



Advancing Our Climate Action Plan: Methodology for TD's Interim Financed Emissions Targets

Energy and Power Generation - March 2022

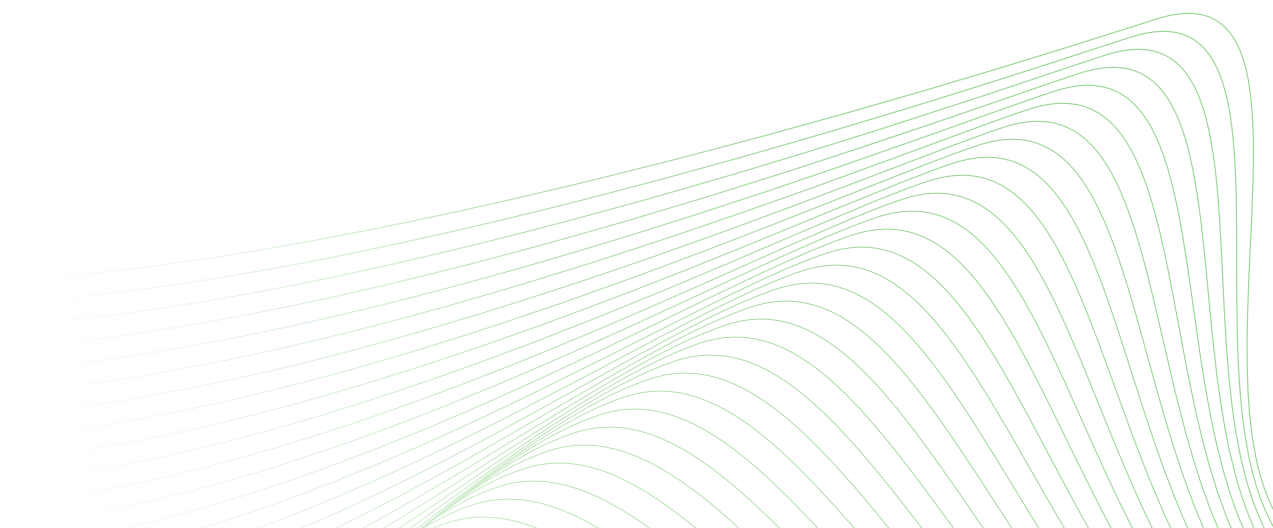


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1 | Introduction

Climate change is one of the most critical and pressing issues of our time. We know that addressing it is an important challenge for businesses and communities globally. We also know that this complex challenge will require effort and collaboration across industries, including the financial services sector. As a global financial institution, we aim to support our clients and the financial sector in a just¹ and orderly transition to a low-carbon economy. Our commitment to support our clients' goals and help create a more vibrant planet is deeply connected to our purpose as an organization. We also believe that we can help support the global economy's alignment with a net-zero greenhouse gas (GHG) emissions pathway through our collective actions and sustainable financial products, services and programs.

The Paris Agreement, made under the United Nations Framework Convention on Climate Change (the "Paris Agreement") in 2015, committed its country signatories to substantially reduce GHG emissions and limit global warming to well below 2°C compared to pre-industrial levels, while pursuing efforts to further limit warming to 1.5°C. The urgency of these goals was further underscored by the Intergovernmental Panel on Climate Change's (IPCC's) Sixth Assessment Report published in 2021, which concluded that global warming of 1.5°C above pre-industrial levels will be exceeded during the 21st century unless deep reductions in carbon dioxide (CO₂) and other GHG emissions are made in the current decade. The IPCC indicates that exceeding 1.5°C of warming is projected to result in increasing and intensified consequences including heat waves, floods, droughts and wildfires around the world.

In October 2020, TD² was the first major Canadian bank to announce a target of achieving net-zero GHG emissions by 2050 for our operations and financing activities in an effort to align with the objectives of the Paris Agreement. 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 "financed emissions"³).

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 data quality⁴, measurement methodologies and decarbonization scenarios will continue to evolve, and that our 2030 interim targets and any future targets that we disclose are contingent on many factors and assumptions, as described in the [Cautionary Statement Regarding Disclosure on Emission Targets](#). Despite the challenges and uncertain road ahead, we have made the determination to move forward 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 within our business. We will recalibrate and update our approach as data improves and guidance, methodologies and transition pathways evolve. Read more about TD's climate goals and our path to net zero in TD's 2021 [Climate Action Plan Report](#).

¹ Defined by the United Nations Framework Convention on Climate Change (UNFCCC) in <https://unfccc.int/documents/226460> as the just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.

² Throughout this report, "TD", "we", or "us" refers to TD Bank Group.

³ Throughout this report, "emissions" when not specified refers to GHG emissions.

