



FY2022 ESG Update

March 2023

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2022-2023 ESG Performance Highlights



Achieved **\$100 billion low-carbon economy target**, reflecting our efforts to further climate opportunities within our business.



Launched new **Sustainable & Decarbonization Finance Target**, which aims to mobilize **\$500 billion by 2030** through lending, financing, underwriting, advisory services, insurance, and TD's own investments.



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



Set two new **interim 2030 financed emissions targets** in the transportation industry, covering the **automotive manufacturing and aviation sectors**.



Built on our long-standing commitment to further financial and economic inclusion with **TD Pathways to Economic Inclusion**, which focuses our efforts in three areas where we believe we have the knowledge and resources to make a meaningful impact: **employment access, financial access, and housing access**.



Delivered on our commitment to **double representation of Black executives** (VP and above) in North America by end of 2022, compared to a July 2020 baseline.

Listed on the **Dow Jones Sustainability World Index** for the ninth consecutive year, and the only North American-based bank on the World Index, as of December 2022.

TD's ESG Strategy



TD will drive progress toward an inclusive and sustainable future by using our resources as a leading corporate citizen and one of the top banks in North America to help bring about positive change, capture the business opportunity, and deliver on our purpose.

| | | |
|--|--|--|
| <p>Environmental </p> <p>We are supporting better environmental health. Our efforts include taking action on climate change and nature loss through greenhouse gas (GHG) reduction and encouraging responsible resource use.</p> <p>Our Approach</p> <ul style="list-style-type: none"> • Our Climate Action Plan sets a target of net-zero GHG emissions across our operations and financing activities by 2050, aligned with the Paris Agreement. • To deliver on this, we are focused on supporting our clients in the transition to a low-carbon economy through sustainable finance products and services focused on emissions reduction as well as transition-related tools and guidance. • We are also developing new and working to achieve existing interim emissions reduction targets for both our operations and financing activities. • We have the opportunity to look for ways to reduce our own consumption and impact on nature through our operations as well as help our clients reduce their consumption of nature. | <p>Social </p> <p>We are contributing to inclusive financial and economic outcomes through our business activities, supply chain, philanthropy, and as an employer in our communities.</p> <p>Our Approach</p> <p>Our TD Pathways to Economic Inclusion framework focuses our efforts on three areas.</p> <ul style="list-style-type: none"> • Through employment access, we are focused on providing equitable access to training, development and critical work experience for the long-term success and growth of our colleagues and the workforce external to TD. We are also focused on advancing diversity and inclusion throughout the organization and across our supply chain. • Through financial access, we seek to improve access to banking with a focus on financial education and advice as well as enhancing or building products, services and processes to remove barriers and help build financial health and resilience for our customers, colleagues and communities, • Finally, through housing access, we are focused on providing tools and advice to help people access and remain in their homes. | <p>Governance </p> <p>We are a leader in corporate governance. Key governance matters we are focused on include risk management, corporate governance, ethics and integrity, human rights, data security and privacy.</p> <p>Our Approach</p> <ul style="list-style-type: none"> • TD's Board of Directors is elected by the shareholders to oversee management and to assure that the long-term interests of shareholders are advanced responsibly while addressing the concerns of other relevant stakeholders and interested parties including our employees, customers, communities, debt holders, regulators, and the public at large. • Our ESG performance is underpinned and enabled by our strong risk management culture, policies and procedures. We are building enterprise resilience by working to embed ESG across our organization and to integrate ESG considerations into our business strategy, risk management and decision-making. |
| <p>Sustainable Finance </p> <ul style="list-style-type: none"> • Our Sustainable & Decarbonization Finance Target is focused on supporting environmental, decarbonization, and social activities with the goal of mobilizing \$500 billion by 2030 through lending, financing, underwriting, advisory services, insurance and the Bank's own investments.¹⁴ We have published our inclusion criteria for this target here. • The new target is a quantitative indicator of our support for clients through the transition to a low-carbon economy with a focus on low-carbon finance, as well as decarbonization finance, a critical area of investment needed to achieve global net zero goals. • Social finance is an important means of using business activities to improve social outcomes. By including social activities alongside environment-related activities, we can help create a sustainable and inclusive future through our business. | | |

Our **2022 ESG Materiality Assessment** continued to confirm the above focus areas as being impactful for our business and stakeholders.

