



TD Sustainable & Decarbonization Finance Target Methodology

March 2023



Overview of the TD Sustainable & Decarbonization Finance Target

As a large North American bank, The Toronto-Dominion Bank (“TD”, the “Bank”, “we” or “us”) aims to have a differentiated strategy – anchored in our proven business model, we are guided by our purpose to enrich the lives of our customers, communities and colleagues. TD’s Environmental, Social and Governance (ESG) Strategy reflects our goal of contributing to a more inclusive and sustainable future for everyone. TD is on a journey to embed sustainability across its businesses.

In 2017, TD was the first Canadian bank to set a financial target to further advance the low-carbon economy, setting a goal of mobilizing \$100 billion by 2030 through low-carbon lending, financing, asset management and internal corporate programs. In 2022, the Bank achieved its \$100 billion low-carbon economy target.

TD continues to look for opportunities to support sustainable growth for its customers and clients, the communities it serves and the economies it supports. That is why TD is proud to establish its Sustainable & Decarbonization Finance Target focused on 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.^{1,2,3}

TD considers sustainable and decarbonization finance to be an important lever to support its ESG Strategy and Climate Action Plan, which has a goal of achieving net-zero greenhouse gas (GHG) emissions from its operations and financing activities by 2050. The annual progress toward this \$500 billion target is one of the ways to highlight TD’s efforts to support our clients in the transition to the low-carbon economy and a more sustainable and inclusive future.

The Sustainable & Decarbonization Finance Target Methodology (the “Methodology”) outlines the approach for categorizing, assessing and reporting on our progress toward the target of \$500 billion by 2030. The Methodology has three main sections:

- Business activities that contribute toward the target, including lending, financing, underwriting, advisory services, insurance and the Bank’s own investments.
- The environmental, decarbonization and social activities eligible to be counted toward the target, including mapping to the United Nations Sustainable Development Goals (SDGs), which also informs our broader ESG Strategy and related reporting.⁴
- Governance process to provide accountability and assign responsibility for quantifying, validating, monitoring and reporting progress toward the target.



¹ Investments held by TD clients are not in scope.

² Progress toward satisfying the \$100 billion low-carbon economy target achieved in 2022 will not be included in the Sustainable & Decarbonization Finance Target. The Sustainable & Decarbonization Finance Target may include activities that are part of other targets or commitments the Bank makes, such as a Community Benefits Plan.

³ TD Bank Group’s own green, social and sustainability bonds will continue to be issued in accordance with TD’s relevant bond framework for that issuance.