⁴ We have not independently verified nor 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 financed emissions targets. Moreover, the data needed to define our pathway towards reaching our Scope 3 targets may be limited in quality, unavailable or inconsistent across the sectors we choose to focus on.

TD's Climate Journey

Over the past decade, we have achieved a number of milestones on our climate journey.

- **TD became the first North American-based bank to become carbon-neutral in 2010**, and in 2017 we announced a target of CAD \$100 billion in low-carbon lending, financing, asset management and other programs by 2030.
- **In 2020, we joined the Partnership for Carbon Accounting Finance (PCAF)**, a global partnership of financial institutions that work together to develop and implement a harmonized approach to assessing and disclosing financed emissions.
- **In 2021, we published our interim, science-based target**, aligned to net-zero by 2050, to achieve a reduction in GHG emissions from our operations (Scope 1 and 2 GHG emissions) of 25% by 2025, relative to a 2019 baseline.
- **We also joined the United Nations-convened Net-Zero Banking Alliance (NZBA)**, committing to align our portfolios with pathways to net-zero, reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C.
- **We intend to continue to address climate change as a priority.**



As one of the largest banks in North America, operating in a wide range of sectors, we understand that transparent disclosure can help play a critical role in helping to reduce GHG emissions in line with the goals of the Paris Agreement. We are actively involved in fostering the growth of a well-functioning sustainable financial market where environmental, social and governance (ESG) factors are incorporated into investment decisions through our commitment to the NZBA, and our participation in the Canadian government's Sustainable Finance Action Council, which brings together public- and private-sector financial expertise. In support of this, we are leveraging our skills, resources, and expertise to provide TD clients with sustainable financing solutions and advisory services as they navigate their low-carbon journeys.

A key principle of our strategy is a client engagement-centred approach to support clients in their low-carbon transition. As we execute on our targets, this key strategic principle will be our priority and preference. Our targets will provide critical guidance to how the Bank plays a role in a responsible transition in the years ahead.

We will also continue to engage and collaborate with governments, policymakers, non-governmental organizations (NGOs), and standards bodies (including the International Sustainability Standards Board) that are developing climate-related standards and frameworks. We want to help inform policy and science-based methodologies⁵ for measurement and target-setting, as well as to promote the important role of innovation and technology in helping TD and our clients achieve our respective GHG emission reduction targets.

One area of development includes our approach to carbon offsets, removals, and related instruments ("carbon markets"), including technology- and nature-based solutions that reduce, avoid, or remove CO₂ from the atmosphere. International efforts are underway to develop a unified governance framework, taxonomy, and standardized principles for different types of carbon markets and their use in net-zero targets and pathways. As guidance is not yet finalized, we are not currently including offsets in our target-setting methodology. Going forward, we hope to contribute to the improvement, transparency and environmental integrity of carbon market infrastructure and the integrity, liquidity and availability of high-quality carbon instruments.

We value an engagement-centred approach; supporting clients' transition initiatives is key to bringing about real change.

⁵ An emissions reduction target or methodology is defined as 'science-based' if it is developed in line with the scale of reductions required to keep global warming well below 2°C from pre-industrial levels.

The path to net zero is complex and will be met only through a concerted, multi-stakeholder effort involving regulators, governments, financial institutions, industry, and consumers alike over the short and long term. We know a transition of this magnitude will have significant implications for our clients and their workers, businesses, and the communities they serve. We believe that it is important to support the communities impacted by the transition to a low-carbon economy so that the benefits of the transition are shared widely, particularly for traditionally vulnerable communities, and to avoid unintended consequences that may undermine the durability of policy actions. Therefore, we will continue to consider the direct and indirect consequences of our actions as we set targets and support the transition to the low-carbon economy. We will continue to advocate and work closely with Canadian and US national and regional governments, and through Canadian expert initiatives such as the Net-Zero Advisory Body, in order to support the goal of net-zero emissions by 2050 in a just and orderly manner.

Our Targets

The table below summarizes the 2019 carbon intensity of our clients in the Energy and Power Generation sectors⁶, 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 Outlook⁷. We have been guided by PCAF, NZBA, the GHG Protocol, and the Task Force for Climate-Related Financial Disclosures (TCFD) in tailoring our approach to setting and disclosing our interim financed emissions targets. Our 2030 net-zero targets and approach have been approved by an expert committee at our highest executive levels, with oversight from our Board of Directors. In addition to the work of the Corporate Governance Committee in overseeing the Bank's ESG activities and Climate

Action Plan, our Board of Directors has provided ongoing oversight over TD's target-setting journey including considering presentations from business leaders regarding the challenges and opportunities of the road ahead. Additional information on the role of the Board and TD's approach to climate governance is available in TD's [Climate Action Plan Report](#).