TD Performance Against Goals



| | Target | FY21 Result | FY22 Result | Status |
|--|---|-------------------|-------------------|-------------------|
| Environmental Support better environmental health through sustainable financial products and services and programs | | | | |
| Operational Emissions | | | | |
| Be carbon neutral ¹ | Be carbon neutral | Yes | Yes | Met ✓ |
| Reduction in Scope 1 and 2 GHG emissions from 2019 baseline ² | 25% reduction by 2025 | 25% reduction | 24.6% reduction | On track 🔄 |
| Financed Emissions | | | | |
| Number of carbon-intensive sectors covered by financed emissions targets | Continue to develop financed emissions targets for the sectors defined by NZBA to cover the significant majority of our financed emissions ³ | 2 sectors covered | 4 sectors covered | On track 🔄 |
| Financed emissions footprint's coverage of TD's lending to carbon-intensive sectors (including retail and non-retail lending) ⁴ | Report financed emissions across PCAF asset classes for which methodologies are available | 10% | 89% | On track 🔄 |
| Social Contribute to inclusive economic outcomes through our business activities, supply chain, philanthropy and as an employer in our communities | | | | |
| Women in roles titled Vice President and above in Canada ⁵ | 45% by 2025 | ✓ 40.0% | ✓ 40.3% | On track 🔄 |
| Black, Indigenous and minority representation at executive levels across North America ^{6,7} | 25% by 2025 | 18.5% | 22.5% | On track 🔄 |
| Representation of Black executives at TD in North America relative to a 2021 baseline ^{7,8} | Double by end of 2022 | 95.5% | 100% | Met ✓ |
| Legendary Experience Index (LEI) - TD Composite Score ⁹ | 69.96 | ✓ 70.22 | ✓ 70.69 | Met ✓ |
| Employee Engagement Index ¹⁰ | 85% | ✓ 84% | ✓ 85% | Met ✓ |
| Total donations, cumulative from 2019 ¹¹ | \$1 billion by 2030 | \$381 million | \$528 million | On track 🔄 |

Footnotes for this table can be found on page 17 of our [2022 ESG Report](#).

TD Performance Against Goals (cont'd)



| | Target | FY21 Result | FY22 Result | Status |
|---|---|-------------------|--------------------|--------|
|  Governance Build enterprise resilience through ESG integration | | | | |
| Women on the Board of Directors | At least 30% - 40% of the Board's Directors | 40% | ✓ 44% | Met ✓ |
| Independent Directors | Substantial majority | 93% | 94% | Met ✓ |
| Directors that voluntarily self-identified as a visible minority, an Indigenous person, 2SLGBTQ+ or a person with a disability ¹² | n/a | 33% | 44% | n/a |
| Eligible employees who completed the Code of Conduct and Ethics training ¹³ | n/a | 100% | 100% | n/a |
|  Sustainable Finance Support our clients through a transition to a low-carbon economy with a focus on low-carbon, decarbonization and social finance | | | | |
| TD's contribution to low-carbon lending, financing, asset management and internal corporate programs, cumulative from 2017 | \$100 billion by 2030 | Over \$86 billion | Over \$107 billion | Met ✓ |
| Applicable project finance transactions reviewed under Equator Principles | 100% | 100% | 100% | Met ✓ |
| TD's support of environmental, decarbonization and social activities through lending, financing, underwriting, advisory services, insurance and the Bank's own investments ¹⁴ | \$500 billion by 2030 | | | |

Environment: TD's Climate Action Plan

2022-2023 Highlights

- Announced **two new 2030 interim financed emissions targets** for the automotive manufacturing and aviation sectors.
- Expanded our **financed emissions footprint to cover 89% of our lending to carbon-intensive sectors** and included two new asset classes: consumer auto loans and residential mortgages.
- Achieved a **7% reduction in our financed emissions physical emissions intensity** in 2020 relative to our 2019 base year for the **power generation sector**.
- Achieved a **5% reduction in our financed emissions lending intensity** in 2020 relative to our 2019 base year for the **energy sector** when excluding the impact of company valuations to our metric. However, significant market volatility in 2020 overshadowed our progress and resulted in an overall 19% increase relative to our 2019 base year.
- Deployed over **\$107 billion in low-carbon lending, financing, asset management and internal corporate programs** since 2017.
- Set **\$500 billion Sustainable & Decarbonization Finance Target** with a focus on supporting environmental, decarbonization and social activities through lending, financing, underwriting, advisory services, insurance and the Bank's own investments, by 2030.
- Issued a **US\$500 million green bond** in 2022 under our 2020 Sustainable Bonds Framework.
- Announced a \$10 million investment by TD Securities in the Nature Conservancy of Canada's work to **conserve more than 350,000 acres of Boreal Forest in Northern Ontario**.
- Launched a **Carbon Advisory business** within the TD Securities ESG Solutions group, bolstering TD Securities' capabilities to support clients' transitions to a low-carbon economy.

