

## Environmental and Social Risk Process

### Environmental and Social Risk Process for Non-Retail Lending Business Lines

TD's Environmental and Social Risk Policy for Non-Retail Lending Business Lines ("Policy") defines requirements for identifying and managing environmental and social ("E&S") risk within the Bank's non-retail lending portfolios and provides a framework to help ensure that the Bank's lending practices incorporate E&S risk management assessment procedures and align with industry practices. The Policy is a risk management tool to assess and, where appropriate, limit transactions that could present financial risk to the Bank through credit, operational, compliance, reputational, strategic, and/or other risks. TD's procedures for assessing E&S risk in non-retail lending transactions include the following:

- The business performs due diligence on the applicable borrower and/or transaction to identify and evaluate the risks associated with the lending activity, including applicable E&S risks. Due diligence related to assessing E&S risk may include, but is not limited to, client questionnaires, environmental site assessments, site visits and industry research. Applicable borrowers in certain industries with higher environmental and/or social risks undergo enhanced due diligence. In addition, during the due diligence process, the business may escalate the matter to the relevant Credit Risk Management team or the Enterprise Environmental, Social, and Governance (ESG) Risk Management team for consideration or additional analysis.
- If, during the due diligence process, the business and/or the appropriate risk team determines that the borrower engages in activities within the scope of the Prohibited Activities List (as defined below) or that the transaction does not align with the Positions List (as defined below), it is TD's policy to not lend to the borrower or finance the specific transaction, as applicable.
- Provided that the transaction is not on the Prohibited Activities List and aligns with the Positions List, if it meets certain other internal criteria set out in the Policy, the business and/or appropriate risk teams will incorporate E&S risk considerations into the credit assessment and the business will complete an E&S Risk Assessment to evaluate whether escalation is required. Using criteria set forth in the Policy, the business will assess risks that extend beyond the activities and transactions restricted under the Prohibited Activities List or Positions List. The overall risk assessment process is designed to provide a method of assessing E&S risks and results in the assignment of an E&S risk rating score (ESRR) to the transaction.
- If a transaction's ESRR is above an established threshold, the business will escalate the request to the ESG Risk Management team for additional review. The ESG Risk

Management team will assess the E&S risks identified by the business and verify that an appropriate E&S Risk Assessment has been completed.

- Based on its own assessment, the ESG Risk Management team may require escalation of the transaction request to the business segment reputational risk committee and/or Enterprise Reputational Risk Committee for further review and deliberation. If the transaction is determined to present unacceptable E&S risks, it will not go forward, even if the transaction is not restricted under the Prohibited Activities List or Positions List.
- If the Equator Principles<sup>1</sup> apply to a given transaction, additional due diligence by the business beyond the above would also be required, in accordance with the Equator Principles.

---

TD's Prohibited Activities List and Positions List (set out below) are risk management tools to help manage and mitigate risks associated with transactions that could present financial risk to the Bank through credit, operational, compliance, reputational, strategic, and/or other risks. TD's Prohibited Activities List and Positions List may evolve over time in light of these risks. In addition, if TD's loan or client portfolio changes as a result of merger or acquisition activity, then TD may consider exceptions, for a reasonable period of time after the acquisition, to the application of the Prohibited Activities List or Positions List to that newly acquired portfolio.

### Prohibited Activities

TD's policies prohibit lending to a company where, after completing the above-described procedures, the business and/or appropriate risk teams have determined that the company engages in the following activities:

- Mining of conflict minerals
- Activities within World Heritage Sites unless they are exempted or allowed within the conditions of the World Heritage Site designation or there is prior consensus from both the relevant host government authorities and UNESCO that such activities will not adversely affect the Outstanding Universal Value<sup>2</sup> of the site
- Illegal logging operations
- Mountaintop-removal coal mining
- Production or trade of wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

1. For more information, visit page 34 of TD's 2022 ESG Report.

2. As defined by UNESCO. A site must be of "outstanding universal value" to be included on the World Heritage List.



## Environmental and Social Risk Process (continued)

### Positions

TD's positions include:

- **Critical Habitats:** TD will not provide any project-specific financing for assets to be developed in areas of critical habitat except in accordance with International Finance Corporation Performance Standard 6 (Biodiversity Conservation and Sustainable Natural Resource Management).
- **Arctic Oil and Gas:** TD will not provide any project-specific financial services, including advisory services, for activities that are directly related to the exploration, development, or production of oil and gas within the Arctic Circle, including the Arctic National Wildlife Refuge (ANWR).
- **Thermal Coal<sup>3</sup>:** As of April 30, 2022,
  - TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:
    - any new mining company client that derives 30% or more of its revenue from the production of thermal coal; or
    - any new mining company client that has made a public statement of its intention to expand its thermal coal mining operations.
  - TD will not provide project-specific financing for the development of new thermal coal mines or expansion of existing thermal coal mines.
  - TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:
    - any new power generation client that generates 30% or more of its power (MWh) from unabated<sup>4</sup> coal-fired power generation; or
    - any new power generation client that has publicly stated an intention to expand its unabated coal-fired power generation operations.
  - TD will not 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.

- TD will consider exceptions to this Thermal Coal Position 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:
  - the company has publicly stated its goal, target or commitment to phase out its thermal coal activities;
  - 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
  - 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.

---

### Indigenous Peoples

TD has a longstanding commitment to support the rights of Indigenous Peoples within North America. We are supporters of free, prior, and informed consent (FPIC). Our commitments are:

- To identify transactions where Indigenous Peoples' lands, resources and/or way of life may be negatively impacted, in accordance with the Equator Principles.
- To incorporate assessments of our clients' policies, practices and performance relating to FPIC when relevant as part of TD's Environmental and Social Risk Policy for Non-Retail Lending Business Lines.
- To support development and dissemination of good practices for the practical implementation of FPIC. We do this by working with diverse multi-stakeholder groups and by providing objective information to support solutions-based dialogue and informed public policy decisions.

March 2023

3. For more information, please see our Cautionary Statement Regarding Thermal Coal Position.

4. Unabated coal power generation refers to the use of coal that isn't mitigated with technologies to reduce the CO<sub>2</sub> emissions, such as Carbon Capture, Utilisation, and Storage (CCUS).