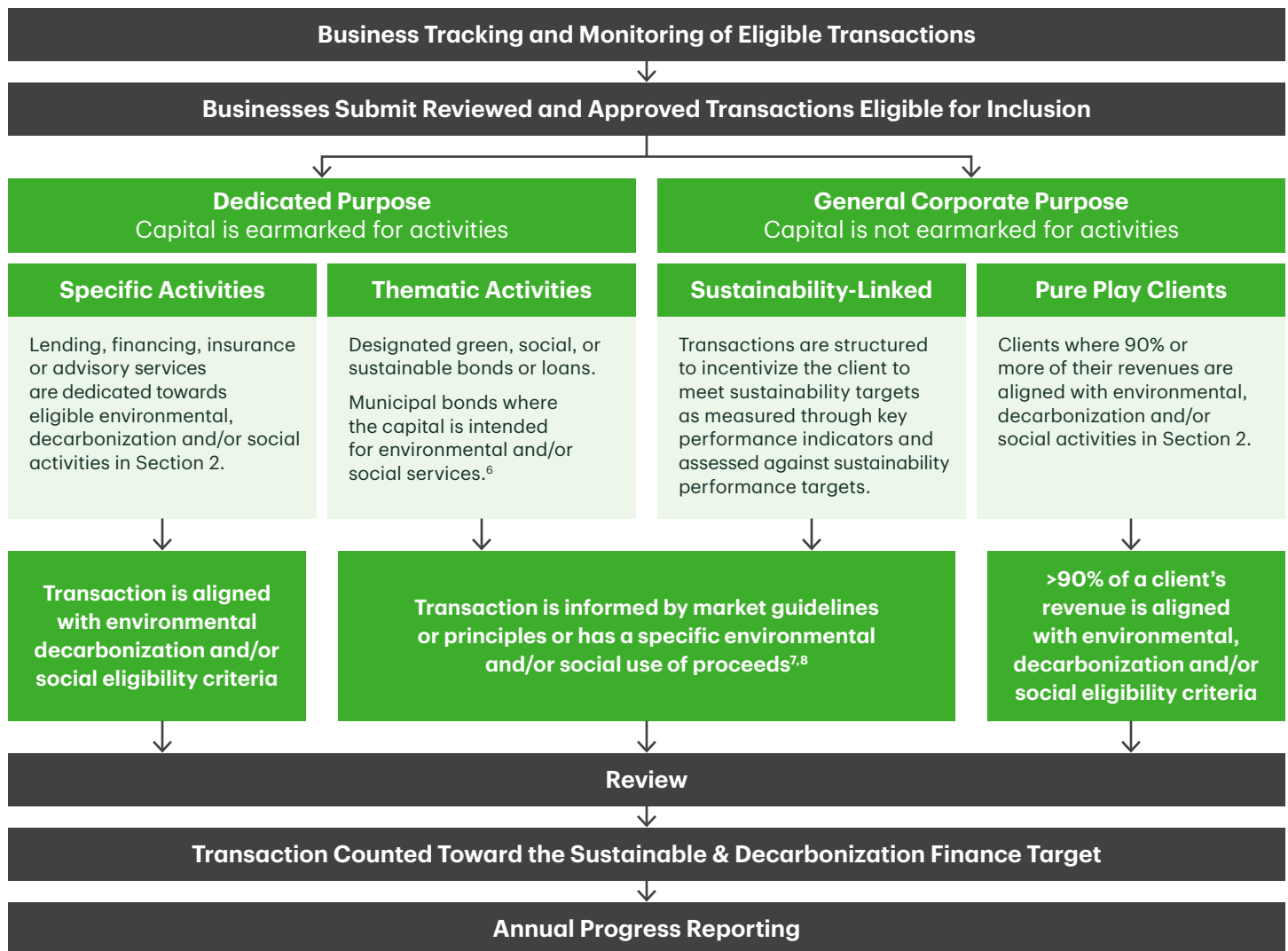
⁴ Mapping of eligible categories to the SDGs is general only and not exhaustive. Specific transactions may be aligned with other SDGs that are not listed.

1 | Business Activities That Contribute Toward the Sustainable & Decarbonization Finance Target

The Sustainable & Decarbonization Finance Target covers key business activities of the Bank, including lending, financing, underwriting, advisory services, insurance and the Bank’s own investments.⁵ In selecting these activities and in developing the approach, TD considered a variety of available standards, guidelines, frameworks and industry practices.

Classification Pathway

The figure below illustrates how TD determines the eligibility of transactions for inclusion toward the Sustainable & Decarbonization Finance Target.



⁵ The Sustainable & Decarbonization Finance Target does not include TD Asset Management or philanthropic activities under The TD Ready Commitment.

⁶ Including health care, education, housing, transportation, water & sanitation, energy efficiency, renewable energy, pollution prevention and control and the circular economy.

⁷ Examples of market guidelines and principles for green, social and sustainable bonds or loans include International Capital Market Association (ICMA) Green and Social Bond Principles; ICMA Sustainability Bond Guidelines; or Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA) and Loan Syndications and Trading Association (LSTA) Green and Social Loan Principles.

⁸ Sustainability-linked transactions are eligible for inclusion if interest payments are tied to the borrower’s performance against predetermined sustainability targets and/or the transaction is informed by relevant guidelines such as the ICMA Sustainability Linked Bond Principles, which apply to bonds that contribute from an environmental, social and/or governance perspective, or the APLMA/LMA/LSTA Sustainability Linked Loan Principles, which apply to loans or contingent facilities that aim to support economic activity and growth that is environmentally and/or socially sustainable.