For more information on each sector's target, including the scenario and methods used, the emissions included and other details, see descriptions of the sector-specific methodologies beginning on p. 10 of this report.

The figures below 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 information⁸. 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 target setting. 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.

TD Financed Emissions for Energy and Power Generation Sectors

2019 Baseline and 2030 Portfolio Targets

Sector	Emissions Scope	2019 Portfolio Baseline	2030 Portfolio Targets	2019–30 Reduction
Energy	Scope 1–3	2,078 gCO ₂ e/CAD \$	1,475 gCO ₂ e/CAD \$	-29%
	Operational: Scope 1 and 2	204 gCO ₂ e/CAD \$		
	End-Use: Scope 3	1,874 gCO ₂ e/CAD \$		
Power Generation	Scope 1	376 kgCO ₂ e/MWH	156 kgCO ₂ e/MWH	-58%

⁶ 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).

⁷ 2021 IEA World Energy Outlook, CO₂ emissions pathways.

⁸ 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.

2 | Guiding Principles

Our approach to developing financed emissions targets builds on existing industry frameworks used by financial institutions to align their financing activities with the Paris Agreement. We also benefited from the support of Oliver Wyman, a management consultancy firm with deep expertise in the climate transition that serves as the Knowledge Partner for the Glasgow Financial Alliance for Net Zero (GFANZ) and the Strategic Advisor to the Secretariat of the TCFD.

Our target-setting approach is informed by five core objectives:

- | | |
|--|--|
| 1. Help our clients to drive decarbonization and that of the wider economy, while supporting a just and orderly transition | We are committed to supporting our current and new clients in developing, financing and executing their low-carbon transition strategies. To that end, we selected metrics that we believe are most suitable to measuring and understanding the GHG emissions for each sector and that will be most useful in driving emissions reductions within our client base. We also believe that the path to net zero will be complex and that it is important to support the communities impacted by the transition to a low-carbon economy. Therefore, as we work with our clients to achieve these targets, we will balance our approach and decision-making to help minimize unintended consequences of the transition and to help ensure safe and reliable access to energy. |
| 2. Calibrate our targets in a manner that is consistent with science-based scenarios | Our targets are aligned with the widely recognized 2021 IEA NZE scenario, and are informed by its decarbonization trajectories specific to each sector. Using this scenario, we can identify and prioritize sectors that produce the highest emissions globally and have more clearly defined emissions reduction pathways. |
| 3. Work to integrate our targets into our core business strategy | We are taking steps to embed our targets into our business processes to help set the strategic direction for short, medium, and long-term planning. We also intend to build out an internal GHG emissions reporting infrastructure to allow for tracking and proactive management of our carbon footprint. Our business leaders have set a “tone from the top” and have been closely involved with these efforts. As noted above, our 2030 net-zero targets and approach have been approved by an expert committee at our highest executive levels, with oversight from our Board of Directors. |
| 4. Align our targets with our broader industry commitments | Our GHG emission reduction targets and underlying design decisions reflect the public commitments we have made and have been informed by guidance from key industry bodies such as the NZBA and PCAF. We engage with our peers on an ongoing basis across these forums to advance industry knowledge and maintain momentum for decarbonization. |
| 5. Continuously improve and expand our methodology over time | We recognize that various inputs into our targets, such as our clients’ GHG emissions data quality and industry guidance on methodologies, will likely evolve and improve over the coming years. As progress is made, we will continue to consider our approach in the context of well-recognized science-based pathways. We will also work to improve our data coverage and quality. |

3 | Target-setting Approach

Key Target-setting Design Decisions

Setting emissions reduction targets requires a number of scoping and methodology decisions. Our most important design decisions are discussed below.

Sector Selection

We are prioritizing certain high-emitting sectors based on their contribution to global emissions, their significant weight within our financing portfolio, and the availability of both decarbonization scenarios and higher-quality data. Initially, we are setting targets for the Energy sector (including companies involved in supplying thermal coal, oil and gas, and low carbon fuels) and the Power Generation sector (including companies engaged in generating electricity). Over time, we will set targets for additional sectors in accordance with our NZBA-aligned objective to cover a significant majority of our financed emissions where data and methodologies allow. We plan to begin rolling out targets across additional sectors within the next year.

Business Covered by Targets

Our emissions baseline and targets cover our non-retail financing to our prioritized sectors, including corporate and commercial lending and our capital markets financing activities (i.e., debt and equity capital markets). Although we recognize that there is not yet a final methodology from PCAF for measuring facilitated emissions⁹ from debt and equity capital markets financing, we included facilitated financing in the scope of our targets because it represents a key source of capital for our clients. To measure facilitated emissions, we use the specific attributed deal value (our share of the financing we facilitated for our clients) across debt and equity transactions in a given year. We will continue to engage in developing industry standards as a member of PCAF and will continue to assess our methodology as standards develop.

