

Environmental and Social Risk Process

Process to Identify E&S Risks within Non-Retail Lending Business Lines

Operating a complex financial institution exposes the Bank's businesses and operations to a broad range of financial and non-financial risks stemming from environmental and social issues. TD's Enterprise Environmental & Social Risk Policy ("Policy") defines requirements for identifying and managing these risks within the Bank. The Policy is a risk management tool to assess and, where appropriate, limit transactions that could present undue risk to the Bank. TD evaluates risk through a risk-based approach in the ordinary course of business. When such an assessment indicates a heightened level of risk, the Bank conducts enhanced due diligence. Based on TD's risk-based approach and resulting enhanced due diligence, and segment-level and enterprise-level reputational risk committee review, the Bank has determined that lending to clients engaged in the following activities and related transactions¹ currently² would expose the Bank to undue risk:

- Mining of conflict minerals
- Activities within World Heritage Sites unless they are exempted or allowed within the conditions of the World Heritage Site designation or there is prior consensus from both the relevant host government authorities and UNESCO that such activities will not adversely affect the Outstanding Universal Value³ of the site
- Illegal logging operations
- Mountaintop-removal coal mining
- Production or trade of wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

Using the same risk-based approach, the Bank has determined that the following activities and transactions currently present a heightened level of risk, and accordingly will be handled in the manner indicated below:

- **Critical Habitats:** TD will not provide any project-specific financing for assets to be developed in areas of critical habitat except in accordance with International Finance Corporation Performance Standard 6 (Biodiversity Conservation and Sustainable Natural Resource Management).
- **Arctic Oil and Gas:** TD will not provide any project-specific financial services, including advisory services, for activities

that are directly related to the exploration, development, or production of oil and gas within the Arctic Circle, including the Arctic National Wildlife Refuge (ANWR).

- **Thermal Coal⁴:** As of April 30, 2022:
 - TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:
 - any new mining company client that derives 30% or more of its revenue from the production of thermal coal; or
 - any new mining company client that has made a public statement of its intention to expand its thermal coal mining operations;
 - TD will not provide project-specific financing for the development of new thermal coal mines or expansion of existing thermal coal mines;
 - TD will not lend to, facilitate capital markets transactions for, or advise on mergers and acquisitions for:
 - any new power generation client that generates 30% or more of its power (MWh) from unabated⁵ coal-fired power generation; or
 - any new power generation client that has publicly stated an intention to expand its unabated coal-fired power generation operations;
 - TD will not provide project-specific financing for the development of new unabated coal-fired power generation plants or expansion of existing unabated coal-fired power plants.
 - TD will consider exceptions to this Thermal Coal position where a company's individual circumstances indicate that a proposed transaction would not present the same risks otherwise associated with coal-dependent businesses, such as where:
 - the company has publicly stated its goal, target or commitment to phase out its thermal coal activities;
 - the company is making appropriate progress on its own low-carbon transition strategy (e.g., by having a public net-zero commitment with interim targets that follow a science-aligned emissions reduction trajectory); or
 - the use of the proceeds of the loan or the capital markets transaction, or the purpose of the merger and acquisition, is to facilitate the transition of the company's business away from thermal coal.

Additionally, if, as part of our due diligence, a transaction is determined to present unacceptable E&S risks, it will not go forward, even if the client is not engaged in any of the activities listed above.

This information provided above reflects TD's approach to certain clients, has been updated as of November 28, 2023, and is subject to change without notice.

1. If TD's loan or client portfolio changes as a result of merger or acquisition activity, then TD may consider exceptions, for a reasonable period of time after the acquisition.

2. The list of activities and related transactions is periodically reviewed and may evolve over time.

3. As defined by UNESCO, a site must be of "outstanding universal value" to be included on the World Heritage List.

4. For more information, please see our Cautionary Statement Regarding Thermal Coal Position.

5. Unabated coal power generation refers to the use of coal that isn't mitigated with technologies to reduce the CO₂ emissions, such as Carbon Capture, Utilisation, and Storage (CCUS).