Business Activities and Measurement Basis

The business activities included in the Sustainable & Decarbonization Finance Target and measurement basis are summarized in the table below. The target includes both new financing and refinancing activities. Because TD is focused on supporting our clients in the transition to the low-carbon economy and a more sustainable and inclusive future across various business streams, if TD provides multiple business activities (as set out in the table below) in respect of the same eligible environmental, decarbonization, social and multi-sector activity (“Eligible Activity”), the value of each such business activity will be counted toward the target. This will result in the aggregate value of these business activities being counted toward the target for the same Eligible Activity.⁹

Business Activities	Description	Measurement Basis	Relevant Guidelines, Principles and Methodologies ¹⁰
Commercial, Corporate and Retail Lending	Commercial/Corporate: Loans, credit lines, project financing, commercial mortgages, municipal finance and sustainability-linked loans	Total authorized amount	APLMA/LMA/LSTA Green Loan Principles APLMA/LMA/LSTA Social Loan Principles APLMA/LMA/LSTA Sustainability Linked Loan Principles TD Sustainable & Decarbonization Finance Target Methodology
	Retail: Secured and unsecured lending (e.g., auto financing and mortgages)		
Advisory Services	Mergers & acquisitions (M&A)	League table value is allocated in full to both buy-side and sell side-advisors upon successful closing	TD Sustainable & Decarbonization Finance Target Methodology
Capital Markets	Debt capital markets (e.g., green, social, sustainability and sustainability-linked bond underwriting)	League table value is allocated to each bookrunner for their portion of the principal amount of the offering/transaction ¹¹	ICMA Green Bond Principles ICMA Social Bond Principles ICMA Sustainability Bond Guidelines ICMA Sustainability Linked Bond Principles TD Sustainable & Decarbonization Finance Target Methodology
	Equity capital markets Municipal underwriting	For private placements, the value is apportioned between bookrunners	
Principal Investments	Limited partnership equity investments held on balance sheet	Total investment amount	TD Sustainable & Decarbonization Finance Target Methodology
Treasury Investments ^{12,13}	Green, social and sustainability bond purchases held on balance sheet	Total investment amount	ICMA Green Bond Principles ICMA Social Bond Principles ICMA Sustainability Bond Guidelines TD Sustainable & Decarbonization Finance Target Methodology
Insurance	Premiums	Value of gross written premiums	TD Sustainable & Decarbonization Finance Target Methodology
Tax Credit Investments	Low-Income Housing Tax Credit investments, Renewable Energy Tax Credit investments and other tax credit investments	Committed value	TD Sustainable & Decarbonization Finance Target Methodology
TD Corporate ¹⁴	Corporate	Total amount spent	TD Sustainable & Decarbonization Finance Target Methodology

⁹ For example, if TD is acting as an advisor on an eligible M&A transaction and is also providing financing with respect to that transaction, then both business activities will count toward the target.

¹⁰ Represents a non-exhaustive list informing our inclusion criteria and, where applicable, measurement basis for each type of business activity. One or more of the listed guidelines, frameworks or methodologies may be used in practice.

¹¹ Reflects the apportioned value of eligible offerings/transactions underwritten by TD.

¹² Net proceeds raised from TD Bank Group’s issuances of green, social or sustainable bonds are not within scope of the Sustainable & Decarbonization Finance Target.

¹³ Based on Bloomberg’s designation as green, social and sustainability bonds or as otherwise permitted pursuant to the TD Sustainable & Decarbonization Finance Target Methodology.






¹⁴ “TD Corporate” refers to the amount spent on internal corporate programs that align with eligible environmental, decarbonization and social activities (e.g., facility upgrades to improve energy efficiency or water conservation, electric and fuel cell charging stations or TD’s own vehicle fleet of zero tailpipe emission or low-carbon passenger vehicles). TD expects this business activity to represent a small portion of overall contribution toward the target.

2 | Eligible Environmental, Decarbonization and Social Activities

The eligible environmental, decarbonization and social activities in the table below support progress toward TD's key sustainability objectives such as climate change mitigation and adaptation and economic inclusion. When selecting these activities TD considered available guidelines, frameworks and standards, such as the ICMA Green and Social Bond Principles and the SDGs, which are mapped to each category below.¹⁵ TD intends to update the eligible environmental, decarbonization and social activities, as appropriate, to reflect evolving market practices, guidelines, frameworks and standards.

Eligible Environmental Activities

As part of TD's ESG Strategy and Climate Action Plan, we are leveraging our business activities to help accelerate the deployment of solutions for cleaner sources of energy, biodiversity, the circular economy and climate change resiliency and adaptation.