Scenario Selection

In developing our targets, we have used the 2021 IEA NZE scenario, which models a possible pathway for the global energy sector to achieve net-zero CO₂ emissions by 2050. The 2021 IEA NZE scenario aims to ensure that global CO₂ emissions in 2030 are in line with the trajectory for GHG reductions required in 1.5°C scenarios with no or limited temperature overshoot. This scenario requires all countries to cooperate in achieving net-zero emissions. It includes assumptions about a broad range of policies and measures that have yet to be implemented (such as renewable fuel mandates, market reforms and efficiency standards) and information regarding technologies that have yet to be developed or made available at scale (such as hydrogen, bioenergy, and carbon capture). As technology, policy, and scenario methodology changes are happening in real time, we may adjust our targets as developments unfold.

Use of “Total Commitment” for Lending

We define lending for the purpose of target setting to be our total commitments, which include the clients' drawn balances, any undrawn balances of committed loan agreements, as well as other off-balance sheet commitments such as letters of credit and guarantees. We believe that using the committed amount is preferable to the drawn amount because it most accurately reflects our decision to extend credit to a client. It also reduces potential volatility from changes in client loan utilization rates. We recognize that the PCAF methodology is based solely on drawn balances since that represents the money actually disbursed; and have included a view of our absolute financed emissions baseline based on drawn balances in our [Climate Action Plan Report](#).

⁹ Facilitated emissions are off-balance sheet emissions representing services rather than financing and which may take the form of a flow activity (temporary association with transaction) rather than a stock activity (held on book).

Metric Selection Process

The metrics we use for calculating emissions in each sector are driven by the sector's emissions reduction pathway, the composition of our portfolio, data availability, and the metric's ability to influence behaviours to enable sector decarbonization. While our goal is to use standardized data and metrics where possible, TD, as well as other financial institutions, has chosen to combine multiple approaches and/or datasets in some cases to create metrics and processes that may better inform decision-making.

We considered three potential metrics in our target-setting: absolute financed emissions, financed emissions lending intensity (FELI), and physical emissions intensity.

Absolute Financed Emissions

$$\sum \left(\frac{\text{Financing amount}}{\text{Company EVIC}^{10}} \times \text{Company emissions} \right)$$

Absolute financed emissions represent the emissions of our clients, multiplied by an apportioning factor to account for our share of our clients' emissions, summed up at the portfolio level. This is an important metric that provides the baseline for climate action, but can be challenging to compare across clients of different sizes. "Normalization" of absolute financed emissions through an intensity metric can better enable benchmarking or comparison across different companies, sectors, or portfolios. For financed emissions, "normalization" means converting an absolute measure to a ratio or percentage by dividing the measure of the emissions by a production output or by the total financing provided to the sector. This is consistent with PCAF guidance which states that "absolute financed emissions at a portfolio level is not a good instrument to compare or benchmark financial institutions on their performance due the potential differences between financial institutions in terms of size, product portfolio, exposure to sectors and regions, etc. For comparability and benchmarking, the absolute financed emissions need to be translated into an emissions intensity metric (emissions per a specific unit)". We believe the same is true when comparing clients; an intensity metric allows us to set informative targets and meaningfully engage with new and existing clients of different sizes.

Financed Emissions Lending Intensity (FELI)

$$\frac{\sum \left(\frac{\text{Financing to client}}{\text{Company EVIC}^{10}} \times \text{Company emissions} \right)}{\text{Total sector financing}} = \sum \left(\frac{\text{Company emissions}}{\text{Company EVIC}^{10}} \times \frac{\text{Financing to client}}{\text{Total sector financing}} \right)$$

FELI is also based on the absolute financed emissions of our clients but normalizes for the amount of financing extended to the sector, which enables better comparison across clients. Both metrics rely on company-level emissions data.

¹⁰ Enterprise Value Including Cash for public companies. For private companies, the denominator used is total equity + debt, in line with PCAF guidance.

Physical Emissions Intensity

$$\sum \left(\frac{\text{Company emissions}}{\text{Company production}} \times \frac{\text{Financing to client}}{\text{Total sector financing}} \right)$$

The physical emissions intensity metric normalizes a company's emissions for production (e.g., the number of megawatt-hours or megajoules of energy produced). It allows for a portfolio view of emissions efficiency relative to production, using an exposure-weighted average of the underlying company emissions intensities. This metric requires additional data on sector-specific production output, which can limit the types of companies included in-scope (e.g., services or distribution companies that do not directly produce outputs, but that still play an integral role in energy supply cannot be included).

Energy Sector Metric

For our Energy sector target, we are using the FELI 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.