Upcoming Priorities

- Continuing our work to **set and to focus on achieving financed emissions targets** for carbon-intensive sectors accounting for a significant majority of our financed emissions, in line with guidance from the Net-Zero Banking Alliance (NZBA).
- Continue to refine and further develop our decarbonization-focused **client engagement strategy**.
- Continue to expand our shelf of **sustainable and decarbonization finance products and services**.
- Leveraging **nature-based solutions** to help meet the scale of the challenge before us.





Financed Emissions Targets: Automotive Manufacturing and Aviation

Set two new interim 2030 financed emissions targets for the automotive manufacturing and aviation sectors.



Automotive Manufacturing

- **50% reduction in the physical emissions intensity of our clients' light-duty vehicle (LDV) fleets by 2030, from our 2019 baseline.**
- Decarbonizing the automotive sector relies on several key external factors and parties, including support from government and regulators, and an expanded and decarbonized electricity grid. Consistent with many of our peers, our target focuses on physical emissions intensity of original equipment manufacturers (OEMs) for LDVs due to their ability to influence the carbon efficiency of their vehicles and overall production, as well as the sufficiency of supply of hybrid and electric vehicles to meet growing consumer demand.
- Emissions scope: In addition to direct emissions from manufacturer plant operations (scope 1) and indirect emissions from utilities (e.g., power, heat) purchased to support plant operations (scope 2), we have also included Scope 3 tank-to-wheel emissions in our intensity calculations.
- We calibrated the 2030 target reduction based on the International Energy Agency's Net Zero Emissions (IEA NZE) scenario released in 2022 with an adjustment to reflect the emissions intensity of new vehicles manufactured each year, as the NZE scenario includes new sales and existing cars on the road.



Aviation

- **8% reduction in the physical emissions intensity of our aviation portfolio by 2030, from our 2019 baseline.**
- Our 2019 baseline is already 25% lower than the global 2019 IEA NZE level¹⁵ for this sector¹⁶ given our portfolio composition, which includes financing of newer, more efficient aircrafts through aircraft specific financing products.
- Target specifically focuses on passenger airlines, including both their owned and leased aircraft, as most of the emissions in this sector (approximately 90%) are attributed to passenger flights including belly freight.
- Emissions scope: Our target focuses on the carbon dioxide emitted during the combustion of jet fuel. These emissions are considered Scope 1 for airline clients operating the aircraft, and Scope 3 for companies leasing the aircraft to an airline operator.
- This sector is considered a hard-to-abate sector, and some of the required technologies to align with a "net-zero by 2050" world are still in early stages of development and not yet commercially available. As a result, the emissions reduction pathway in the scenario from 2019 to 2030 is less steep than in other sectors, followed by a steeper decline in emissions in the later decades.



Advancing our Financed Emissions Targets

Climate-Related Client Engagement

- Client engagement is an important component of our approach to reducing our financed emissions and supporting the net-zero transition.
- We plan to discuss a number of topics with our clients as part of our assessment of their emissions profile and decarbonization plans.
 - For example, we plan to consider whether our clients have publicly available emissions data and whether they have set an emissions reduction target.
 - We aim to engage with our clients on various qualitative questions, tailored to each of our target sectors.
- Through our assessment, we aim to get a better understanding of the emissions profiles of these clients today, as well as how those emissions profiles might change by 2030.
 - Each client is organized into one of three categories (Early, Advanced, Leading), which helps guide our engagement approach
- While we are already having conversations with clients about their decarbonization plans, we plan to roll out our new engagement framework and leverage it for future conversations this year.



Sustainable and Decarbonization Finance Target

Sustainable and decarbonization finance is an important element of TD's ESG Strategy and Climate Action Plan, as we **support our clients in the transition to the low-carbon economy and a more sustainable and inclusive future.**

Methodology

- We have published a [Sustainable and Decarbonization Finance Target Methodology paper](#), which outlines TD's approach to categorizing, assessing, and reporting on progress towards our new target.
- Environmental, social and decarbonization activities will be the focus for achieving the new target with the goal of driving progress in the Bank's plans to achieve net-zero GHG emissions in its operations and financing.
- TD intends to report annually, on a cumulative basis, on its progress toward the Sustainable and Decarbonization Finance Target in one or more future ESG-related reports.

