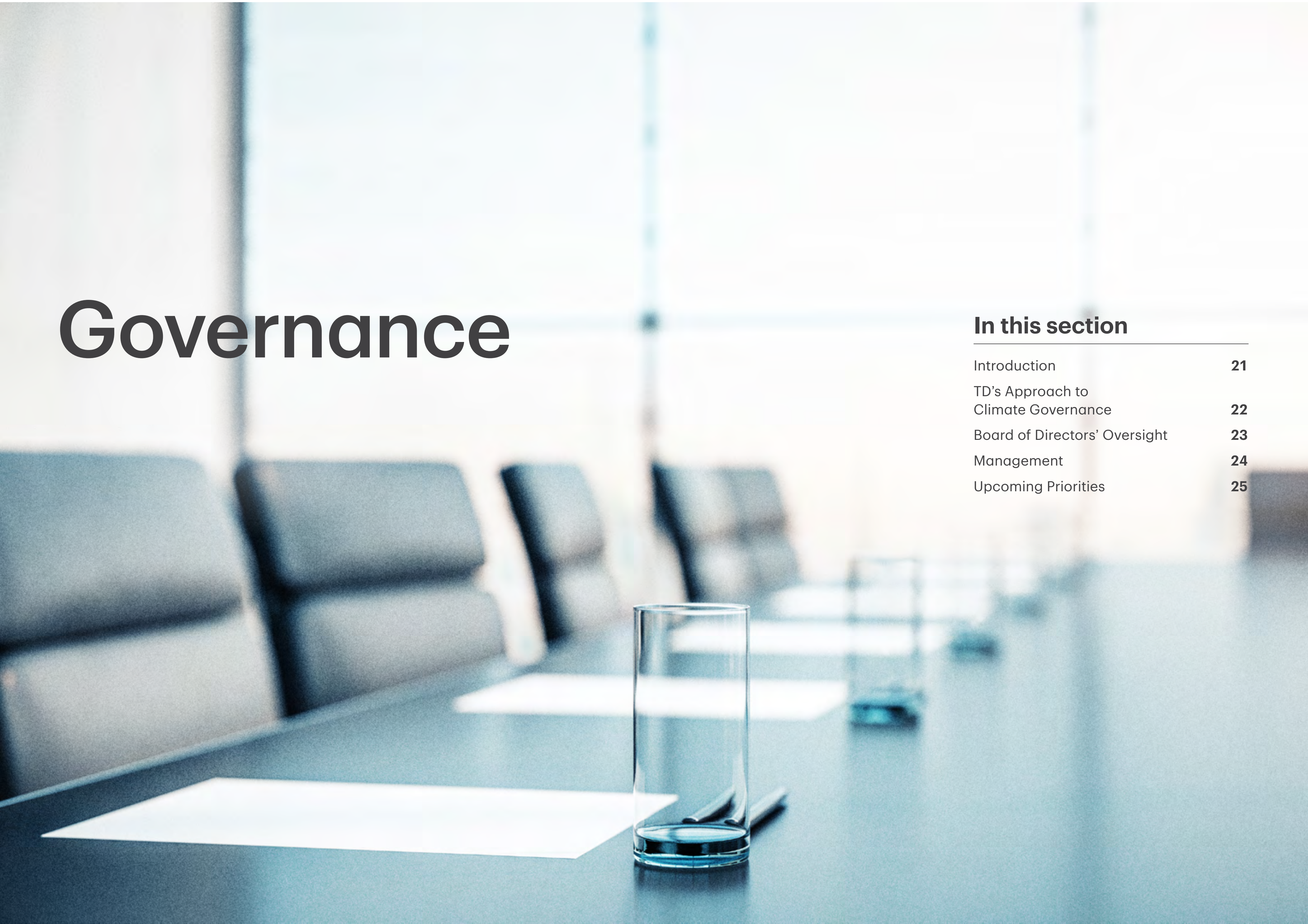
TDAM report: ***The Investment Case for Biodiversity***

TDAM report: ***Private Infrastructure: The Energy Transition Opportunity***

A just transition

TD Economics paper on ***Canada's Energy Sector Transition and the Potential Impact on Workers***, which discusses how Canadian policy-makers can support displaced energy sector workers as the economy transitions away from fossil fuels

In 2021, we provided financial support to organizations that help promote a just transition and work to share the benefits of a green economy widely. In Canada, we are supporting Iron & Earth, an organization founded by fossil fuel industry workers, and their Renewable Skills Initiative which is designed to empower fossil fuel industry and Indigenous workers to enter new climate careers and build the infrastructure required to meet climate targets through training programs. In the U.S., we are supporting EducationWorks' PowerCorpsPHL initiative, which focuses on supporting Black and Latinx young adults who are offered paid, technical training and work experiences in solar, clean energy, and electrical careers over 27 weeks.



Governance

In this section

Introduction

Strong governance anchored by a well-defined risk culture is central to TD's success in maintaining the trust of our customers and clients today and into the future. As the banking landscape evolves, we are focused on managing both traditional and emerging risks while continuing to deliver value for our customers, communities, employees and shareholders.

Key Accomplishments

- Delivering on the objectives of our Climate Action Plan was incorporated into the **compensation** for **TD's Senior Executive Team**.
- Appointed Cherie Brant to TD's Board of Directors and Risk Committee. Cherie brings legal and Environmental, Social and Governance (ESG) expertise to TD's Board. Cherie is the national leader for the Indigenous law group and a partner at Borden Ladner Gervais LLP as well as a member of the firm's ESG initiative. Cherie brings legal and **ESG expertise** to TD's Board.
- Created the **ESG Central Office (ECO)** to develop and roll out our Climate Target Operating Model (TOM), in support of operationalizing TD's Climate Action Plan.
- We leveraged the newly formed **ESG Centre of Expertise (COE)** hubs to drive progress in areas such as reporting, target setting, sustainable finance, ESG strategies, ESG education and others.

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. That is why we have integrated climate-related risk and opportunity considerations even further into our existing governance structures.

Board of Directors

Approves TD's strategy and business objectives and oversees the implementation, execution and monitoring of performance, including with respect to TD's corporate citizenship and Environmental & Social (E&S) strategy and objectives. The Board also receives reporting on the progress of TD's Climate Action Plan.

↓

Corporate Governance Committee

Oversees and monitors alignment with our purpose and strategy, performance and reporting on corporate responsibility for 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

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 Senior Executive Team, 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

↓

Enterprise Risk Management Committee

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

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

Enterprise Reputational Risk Committee

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

ESG Senior Executive Team Forum

Provides oversight on ESG and climate strategy development

ESG Program Management & Executive Steering Committee

Provides direction and makes decisions required to design the elements that make up the Climate TOM; oversees the execution of workstreams, projects or programs launched to implement the Climate Action Plan

Sustainable Finance Executive Council

Engages teams across our organization to develop new products and services that support TD's ESG strategy

ESG Disclosure Sub-Council

Provides guidance and recommendations for our voluntary ESG disclosure, including net-new ESG disclosures, and ensures proper internal controls to permit timely, accurate and balanced disclosure

↓

ESG Central Office

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

ESG Centre of Expertise

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 centered around six hubs

Sustainability and Corporate Citizenship Group

Leads development of enterprise climate strategy; provides enterprise guidance, analysis and communication for Climate Action Plan elements and champions their development and implementation within the enterprise, e.g. leads reporting and public disclosure for sector-specific targets

Environmental & Social Risk Management

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

ESG Credit Risk Group

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. As part of its mandate, the Board oversees 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, including TD's efforts to help accelerate the transition to a low-carbon economy.

Multiple governance bodies provide oversight over the Bank's management of climate-related risks, and thereby support the Board's overall mandate. In 2021, the Board's activities on climate change included:

- Continued to oversee E&S as a Top and Emerging Risk for the Bank, requiring quarterly reporting to the Risk Committee and the Board
- Received multiple updates on progress of the Bank's ESG activities and Climate Action Plan through the Corporate Governance Committee
- Participated in education sessions covering climate-related issues, coordinated by the Education, Knowledge Management & Communication Hub of the ESG Centre for Expertise. The sessions were first presented to the Senior Executive Team (SET) and then provided to the full Board. Topics included financed emissions, the power and utilities landscape and Scope 3 financed emissions target setting, as well as carbon pricing and Canada's implementation framework.
- TD's Chair of the Board and Chair of the HRC engaged many shareholders on the Bank's CAP, interim target setting, measurement and disclosure, and our sustainable finance opportunities

Case Study: TD Insurance (TDI) Advisory Board on Climate Change

In 2019, TDI became the first Canadian insurance provider to establish an Advisory Board on Climate Change to help guide its efforts to address climate change and increase resilience among the customers TDI serves. The Advisory Board's expertise is related to climate change, risk reduction and building resilience. The group is working on two projects, one addressing flood risk resilience in Western Canada, and one on homeowner education focused on increasing climate-related risk awareness and disaster preparedness.

Dr. Peter Ricketts
President, *Acadia University*

Dr. Heather McShane
Program Director and Catalyst-in-Chief, McGill Sustainability Systems Initiative, *McGill University*

Eric Kennedy
Assistant Professor, Disaster and Emergency Management Program, *York University*

Wiktor (Vic) Adamowicz
Professor, Vice Dean, Agriculture Life and Environmental Sciences, Resource Economics and Environmental Sociology, *University of Alberta*

Dr. Walter Mérida
Associate Dean, Research and Industrial Partnerships, *University of British Columbia*

Jeanette M. Southwood
Vice President Corporate Affairs and Strategic Partnerships Development, *Engineers Canada*

Management

The Senior Vice President, Sustainability and Corporate Citizenship and the Executive Vice President, Non-Financial Risk Management have senior executive accountability for environmental and social strategy and risk management, respectively. The ESG SET Forum provides oversight over the Bank's CAP and other climate and ESG initiatives. The ECO helps define roles and responsibilities in the Bank's Climate TOM and contributes to the identification and development of implementation plans in line with our climate objectives. The ESG Central Office monitors and reports progress on the TOM on a monthly basis, and going forward, will update the SET and the Board on status and risks.

The Leadership and Strategy Hub within the ESG COE supports all COE Hubs. The Leadership and Strategy Hub helps set TD's ESG agenda and strategy, including those for climate, by drawing on expertise and experience from across the enterprise. Updates on ESG strategy progress are regularly shared with the SET ESG Forum and the Board.

The Bank's work to integrate climate management capabilities into each line of business to reinforce ownership and accountability of climate risks and opportunities across the enterprise is ongoing. Our enterprise strategy calls on each TD line of business to contribute to the management of climate risk through the development of climate strategies and action plans and this work is underway. Each of the Bank's business-specific and enterprise risk committees are involved in the monitoring, escalation and oversight of material ESG risks.