We believe that diversification in low-carbon fuels and clean technologies is better captured by the FELI metric. Under the 2021 IEA NZE scenario, fossil fuel use (and by extension fossil fuel production) decreases over time for emissions to decrease, given that production is directly linked to emissions (i.e., each barrel of oil burned produces a constant quantity of emissions). We believe that the FELI metric will allow us to better report on the progress our clients anticipate making to reduce fossil fuel production relative to demand, to modify their processes and diversify their business processes into lower-carbon alternatives. This metric also allows for the inclusion of the midstream sub-sector, which is responsible for the transportation and storage of oil and gas. Midstream clients are a key sub-sector of the Energy sector and represent an important contribution to our overall financing within the Energy sector and, as such, their inclusion was an important consideration in our metric selection process.

Power Generation Sector Metric

For our Power Generation sector target, we are using a physical emissions intensity metric which measures company emissions relative to the megawatt-hours of electricity generated.

We believe that growth in low-carbon power generation technologies is more visible under a physical emissions intensity metric versus an absolute emissions-based metric where client absolute emissions may increase as they expand their operations, even if the expansion is to add low carbon power generation capacity. According to the IEA, electricity production, particularly low-carbon electricity production needs to increase globally to support the decarbonization of other sectors. A physical emissions intensity metric helps us recognize our clients' growth in production using low-carbon technologies (e.g., renewables) to meet this global demand in line with the IEA NZE and net-zero trajectories. We therefore believe this is the best metric to track the performance of our Power Generation portfolio.

We believe the metrics we selected are the most appropriate for evaluating emissions within each sector in the current context of the transition to the low-carbon economy. Additional details on the data sources leveraged for the calculations can be found in the "Sector-specific methodologies" section of this document. Although our targets are set against intensity metrics to reflect the low-carbon growth required in each sector, we recognize the value of an absolute emissions lens. As such, we have published our point-in-time absolute emissions for these two sectors in our annual [Climate Action Plan Report](#).

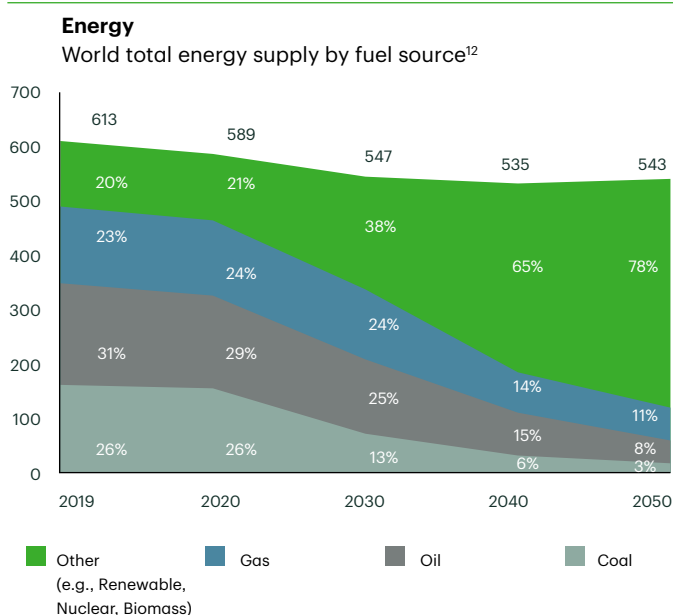
4 | Sector-specific Methodologies

We prioritized the Energy and Power Generation sectors for our initial release of 2030 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. The IEA's NZE scenario indicates that the decarbonization of the broader economy necessitates significant growth and scaling of zero carbon and renewable electricity, and sustainable fuels in these sectors.

4.1 Energy

Expectations for Decarbonization in Sector

The 2021 IEA NZE scenario forecasts that the demand for fossil fuels is expected to decrease over time due to electrification of the transport, industrial and real estate sectors, as well as the shift to biofuels and other low-carbon solutions, such as hydrogen. Falling demand is expected to lead to a decrease in the amount of oil and gas produced. The 2021 IEA NZE scenario assumes that the global oil and gas supply will reduce by approximately 20% by 2030 as compared to 2019 levels.¹¹ The IEA scenario also assumes that decarbonization of the energy sector is dependent on changes to both the type of fossil fuels extracted and their use downstream. The IEA has also recently noted that these trends may be affected by geopolitics. TD remains committed to supporting a just and orderly transition and will continue to monitor developments in scenario pathways and regional dynamics as they evolve.