Category	Overview of Inclusion Criteria
<p>Renewable Energy</p>  	<p>Acquisition, construction, development, operation, renovation, storage and/or maintenance of one or more of the following renewable energy generation sources:</p> <ul style="list-style-type: none"> • Solar • Wind • Ocean and wave energy • Hydro¹⁶ • Geothermal¹⁷ • Biomass/biogas where the source is derived from residues associated with sustainable agriculture and forestry practices¹⁷ <p>Acquisition, construction, development, operation and/or maintenance of electricity transmission and distribution systems that have:</p> <ul style="list-style-type: none"> • Generation capacity where 90% or more of newly enabled capacity has an emissions threshold below 100 g CO₂e/kWh; or • An average grid emissions threshold below 100 g CO₂e/kWh <p>Acquisition, construction, development, operation and/or maintenance of infrastructure that supports the integration of renewable energy into the grid, including connections of renewables into the grid and increasing transmission capacity of the grid.</p>
<p>Energy Efficiency</p>   	<p>Acquisition, construction, development, operation, renovation and/or maintenance of:</p> <ul style="list-style-type: none"> • Energy distribution, storage and management, including: <ul style="list-style-type: none"> – District heating and cooling systems – Energy storage infrastructure – Digital controls and sensors for demand management – Smart grids which improve electricity transmission efficiency through efforts to reinforce the grid and reduce transmission losses – Energy-efficient equipment

¹⁵ Mapping of eligible categories to the SDGs is general only and not exhaustive. Specific transactions may be aligned with other SDGs that are not listed.

¹⁶ Projects limited to run-of-river and small-scale hydro (under 20 MW) and refurbishment of existing hydroelectric facilities in boreal regions.

¹⁷ Projects with less than 100 g CO₂e/kWh life-cycle emissions.

Eligible Environmental Activities (continued)

Category	Overview of Inclusion Criteria
<p>Green Buildings</p>  	<p>Acquisition, construction, development, operation, renovation and/or maintenance of residential or commercial buildings that:</p> <ul style="list-style-type: none"> • Meet or intend to meet regional, national or internationally recognized standards, including: <ul style="list-style-type: none"> – LEED Gold or Platinum – BOMA BEST Gold or Platinum – BREEAM Excellent or Outstanding – ENERGY STAR minimum of 75 – Passive House Institute – EnerPHit – Toronto Green Standard (v4) Tier 2 or higher – BC Energy Step Code (Step 3 or above); or • Are energy-efficient buildings that are in the top 15% in their respective geographic regions; or • Intend to achieve a minimum 30% improvement in energy use or GHG emissions reduction
<p>Climate Resilience and Adaptation</p> 	<p>Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for projects related to:</p> <ul style="list-style-type: none"> • Climate monitoring (observation and early warning systems) • Nature-based solutions that promote climate resiliency • Flood, drought and fire protection related to climate change • Residential and commercial real estate climate resiliency measures
<p>Clean Transportation</p>  	<p>Acquisition, manufacturing, development, operation and/or maintenance of facilities, systems or equipment used for:</p> <ul style="list-style-type: none"> • Zero tailpipe emission and low-carbon passenger vehicles, including: <ul style="list-style-type: none"> – Electric and fuel cell electric vehicles – Hybrid electric vehicles (<50 g CO₂e/km) – Electric and fuel cell charging stations • Zero tailpipe emission and low-carbon public transit, including: <ul style="list-style-type: none"> – Electrified and fuel cell trains – Electric and fuel cell buses – Hybrid buses (<50 g CO₂/p-km) • Zero tailpipe emission and low-carbon freight vehicles and vessels,¹⁸ including: <ul style="list-style-type: none"> – Electric and fuel cell transport vehicles and trains – Low-carbon transport vehicles and trains (<50 g CO₂/km)

¹⁸ Ships with emissions intensity thresholds below those set out in the International Maritime Organization's (IMO) Initial GHG Strategy.