Case Study: Integrating ESG into Senior Executive Compensation

TD's Executive Compensation Program is designed to reward executives for successfully executing the Bank's strategy, which includes executing on the Bank's climate change goals. In 2021, the Human Resources Committee approved a management proposal to formally integrate ESG metrics into the executive compensation package funding framework for the CEO and the SET. Under the updated framework, ESG metrics covering climate change, diversity and inclusion, and employee engagement were explicitly considered under the business performance factor directly affecting senior executive compensation. In 2021, the focus was on the milestones necessary to achieve the bank's Climate Action Plan and net-zero target, as well as establishing sustainable financial initiatives that further embed ESG in the bank's business strategies.

Case Study: Launching the ESG Centre of Expertise Hubs

TD's ESG Centre of Expertise (COE) was established in 2021 to bring together the experience, expertise 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. The COE uses its six-hub model to facilitate knowledge sharing, insights and coordination in key areas such as research, policies, risk management, and reporting, necessary to move defined ESG enterprise strategic deliverables forward, including advancing our Climate Action Plan. Together these hubs build on and help integrate the overall enterprise ESG strategy to meet increasing stakeholder expectations, oversee TD's strong ESG performance and disclosure processes, and lead external engagement on ESG matters.

Upcoming Priorities

In 2021, we reviewed the allocation of ESG-related responsibilities across the Board and its committees, including in relation to climate change, and in 2022, the focus will continue on TD's climate-related governance, risk management and strategy. The implementation of the Climate TOM will help set clear reporting and decision structures that will help support the progress we make on our Climate Action Plan.

The Board will oversee the Bank's progress against our climate-related commitments, and monitor evolving expectations of our stakeholders and how we respond to them. In addition, we expect climate-related matters will be of increasing interest to regulators as well. Through our education program, we will work to keep the Board and senior management well-informed on developments and the evolution of climate-related risks and opportunities. This will enable the Board to be informed as they approve strategies and help ensure that ESG considerations are integrated into our strategic decision-making.

Strategy

As the world transitions to a low-carbon future, we are focused on helping our customers, communities, and colleagues navigate this changing landscape.

In this section

Introduction

We strive to consider the impacts of climate change when formulating business strategies, including direct impacts to our operations, as well as indirect impacts associated with our clients and customers. Our target is to work across our lines of business to monitor our exposure to climate-related risks and opportunities and to identify their implications for our strategies and business activities. Our Climate Action Plan (CAP) also plays a central role in guiding our understanding of and actions on climate change, through laying out a path for transitioning our business to become net zero by 2050.

Key Accomplishments

- TD joined the **Net-Zero Banking Alliance (NZBA)**, working to align our lending and investment portfolios with net-zero emissions by 2050 or sooner.
- Released TD's **Thermal Coal Position**, which outlines the Bank's approach to managing the risk associated with coal mining and unabated thermal coal power generation.
- The **Sustainable Finance Executive Council** championed the ongoing work to develop environmental and social products, services and programs across the Bank in support of TD's Environmental, Social and Governance (ESG) Framework.
- **$42 billion** underwritten by TD Securities across green, social, sustainability and sustainability-linked bonds and loans in 2021.[1]
- We participated in a climate scenario analysis pilot with the **Bank of Canada** and the **Office of the Superintendent of Financial Institutions (OSFI)** to assess potential credit implications for sectors with heightened transition risks.
- **TD Securities (TDS)** was selected by the Government of Canada's Department of Finance as one of its two structuring advisors to help design Canada's green bond framework as well as to support an inaugural issuance. TDS also played a leading role in the European Union's inaugural NextGenerationEU green bond. TD was the only Canadian bank involved in the syndicate for the world's largest green bond issuance at that time.[30]
- **TD Asset Management (TDAM)** became a founding participant and contributor of Climate Engagement Canada.
- **TDAM** signed the Canadian Investor Statement on Climate Change, calling on companies to establish long-term and interim greenhouse gas (GHG) emissions reduction targets that are based on climate science and are aligned with the ambition of achieving net-zero emissions by 2050. Learn more about this **here**.

TD's Climate Risks and Opportunities

Climate change presents an interconnected set of risks and opportunities for TD, our customers and the communities we operate in.

1 Heat stress and wildfires

2 New sustainable finance products

3 New energy sources

4 New insurance products

5 Heavy precipitation and flooding

Approach

Our target is for the assessment of climate-related risks and opportunities to help shape the strategy, planning and operations of our businesses, and we are making progress.

Risks and Opportunities Primer

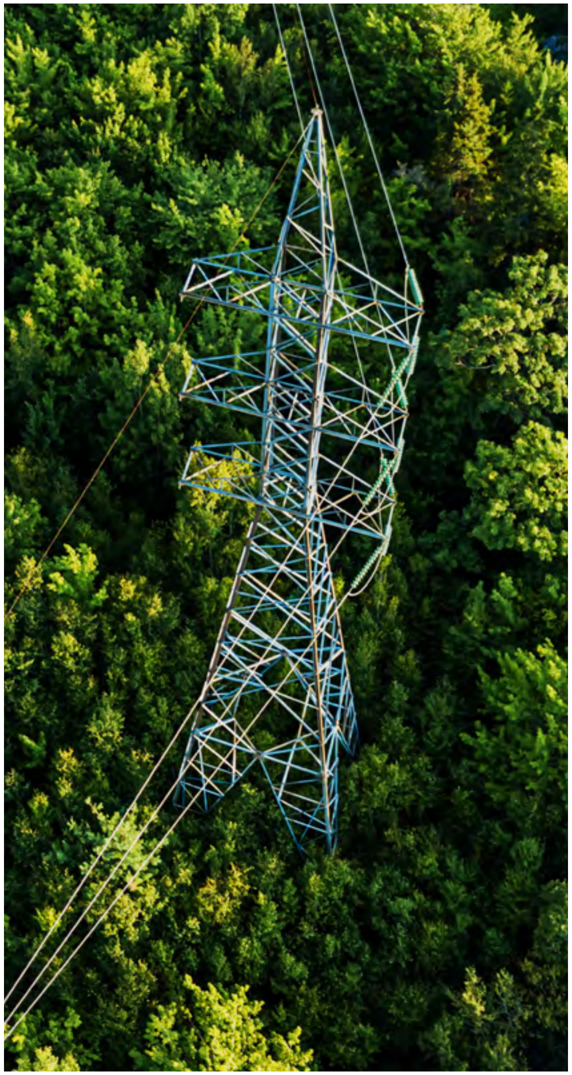
Climate risks include chronic and acute physical impacts of climate change as well as transition risks resulting from the low-carbon transition. Please refer to the Risk Management section for further details. Climate opportunities represent the products and services we can offer our customers and clients to support both our long-term growth strategy and the transition to the low-carbon economy.

Given the potential for climate change to influence how we and our clients do business, as well as how our customers live and work, we are focused on building tools and capabilities to assess the associated risks and opportunities of the transition to a low-carbon economy, with a view to making thoughtful and informed decisions about our strategies and business planning related to climate change, This includes considering the long-term effects on certain segments of our business as well as working to build contingencies to support business continuity of our operations. To address GHG emissions from our supply chain, TD's Carbon Supply Chain Program, now in its sixth year, aims to engage suppliers to report their carbon emissions and to phase in reductions over time. In 2021, we asked over 200 suppliers to respond to the program, and we were pleased with the majority of respondents reporting on their carbon emissions.

We recognize that as a global financial institution, we play an important role in driving economic change. Our Climate Action Plan was developed recognizing that by supporting our customers and clients throughout this economic transition, it can help mitigate our current and future risks. It does so by committing us to GHG emission reductions and to helping our customers and clients reduce their own GHG emissions.

Our work is already underway. We have created internal guidelines for the work that needs to be done for carbon-intensive sectors to transition to a low-carbon economy. Over the next three years, the Bank plans to make additional investments in our climate-related capabilities and resources, as we implement our Climate Target Operating Model (TOM). We believe that these investments will help us make progress on our climate ambitions and further develop our processes related to climate risks and opportunities in a rapidly changing landscape. As we progress on this journey, we intend to continue to enhance our strategic and financial planning processes to incorporate climate-related risks and opportunities and our plans to manage them.

We also believe that responsible resource use is an important component of sustainability and managing climate change. For more information about TD's approach to responsible resource use, please see TD's ***2021 ESG Report***.



Risks and Opportunities

Risks

For more information on the climate-related risks we have identified and how they are identified, assessed, and managed, please refer to the **Risk Management** section.

Opportunities

TD is committed to supporting our customers and clients as global economies transition to low-carbon. Canadians and Americans are beginning to think about what role they might play in the net-zero transition, and how their personal consumption patterns contribute to GHG emissions and their reductions. In Canada, we have the ECO program, offering special rates on financing for hybrid and electric vehicles. In 2021, we financed over 6,000 hybrid and electric vehicle transactions valued at approximately $251 million. In the U.S., TD Auto Finance originated nearly 6,000 new/used electric/hybrid vehicle loans totalling US$425 million. The total outstanding U.S. portfolio for these loans was US$764 million as of October 31, 2021. Our Commercial clients can also access our products and services for financing renewable energy or other low-carbon projects. The Environmental Lending Program, offered through Business Banking's TD Equipment Finance (TDEF) team in Canada, supports our customers' efforts to reduce their greenhouse gas emissions. With tailored solutions to meet customers' financing needs, the Environmental Lending Program finances various environmental transition activities that improve a company's carbon footprint.

TDI is focused on developing new partnerships and strengthening existing partnerships, such as those with members of our Advisory Board on Climate Change, in order to increase the climate risk resilience of our customers and the communities we serve. At the same time, we will work to better understand the insurance protection gap affecting many Canadians, and how we might take steps to address it. TDI will continue to develop product and service offerings to help customers increase their climate resilience and reduce their emissions, building on our existing discounts for drivers of hybrid and electric vehicles (EV), access to EV repairs and rentals in our Auto Centres, protection for solar panels and options that allow our customers to choose eco-friendly and climate-resistant materials when rebuilding after a claim.

Sustainable financing has experienced unprecedented growth in recent years, reaching a record $1.6 trillion of global issuance in 2021, as measured by total dollar volume.[31] TD Securities is well-positioned to support this market growth and has invested resources to develop sustainable finance products and services to help our clients as they look to meet their sustainability goals. Our suite of ESG product offerings includes sustainable financing framework advisory and structuring services, sustainable finance underwriting, sustainability-linked product structuring, including key performance indicators (KPIs) and sustainability performance targets (SPTs) review, advisory services on alignment of financing and sustainability strategy, pre-/post-IPO sustainability positioning, and mergers and acquisitions sustainability due diligence. We believe that these products and services will support continued growth in the sustainable capital markets and help support the transition to a more sustainable future.