Eligible Activities

| | |
|------------------------|--|
| Environmental | Accelerate the deployment of solutions for cleaner sources of energy, biodiversity, the circular economy, climate change resiliency and adaptation. |
| Social | Improve social outcomes through our business activities to help create a more sustainable and inclusive future in areas such as affordable housing, healthcare and socioeconomic advancement and empowerment. |
| Decarbonization | Support new and existing clients to decarbonize their operations and execute their emissions reduction plans, with activities that align with the International Energy Agency's Net Zero Emissions by 2050 Scenario and other scenarios and guidance developed by external bodies. |

Management

- TD's Sustainable Finance Executive Council (SFEC) plays an important role in mobilizing sustainable finance across the Bank and aligning sustainable finance opportunities with TD's enterprise-wide ESG strategy.
- The Council is chaired by TD's Executive Vice President of Canadian Business Banking and includes 12 leaders who support sustainable finance within their respective business lines. The members of the Council promote initiatives that help support TD's ESG strategy and Climate Action Plan and provide banking expertise to help advance sustainable finance practices at TD.

Advancing Sustainable Finance and Managing E&S Risk

Sustainable finance is a business-led initiative, with support from enterprise teams.

TD Securities (TDS) ESG Solutions Group

- TDS ESG Solutions Group is the centre of excellence for client ESG coverage and coordinates activities across **corporate and investment banking and global markets**.
- The group **provides ESG advice** and **delivers solutions which help our clients to advance their ESG strategies**, both across global public and private sectors.
- The group offers:
 - Advisory services, including best practices/market standards for ESG integration and reporting.
 - Market perspectives through ESG due diligence in mergers and acquisitions and private and public equity transactions.
 - Products such as social, sustainability, and sustainability-linked bonds and sustainability-linked loans.
 - Carbon market solutions such as carbon offset advice for project acquisition and investment and access to carbon markets and strategic insights.
- The work of the ESG Solutions group supports clients in transition activities that may help reduce GHG emissions within their operations, which contributes directly to a reduction of TD's financed emissions.

Lending Transactions Reviewed for E&S-Related Risks

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





Social: TD Pathways to Economic Inclusion

At TD, financial and economic inclusion have long been core to our sustainability priorities. Building on this foundation, we are taking another step forward through **TD Pathways to Economic Inclusion**, which focuses our efforts on three areas where we believe we have the knowledge and resources to make a meaningful impact: **employment access, financial access, and housing access.**



Employment Access

Building a diverse, inclusive and skilled workforce at TD and beyond.



Financial Access

Empowering individuals and businesses to build financial health and resilience.



Housing Access

Enhancing housing access and resilience across a range of housing need.

Focus Areas

- Within the Bank, create entry points to meaningful careers, provide equitable access to training, development, and critical work experience for long-term success and growth, and advance diversity and inclusion throughout the organization.
- Through our supplier diversity program, foster inclusion across our supply chain to help create opportunities for entrepreneurs.
- Outside of the Bank, support workforce training and skills development programs that address barriers to employment and help people prepare for jobs in high demand sectors.
- Improve access to banking with a focus on financial education and advice and enhancing or building products, services and process to remove barriers, in order to help build financial health and resilience for our customers, colleagues and communities.
- Provide tools and advice to help people access and remain in homes that meet their needs.
- Support organizations that increase access to secure housing and provide related supports for more vulnerable members of our community.
- Contribute to the supply and refurbishment of affordable housing through our financing and philanthropy.

2022 Achievement Examples

- Announced scholarship program for Indigenous Peoples administered by Aboriginal Financial Officers Association (AFOA) Canada.
- Engaged more than 339,000 people in Canada and the US through TD-supported financial literacy activities.
- Launched TD Home Access Mortgage product in the US designed to increase home ownership opportunities in Black and Hispanic communities.

TD Ready Challenge: Supporting a Just and Orderly Transition

- Each year, the TD Ready Challenge focuses on a relevant problem statement, aiming to support the development of innovative, impactful and measurable solutions for a changing world.
- The 2022 TD Ready Challenge sought solutions designed to **help people and communities who may be disproportionately affected by climate change**, to prepare for, adapt to and help mitigate the potential impacts of climate change and/or to work toward a transition to a low-carbon economy.
- There were 10 grants available under the TD Ready Challenge for Canada and the US together. Eligible Canadian-based organizations were able to apply for CDN\$1 million and eligible US-based organizations were able to apply for USD\$1 million.
- The [10 grant recipients](#) are focused on making an impact on communities through the TD footprint through initiatives that include large-scale green infrastructure projects, the development of renewable energy solutions, and workforce development/retraining opportunities, among others.





ESG Governance

TD's board and management are committed to sound corporate governance practices that contribute to the effective management of the Bank and to achieving the Bank's strategic and operational plans, goals and objectives.