Eligible Environmental Activities (continued)

Category	Overview of Inclusion Criteria
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p> 	<p>Acquisition, development and/or operation of sustainable management of living natural resources, land use and natural ecosystem protection, including:</p> <ul style="list-style-type: none"> Sustainable agriculture: <ul style="list-style-type: none"> Low-carbon agricultural technologies or projects that improve productivity and efficiency (e.g., reduction in energy, water use and/or GHG emissions) Agriculture practices that maintain or improve existing carbon pools (e.g., decreased fertilizer and/or pesticide usage, low tillage techniques, restoration of degraded lands) Livestock management projects that reduce methane or other GHG emissions such as manure management with biogas digesters Certified organic operations (e.g., Canada Organic, USDA Organic) Sustainable forestry: <ul style="list-style-type: none"> Sustainably managed forests and forest products certified by third parties such as the Forest Stewardship Council, Programme for the Endorsement of Forest Certification or Sustainable Forestry Initiative <p>Conservation of biodiversity or of terrestrial or aquatic ecosystems through preservation, restoration and/or sustainable management activities, such as the protection of coastal, marine and watershed environments certified by the Marine Stewardship Council.</p>
<p>Sustainable Water and Wastewater Management</p> 	<p>Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management, including:</p> <ul style="list-style-type: none"> Collection, treatment, recycling and reuse of water, rainwater and wastewater Improvement to water infrastructure that increases water efficiency Water metering activities to support conservation initiatives
<p>Circular Economy</p> 	<p>Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used to facilitate or carry out circular economy activities, including:</p> <ul style="list-style-type: none"> Substitution of virgin raw materials with 100% recycled or reused materials in manufacturing and industrial processes Production of products that can be recycled or composted in whole or in part, where the input feedstock is from recycled or reused materials Mineral-based materials recovery or recycling in mining and industrial processes Increasing the capacity utilization of a product or asset during its useful life (e.g., through the sharing economy)
<p>Pollution Prevention and Control</p> 	<p>Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for:</p> <ul style="list-style-type: none"> Treatment, collection, reuse, reduction of emissions, reduction of waste and hazardous waste or treatment of contaminated soil Diverting waste and/or hazardous waste away from landfill Landfill GHG emission capture that utilizes municipal or industrial solid waste only when the landfill is no longer operational and emission capture rate is greater than 75%




Eligible Decarbonization Activities

TD's businesses are focused on supporting our new and existing clients in decarbonizing their operations and executing their emissions reduction plans, a key lever of our Climate Action Plan.

Decarbonization is the reduction in or displacement of emission-intensive activities where that reduction or displacement is important for sectoral transformation and supports a client's low-carbon journey. Eligible decarbonization activities outlined in this section are those that align with industry best practice, including the International Energy Agency's Net Zero Emissions by 2050 Scenario (NZE) and other scenarios and guidance developed by external bodies. TD intends to regularly update the eligible decarbonization activities, as appropriate, considering the evolving market practices, guidelines, frameworks and standards.

Activities that will qualify as decarbonization will consider domestic regulatory requirements and industry best practices. In addition to the inclusion criteria set out below, TD will only count decarbonization activities if the client meets the following requirements:

- Client-level net-zero GHG emissions target by 2050 or sooner;
- Interim net-zero GHG emissions targets; and
- Transition planning and climate disclosure

Category	Overview of Inclusion Criteria
<p>Carbon Capture</p> 	<p>Acquisition, development, construction, installation, operation and/or maintenance of carbon capture, utilization and storage (CCUS) such as the implementation of CCUS in industrial facilities, and direct air capture.¹⁹</p>
<p>Low-Carbon Intensity Fuels</p> 	<p>Development, manufacturing, equipment, facilities and/or distribution of low-carbon-intensity fuels,²⁰ including:</p> <ul style="list-style-type: none"> • Liquid clean fuels equal to or below 50 g CO₂e/MJ and gaseous clean fuels equal to or below 36 g CO₂e/MJ <ul style="list-style-type: none"> – Eligible fuel types include hydrogen, ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel and renewable natural gas²¹ – Low-carbon marine fuels such as hydrogen, ammonia, biodiesel and biomethane or liquified natural gas in alignment with the International Marine Organization's emission reduction goals²²
<p>Nuclear Energy²³</p> 	<p>Construction, operation, refurbishment, maintenance, research and development and/or component replacement of nuclear energy facilities, services, systems or equipment such as:</p> <ul style="list-style-type: none"> • New installations in accordance with applicable laws to produce electricity or process heat, including for the purposes of district heating, industrial processes such as hydrogen production or small modular reactors • Increasing operational lifespan while maintaining or improving the level of operational safety • Increasing the output of the existing units used to displace other GHG-emitting electricity generators while maintaining or improving the level of operational safety of such units

¹⁹ To the extent that these CCUS projects store captured CO₂ through an eligible use including dedicated geological storage and storage of CO₂ in concrete. CCUS for the purpose of upstream enhanced oil recovery activities is excluded.