We continue to focus on sustainable finance by pursuing opportunities that provide both environmental and economic benefits. In 2021, we deployed a record $30 billion in low-carbon lending, financing, asset management and internal corporate programs towards our $100 billion by 2030 target to support the low-carbon economy. If similar market conditions hold, we expect to achieve our $100 billion target by the end of 2022, eight years ahead of our plan. We are excited to build on this momentum and start work on the next evolution of this goal.

Feature: Advancing Sustainable Finance Opportunities

The Sustainable Finance Executive Council (SFEC) was established in 2019 to mobilize our sustainable finance efforts and align opportunities with TD's enterprise-wide ESG strategy. SFEC comprises executives from across the Bank and is responsible for identifying and addressing potential barriers to implementing the sustainable finance strategy across our lines of business, acting as sustainable finance champions within the Bank and helping to develop a pipeline of products, services and programs.

In 2021, TDS played a leading role in pursuing and capitalizing on a range of sustainable finance opportunities for the Bank. In 2020, TDS created its dedicated Sustainable Finance and Corporate Transitions Team, which focuses on the delivery of integrated ESG and climate solutions, including activities such as arranging sustainability-linked loans, underwriting green, social, sustainability, and sustainability-linked (GSSS) bonds and providing ESG advisory, merger and acquisition, and financing services to companies involved in the transition.

In 2021, TDS was involved in the following notable sustainable finance transactions:

- TDS was selected by the Government of Canada's Department of Finance as one of its two structuring advisors to help design Canada's green bond framework, assist in the development of the ongoing program, and support an inaugural issuance.
- TDS played a leading role in the European Union's inaugural NextGenerationEU green bond, the world's largest green bond issuance at that time, and has supported the EU's SURE social bond program with over €4.6 billion in underwriting. The €12 billion, 15-year green bond offering was oversubscribed eleven-fold drawing a book of over €135 billion, demonstrating the strong demand for sustainable products in global bond markets. TD was the only Canadian bank involved in the syndicate for this historic EU green bond.[30]

Case study: TDAM Integrates Climate Change Into Investment Analysis

TDAM seeks to invest in sustainable long-term assets through a risk-managed process. As an investment manager of diversified asset classes, TDAM considers climate change to be an important area of research for its clients and the funds that it manages. TDAM actively engages with companies and leverages its asset ownership positions to encourage improvements in company disclosures on climate-related risks and opportunities.

TDAM's approach continues to evolve to help position its portfolios to capitalize on investment opportunities arising from an accelerated transition to a low-carbon economy, while also taking into account climate-related physical and transition risks.

In 2021, TDAM made progress across each of these areas:

Investment: Leveraging ESG and climate data to construct more resilient portfolios

- Developed a TDAM Climate Action Plan focused on measuring and managing climate risk in its portfolios
- Established new climate-focused working groups with mandates such as investment integration, new product development, data and measurement, and reporting excellence
- Integrated climate risk metrics into ESG dashboards to help investment risk teams identify companies with elevated climate risks and prioritize engagements
- Launched new TD Emerald Low Carbon / Low Volatility Global Equity Pooled Fund for institutional clients
- Conducted a climate risk assessment on a portion of its Alternatives portfolio in collaboration with UNEP FI
- Conducted a preliminary scenario analysis across its public equity holdings to inform a future TDAM-wide analysis

Stewardship: Engaging with companies to improve ESG performance, either through proxy voting or direct engagement

- Developed a fiscal year 2021 list of engagements with high emitting companies from carbon-intensive industries that TDAM holds significant shares in, and held climate-focused engagement meetings with 100% of the companies on the list
- Over the 2021 proxy voting season, we supported 35 climate-specific shareholder proposals we felt were warranted after careful review and peer benchmarking
- As a member of Climate Action 100+, TDAM participated in climate-focused engagements with companies in heavy-emitting industries in collaboration with several other Canadian-based asset managers

To learn more, please see ***TDAM's inaugural 2021 TCFD Report*** *(scheduled for publication Spring 2022)*.

TD's Thermal Coal Position

Building on a long history of environmental leadership, including our **Climate Action Plan** with a target to achieve net-zero GHG emissions associated with our operations and financing activities by 2050, TD is committed to promoting sustainable and environmentally responsible business practices.

As part of TD's Climate Action Plan, we are setting interim reduction targets for our financed emissions that are science-based. Clients deriving more than 5% of revenue from thermal coal mining and coal-fired power generation are included in the reduction targets. While additional 2030 targets and associated action plans are in-progress, we are taking steps to continue to limit financed emissions through this Thermal Coal Position.

Coal is the most carbon-intensive fossil fuel and, for that reason, global alignment with the Paris Agreement calls for a rapid transition away from coal as a source of energy. Consequently, transactions with companies that have a substantial reliance on thermal coal could present considerable credit, legal, operational, and/or other risks, all of which are expected to intensify in the coming years. TD's Thermal Coal Position is intended to manage and mitigate those diverse risks, and supplements TD's current restriction on financing mountaintop removal coal mining.

Thermal Coal Mining

Beginning no later than the end of fiscal Q2 2022, TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:

a. any new mining company client that derives ≥ 30% of its revenue from the production of thermal coal, or

b. any new mining company client that has made a public statement of its intention to expand its thermal coal mining operations.

Nor will TD provide project-specific financing after that date for the development of new thermal coal mines or expansion of existing thermal coal mines.

Coal-fired Power Generation

Beginning no later than the end of fiscal Q2 2022, TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:

a. any new power generation client that generates ≥ 30% of its power (MWh) from unabated[32] coal-fired power generation, or

b. any new power generation client that has publicly stated an intention to expand its unabated coal-fired power generation operations.

Nor will TD provide project-specific financing after that date for the development of new unabated coal-fired power generation plants or expansion of existing unabated coal-fired power plants.

Exceptions

TD will consider exceptions to this Thermal Coal Position in instances of material changes to our portfolio (e.g., Merger or Acquisition) or where a company's individual circumstances indicate that a proposed transaction would not present the same risks otherwise associated with coal-dependent businesses, such as where:

a. the company has made a public commitment to phase out its thermal coal activities;

b. the company is making appropriate progress on its own low-carbon transition strategy (e.g., by having a public net-zero commitment with interim targets that follow a science-aligned emissions reduction trajectory); or

c. the use of the proceeds of the loan or the capital markets transaction, or the purpose of the merger and acquisition, is to facilitate the transition of the company's business away from thermal coal.

Transition Support

TD supports new and innovative solutions to reduce GHG emissions and will work closely with clients as they transition their businesses away from thermal coal. Dedicated teams have been established to advise and support clients as they develop and execute their low-carbon transition strategies. We are focused on supporting sustainable growth for our customers and clients and the communities we serve.

This Thermal Coal Position will be reviewed no later than 2025.

Capital Power's Whitla Wind facility (Phases 1, 2 and 3), in the County of Forty Mile, is the largest wind facility in Alberta.

Case Study: TDS Supports Capital Power with Sustainability-linked Credit Facility

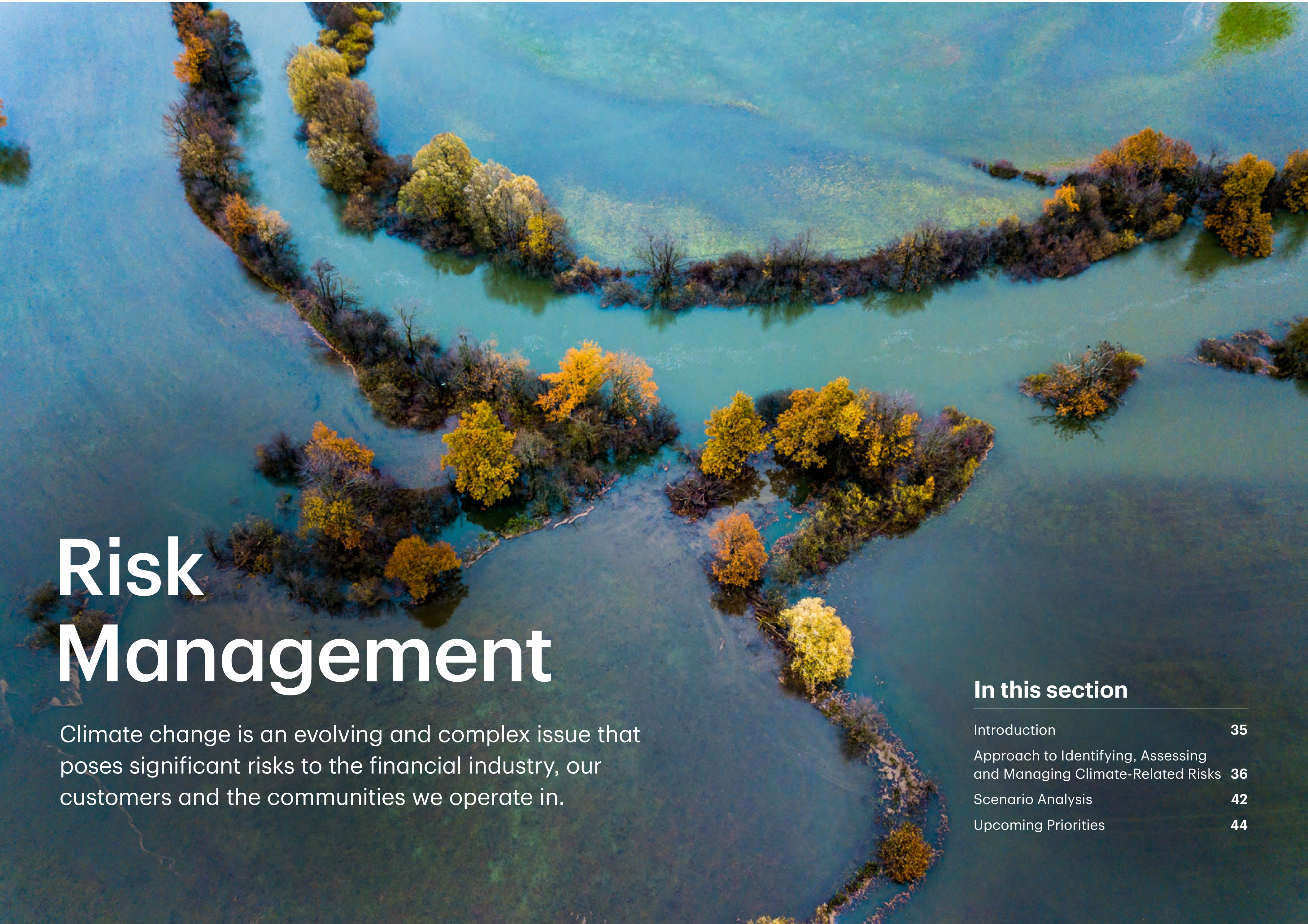
As one of the Bank's fastest growing areas of sustainable finance, we believe that sustainability-linked products will play an important role as we help our clients transition to a low-carbon economy. Sustainability-linked loans are loan products with terms tied to the borrower's ESG performance to incentivize the achievement of material and ambitious sustainability objectives. As we look to support our clients through their transitions, sustainability-linked products will be important tools to help incentivize ambitious action and strong climate accountability.