Application of Enhanced Due Diligence Processes

Environmental Due Diligence Examples

The below Phase I Environmental Site Assessments⁶ were completed in accordance with TD's due diligence procedures for non-retail credit transactions to assess the associated environmental risks.

TD Bank Group

In 2023, TD provided an operating line of credit secured against 10 income-producing industrial properties located in the greater Montreal area. As part of our pre-funding disbursement conditions, the Borrower was required to provide satisfactory environmental reports (at a minimum, a Phase I Environmental Site Assessment (ESA)), for each property held as security.

A Phase I ESA reported that, for eight of the properties, there were no environmental concerns observed and no further assessments required. Findings for the remaining two properties ("Property 1" and "Property 2", respectively) concluded there was potential for contamination, and Phase II ESAs were recommended. The Phase II ESAs were completed for both properties and the findings were that groundwater quality did not meet Quebec's Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (MELCCFP) requirements.

It was noted that Property 1 did not meet MELCCFP requirements for groundwater resurgence, and the groundwater analysis revealed concentrations of heavy metals beyond the applicable limits. Thus, ongoing monitoring of the environmental quality of the groundwater was to be completed on the site. In Property 2, the soil revealed contamination concentrations beyond the standards of Quebec's Environmental Quality Act.

As a result of this contamination, the Environmental Professional recommended ongoing monitoring be completed in order to decide on the environmental quality of the sites' groundwater. The Borrower was also required to register a notice of contamination in the land register.

Given these findings, the Branch conditioned an additional reporting covenant in the credit agreement to ensure groundwater testing is done on an annual basis for both properties. These items are to be monitored for a period of three to five years and will be assessed/addressed on an ongoing basis. The addition of this reporting covenant enables the Branch to confirm the required monitoring is taking place and that any issues arising as a result of the testing/monitoring are addressed according to municipal standards for soil protection and remediation of contaminated land.

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TD Bank was approached for a loan to purchase a collateral property in the Southeast United States under the United States Small Business Administration Loan Program in 2022. A Phase I ESA was completed which identified an adjacent former dry cleaner as a Recognized Environmental Condition (REC),

which highlights a possible source of contamination.

A Phase II ESA was completed to determine if potential groundwater contamination associated with the former dry cleaner operations was migrating to and impacting the collateral property. A subsurface investigation of soil and groundwater along the collateral property boundary with the former dry cleaner property identified no regulatory exceedances. Based on the Phase II ESA results relative to the Phase I ESA findings, TD Bank recommended no further action and the deal was closed.

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In 2022, TD Bank was approached for a loan to purchase a collateral property in the Northeast United States. A Phase I ESA identified various commercial and industrial uses of the collateral property since 1955. The collateral property was confirmed to be a known contaminated site with significant contamination associated with a former tenant. Environmental conditions identified by the Phase I ESA include the following:

- **Historic Fill** – there is contaminated historic fill onsite which is being managed by deed restrictions and engineering controls.
- **Groundwater contamination** – assessment of groundwater contamination is on-going with continued monitoring and remediation to be completed by the Responsible Party.
- **Vapor intrusion** – elevated sub-slab vapor concentrations are being addressed by a passive, sub-slab depressurization system. The system is subject to on-going monitoring and annual sampling to confirm the effectiveness of the system. The remediation system operation and on-going monitoring and reporting are the responsibility of the Responsible Party.

The Responsible Party will oversee the managing of the groundwater monitoring and remediation until regulatory closure has been achieved and will continue to be responsible for the sub-slab depressurization system operation until regulatory approval is attained.

Since the known contamination is under regulatory oversight with the costs to be paid by the Responsible Party, the Phase I ESA Environmental Professional did not recommend further investigation. The Phase I ESA was reviewed by TD Bank. Although the collateral property was a known contaminated site, the mitigating factors of a Responsible Party and an Environmental Insurance Policy, which was being re-assigned to the Borrower, allowed TD Bank to conclude that the collateral property represented an acceptable environmental risk. No further action was recommended, which allowed the deal to close.

November 2023

6. A Phase I Environmental Site Assessment is a preliminary site investigation to determine if there is a potential for contamination to be present on a site.

