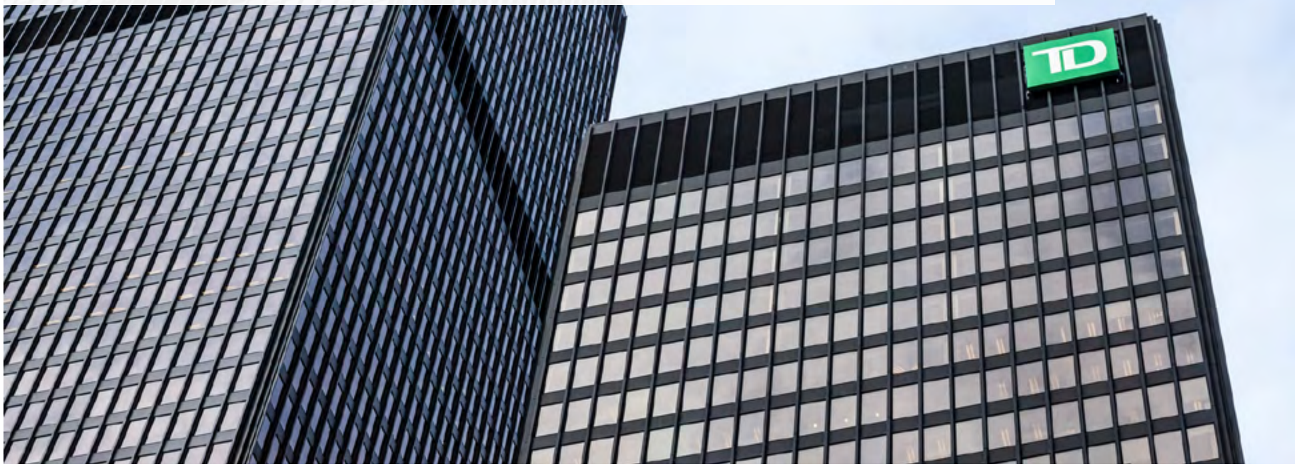
INVESTOR BRIEF: TSX, NYSE: TD

CONTEXTUAL INFORMATION REGARDING NET ZERO SHAREHOLDER RESOLUTION FILED AT TD BANK



VOTING INFORMATION

Meeting date:	**April 20, 2022**
Proxy cut off date:	Intermediaries must receive instructions by **9:30 am EST on April 18**.
Voting information:	here

NOTE: NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found here.

CONTACTS

Matt Price, I4PC Director of Corporate Engagement, matt@investors4paris.com
Kyra Bell-Pasht, I4PC Director of Research and Policy, kyra@investors4paris.com

INVESTORS *for* PARIS COMPLIANCE

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BACKGROUND

On November 9, 2020, TD announced its commitment to "achieve net-zero greenhouse gas (GHG) emissions associated with its operations and financing activities by 2050, aligned to the associated principles of the Paris Agreement."

This announcement was particularly welcome considering TD faces outsized transition risk due to its extensive involvement financing the fossil fuel industry. On a global scale, TD ranks as the 11th most significant bank financing fossil fuels, at over US$141 billion since the Paris Agreement.

That financing includes over US$16 billion towards fossil fuel *expansion*. The International Energy Agency's net zero pathway concludes that there is no need for investment in new fossil fuel supply. An example is TD's participation in financing the TransMountain pipeline to expand oil sands delivery, including providing a financial rationale for the project that was disputed by Canada's Parliamentary Budget Officer.

TD'S VAGUE AND INSUFFICIENT CLIMATE PLAN

Since its 2020 announcement, TD has made good progress on measuring and disclosing its financed emissions. I4PC gave TD better marks than its Canadian peers for this in its banking net zero report card.

But in terms of its interim target setting, TD has resorted to setting only weaker "intensity based" sectoral 2030 reduction targets rather than absolute targets that would be consistent with its 2050 absolute commitment. Intensity targets are per unit of output/investment that do not guarantee absolute progress since activity could increase, thereby raising emissions.

Likewise, TD is yet to establish any clear policies or actions that demonstrate to investors that it is actually changing its practices towards meeting its targets. Instead, it points to various processes, governance, enhanced analysis and risk management, and engagement, but fails to disclose metrics or particulars that demonstrate how these contribute in a quantitative manner towards its targets.

In one case where TD has disclosed actual metrics—its coal policy updated in 2022—this falls short of what is required by climate science (see Appendix II here). TD narrowly applies its coal policy to "new" clients and does not commit to reducing its overall coal exposure on the requisite timeline. The 2021 Global Coal Exit List estimates that TD engaged in US$5.3 billion in coal lending and US$6.2 billion in coal underwriting.

TD relies heavily on "client engagement" as a strategy to meet net zero, but fails to disclose what it considers to be a credible client transition plan nor what it will do with clients who do not meet one over time. There is no accountability to ensure progress and no commitment to disclose results.

TD has set a laudable $500 billion by 2030 target for Sustainable and Decarbonization Finance. As with most banks, however, it is unclear how this sustainable financing stream relates—if at all—to the bank's net zero targets since there is no measure of aggregate impact. TD also sets no guardrails against this financing ending up in "sustainably linked" instruments that actually increase overall emissions.