In 2021, TDS served as the Joint Bookrunner and Co-Lead Arranger & Sole Sustainability Structuring Agent for Capital Power's 5-year, $1 billion sustainability-linked credit facility. Capital Power is one of Canada's largest independent power generation companies, owning approximately 6600 megawatts of power generation capacity across its Canadian and U.S. operations. TD's Sustainable Finance and Corporate Transitions team worked with Capital Power to transition existing credit facilities and link the company's performance in reducing GHG emissions intensity to its borrowing costs. Capital Power has committed to reducing its GHG emissions intensity by 65% by 2030 from 2005 levels, and aims to do so through investments in renewables, decarbonization technologies, and the elimination of the use of coal in its power production.

Upcoming Priorities

Going forward, there will be a focus and heavy effort on the work to embed our ESG and climate-related aspirations and strategy into our business-as-usual activities across our enterprise, guided by our Climate TOM. We are taking a risk-based approach to this integration, starting with TD Securities, a business segment that we feel can have significant impacts to the transition effort and drive change. We have already made substantial progress in 2021 and our Climate TOM is focused on continuing this progress in 2022.

Over the next year, we will also be focusing on developing perspectives on sector-specific reduction pathways to net zero. This will help inform our engagement with customers and clients. It will also help us to identify opportunities to expand our product and service offerings that support the transition to the low-carbon economy.



Risk Management

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

In this section

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 helps to position us to thrive in a changing world.

Key Accomplishments

- **TD contributed to public consultations** on emerging climate issues, including disclosure frameworks proposed by regulators and industry groups.
- We further **enhanced our Environmental & Social (E&S) Risk Appetite Principle and Measure** to consider climate change and related social risk impacts.
- The Bank participated in **industry-wide working groups** and/or pilots to develop standardized methodologies and approaches for risk identification and assessment, as well as climate scenario analysis.
- Developed a **climate risk inventory**, including Level 1, 2 and 3 risk definitions, to identify the impacts that climate change may have on TD, our assets and clients.
- **Developed an initial heatmapping framework**, supported by an Industry Risk Review process, to support physical and transition climate risk identification and assessment (i.e., portfolios and industries that are most susceptible to climate change), including in-depth reviews of certain high risk industries within our non-retail portfolio.
- We established an **Environmental, Social and Governance (ESG) Credit Risk team** to enhance our approach to addressing climate risks in our lending portfolio, at the individual credit risk assessment and portfolio levels.
- TD Insurance created a **Climate Risk Appetite Task Force** comprising leaders from across TDI to provide recommendations on how to address emerging climate risks in the near, medium and long term.
- The Bank has incorporated ESG risks into **TD's Change Risk Management Framework** to assess the impacts associated with material changes made to TD products, services, projects, and initiatives.

Approach to Identifying, Assessing and Managing Climate-Related Risks

Climate-related risks are inherent in the day-to-day operations of our business and represent the risk of financial loss or reputational damage from materialized credit, market, operational or other risks to the Bank, our clients, or the communities in which we operate. These include physical risks related to the chronic and acute physical impacts of climate change, such as shifts in climate norms, and extreme weather events such as hurricanes, wildfires and floods. They also include transition risks associated with the global transition to a low-carbon economy, such as climate-related policy actions and litigation claims, technological innovations, and shifts in supply and demand for certain commodities, products and services.

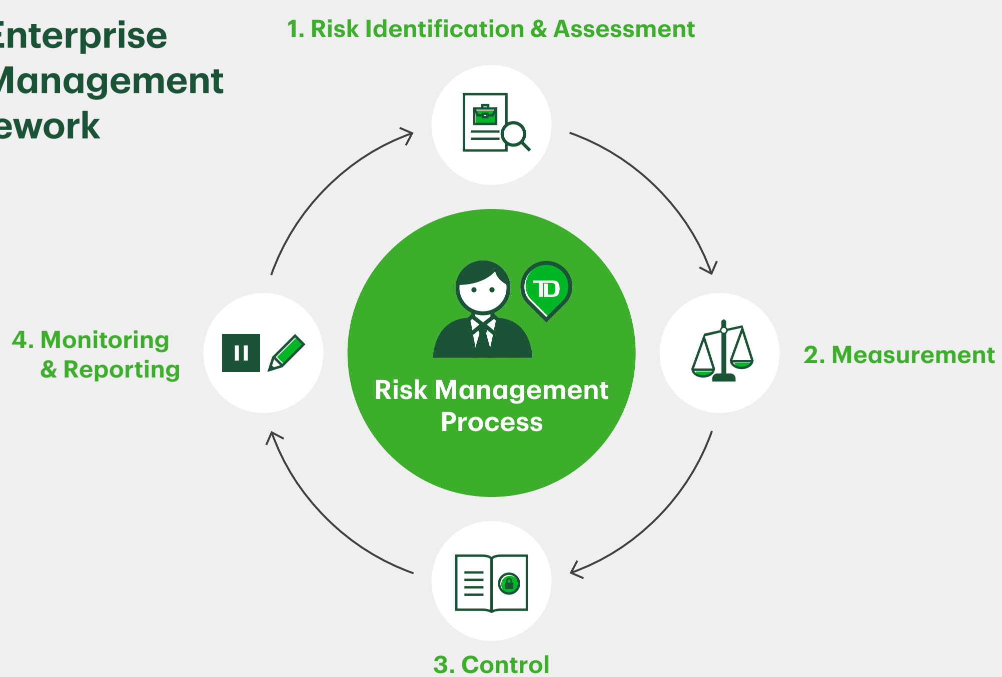
Operating a global financial institution exposes the Bank's lines of business and operations to a broad range of E&S risks. Our risk management approach is intended to consider both physical and transition climate risks that could result in credit, insurance, strategic, operational, reputational, regulatory and legal, and market risks for the Bank and our clients. Assessing climate-related risk exposure 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 being integrated into our Enterprise Risk Management approach. The Bank's Environmental and Social Risk Framework sets foundational guidance and defines key pillars of activities for managing E&S risks, including climate risk. The Bank's Environmental and Social Risk Management (ESRM) Group oversees climate risk identification, including our foundational climate risk heatmapping framework, measurement and response through the ongoing development of risk frameworks, policies, internal processes and tools. ESRM maintains an E&S Risk Appetite Statement, which is periodically updated to incorporate evolving climate risk considerations. Since 2019, climate risk has been identified and tracked as a top and emerging risk for the Bank. Top and emerging risks are identified, discussed, and actioned by senior leaders and reported quarterly to the Risk Committee of the Board. Specific plans to mitigate top and emerging risks are prepared, monitored and adjusted as required.

As seen in the graphic below the Bank's approach to climate risk management is comprised of four key processes: risk identification and assessment, measurement, control, and monitoring and reporting.

1. Climate risk identification and assessment is focused on defining, recognizing and understanding climate risks, relating to the banks business initiatives and operations. 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. Climate risk measurement practices continue to evolve and will support the Bank's ability to provide timely and accurate quantification of the risks assumed. TD continues to prioritize the development of a climate scenario analysis program as well as making refinements to existing and new metrics.
3. Climate risk control is achieved through our continued progress to embed climate risk into our enterprise risk framework and supporting risk programs, including processes for evaluating risk for non-retail lending transactions, and TD's Change Risk Framework.
4. Climate risk monitoring and reporting represents ongoing monitoring and reporting of climate risk levels against the Bank's risk appetite. Our risk monitoring capabilities continue to evolve with the enhancement of our E&S Risk Appetite in 2021 to identify climate risk and consider associated risk factors.

TD's Enterprise Risk Management Framework



In 2021, we developed the Bank's Climate Target Operating Model (TOM) which includes four high-level principles for climate risk identification and measurement:

- Develop an approach that is custom, flexible, continually evolving and that integrates into the Bank's risk infrastructure
- Look beyond direct impacts to consider how secondary impacts contribute to climate risk
- Adhere to a comprehensive and targeted methodology for risk identification and heatmapping that reflects the complexity of climate risk
- Consider both business and capital implications when measuring risk to help ensure climate risks are not underestimated

Over the next three years,as we execute our Climate TOM, we plan to build upon our climate capabilities, including significant investments in climate risk identification, including refining our foundational climate risk heatmapping framework, measurement and quantitative analysis. These investments will help us monitor that our processes related to climate risks reflect the above-noted principles and best practices in a rapidly changing landscape.

Through our participation in a scenario analysis pilot with the Bank of Canada and OSFI, we continue to build our understanding of the risks of transitioning to a low-carbon economy and build internal capacity regarding climate data and climate risk modelling. In another pilot study through UNEP FI and Moody's, we tested tools for assessing physical and transition climate risks using sample data from TD portfolios. These studies, and our participation in industry pilot programs, are important steps that help build our internal knowledge, tools and capabilities in future risk identification, and will inform our approach as we work to further integrate and manage climate risk across the Bank.

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 intended to manage and mitigate those risks.

Risk Category	Climate-Related Risk	Actions to Identify, Assess and Mitigate
Credit Risk	Losses due to the negative impacts of physical or transition climate-related risks on the financial health of our customers and clients leading to increased defaults.	• Apply our Environmental and Social Risk Management process to lending in the Non-Retail businesses • Identify E&S risks in lending transactions and prompt increased due diligence and escalation to the appropriate Risk Committee through enhanced tools and procedures for the Non-Retail lending businesses • Embed sector-specific guidelines for environmentally sensitive sectors within Non-Retail lending • Support physical and transition climate risk identification and assessment by developing a heatmapping framework, as part of our Industry Risk Review process • Work to develop tools to incorporate the impacts of climate risks into non-retail borrower risk assessments
Insurance Risk	Insurance products where claims liabilities are exposed to changing climate patterns.	• Evaluate potential impacts and recommend mitigation with respect to climate-related insurance losses through a newly established TD Insurance (TDI) Climate Risk Appetite Task Force • Participate in industry association committees to collectively develop approaches and initiatives to address climate change risk • Work to increase government funding and action to build a more disaster-resilient country as a member of Climate Proof Canada • Develop an understanding of the opportunities to address ESG risks, including climate risks as a member of a UNEP FI Principles for Sustainable Insurance (PSI) working group on life and health insurance • Lead a working group of Canadian PSI signatories to develop an industry-wide road map for prioritizing collective efforts, including a strong focus on developing better climate risk data across all insurance business lines • Develop products and services, such as severe weather alerts, to help TDI customers protect themselves against climate risks • Participated, as part of the Insurance Bureau of Canada's Flood Working Group, in preparatory work for the federal Task Force on High Risk Residential Flood Insurance and Strategic Relocation, which is examining the viability of a low-cost national flood insurance program and options for relocation for residents in the highest-flood-risk areas. TDI will serve on its newly created industry task team.
Strategic Risk	Risk of not being able to meet changing customer and consumer expectations for ESG products and services.	• Launched TD's Climate Action Plan, which includes the steps we are taking across the Bank to support our clients throughout their journey to transition to a low-carbon economy • Identify opportunities across our lines of business through TD's Sustainable Finance Executive Council to develop ESG products, services and programs • In 2021, we deployed a record $30 billion in low-carbon lending, financing, asset management and internal corporate programs towards our $100 billion by 2030 target to support the low-carbon economy • Provide clients with advisory services and important transition and sustainability-focused financing globally through TD Securities' Sustainable Finance and Corporate Transitions Group

