

Environmental and Social Credit Risk Process

Environmental and Social Credit Risk Process for Non-Retail Credit Business Lines

Step 1

As part of the credit review process, lending managers complete TD's Environmental and Social Risk Management Assessment Tool to assess the environmental and social risk associated with applicable borrowers and transactions, and determine whether further escalation is required. The following steps are facilitated via use of this tool.

Step 2

Identify whether any of the activities in which the borrower is engaged are prohibited as per TD's Prohibition List. If this is the case, the credit request is escalated to TD's Environmental and Social Risk Management (ESRM) Team and will not proceed further.

Step 3

Based on the borrower's industry and its corresponding inherent risk rating, enhanced due diligence may be required. This due diligence assesses a client's commitment, capacity and track record based on regulatory issues, significant environmental and/or social risks, stakeholder engagement, and issues related to free, prior and informed consent of Indigenous Peoples, where applicable.

Step 4

If the assessment is being completed for a project, then the Equator Principles may also apply. Additional Equator Principles due diligence would be required, and the credit request is to be escalated to the ESRM Team for further review.

Step 5

An Environmental and Social Risk Rating (ESRR) score is assigned for the borrower based on responses to due diligence questions. For borrowers with higher ESRR scores, lending teams will escalate to ESRM for additional review. ESRM helps assess the environmental and/or social risk and verify that appropriate stakeholder engagement has been completed.

Step 6

In cases where risk remains high, ESRM will recommend escalation to the segment Reputational Risk Committee for further review and deliberation.

Policy and Procedure Overview

TD's environmental risk policies and associated risk assessment procedures are developed and refreshed regularly based on input from various industry sources, including environmental, social and governance (ESG) and, where applicable, corporate governance research firms that consult a wide range of stakeholders and consider generally accepted international agreements and standards in providing industry-standard risk guidance. Such procedures include:

- Every applicable borrower completes an environmental and social risk assessment (steps 1–5). Real estate secured lending deals that meet internal risk thresholds also require environmental site assessments.
- Assess whether the borrower is engaged in any prohibited activities as per TD's Prohibition List (step 2).
- Additional industry-specific enhanced due diligence is required for borrowers operating in industries with higher inherent environmental and/or social risk (step 3).
- If TD is asked to finance a project, the Equator Principles may apply and additional due diligence would be required (step 4). Equator Principles projects require a social and environmental impact assessment, which is reviewed along with other client reports, specialized consultation reports, environmental management plans, etc.
- Transactions that score high for environmental and social risk are escalated to TD's ESRM Team. ESRM provides subject matter expertise, detailed review and recommendations for further action and escalation, as required (steps 5–6).

Environmental and Social Credit Risk Process (continued)

Prohibited Transactions

TD does not finance transactions relating to the following activities:

- Mining of conflict minerals, including tin, tantalum, tungsten and gold
- Activities within World Heritage Sites unless they are exempted or allowed within the conditions of the World Heritage Site designation and/or sponsored/supported by the relevant national responsible authority
- Activities that would result in the degradation of protected critical natural habitats as designated according to World Conservation Union (IUCN) classification and International Finance Corporation Standards
- Purchase of timber from illegal logging operations
- Mountaintop-removal coal mining
- Trade in or manufacturing of material for nuclear, chemical or biological weapons or for land mines or cluster bombs
- Production or trade of wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Activities that are directly related to the exploration, development, or production of oil and gas within the Arctic Circle
- Production or trade in any product or activity deemed illegal under host-country laws or regulations, including those ratified under international conventions and agreements

Indigenous Peoples

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

- To incorporate assessments of our clients' policies, practices and performance relating to FPIC when relevant as part of TD's Environmental and Social Credit Risk Policy for Non-Retail Lending
- 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 economic information to support solutions-based dialogue and informed public policy decisions.