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

Step 1

High-Level Screen
A high-level screen is applied against all borrowing accounts to identify any activities that are prohibited under TD's Environmental Management Framework.

Step 2

Social and Environmental Assessment (SEA)
This step assesses a client's commitment, capacity and track record based on regulatory issues and other material environmental risks, stakeholder engagement and, where applicable, issues relating to free prior and informed consent of Aboriginal Peoples.

Step 3

Equator Principles Categorization Tool
This tool is applied where a project or fixed asset is being financed.

Step 4

Sector-Specific Due Diligence Guides
Guides have been developed for environmentally sensitive sectors. TD's environment team maintains tools and resources to support credit risk managers.

Step 5

Escalation
If an application scores high for environmental sensitivity, TD's environment team helps assess if any action can be taken to reduce the environmental or social risk. In cases where risk remains high, the escalation process moves through Credit Risk Management and may proceed ultimately to TD's Reputational Risk Committee.

Every lending transaction goes through a high-level screen and social and environmental assessment (Steps 1 and 2).

If a project or fixed asset is being financed, the Equator Principles Categorization Tool is applied (Step 3). Additional sector-specific due diligence is applied to transactions in environmentally sensitive sectors (Step 4).

Transactions that score high risk for environmental sensitivity are escalated to senior management. TD Environment provides subject matter expertise, detailed review and recommendations for further action, as required (Step 5).

Prohibited Transactions
TD does not finance transactions relating to the following:
- Activities within World Heritage sites
- Activities that would result in the degradation of protected critical natural habitats as designated according to World Conservation Union classification and International Finance Corporation Standards
- Activities that would involve the purchase of timber from illegal logging operations
- Mountaintop-removal coal mining
- Production or trade in any product or activity deemed illegal under host-country laws or regulations, including:
  - Those ratified under international conventions and agreements
  - Production or trade of wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
  - Deals that directly relate to the trade in or manufacturing of material for nuclear, chemical or biological weapons or for land mines or cluster bombs
  - Lending deals that are directly related to the mining of “conflict” minerals