Risk Category	Climate-Related Risk	Actions to Identify, Assess and Mitigate
Operational Risk	Impact of extreme weather events on physical operations.	• Develop standardized methodologies and approaches for quantitative measurement of climate risks and scenario analysis, including the development of a climate risk inventory and climate risk heatmapping framework • Incorporate ESG risk considerations into TD's Change Risk Management Framework to assess 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 pressure and focus from NGOs to apply sustainable investment and business practices.	• Communicate that TD's track record of environmental leadership has helped us be 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 Climate Action Plan • 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 the E&S domain, and issuance of judicial decisions that may result in unanticipated new regulations. Increased momentum and global policy initiatives focusing on ESG integration.	• Put procedures in place to monitor and evaluate the potential impact of applicable laws and regulations in jurisdictions where we operate • Advocate for more standardized industry, regulatory and legislative guidance related to climate 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.	• TD Asset Management (TDAM) continues to track various ESG indicators, including climate-related metrics, for its investments across all asset classes, to help uncover ESG risks within portfolios and guide internal and external conversations about those risks • Conducted preliminary scenario analysis on a fundamental equities portfolio to inform a future enterprise-wide analysis

Identifying Climate Risks

In 2021, we established a climate risk inventory that provides a view of climate risk drivers. The climate risk inventory leverages TCFD's definitions for transition and physical risk and supports a comprehensive identification of climate risks. Using the climate risk inventory, we have developed a Climate Risk Heatmap (heatmap), to identify the jurisdiction and industry sector climate risk sensitivities, respectively.

Climate Risk Heatmap[33]

Low Impact — High Impact

		Transition Risk					Physical Risk		Outstanding Loan Balance ($M)[34]	% of Total RESL
Counterparty Type	Jurisdiction	Policy	Technology	Reputation	Market	Legal	Acute	Chronic		
Retail	Canada Real-Estate Secured Lending (RESL)								$333,608	88.0%
	US RESL								$45,401	12.0%
	Industry Sector								Gross Credit Risk Exposures ($M)[35]	% of Total Non-Retail
Non-Retail	Real Estate								$86,531	10.6%
	Agriculture								$9,179	1.1%
	Automotive								$16,580	2.0%
	Financial								$65,374	8.0%
	Food, beverage, and tobacco								$10,785	1.3%
	Forestry								$2,126	0.3%
	Government, public sector entities, and education								$449,737	55.0%
	Health and social services								$27,734	3.4%
	Industrial construction and trade contractors								$8,391	1.0%
	Metals and mining								$8,205	1.0%
	Pipelines, oil, and gas								$18,468	2.3%
	Power and utilities								$21,017	2.6%
	Professional and other services								$24,956	3.1%
	Retail sector								$11,594	1.4%
	Sundry manufacturing and wholesale								$19,125	2.3%
	Telecommunications, cable, and media								$13,256	1.6%
	Transportation								$15,072	1.8%
	Other								$9,623	1.2%

The heatmap utilizes a sensitivity scale developed by TD, to show the potential impact (i.e., low to high) across various transition and physical risks. The sensitivities are determined based on both a qualitative and quantitative analysis over a 10-year forward-looking horizon to the overall industry sector or jurisdiction.

The objective of the heatmap is to provide a visual representation of the industry sector or jurisdiction, sensitivity to climate risk. The heatmap is considered a foundational risk management identification tool to provide TD with a better understanding of how climate risk might affect our clients. The results of the heatmap will help us prioritize industry sectors and jurisdictions for risk assessment and measurement work via scenario analysis. Additionally, the heatmap will help inform the build out of other risk management actions, such as credit risk decision making, and over time will be integrated into various lines of business to support business strategy decision making. The heatmap involves an iterative process, where the framework and methodology will continue to be refined over the next few years as the scope is expanded to cover additional portfolios across TD's assets, operations, and clients.

It is important to note the heatmap is not intended to represent risks specific to TD's clients. We recognize that sensitivity to climate risks can vary between clients within each industry sector and industry sub-sector, and the degree of impact will depend on factors such as the location of physical assets, business activities and management actions taken to mitigate the risks. For this reason, the table above should not be interpreted as risks specific to clients, but rather, industry sectors we are proactively identifying to focus on, where we will work over the next few years to better understand, assess, measure and manage our climate risk exposures.

Lending Transactions Reviewed for Climate-Related Risks

We have begun to embed climate-related risk considerations into our processes for evaluating risk for non-retail lending transactions. Our E&S Risk Policy for Non-Retail Lending Business Lines guides the review of such transactions and includes an escalation process to oversee and manage exposures with E&S Risk. We continue to refine our E&S Lending Risk Management process to better evaluate potential climate-related risks within our non-retail lending activities to maintain continual alignment with TD's E&S Risk Appetite Statement.

Case Study: TD Insurance Protecting Customers

TD Insurance offers products and services to help protect its customers against climate risks, including those posed by extreme weather events, while encouraging them to reduce their impact on the environment. Some examples of TDI activities include:

- Introducing severe weather and safety alerts on TDI's mobile app to help customers better prepare for significant weather events
- Offering an extended water damage product, protecting customers from sudden and accidental water damage from sewer backup and sump pump failure
- Offering discounts on insurance for drivers of hybrid and electric vehicles
- Providing discounts to Alberta-based customers who opt for longer-life-expectancy roofing materials to better withstand damage from extreme weather events
- Including additional protections in the Enhanced Home Coverage to cover the costs of buying environmentally friendly products for repairs
- Deploying Mobile Response Units (MRUs) to provide disaster relief in areas experiencing catastrophic incidents related to severe weather. Our teams used these vehicle-based units in the fall of 2021 to assist TDI customers in Merritt, British Columbia, impacted by severe flooding as well as in late July 2021 to assist customers in Barrie, Ontario, after a tornado.[36]

You can learn more in TDI's United Nations Environment Programme Finance Initiative's ***Principles for Sustainable Insurance (UNEP FI PSI) Annual Disclosure 2021***.

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, where such information is material. Scenarios are hypothetical 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

TD's E&S Risk Management team is responsible for developing the Climate Scenario Analysis program and undertaking the process thoughtfully to help inform our overall business strategy. Climate scenario analysis is a key tool in climate risk management and we are building our scenario analysis competencies to help us frame our thinking on climate change risks and on identifying opportunities in a highly complex and uncertain future. The outputs from these analyses inform future management discussions about the ways we can best prepare for plausible future climate conditions. We are integrating lessons learned, outcomes, and results of our climate scenario analysis work into other activities, such as the Climate Risk Heatmap.

Climate-related scenario analysis is an emerging industry practice. To build capabilities, TD participates with other industry participants to collaboratively develop and test methodologies and tools to support climate scenario analysis. In 2021, TD participated in the UNEP FI working group, Bank of Canada and OSFI Climate Change Pilot and conducted a pilot study with Moody's Analytics to develop methodologies and assess our portfolios. Results of the pilot studies have informed our internal processes and methodologies for assessing and measuring our climate-related financial risks under various climate scenarios. In addition, our contributions are also supporting the industry in advancing the evolving practice of climate scenario analysis.

Case Study: Moody's Analytics/ UNEP FI Pilot

In 2021, we also participated in a pilot with Moody's Analytics as part of our involvement in the UNEP FI lending pilot on TCFD where participants tested scenario analysis tools and methodologies available on the market today to share their insights and learnings with the group. TD and Moody's Analytics worked together to explore an approach to quantifying climate change impacts to 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) obligors. The assessment utilized a set of three Moody's Analytics' proprietary macroeconomic scenarios that align with the NGFS scenarios including elements of chronic physical and transition risks.

Overall, the Moody's Analytics models provided meaningful insights on methodologies for approaching climate scenario analysis for C&I and CRE borrowers and provided lessons on associated challenges with trying to quantify the impacts of multi-dimensional climate scenarios over a long-time horizon, including sensitivity to key assumptions.

Participation in these two pilot studies yielded a range of insights that will inform our ongoing approach to scenario analysis. For example, TD has become familiar with different methods of quantifying climate risks, and the significant data requirements that will be necessary to develop valuable, forward-looking insights. Moreover, we understand the assumptions that will be required to conduct our own scenario analysis and the potential impact of these assumptions on the results of our assessments. These and other learnings are invaluable as we continue to build our scenario analysis capabilities.

Case Study: Bank of Canada and OSFI Climate Change Pilot

In November of 2020, the Bank of Canada and OSFI launched a climate scenario analysis pilot to better understand the risks to the financial system that could arise from a transition to a low carbon economy. TD was privileged to participate in the pilot and to have the opportunity to contribute to supporting the Bank of Canada and OSFI in meeting their objectives. The focus of the exercise was on transition risks related to climate change and specific to banking participants, the scope included an assessment of credit risks to our non-retail lending portfolio. The overall analysis focused primarily on Canadian and US lending exposures covering the 10 most emission intensive sectors of the economy. In aggregate, these sectors account for approximately 68 percent of Canada's greenhouse gas emissions.[37]

Throughout 2021, TD engaged closely with the Bank of Canada and OSFI to develop approaches to assess impacts across a number of transition risk scenarios. The Bank of Canada and OSFI developed climate transition scenarios were well aligned with those scenarios developed by the Network for Greening the Financial System (NGFS) and were evaluated over a 30-year horizon, from 2020 to 2050. The four climate scenarios varied in terms of the amount and timing of transition climate action (i.e., policy) and the pace of technological change (i.e., availability of carbon dioxide removal technologies). The four climate scenarios included were:

- Baseline (2019 policies)—a baseline scenario consistent with global climate policies in place at the end of 2019.
- Below 2°C immediate—an immediate policy action toward limiting average global warming to below 2°C.
- Below 2°C delayed—a delayed policy action toward limiting average global warming to below 2°C.
- Net-zero 2050 (1.5°C)—a more ambitious immediate policy action scenario to limit average global warming to 1.5°C that includes current net-zero commitments by some countries.