TD RESPONSE AND REBUTTAL

In its proxy circular (page 87) TD includes an opposition statement to the proposal. We have written a more extensive rebuttal to this statement, but here are the most salient points:

- TD does nothing in its opposition statement to refute the basic premise of the proposal that the bank lacks specificity in its transition plan. The bank continues to rely on vague processes that don't inform investors about what it is actually doing in concrete terms.

- TD's opposition statement is revealing in its discussion of its 2030 intensity-based targets, implying that they aren't mathematically consistent with its 2050 absolute target, since the bank's own analysis indicated that to set appropriate absolute 2030 targets would have been "drastic" given the state of its client base. The bank provides no disclosure of this analysis nor a credible solution to this challenge, leaving investors with the impression that the bank is delaying necessary choices, thereby creating greater transition risk in the future.

PEERS

Many of TD's peers are disclosing and implementing more concrete transition planning steps, including:

- **Absolute targets.** Intensity targets by themselves do not add up to the absolute reductions needed for net zero by 2050. Other banks have set absolute targets for oil and gas, including Bank of Montreal, Citi, and Wells Fargo.

- **Fossil fuel policies.** Other banks have set policies to phase down overall fossil fuel financing (particularly for the most carbon intensive fuels like coal and oil sands), or to limit financing for "new" fossil fuels, consistent with the IEA's net zero pathway. These include HSBC, Barclays, Lloyds, BNP Paribas, ING, Societe Generale.

- **Client evaluation and escalation.** "Client engagement" is often held up as a key decarbonization lever, but is a black box without banks publicly releasing evaluation criteria and reporting on client progress – including accountability for lack thereof. Banks with greater disclosure regarding client evaluation and escalation include Citigroup, Danske Bank, Credit Suisse, Mizuho Group, and NatWest Group.

ENGAGEMENT WITH TD

The shareholder proponents had several engagements with TD staff, all of which were courteous and polite. To its credit, TD made available relevant staff to explain the bank's views on the various issues raised in the proposal and to hear the proponent's concerns. While TD staff listened, the subsequent information shared and responses given didn't substantially meet the ask of the proposal, necessitating a vote.

THE SHAREHOLDER PROPOSAL

RESOLVED: Shareholders request that TD disclose a transition plan that describes how it intends to align its financing activities with its 2030 sectoral emissions reduction targets, including the specific measures and policies to be implemented, reductions to be achieved by such planned measures and policies, and timelines for implementation and associated emission reductions.

SUPPORTING STATEMENT

In 2022 TD released an updated Climate Action Plan in response to its commitment to achieve net zero financed emissions by 2050.

While TD's updated Plan provides more clarity on the measurement of financed emissions, its intensity-based 2030 targets don't align with the absolute 2050 target TD has committed to and the Plan lacks clarity as to the specific measures and policies that TD will implement to achieve progress.

For example, TD discusses the existence of its "Climate Target Operating Model" with "sequences and actions," but does not disclose what those are. Similarly, TD says that it continues to embed climate risk into its enterprise risk framework, but does not disclose whether and how this is related to meeting its targets.

TD says that it is making good progress towards its $100 billion "low carbon" lending, financing, and asset management target, but it's unclear whether and how this relates to its emission reduction targets as TD does not systematically quantify and disclose the impact of this activity on emissions.

TD's need for a credible transition plan is acute considering the bank is particularly exposed to transition risk. A recent study concluded that TD has the highest financed emissions—at 447 million tonnes CO_2 equivalent—of any Canadian bank.[1]

TD is yet to adopt any policy to phase down its exposure to fossil fuels, including in its updated 2022 coal policy. On the contrary, it is still involved with financing fossil fuel expansion projects such as the Trans Mountain pipeline and Coastal GasLink project.

1 https://oxfam.qc.ca/wp-content/uploads/2022-canada-banks-carbon-footprint-report.pdf
2 https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b15-dft.aspx#toc1

This uncertainty about whether and how TD will meet its climate targets represents a material business risk given the shifting regulatory environment. The Office of the Superintendent of Financial Institutions is developing climate risk management guidance that will require TD to have a Climate Transition Plan to manage "increasing physical risks from climate change, and the transition towards a low-GHG economy."[2]

Similarly, the Glasgow Financial Alliance for Net Zero, of which TD is a member, recommends that financial institutions have a transition plan that contains "a set of goals, actions, and accountability mechanisms to align an organization's business activities with a pathway to net-zero."[3] TD is yet to meet this bar.

TD's peers disclose greater specificity regarding how they will reach net zero, including absolute 2030 targets (BMO, Citi, Wells Fargo), fossil fuel financing reductions (Lloyds, BNP Paribas, ING, Societe General), and public disclosure regarding client net zero evaluation and progress (Credit Suisse, ANZ Group). This proposal is consistent with one filed and withdrawn by MÉDAC last year.[4]

To address uncertainty and increase transparency, we urge shareholders to vote FOR this proposal.

3 https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

4 https://www.td.com/document/PDF/investor/2022/E-2022-Proxy-Circular.pdf