Metric

We use the FELI metric to calculate our baseline and target for the Energy sector. This metric normalizes our absolute financed emissions by the amount of financing extended to the sector (i.e., considers the size of the company within our financing for the sector) and is based on the absolute emissions equation set by PCAF. As described above, we have defined total financing to our clients as our total lending commitments and our attributed deal value from debt and equity capital markets transactions in that year.

$$\text{Financed Emissions Lending Intensity (FELI)} = \sum \left(\frac{\text{Total TD financing to company}}{\text{Company EVIC}^{13}} \times \text{Company emissions} \right)$$

Total TD sector financing

Where the numerator is calculated for each client and then summed across all clients

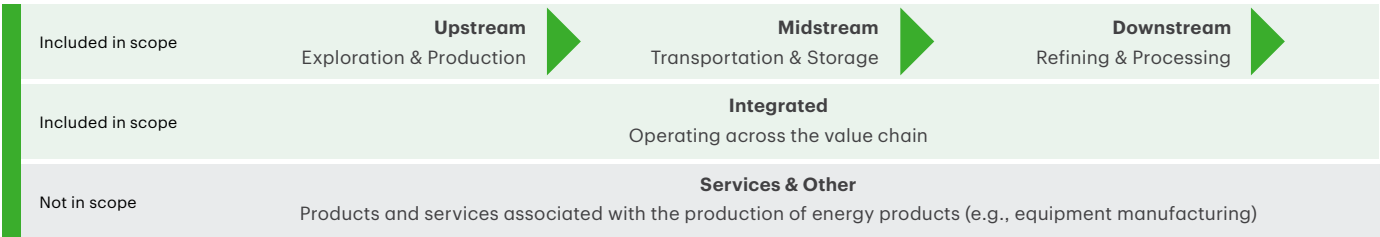
¹¹ IEA World Energy Outlook 2021.

¹² IEA World Energy Outlook 2021.

¹³ Enterprise Value Including Cash for public companies. For private companies, the denominator used is total equity + debt, in line with PCAF guidance.

Value Chain Inclusion

The sub-sectors covered by this target include thermal coal mining, integrated oil and gas companies, and oil and gas in the upstream (exploration and production), midstream (transportation and storage), and downstream (refining and marketing). The companies in these sub-sectors have significant influence over the production and distribution of hydrocarbons in the energy ecosystem, and they cover the value chain from extraction to final sale. The Energy sector will also include low-carbon energy sources such as biofuels and hydrogen, as well as low carbon technologies as they are further integrated in these companies' value chains. FELI enables us to include midstream companies and companies that own the extraction and production of oil and gas products as well as companies that are diversifying, to produce a comprehensive and impactful target.



Scope Inclusion

In setting this target, we included our clients' operational emissions (Scope 1 and Scope 2) and end-use Scope 3 emissions (i.e., the emissions that result from the end-use combustion of fossil fuels). We believe this approach is comprehensive and addresses emissions across the value chain including both upstream (energy supply side) and downstream (energy demand side) activities. End-use Scope 3 emissions represent more than 80% of overall emissions for the Energy sector¹⁴; meaningful decarbonization cannot occur without taking this into consideration. However, we recognize that end-use Scope 3 emissions are largely dependent on energy demand. End-use Scope 3 emissions may not be directly controlled by energy production companies, and therefore reductions in this emissions category will need to be supported by significant developments in policy, technology, and downstream consumption. In the development of our targets, we made assumptions regarding Scope 3 emissions reductions that are dependent on these variables.

Scenario

We have aligned our target to the 2021 IEA's NZE scenario for the oil and gas sector.

Data Quality Considerations

In calculating our clients' emissions, we are relying on data disclosed publicly by our clients, production data from Wood Mackenzie and Asset Resolution, and emissions data provided by S&P Global Trucost.

We observed instances where emissions data was not reported by clients nor estimated by data vendors. Where reported or vendor estimated emissions data was unavailable, we followed the PCAF alternative estimation methodologies for calculating financed emissions in the Energy sector (e.g., using company production data from Wood Mackenzie or Asset Resolution to estimate company emissions). 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.

¹⁴ S&P Global Trucost.