Using the scenarios, TD analyzed the climate transition-related credit risks on our non-retail lending portfolios in Canada and the US. The analysis focused on 10 industry sectors identified by the Bank of Canada including agriculture, primary energy, electricity, energy-intensive industries, and transportation. From a methodology perspective, the assessment utilized both a bottom-up (borrower-level) approach combined with a top-down (portfolio-level) approach. The combination of these approaches helped to better understand dynamics at the borrower-level and generate assessments relevant to the larger portfolio including impacts to key industry sectors.

Overall, the pilot provided valuable lessons for TD including building internal climate competencies, methodology and data development, and helped to support the continued development of our climate scenario analysis program. For more information, including additional details on the methodology and scenarios, please see the ***Bank of Canada / OSFI report***.

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 (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.

Case Study: TDAM Physical Climate Risk in Canadian Real Estate Strategies

In 2021, TDAM undertook a physical climate risk analysis of its Canadian Real Estate portfolio to identify properties most at risk due to physical damage from climate change and prioritize building resilience into these properties. To do this TDAM used both third party climate risk data and a climate resilience survey sent to all of its property managers. Overall, TDAM found that the portfolio has a low climate risk profile, with total gross asset value (GAV) at risk of approximately $146 million out of a total of $1.6 billion; or approximately 1%. This analysis did not include pluvial flooding risk due to data limitations, however given that it can be a common source of climate risk in parts of Canada, TDAM intends to work to find a solution for these data limitations in its next iteration.

Upcoming Priorities

Going forward, we intend to continue to build on the infrastructure we have developed to gather and analyze reliable data related to climate risks and opportunities. Our goal is that this ongoing development will enable us to be more flexible and move quickly as we work to assess and mitigate risks. We intend to use the climate risk heatmap to prioritize industry sectors most sensitive to climate risk, for risk assessment, measurement and monitoring over the next several years. The heatmap will also support a refined view of the Bank's climate risk exposure. We also intend to continue to build internal tools and capabilities for enhanced credit assessments with more precise estimates of climate-risk impacts, as well as additional risk appetite metrics. These risk management processes will also enable us to allocate capital to new technologies and new ways of doing business that are driven by the low-carbon transition while operating within our Risk Appetite.

Furthermore, we are focused on continuing to advance the development and application of climate scenario analysis across TD, through our involvement in pilots with UNEP FI, OSFI and the Bank of Canada, as well as our own internal initiatives.

Metrics and Targets

In this section

Introduction

TD is focused on measuring and managing our performance using metrics and setting targets to inform our decision-making and help monitor our progress over time.

Key Accomplishments

- TD set a new interim **Scope 1 and 2 GHG emissions reduction target of 25%** by 2025, relative to a 2019 baseline, using a science-based approach.
- Calculated, in part, the Bank's **Scope 3 financed emissions footprint for 2 sectors**, Energy and Power, in line with the Partnership for Carbon Accounting Financials (PCAF) Standard.
- Set interim 2030 **Scope 3 financed emissions targets for the Energy and Power Generation sectors**.
- Developed our **Guiding Principles** for our financed emissions interim target setting which informed the development of the targets we have set. For more information on our Guiding Principles and target setting methodology, including the key factors and assumptions that we have made to support the development of those targets and the risks associated with meeting those targets, please see ***Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets***.
- We began working on **incorporating TCFD's latest guidance** on metrics, targets, and transition plans into our disclosure practices.[38]

Our Approach

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 benefit from 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 are participating in industry groups to improve the quality, reliability and availability of data.

As we continue to develop our approach to climate metrics, we are focused on assessing market standards, with a view to integrating best practices as we build internal systems to track and report our progress. This includes engaging with regulators, reporting frameworks and industry initiatives to establish and refine calculation methodologies for emerging climate metrics. For example, the approaches for quantifying financed emissions are currently in development. In 2020, we joined the PCAF, a global partnership of financial institutions that work together to develop and implement a harmonized approach to assessing and disclosing their financed emissions. PCAF enables transparency and accountability and has developed a voluntary global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standard for the Financial Industry. As a member of PCAF, we participate in various North American working groups to help develop and refine these methodologies alongside our peers, and we use the PCAF Standard to report consistently along with other banks and financial institutions.

We are focused on setting Scope 3 financed emissions targets that will help drive our progress on our Climate Action Plan, and which will serve as guideposts as we continue to focus on climate-related risks and opportunities in our business. Our target of $100 billion in low-carbon lending, financing, asset management and internal corporate programs by 2030, helps us monitor and report our progress on climate-related opportunities that the Bank is realizing. This year we also set new interim targets for our Scope 1 and Scope 2 emissions, as detailed below. These targets help guide us as we reduce our own operational GHG emissions. By setting ambitious targets, working to achieve them and then transparently reporting on our progress, we believe that we are helping play our part in the transition to net zero.

Net-Zero GHG Emissions and Interim Targets

TD's Climate Action Plan includes a target to achieve net-zero GHG emissions associated with our operations and financing activities by 2050, aligned with the associated principles of the Paris Agreement. To help achieve this target, we quantify our GHG emissions baselines and set interim targets that are science-based and supported by measurement systems to help us track our progress against our Climate Action Plan targets.

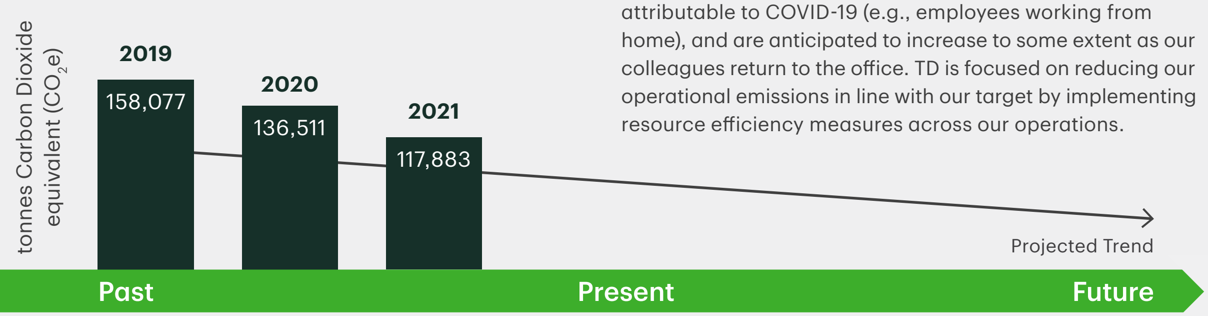
Scope 1 and 2 Interim Target

TD has a long history of environmental leadership, including with our own operations. TD was the first North American bank to become carbon neutral in 2010, and we have continued to meet this goal each year since. In addition, since 2015, TD has purchased renewable energy certificates to offset 100% of the GHG emissions associated with our electricity use (i.e., Scope 2 GHG emissions). We are proud of our environmental leadership and we recognize that our journey continues.

In 2021, we announced an interim target to achieve an absolute reduction in our Scope 1 and 2 GHG emissions by 25% by 2025, relative to a 2019 baseline.[39] This interim target has been set using a science-based approach and is in line with the 1.5°C trajectory recommended by the Paris Agreement. We used the Science Based Target Initiative's (SBTi) absolute contraction approach. This approach allows for an equal annualized rate of absolute emissions decrease in line with 1.5°C in a straight downward trajectory.

While we have made significant progress over the past ten years, persistent hard work and innovation will be required to identify and implement further incremental reductions in our Scope 1 and 2 emissions to meet our 2025 target. We are committed to this challenge as we work toward achieving this important goal. We are also committed to accurately and transparently reporting on our annual progress toward reaching it.

Total Scope 1 & 2 (location-based)



25% reduction target by 2025

As of the end of 2021, we have reduced our Scope 1 and 2 emissions by 25% relative to our 2019 base year, including 14% this year. Our GHG reductions since 2019 are primarily attributable to COVID-19 (e.g., employees working from home), and are anticipated to increase to some extent as our colleagues return to the office. TD is focused on reducing our operational emissions in line with our target by implementing resource efficiency measures across our operations.

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

- Absolute emissions reduction target
- Near-term by 2025
- Aligned with net zero by 2050 and a 1.5°C scenario
- Developed using SBTi methodology
- Includes all GHGs
- Covers all of TD's Scope 1 and 2 emissions

Scope 3 Financed Emissions Interim Targets

Building on our history of environmental leadership, we aim to help facilitate the transition to a lower carbon economy by transparently reporting on our own GHG emissions and enhancing transparency in the emissions associated with our financed portfolio. Our interim Scope 3 financed emissions targets set out in this report are part of our multi-year journey to align our financing portfolio with our net-zero target. We recognize that measurement methodologies and decarbonization scenarios, as well as data quality, will evolve over time. We have made the determination to move ahead despite these challenges, and not wait for a pre-defined pathway. We believe that data challenges should not impede or delay our objective of transparently tracking and disclosing our financed emissions. The following 2030 targets are our first two interim goals on the path to net zero by 2050 and will serve as relevant guideposts for our organization as we continue to focus on managing climate-related risks and opportunities into our business. We will recalibrate and update our approach as data improves and guidance, methodologies and transition pathways evolve.

Our Scope 3 target setting approach is informed by five Guiding Principles:

- Help our clients to drive decarbonization and that of the wider economy, while supporting a just and orderly transition
- Calibrate our targets in a manner that is consistent with science-based scenarios
- Work to integrate our targets into our core business strategy
- Align our targets with our broader industry commitments
- Continuously improve and expand our methodology over time

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

The table below summarizes the 2019 carbon intensity of our clients in the Energy and Power Generation sectors,[40] and our 2030 interim targets for each of these sectors, which are aligned to the International Energy Agency's (IEA) Net-Zero Emissions by 2050 Scenario (NZE), as published in the 2021 World Energy Outlook.[41] We have been guided by NZBA, PCAF, the GHG Protocol, Canada's Sustainable Finance Expert Group, and the Task Force for Climate-related Financial Disclosures (TCFD) in tailoring our approach to setting and disclosing our interim financed emissions targets. These sectors represent approximately 25% of our non-retail lending to carbon-intensive sectors as defined by NZBA. In addition, these sectors are significant contributors to global GHG emissions, and also present significant opportunities to assist other sectors in decarbonizing to meet global net-zero targets through lower carbon solutions.