²⁰ Compliant with the Department of Natural Resources Canada's Clean Fuels Program and/or the Government of Canada's Clean Fuel Regulations.

²¹ The Natural Resources Canada's Clean Fuels Program defines renewable natural gas as, "gas that meets the standard for injection into the closest natural gas pipeline and that is either synthetic natural gas from biomass or derived from processing biogas."

²² Aligned with emissions intensity thresholds set out in the IMO Initial GHG Strategy.

²³ In the NZE nuclear power plays an important role in a global pathway to net zero.

Eligible Decarbonization Activities (continued)






Category	Overview of Inclusion Criteria
<p data-bbox="116 327 289 357">Electrification</p> <div data-bbox="116 373 315 470">   </div>	<p data-bbox="389 327 1468 420">Acquisition, development, construction, installation, operation and/or maintenance of facilities, services, systems or equipment used for the electrification of conventional (non-electric) technologies, including:</p> <ul data-bbox="389 436 1481 735" style="list-style-type: none"> <li data-bbox="389 436 1354 495">• Aluminum decarbonization, including thermal efficiency improvement, novel anode technologies and retrofitting of smelters²⁴ <li data-bbox="389 512 1481 604">• Iron & steel decarbonization, including scrap-based production of steel, blast furnace retrofits, iron ore electrolysis, scrap-based electric arc furnaces, retrofitting of smelters or hydrogen-based direct reduced ironmaking <li data-bbox="389 621 977 646">• Cement decarbonization, including electric kilns²⁵ <li data-bbox="389 663 867 688">• Industrial heating, steam and/or cooling <li data-bbox="389 705 1130 730">• All end uses, including space heating, water heating or cooking

²⁴ Aluminum is not explicitly mentioned in the NZE; however, it is an important sector for decarbonization. Activities included considered the World Economic Forum's report *Aluminium for Climate*.

²⁵ Such activities must align to the Climate Bonds Initiative's Cement Criteria (October 2022).

Eligible Social Activities

As part of TD's ESG Strategy, we aim to improve social outcomes through our business activities to help create a more sustainable and inclusive future in areas such as affordable housing, health care and socioeconomic advancement and empowerment.

Category	Overview of Inclusion Criteria
<p>Affordable and Community Housing</p>  	<p>Construction, development, operation, renovation, acquisition, preservation, refurbishment and/or maintenance of facilities, services, systems or equipment used for accredited, qualified and/or registered affordable housing, halfway homes and shelters based on local classification systems, including:²⁶</p> <ul style="list-style-type: none"> • Public programs that facilitate affordable housing • Housing for households or individuals whose income is below 80% of the area median income • Housing where rents are $\leq 30\%$ of pre-tax household income <p>Purchase of residential real estate for households or individuals whose income is below 80% of the area median income.²⁷</p>
<p>Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of SME Financing</p>  	<p>Small to medium-sized enterprises (SME)²⁸ in regions that economically underperform and/or suffer from multiple deprivations as measured in the local context.²⁹</p> <p>Programs designed for an emergency response to a crisis (economic or health, for example) to alleviate unemployment and/or to provide financial support for individuals and businesses.</p>
<p>Affordable Basic Infrastructure</p> 	<p>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for the development of infrastructure for communities that have inadequate or unreliable access to services such as clean drinking water, sewers, sanitation, transport and energy.³⁰</p>

²⁶ The threshold for density of affordable housing is based on applicable definitions within the jurisdiction in which it is built, such as definitions from the Canada Mortgage and Housing Corporation, the U.S. Department of Housing and Urban Development or other regional equivalents.




²⁷ Includes only U.S. residential real estate purchases, with definitions based on criteria and data used for U.S. *Community Reinvestment Act* evaluations.

²⁸ SME based on relevant local definitions and criteria (e.g., in the U.S., small businesses with under \$1 million in annual revenue and/or located in a low-to-moderate income census tract).

²⁹ Definitions and criteria will vary based on the local context (e.g., in Canada, the Canadian Index of Multiple Deprivation, published by Statistics Canada, is used).

³⁰ Includes activities that are outlined in the Sustainable Infrastructure Alliance's *International Standards for Sustainable Infrastructure: An overview*.