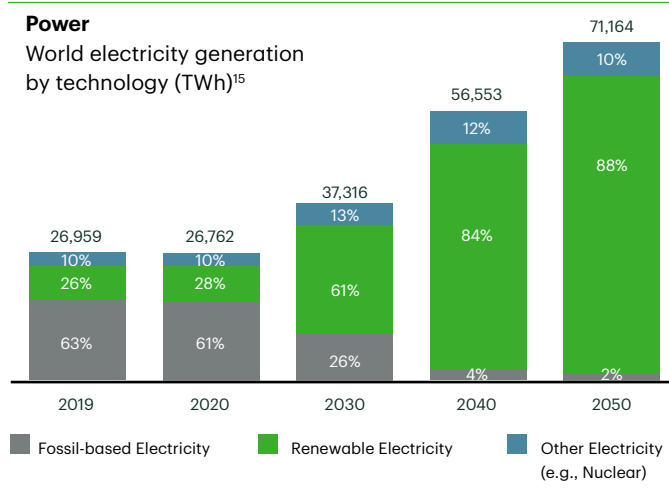
4.2 Power Generation

Expectations for Decarbonization in Sector

According to the IEA NZE scenario, demand for power is expected to increase over time as downstream sectors such as transport and real estate electrify and rely less on fossil fuel combustion – and more on the electric grid – in order to reduce their own emissions. To help achieve net-zero emissions, the Power Generation sector must expand its production capacity while replacing carbon-intensive coal and fossil fuel-based facilities with low-carbon alternatives such as wind, solar, and other renewables. The 2021 IEA NZE scenario assumes that from 2019 to 2030, global power generation will increase by approximately 38% and the share of renewable power generation will grow from 26% to 61%.

Power

World electricity generation by technology (TWh)¹⁵



Metric

We use a physical emissions intensity metric to calculate our baseline and set a target for the Power Generation sector. This metric is an exposure-weighted view of our portfolio based on each company's physical emissions intensity (company emissions divided by megawatt hours of electricity generated).

$$\text{TD Physical Emissions Intensity} = \sum \left(\frac{\text{Company emissions}}{\text{Company power production}} \times \frac{\text{TD financing to company}}{\text{TD total sector financing}} \right)$$

Summed across all clients

Value Chain Inclusion

For the purposes of our baseline and targets, the Power Generation sector consists only of companies with electricity generation activities (i.e., excluding companies engaged purely in electricity transmission and distribution), as combustion of fossil fuels during the power generation process generates the majority of emissions within the sector. This includes both public and private generators and larger integrated utilities companies. Clients that do not generate electricity, but rather focus exclusively on transmission and distribution, are not included in our target, as they represent a small portion of both our financing and our financed emissions. However, we will continue to monitor emissions for transmission and distribution companies and have included them in our financed emissions footprint disclosure in our [Climate Action Plan Report](#) where we report on additional metrics, such as absolute emissions.

Scope Inclusion

We include Scope 1 emissions for power generation companies, which, based on our analysis of the emissions profile of our clients, are the primary driver of emissions for this sector and are directly driven by the combustion of fossil fuels to generate electricity.

Scenario

We have aligned our target to the 2021 IEA NZE scenario for the Power Generation sector.

Data Quality Considerations

In calculating our clients' physical emissions intensity, we use data disclosed publicly by our clients and data provided by S&P Global Trucost, Bloomberg, and Asset Resolution. Although emissions data are the most accurate for the Scope 1 emissions (the subject of this target), we have observed some data gaps where companies do not currently report their emissions and/or production. Where this occurs, we have applied an averaging approach at the sub-sector level. We will continue to monitor the data landscape and update our reporting as more data becomes available.

¹⁵ IEA World Energy Outlook 2021.

5 | Next Steps

How will we deliver on our targets?

Climate risk is the risk of financial loss or reputational damage from materialized credit, market, operational or other risks resulting from the physical and transition risks of climate change to TD, its customers or the communities TD operates in. This includes physical risks related to the impacts of a changing climate, as well as transition risks related to impacts associated with legal, regulatory, technological or behavioural changes resulting from the transition to a low-carbon economy. The targets set out in this report are an integral part of our strategy to address both physical and transition risks of climate change and will inform our understanding of how clients' decarbonization plans account for and minimize potential transition risk.

It is a priority for us to work with our clients to help them enable their low-carbon transitions. Many of our clients have developed, and started to implement, their own climate change and GHG emission reduction plans, and we expect many others to do so in the coming years. We are committed to supporting and actively engaging with our clients with our full suite of products and services as they execute their emissions reduction plans and seek out low-carbon opportunities.

Our businesses are focused on supporting our new and existing clients through their transition, helping our clients to not only execute against their emissions reduction plans, but also capture low-carbon opportunities in their respective sectors.

The Sustainable Finance and Corporate Transitions Group (SFCT) within TD Securities supports clients in transition activities designed to reduce GHG emissions within their operations which contribute directly to a reduction of our financed emissions. The SFCT focuses on providing ESG advice and delivering client-focused solutions that help to advance our clients' ESG strategies and help enable their access to sustainable financing.

Innovative sustainable finance products and services will also play an important role in our journey to net zero. TD's Sustainable Finance Executive Council (SFEC), which consists of TD executives who act as sustainable finance champions within their respective business lines, supports the development of environmental products, services, and programs across sectors to help our clients in their low-carbon journeys.

How will our sectoral targets evolve?

As an enterprise, we are committed to our net-zero transition. Through working with our clients and bringing our broad set of services to bear, we can help facilitate the change our clients are undertaking to help align the global economy with a net-zero pathway. Central to executing on that commitment is developing a set of metrics and targets that are transparent to our clients and stakeholders, which can be embedded in our strategy and management decisions and are well-calibrated against credible, science-based scenarios.