Sector	Emissions Scope	2019 Portfolio Baseline	2030 Portfolio Targets	2019–30 Reduction
Energy[42]	**Scope 1–3**	**2,078 gCO_2e/CAD $**	**1,475 gCO_2e/CAD $**	**-29%**
	Operational: Scope 1 and 2	204 gCO_2e/CAD $		
	End-Use: Scope 3	1,874 gCO_2e/CAD $		
Power Generation[43]	**Scope 1**	**376 kgCO_2e/MWH**	**156 kgCO_2e/MWH**	**-58%**

The figures above are as of February 2022 and reflect what we determined to be our best available scenario projections as well as available data which is based on 2019 emissions information.[44] We recognize that the path to net-zero is complex and there are significant dependencies on factors such as regulations, policy measures, and the scaling of alternative technologies embedded in our targets. These dependencies extend beyond our interim targets and are even more impactful for our long-term ambition of net-zero financed emissions in 2050. Future updates to the IEA NZE scenario (and/or other inputs, such as changes in global emissions, available technologies or economic conditions) may result in changes to the sectors' net-zero path, and therefore our targets for these sectors. Several additional factors, including improvements to the coverage, quality, and availability of our data and methodologies, as well as factors such as development of the TD's business (including mergers, acquisitions, or dispositions) described in the ***Cautionary Statement Regarding Disclosure on Emission Targets*** may also necessitate changes to our 2019 baseline or 2030 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.

Scope 3 Financed Emissions Footprint

Background

In ***Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets***, we have released 2030 targets for two priority sectors: Energy (companies involved in supplying thermal coal, oil and gas) and Power Generation (companies engaged in generating electricity). We believe that setting these targets will help drive decarbonization within our client base and the wider economy and better enable us to achieve our target to have net-zero financed emissions by 2050.

Improving reporting and transparency of our absolute financed emissions is another important objective of our climate ambition. We became a member of the Partnership for Carbon Accounting Financials (PCAF) in 2020 to support the development of carbon accounting methodologies for financial institutions globally. Working together with our peers to develop and implement a harmonized approach to measuring and disclosing financed emissions, we also participate in several PCAF working groups, including the PCAF Canada Working Group and PCAF Business Loans Working Group. In this year's report we are disclosing our 2020 absolute financed emissions from lending activities to our initial priority sectors: Energy and Power.

Our Approach

Our approach to measuring absolute financed emissions associated with our drawn lending exposures is consistent with PCAF guidance for the measurement of business loans.

$$\text{Absolute financed emissions} = \sum \frac{\text{Outstanding amount}}{\text{EVIC (public company) or Debt and Equity (private company)}} \times \text{Company emissions}$$

To supplement this view of our portfolio, we have also included our absolute financed emissions based on our total lending commitments. We recognize that PCAF guidance recommends the use of drawn balances, which reflect the actual amount of financing outstanding to a client at a given time. However, this approach can also introduce temporal volatility (particularly in periods of stress). This is in contrast to total commitment levels, which are not impacted by the rates at which clients are drawing down credit. Further, our total lending commitments better reflect our portfolio strategy and decisions to extend credit to clients. For these reasons, we are disclosing two views of our absolute financed emissions: based on drawn lending amounts, and based on total committed lending amounts.

Our Results[44,45]

Sector Breakdown	2020 Absolute Financed Emissions based on Drawn Lending Amounts			
	Clients' Scope 1 and 2		Clients' Scope 3	
	Total Emissions Mega tonnes CO_2e (MtCO$_2$e)	Data Quality Score (1-5)	Total Emissions (MtCO$_2$e)	Data Quality Score (1-5)
Energy	2.3	3.2	20.7	3.5
Power	1.2	3.3	N/A	N/A

Sector Breakdown	2020 Absolute Financed Emissions based on Total Committed Lending Amounts			
	Clients' Scope 1 and 2		Clients' Scope 3	
	Total Emissions (MtCO$_2$e)	Data Quality Score (1-5)	Total Emissions (MtCO$_2$e)	Data Quality Score (1-5)
Energy	8.8	2.5	72.0	3.0
Power	5.5	2.3	N/A	N/A

Data Quality

Strong **Certain** (5–10% error margin in estimations)

Score 1	Audited GHG emissions data or actual primary energy data
Score 2	Non-audited GHG emissions data, or other primary data
Score 3	Averaged data that is peer/(sub)sector-specific
Score 4	Proxy data on the basis of region or country
Score 5	Estimated data with very limited support

Poor (40–50% error margin in estimations)

We have not independently verified or assessed the assumptions underlying the data we have obtained from our clients and other third-party sources which we use to set, track and report on our progress towards meeting our Scope 3 emissions targets. Moreover, the data needed to define our pathway towards reaching our financed emissions targets may be limited in quality, unavailable or inconsistent across the sectors we choose to focus on. As part of our engagement with data providers, clients, and others, we will explore ways to continue improving the data availability and quality and we may determine to update our baseline. We have included data quality scores consistent with PCAF guidance, and where data is unavailable, we follow the PCAF guidance for alternative estimation methodologies. Generally, we observe that data quality is better for Scope 1 and 2 emissions compared to Scope 3, which is consistent with general experience in the financial sector. We also observe that data quality is generally stronger for larger public companies compared to smaller private companies. We will continue to update our financed emissions disclosures, including our data quality scores, over time as data quality, coverage, and methodologies improve.

Looking Ahead

This disclosure is a significant step forward in providing additional transparency on the emissions associated with our lending activity. We expect to continue to expand our financed emissions calculations in future disclosures to include additional sectors, as well as additional methodologies as science-based and industry-accepted approaches are released, particularly with respect to measuring emissions associated with capital markets financing activities.

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 gross credit risk exposure (excluding counterparty credit risk exposures to repo-style transactions and OTC derivatives).[46] The metric helps us monitor our concentration in and exposure to climate-sensitive industry sectors over time. Following the suggested definition of carbon-related assets from the 2017 TCFD Annex, being "those assets tied to the energy and utilities sectors under the Global Industry Classification Standard (GICS), excluding water utilities and independent power and renewable electricity producer industries", our exposure to carbon-related assets totaled $28.1 billion in fiscal year 2021, or approximately 1.9% of our total gross credit risk exposure, as of October 31, 2021.

In October 2021, TCFD published its Guidance on Metrics, Targets, and Transition Plans[47] and updates to its 2017 Annex[48] 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)." Following this new expanded definition, our exposure to carbon-related assets totaled $225 billion in fiscal year 2021, or approximately 15.0% of our total gross credit risk exposure,[49] as of October 31, 2021.

TD recognizes that the new definition for carbon-related assets is more broadly defined and may capture sub-industries that are less carbon-intensive, including those industries (such as water utilities, independent power, and renewable electricity producer industries) that were previously excluded. TD's approach for calculating carbon-related assets will continue to be refined and will evolve in alignment with industry guidance and best practices.

Following the new TCFD expanded definition, our exposure to carbon-related assets totaled $225 billion in fiscal year 2021, or approximately 15.0% of our total gross credit risk exposure,[49] as of October 31, 2021.

Sustainable Finance

In 2017, we set a target to provide $100 billion in low-carbon lending, financing, asset management and internal corporate programs by 2030. This target enables us to track our success in capitalizing on climate-related opportunities and contributing to the transition toward a low-carbon economy.

In 2021, we deployed a record $30 billion in low-carbon lending, financing, asset management and internal corporate programs towards our $100 billion by 2030 target to support the low-carbon economy. If similar market conditions hold, we expect to achieve our $100 billion target by the end of 2022, eight years ahead of our plan. We are excited to build on this momentum and start work on the next evolution of this goal. To learn more on TD's sustainable finance approach and methodology, please refer to the ***TD Low Carbon Economy Progress Report 2017-2018***.

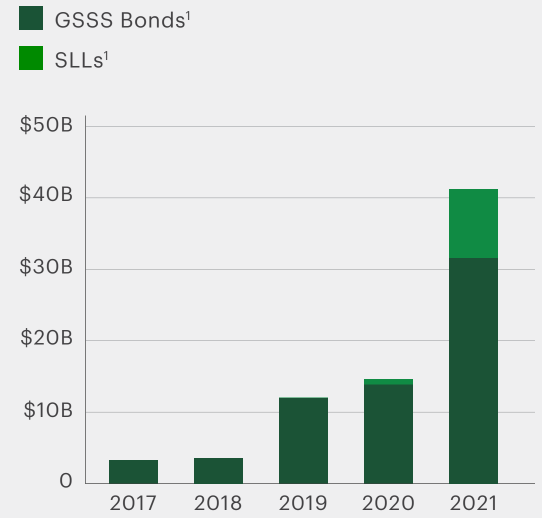
We believe that incorporating environmental, social and governance considerations into our investment decision-making contributes to the overall economy and long-term sustainability of the environment. As such, TD has set a target to hold $15 to $20 billion in green, social, sustainability and pandemic bonds in its Treasury investment portfolio by the end of 2025. As of October 31, 2021 the Bank held approximately $11.7 billion in green, social, sustainability or pandemic bonds.

$100 Billion Target

Sustainable Debt Financing

TD has been active in the sustainable bond market for nearly a decade and was the first Canadian bank to issue a green bond in 2014. Since then, we have expanded our involvement, through issuing, underwriting and investing in green, social, sustainability and sustainability-linked bonds and loans. TDS has underwritten over $77 billion in GSSS bonds and sustainability-linked loans since 2010 across 200+ transactions, 70+ issuers, and 15+ currencies.[49] In 2021, TD Securities was involved in the underwriting of over $42 billion in GSSS bonds and sustainability-linked loans.

GSSS Bonds and SLLs by Year



Key Metrics and Targets

In October 2021, the TCFD published its new *Guidance on Metrics, Targets, and Transition Plans*.[38] The document was developed to provide updated guidance on the types of metrics reporters should disclose to give users valuable insights into how they are measuring and managing their climate-related risks and opportunities.

The table below aligns with the TCFD's latest guidance to provide transparency on the metrics we use to help manage our climate-related risks and opportunities.