Eligible Social Activities (continued)

Category	Overview of Inclusion Criteria
<p>Access to Essential Services: Health Care</p> 	<p>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for publicly available health care, including:</p> <ul style="list-style-type: none"> • Hospitals, clinics, health-care centres, long-term care facilities, hospices and medical and diagnostic equipment • Eldercare facilities and services • Mental health facilities and services • Public health systems, including emergency response and disease control services • Health and medical education, including emergency medical response training • Health care and medical research • Digital health care
<p>Access to Essential Services: Education</p> 	<p>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for public and government-subsidized education, including:</p> <ul style="list-style-type: none"> • New infrastructure for or improvements to universities, colleges, schools and early learning services • Activities that target inclusion of excluded and/or marginalized populations in the education system • Digital learning • In the U.S., accredited Historically Black Colleges and Universities and Tribal Colleges and Universities
<p>Socioeconomic Advancement and Empowerment</p> 	<p>Activities or organizations³¹ that support the socioeconomic development of Indigenous Peoples or underserved individuals or groups³² through activities such as:</p> <ul style="list-style-type: none"> • Increased opportunities for ownership³³ • Employment, income and/or revenue-generation initiatives

Multi-Sector Activities

Transactions that satisfy two or more of the eligible environmental, decarbonization or social activities will be classified as multi-sector.

Designated green, social, sustainable or sustainability-linked bonds or loans that are informed by relevant guidelines and principles are classified as multi-sector.^{34,35}

³¹ Includes both for-profit and non-profit activities and organizations – for example, non-profit, community-based financial institutions, such as Community Development Corporations and Community Development Financial Institutions certified by the U.S. Department of the Treasury Community Development Financial Institutions Fund, Minority Depository Institutions as defined by the Federal Deposit Insurance Corporation and non-profit organizations that provide financing to underserved groups.

³² Individuals or groups of people (including geographic communities) who have been historically disadvantaged and under-represented. In Canada, these groups include, but are not necessarily limited to, the four groups designated by the federal Employment Equity Act as of the date of this document (women, visible minorities, Indigenous Peoples and people with disabilities), as well as 2SLGBTQ+ people and people with low incomes. In the U.S., these groups include, but are not necessarily limited to, Black, Latinx and Indigenous people, Pacific Islanders and other persons of colour; 2SLGBTQ+ people; people with disabilities; women; veterans; and people with low-to-moderate incomes.

³³ Includes opportunities for businesses majority-owned (>50.1%) by individuals who self-identify as a member of an underserved community.

³⁴ Examples of guidelines and principles for green, social and sustainable bonds or loans include ICMA Green and Social Bond Principles; ICMA Sustainability Bond Guidelines; or APLMA, LMA and LSTA Green and Social Loan Principles.

³⁵ A sustainability-linked transaction is eligible for inclusion if it is informed by relevant guidelines such as the ICMA Sustainability Linked Bond Principles or the APLMA/LMA/LSTA Sustainability Linked Loan Principles.

3 | Governance and Reporting

TD has established a governance process to provide accountability and assign responsibility for quantifying, validating, monitoring and reporting progress toward the Sustainable & Decarbonization Finance Target. TD reviews each potentially qualifying transaction identified against the eligibility criteria in this document. This process includes the collection, review and approval of the transactions from the relevant lines of business. Transactions will qualify for inclusion based on the purpose of the transaction and/or the customer's intended use of capital, as determined by TD at the time of the transaction. The transaction descriptions and supporting details submitted by the lines of business will be reviewed by teams separate from the line of business, according to established internal procedures, to confirm that the transaction is eligible for inclusion toward the target. TD intends to report annually, on a cumulative basis, on its progress toward the Sustainable & Decarbonization Finance Target in one or more future ESG-related reports.

The Bank aims to regularly review and, if appropriate, update the methods used to quantify and monitor transactions that meet the eligibility criteria of the Sustainable & Decarbonization Finance Target. TD reports only on eligible environmental, decarbonization and social activities that we are able to measure and assess against the inclusion criteria according to our internal procedures. As a result, our reporting may not capture the full value of the sustainable and decarbonization finance we provide annually.