Board Oversight & Engagement

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 ESG Strategy and objectives.

Corporate Governance Committee – oversees and monitors TD's alignment with its purpose and its strategy, performance and reporting on corporate responsibility for Environmental and Social (E&S) matters, including updating the Board on ESG matters and keeping abreast of international trends and best practices in disclosure of ESG matters; develops and recommends to the Board corporate governance principles, including Code of Conduct and Ethics, to foster a healthy governance culture.

Risk Committee – approves TD's Enterprise Risk Framework (ERF) and provides a forum for analysis of enterprise risk trends and current and emerging risks, including E&S risks.

Human Resources Committee – oversees TD's people strategy and compensation policies and plans; oversees and monitors the Bank's policies and programs in place to support a healthy and safe workplace and business environment for employees, to promote employee well-being and engagement, and to support the diversity and inclusion objectives of the Bank.

Audit Committee – oversees financial reporting and disclosures and the effectiveness of internal control systems and processes; this includes reviewing ESG disclosures required to be included in financial reporting and, in 2022, receiving updates on developments with respect to ESG disclosure standards and third-party verification of such data.

Senior Executive Team Oversight & Measurement

- In 2021, the Bank formally incorporated a number of ESG factors into the key metrics that determine the variable compensation pool for the SET:
 - Climate change
 - Diversity and inclusion
 - Employee engagement.

Additional Information



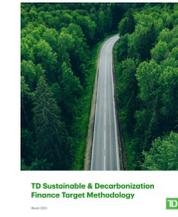
[2022
ESG Report](#)



[2022
Climate Action Plan Report](#)



[2022
TD Ready Commitment Report](#)



[Sustainable & Decarbonization
Finance Target Methodology](#)

[ESG Reporting Hub](#)

Endnotes

1. Carbon neutrality is achieved by reducing GHG emissions to the greatest extent possible, followed by compensating for GHGs emitted to the atmosphere through preventing the release of an equivalent amount of GHG emissions.
2. Scope 1 GHG emissions include direct emissions from heating and cooling, leased aircraft and corporate fleet. Scope 2 GHG emissions include indirect emissions from electricity, heating and cooling. 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. For additional information on our Scope 1 and 2 targets, please see the Climate Change section on page 37 of the [2022 ESG Report](#).
3. As per Net-Zero Banking Alliance (NZBA) guidelines, TD intends to set financed emissions interim sectoral targets for the significant majority of our financed emissions where data and methodologies allow.
4. Our 2021 reporting included 2020 emissions for the footprint, but it was based on lagging emissions metrics (2019 emissions data, 2020 exposure and client financial data). The reported figures this year use 2020 emissions for a complete 2020 footprint.
5. Women in Vice President and above roles commitment is applicable to TDBG Canadian businesses.
6. All executive appointments include roles Vice President and above.
7. Data is voluntarily disclosed by colleagues and therefore may not be reflective of the actual workforce.
8. Result reflects progress towards commitment.
9. Refer to page 58 of the [2022 ESG Report](#) for information on TD's performance compared to its LEI target.
10. Employee Engagement Index (EEI) is our measure of overall employee engagement and is calculated using the average response to the first three questions in the Pulse Survey Results table on page 88 of the [2022 ESG Report](#).
11. Figures are disclosed in CAD equivalent and include any donation commitments recognized as a legal obligation or a constructive obligation and expensed in 2022 before they were paid out. This includes a US\$5 million commitment expensed in 2022 and paid out over the next five years. Figure does not include donations made through TD Friends of the Environment Foundation.
12. "Visible minority" is defined as non-Caucasian in race or non-white in colour, other than an Indigenous person. "Indigenous person" is defined as First Nations, Inuit, Métis, American Indian, Alaska Native, Native Hawaiian or other. "2SLGBTQ+" is defined as a member of the Two-Spirit, Lesbian, Gay, Bisexual, Transgender, Queer, Plus community. "Person with a disability" is defined as a person having a long-term or recurring visible or invisible physical, mental, sensory, psychiatric or learning impairment, including impairment relating from or related to hearing, seeing, vocal, mobility, agility, pain, neurological, memory, development, psychological or addiction.
13. Completion rates for Code of Conduct and Ethics training are based on the applicable definitions of eligible and exempt employees pursuant to our internal policies.
14. For more information on the Sustainable & Decarbonization Finance Target, please see [our methodology paper](#).
15. Based on IEA reporting.
16. Based on emissions levels from the IEA World Energy Outlook 2022 report with an adjustment to remove dedicated freight activity.