We also recognize that industry standards continue to be refined, and we are actively engaged in this effort through our involvement in groups such as NZBA and PCAF. We will review and revise our targets as appropriate, at a minimum of every five years, to help ensure consistency with the latest science, industry standards and methodologies, and to account for factors such as improving data availability or any significant changes in our portfolio or business, including through mergers or acquisitions.

The targets set out for the Energy and Power Generation sectors in this report are a significant step forward in our journey toward net zero. Our initial focus on greening the energy supply (whether it be fossil fuels or electricity) may assist other sectors (transportation, real estate, and industrials) in their decarbonization. Over time, we intend to set targets for additional sectors in accordance with our NZBA-aligned objective to cover a significant majority of our financed emissions where data and methodologies allow. We expect to continue to expand our target-setting methodologies beyond lending and capital markets financing to cover additional business activities over time to more broadly reflect the ways in which we provide financing to our clients.

6 | Appendix

Aligning our Net-Zero Targets with the Net-Zero Banking Alliance Commitment

	Key NZBA Guidance on Target-Setting	TD Net-zero Targets
Set and publicly disclose long-term and intermediate targets	Banks shall set a long-term (2050) target to align with the temperature goals of the Paris Agreement.	Net-zero financed emissions target by 2050 set in TD's Climate Action Plan in 2020.
	Banks shall set an intermediate (2030) target (or sooner) with a baseline no more than two years prior to the setting of the target.	2030 interim target set for the Energy and Power sectors with a 2019 baseline (disclosed in our 2021 Climate Action Plan Report).
	Banks shall prioritize efforts where we can have the most significant impact (i.e., the most GHG intensive sectors within our portfolio).	Targets set for two of the most GHG intensive sectors (Energy and Power Generation).
	Targets shall include client's Scope 1, Scope 2, and Scope 3 emissions where significant and data allows.	Energy: target covers Scope 1, 2, and end-use Scope 3 emissions. Power Generation: target covers Scope 1 emissions only as these are the primary driver of emissions for this sector.
	The targets shall cover a significant majority of a bank's Scope 3 emissions.	We have prioritized setting targets for two of our most GHG intensive sectors; however, we plan to expand our target coverage to a significant majority of our Scope 3 emissions over the next several years.
	Targets shall be based on: • Absolute emissions; and/or • Sector-specific intensity.	Energy metric: FELI is based on absolute emissions. Power Generation metric: Physical Emissions Intensity is sector specific.
	Targets shall cover lending and on-balance sheet investment activities. Banks should be clear about which parts of the balance sheet the targets encompass and increase scope to include capital markets activities over time, as methodologies become available.	Targets cover lending and capital markets financing activities. We intend to include on-balance sheet investments in future targets.
Establish an emissions baseline and annually report on progress	Banks shall annually measure and report current emissions (absolute and intensity) following relevant international and national GHG reporting protocols.	In this report we have disclosed intensity targets for two sectors, and we intend to report on our progress against these targets next year. In addition, in this year's Climate Action Plan Report , we have measured and reported absolute financed emissions for these two sectors in accordance with the PCAF methodology.
Use widely accepted science-based decarbonization scenarios	Banks shall use scenarios from credible and well-recognized sources and provide rationale for the selected scenario.	Targets are aligned to IEA's Global Net-zero Scenario given the IEA's leadership and credibility in this area, and its scenario's alignment with both 1.5°C and net-zero emissions by 2050.
Regularly review targets	Targets shall be reviewed, and if necessary revised, at least every five years to ensure consistency with the latest climate science, evolving methodologies, and to reflect any material portfolio changes.	We will review and revise our targets, as appropriate, every five years, at minimum.
	Targets shall be approved by the highest executive level and reviewed by the highest-level governance body in the Bank.	Our 2030 net-zero targets and approach have been approved at an expert committee at our highest executive levels, with oversight from our Board of Directors.

Cautionary Statement

This document is not required to be prepared or filed by TD under Canadian or U.S. securities laws, and the information contained herein should not be read as rising to the level of materiality of disclosure required in our securities law filings.

As noted above, the path to net zero is complex and will be met only through a concerted, multi-stakeholder effort involving regulators, governments, financial institutions, industry, and consumers alike over the short and long term. Data quality, measurement methodologies and decarbonization scenarios will continue to evolve, and readers should be aware that this document contains various assumptions that may prove incorrect, and various predictions, forecasts, projections, expectations and conclusions that are subject to risks, uncertainties and other factors, which may cause actual results to differ materially from the targets expressed herein. Further information, including on the assumptions, risks, uncertainties and other factors affecting this document, may be found in the [Cautionary Statement Regarding Disclosure on Emission Targets](#).