As market guidelines, frameworks, standards and principles evolve, the activities eligible for inclusion toward the Sustainable & Decarbonization Finance Target may change. TD also monitors and assesses legal, policy, regulatory, economic, technological and stakeholder developments regarding ESG matters. Accordingly, the Bank may adjust the Methodology to reflect these developments. Any such changes could result in TD amending or revising its target, its inclusion criteria or its progress toward its target.

Cautionary Statement Regarding Disclosure on the Sustainable & Decarbonization Finance Target

This document is not required to be prepared or filed by the Toronto-Dominion Bank (the “Bank” or “TD”) under Canadian or U.S. securities laws. While the information provided in this document may be relevant and of interest to our stakeholders, it should not be read as a determination of materiality for disclosure required in our securities law filings. This document also contains statements that are forward-looking, and subject to the Bank’s caution regarding forward-looking statements as set out in the Bank’s Report to Shareholders for the year ended October 31, 2022, which is available at www.td.com.

Because of the limitations and uncertainties inherent in climate and sustainability science and climate and sustainability risk analysis and reporting, the Bank has relied upon various market practices, taxonomies, methodologies, criteria and standards and made reasonable and good faith approximations and assumptions in establishing its Sustainable & Decarbonization Finance Target (the “Target”). However, there are many factors that are the subject of evolving climate and sustainability science and that the Bank may not foresee or be able to accurately predict, which may impact TD’s ability to achieve the Target. Those factors include the availability of comprehensive and high-quality data (including from TD’s clients), the assumptions underlying third-party decarbonization scenarios, economic trends (including changes in interest rates), fluctuations in our clients’ enterprise values, the applicable domestic and international regulatory and legislative regimes, the need for active and continuing participation of stakeholders (including enterprises, financial institutions and governmental and non-governmental organizations), the development and deployment of new technologies and production methods, border measures and the availability of sector-specific solutions, among other unforeseen events or conditions. These and other factors may cause actual results to differ materially from the Bank’s Target and may result in the Bank adapting its Target to reflect a changing climate and regulatory context.

In particular, readers should be aware that in order to set the Target: TD has assumed, among other things, continued growth in its clients’ investments in and expenditures on environmental, decarbonization and social activities in light of regulatory, policy, economic, technological, climatic and other trends. If these assumptions prove to be inaccurate, it may impact TD’s ability to meet its Target.

- TD has also assumed ordinary rates of growth and development of the business. Changes in TD’s business (including in its lending, financing, underwriting and advisory services, and in its own investments), its ownership and control of subsidiaries and its geographic footprint (including through relocations, mergers, acquisitions or dispositions) could have a material effect on TD’s Target.
- In addition, there could be changes to the market practices, taxonomies, methodologies, criteria and standards that regulators, the financial sector, the Bank and its clients use to determine the eligibility of financial transactions and environmental, decarbonization and social activities for inclusion toward sustainability and decarbonization targets. There may also be changes to the methodologies and standards for classifying, measuring, reporting on and verifying such transactions and activities. TD may update the Target, its progress toward the Target and the eligibility of certain transactions and activities, as appropriate, in light of evolving market practices, taxonomies, methodologies, criteria and standards.
- To set, track and report on progress toward meeting its Target, TD must rely on data obtained from clients and other third-party sources. TD’s use of third-party data shall not be taken as an endorsement of the third-party or its data or be construed as granting any form of intellectual property. Although TD believes these sources are reliable, the Bank has not independently verified any third-party data, or assessed the assumptions underlying such data, and cannot guarantee the accuracy of such third-party data or assumptions. The data used by TD in connection with the Target, including to evaluate clients’ intended use of capital, may therefore be limited in quality, unavailable, or inconsistent across certain sectors. Certain third-party data may also change over time as market practices, taxonomies, methodologies, criteria and standards evolve. These factors and related uncertainties could have a material effect on the Target and TD’s ability to meet the Target.
- “Sustainable finance” and “decarbonization” market practices, taxonomies, methodologies, criteria and standards are also evolving. As a result, the Bank’s use of these terms, and its eligibility criteria for the Target, may vary over time with reference to such changes. Any references to “sustainable investing,” “sustainable finance,” “ESG,” “carbon neutral”, “net-zero” or similar terms in this document are intended as references to the internally defined criteria of the Bank and not to any jurisdiction-specific regulatory definition that may exist.

Cautionary Statement Regarding Disclosure on the Sustainable & Decarbonization Finance Target (continued)

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