Category	Metric	Unit	Category	2021	2020	2019
GHG Emissions	Scope 1 emissions[50]	tonnes CO_2e	Operations	38,924	42,512	50,711
	Scope 2 emissions[50]	tonnes CO_2e	Operations	78,959	93,999	107,366
	Scope 3 emissions[50]	tonnes CO_2e	Purchased goods and services	1,666,191	1,562,900	1,287,900
			Capital goods	110,586	173,467	97,631
			Fuel and energy-related activities (excl. international)	17,786	23,436	32,166
			Business travel	1,788	8,593	17,159
			Downstream leased assets	866	1,121	848
	GHG emissions intensity (per millions in revenue)[51]	tonnes CO_2e/millions of dollars	Operations	2.76	3.13	3.85
	GHG emissions intensity (per square foot)[52]	kg of CO_2e/sq ft	Operations	5.15	5.84	6.65
	Carbon neutrality[53]	Y/N	Operations	Y	Y	Y
Transition Risks	Carbon-related assets relative to total assets[50]	%	Lending	15.0%[60]	2.3%	2.7%
Physical Risks	To learn more about TD's Physical Risks, please see our **Heatmap**	N/A	N/A	N/A	N/A	N/A
Climate-related opportunities[55]	GSSS bonds issued[50]	millions of U.S. dollars	Issuance	0	$500.00	0
	GSSS bonds underwritten[50]	billions of dollars	Financing	$31.6	$13.90	$11.70
	Green, Social, Sustainability or Pandemic bonds held[54]	billions of dollars	Investing	$11.70		
	Amount committed in Sustainability-Linked Loans[56]	billions of dollars	Lending	$10.53		
	Extended water damage coverage – penetration rate[57]	%	Insurance	90%	70%	N/A[57]
Capital Deployment	TD's cumulative contribution to supporting the low-carbon economy since 2017[50]	billions of dollars	All	Over $86	Over $56	Over $43
Internal Carbon Prices	Internal price on carbon[58]	dollars per tonne CO_2e	Operations	$8	$6	$6
Other	Meet our commitments as a signatory to the UN PRI	Met/Not Met	Investing	Met	Met	Met
	Number of TDAM ESG-focused engagements related to climate risk management[59]	Number	Investing	84	36	28
	Meet our commitments as a signatory to the UNEP FI PSI	Met/Not Met	Insurance	Met	Met	Met

Upcoming Priorities

Looking forward, we intend to continue to measure and report on our progress toward achieving our interim Scope 1 and 2 GHG emissions targets by 2025, as well as our Scope 3 financed emissions targets, in support of our long-term target of achieving net-zero emissions across our operations and financing activities by 2050. We will continue to expand our target setting methodology and emissions footprint disclosures to include additional asset classes and sectors. The targets will help guide us as we work with our clients and customers to transition toward a low-carbon future.

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 will continue to play a role in this evolution through collaboration with our peers and participation in industry forums such as NZBA and PCAF working groups, as we work to promote convergence and consistency in data, metrics and methodologies.

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 and the Bank's position on Thermal Coal. 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. Further information on the assumptions, risks, uncertainties and other factors affecting the Bank's GHG emissions targets and the Bank's position on Thermal Coal may be found here: **Cautionary Statement Regarding Disclosure on Emission Targets** and **Cautionary Statement Regarding Thermal Coal Position**. 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 2021 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 2021 MD&A under the headings "Economic Summary and Outlook" and "The Bank's Response to COVID-19", under the headings "Key Priorities for 2022" and "Operating Environment and Outlook" for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, and under the heading "Focus for 2022" 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. 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.

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 Reflects the apportioned-value of lead-managed green, social, sustainability, and sustainability-linked bonds and the committed value of sustainability-linked loans underwritten by TD Securities.

2 Please note: this occurred outside of our Fiscal 2021 year.

3 https://www.ipcc.ch/site/assets/uploads/2021/08/IPCC_WGI-AR6-Press-Release_en.pdf

4 https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/actions-healthy-environment-economy.html

5 https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy.html#toc4

6 https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/United%20States%20of%20America%20First/United%20States%20NDC%20April%2021%202021%20Final.pdf

7 https://www.gfanzero.com/about/

8 https://files.wri.org/d8/s3fs-public/2021-10/state_climate_action_2021.pdf?VersionId=7_yAkMO7ZmP156drPZ8LSQ8JM21F_Z1c

9 https://webapp.sebgroup.com/mb/mblib.nsf/alldocsbyunid/B6C985BEFCDC326EC125876000257BC0/$FILE/TheGreenBond20210930.pdf

10 https://www.gfanzero.com/

11 https://www.iea.org/reports/net-zero-by-2050

12 https://www.canada.ca/en/department-finance/news/2021/05/canada-launches-sustainable-finance-action-council.html

13 https://www.securities-administrators.ca/news/canadian-securities-regulators-seek-comment-on-climate-related-disclosure-requirements/

14 https://www.sec.gov/news/public-statement/lee-climate-change-disclosures

15 https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/clmt-rsk_nr.aspx

16 https://www.occ.treas.gov/news-issuances/news-releases/2021/nr-occ-2021-138.html

17 https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/national-adaptation-strategy/report-1.html

18 https://www.carbonbrief.org/guest-post-reviewing-the-summer-of-extreme-weather-in-2021

19 https://www.rms.com/newsroom/press-releases/press-detail/2021-09-16/rms-estimates-us31-44-billion-in-total-us-onshore-and-offshore-insured-losses-from-hurricane-ida

20 https://www.worldbank.org/en/topic/social-dimensions-of-climate-change#1

21 https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

22 https://www.weforum.org/agenda/2021/06/impact-climate-change-global-gdp/; https://www.bankofcanada.ca/2019/11/researching-economic-impacts-climate-change/

23 https://www.un.org/press/en/2021/sgsm20847.doc.htm; https://www.ipcc.ch/report/ar6/wg1/

24 https://www.ipcc.ch/site/assets/uploads/2021/08/IPCC_WGI-AR6-Press-Release_en.pdf

25 https://economics.td.com/domains/economics.td.com/documents/reports/ff/A_Just_Transition_for_Energy_Workers.pdf

26 https://www.ipcc.ch/site/assets/uploads/2021/08/IPCC_WGI-AR6-Press-Release_en.pdf

27 Based on all scenarios in the International Energy Agency's 2021 World Energy Outlook. https://www.iea.org/topics/world-energy-outlook

28 https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/

29 Logo used with permission from CEC.

30 https://ec.europa.eu/commission/presscorner/detail/en/IP_21_5207

31 https://about.bnef.com/blog/sustainable-debt-issuance-breezed-past-1-6-trillion-in-2021/

32 G7 Summit 2021: "Unabated coal power generation refers to the use of coal that isn't mitigated with technologies to reduce the CO_2 emissions, such as Carbon Capture Utilisation and Storage (CCUS)".

33 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.

34 See TD's 2021 Annual Report, pg. 52, Table 27 (insured and uninsured).

35 See TD's 2021-Q4 Supplemental Regulatory Disclosure, pg. 18. Excludes counterparty credit risk exposures to repo-style transactions and OTC derivatives.

36 According to the IPCC,i climate models forecast more extreme weather events as a result of climate change. However, it is difficult for a particular weather event to be directly attributed to climate change. Detailed information relevant to IPCC forecasts on extreme weather, please see: IPCC, 2018 Chapter 3 – Impacts of 1.5ºC global warming on natural and human systems. In: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. [V. Masson-Delmotte, P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J. B. R. Matthews, Y. Chen, X. Zhou, M. I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, T. Waterfield (eds.)]. In Press.

37 Source: Using Scenario Analysis to Assess Climate Transition Risk – Bank of Canada and Office of the Superintendent of Financial Institutions (January 2022).

38 https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

39 Our GHG emissions are quantified in Carbon Dioxide equivalent (CO_2e). According to the GHG Protocol, CO_2e is the universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis. https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

40 The Energy Sector includes clients involved in the exploration, transportation and refining of oil and gas, as well as clients involved in thermal coal mining, and low carbon fuels and technologies. The Power Generation Sector includes clients involved in the generation of power only; clients focused solely on the transmission and distribution of power generated by other companies are not in scope. This definition may not always align with the industry categorization within our Financial Statements. For financial statement purposes, TD categorizes our Non-Retail lending portfolio according to the industry that best represents, in our view, the credit risk of a given exposure. For the purposes of target setting, in order to capture the exposure to all the sector activities, TD has incorporated into our targets Energy and Power-related exposures in other sectors (E.g. government owned energy related entities are included but are defined as "government" credit exposure in our financial statements).

41 2021 IEA World Energy Outlook, CO_2 emissions pathways.

42 The Energy target was set based on financed emissions lending intensity metric, which takes into account how much greenhouse gas is produced by a company relative to its overall size and the amount of financing provided to that sector.

43 The Power Generation target was set based on physical emissions intensity metric, which measures company emissions relative to the megawatt-hours of electricity generated.

44 Due to an inherent lag in public greenhouse gas accounting and reporting by clients, our best available data is based on 2019 emissions information. This follows the Partnership for Carbon Accounting Financials (PCAF) principle of best available data and is a known issue for this calculation and reporting.

45 The Energy Sector includes clients involved in the exploration, transportation and refining of oil and gas, as well as clients involved in thermal coal mining, and low carbon fuels and technologies. Energy sector emissions included are Scope 1, 2 and Scope 3, Category 11: Use of Sold Product, for extractive and refining sectors. The Power Sector includes clients involved in the generation of power as well as those involved in the transmission and distribution of power that are excluded from the Power Generation financed emissions target. Power sector emissions included are Scope 1 only.

46 As reported under Basel Pillar 3 CRB (e) columns A, B, and C; see TD's 2020-Q4 Supplemental Regulatory Disclosure, pg. 18.

47 https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

48 Due to limitations associated with the current industry-level definition and calculation approach, there is potential that some Carbon-related exposures within other sectors are not captured (e.g., government/public sector entities).

49 Reflects the apportioned-value of lead-managed green, social, sustainability, and sustainability-linked bonds and the committed value of sustainability-linked loans underwritten by TD Securities.

50 Please see commentary above Metrics table in the Metrics and Targets section for more details.

51 GHG emissions per unit of revenue is calculated as: Total GHG emissions divided by TD's revenue.

52 GHG emissions per square foot is calculated as follows: Total GHG emissions divided by the square footage of TD occupied buildings.

53 Carbon neutrality is achieved by reducing GHG emissions to the greatest extent possible, followed by compensating GHG emissions emitted to the atmosphere through preventing the release of an equivalent amount of GHG emission elsewhere in the world.

54 In previous years we reported Green, Social and Sustainability Bonds purchased inyear. In 2021, we started reporting Green, Social, Sustainability or Pandemic bonds held.

55 Climate-Related Opportunities metrics include Green, Social, Sustainability and Sustainability-linked (GSSS) bonds and loans that are not exclusively climate-related.

56 Sustainability-linked loans are loan products with terms tied to the borrower's ESG performance to incentivize the achievement of material and ambitious sustainability objectives.

57 Represents the percentage of TDI customers who have extended water damage coverage on their home insurance policies which provides additional coverage for the costs of flood damage. Extended Water damage coverage was launched in 2019.

58 This figure represents the cost per megaton of carbon dioxide equivalent that TD bears to purchase carbon offsets, renewable energy credits and to administer our carbon neutrality program rounded down to the nearest whole dollar. We are watching the marketplace and in the future, we may amend our current approach to one that could better help us deliver our Climate Action Plan.

59 To learn more about TD Asset Management's (TDAM) ESG-focused engagements, please see TD's 2021 ESG Report or TDAM's inaugural TCFD report, scheduled for publication Spring 2022.

60 TCFD updated its suggested definition of carbon-related assets in October 2021. Following the new guidance, our exposure to carbon-related assets equaled approximately 15.0% of our total gross credit risk exposure, as of October 31, 2021. Following the prior definition of carbon-related assets from the 2017 TCFD Annex, our carbon-related assets total 1.9% of our total gross credit risk exposure as of October 31, 2021.