

# TD Bank Financial Group Environmental Management Framework

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## I. Introduction

The TD Bank Financial Group (“TD”) is committed to the principles of sustainable development<sup>1</sup>. As a responsible corporate citizen, TD recognizes that environmental and social sustainability are important to long-term economic growth. The incorporation of a sustainability perspective helps us to reflect the values of all stakeholders in everything we do, in addition to being fundamental to risk management and the protection of investors.

Given our position as a leading North American financial services firm, we have a responsibility to manage and marshal our resources in a way that promotes the wellbeing of communities and the environment. That means paying attention to issues such as biodiversity<sup>2</sup> and the health of forest ecosystems and climate change, which are of concern to our stakeholders so that we can focus our efforts on making a difference in these important areas.

Environmental and social issues are changing the context and determinants of success for our clients, employees, suppliers and TD itself by creating both opportunities and risks. We believe that leveraging these opportunities and managing these risks will yield multiple benefits for society and TD – including a healthier environment, improved social outcomes and new products and services to support our clients and partners, all of which are beneficial for the long-term success of our business and shareholder value.

TD first adopted an environmental policy in 2005. This Framework updates our policy’s implementation plan and provides greater detail about our environmental management system. The Framework is based on a careful analysis of our business and client base and incorporates input from our stakeholders.

While there are a host of important issues, TD has listened to stakeholders and organized our environmental framework around the following:

- Forest Biodiversity
- Climate Change
- Aboriginal Peoples
- TD’s Operational Footprint

Our strategy concerning TD’s operational footprint covers businesses across TD and its wholly-owned subsidiaries, while the other commitments outlined below (see sections II through V) concern our wholesale bank – TD Securities. We see this framework as a critical step in the development of a formal and documented environmental management system, and a benchmark for ongoing improvement.

## **II. Environmental Risk Framework**

TD is committed to carefully assessing all risks, including environmental risks, in our business. We will continue to strengthen our existing environmental risk management and due diligence process, and focus on best practices for integrating an understanding of overall environmental issues, laws and liabilities into our analysis of proposed credits and investments.

As one indication of this commitment and as a well-established framework for our approach, TD is adopting the Equator Principles for business in its wholesale banking group. Based on the policies of the World Bank and its private sector arm, the International Finance Corporation, the Equator Principles were developed to provide a framework for determining, assessing, and managing environmental and social risk in project financing. The scope, intent and procedures of the Equator Principles can be viewed at [www.equator-principles.com](http://www.equator-principles.com).

In addition, TD will enhance our analysis of financing transactions involving industries with high potential for environmental impact (such as oil and gas, metals and mining, utilities and forestry) throughout all regions where we do business. For these industries, TD will develop industry-specific due diligence procedures that review critical environmental and social issues. In developing these due diligence tools, we will be guided by the process and issues outlined in the Equator Principles, including categorizing transactions based on their environmental and social risk profile. It is our goal that this enhanced due diligence process will help us continue to assess and manage risk and engage our clients around critical issues facing their businesses.

## **III. Forest Biodiversity**

Forests globally, and forests in Canada – including those of high conservation value - are vulnerable to the impact of development. To take account of this vulnerability, TD is assessing and further developing its practices and guidelines for transactions that affect forest-based biodiversity. These practices and guidelines will apply to industrial activity in forests that in addition to forest products can include mining, oil and gas exploration and production, pipelines and other transportation corridors, and hydro-power facilities.

- TD will engage clients that are active in forests to improve our understanding of the relevant risks and opportunities, including:
  - their operations in identified high conservation value forests and their actions to maintain these values<sup>3</sup>;
  - the assessment process they use to evaluate high conservation values in areas that are not well researched;
  - their interaction with Aboriginal people regarding forestry issues;
  - for project financing, the extent to which clients are aware of any independent, multiparty, documented land-use planning processes that are seeking interim protection for the lands in question;
  - their adherence to a recognized certification program for sustainable forestry (if they are involved in logging or primary processing of timber); and

- their recognition of widely-recognized best practices if they are involved in other industrial activities.
- Where there is a known use of proceeds, TD will not provide credit, underwriting, or advisory services for operations that are in World Heritage sites<sup>4</sup> or for those that significantly convert or degrade<sup>5</sup> critical natural habitats.<sup>6</sup>
- TD will not knowingly provide financing to clients that collude with, or purchase timber from illegal logging operations. With clients that source wood products from countries considered to be of high risk for illegal logging, we will discuss the management systems they have in place to assure the legal origins of their materials.
- TD will only finance forestry operations for clients who have obtained or are on a pathway to obtaining the Forest Stewardship Council (“FSC”) certification<sup>7</sup>, unless a comparable assessment process underpins a conservation plan<sup>8</sup>.
- In Canada we will consider opportunities to support the development of independent informational resources regarding conservation assessment and planning.<sup>9</sup>

Canada houses abundant areas of biodiversity. The Canadian Boreal Forest (the “Boreal”) has been identified as a unique and important part of the national landscape, economy and the Canadian cultural heritage. The Canadian Boreal stretches from the Yukon to the Atlantic Ocean. Canada’s Boreal supports billions of migratory birds and in localized areas, some of the world’s largest remaining populations of woodland caribou as well as bears and wolves. TD supports the efforts of our clients and other stakeholders in advancing the Canadian dialogue and plan for the continued health of the Boreal ecosystem.

- TD will work with industry and other interested groups to improve our understanding of the key long-term challenges to the ecological integrity of the Boreal. Specifically, TD will engage the Canadian Boreal Initiative (“CBI”)<sup>10</sup> regarding the Boreal Forest Conservation Framework and their work to conserve the natural, cultural and economic values of the boreal region.

#### **IV. Climate Change**

We acknowledge that Climate Change is a critical and long-term issue that will have a significant negative impact on the global economy and society if left unchecked<sup>11</sup>. We believe it is important for all Canadian institutions and businesses to consider their role in shaping solutions to Climate Change. As a provider of financial solutions, we are committed to working with our clients and policymakers to help address and mitigate the particular risks and leverage opportunities created by Climate Change.

TD has developed a set of commitments regarding its engagement of clients around this issue, the broader role of the Bank in the public dialogue on Climate Change, and finally the management of greenhouse gas emissions from our own operations.

- TD will engage those clients that are active in carbon intensive industries (oil & gas, coal, electricity generation, metals production, etc.) to improve our understanding of

their climate-related risk and associated mitigation plans. We will also integrate an understanding of climate change, greenhouse gas emissions, the potential pricing of carbon, and management strategies for dealing with these challenges in our analysis of transactions in carbon intensive industries. Our review will therefore include:

- the greenhouse gas emissions of the industry and operations of a company;
  - management's strategy for operating in a carbon-constrained economy; and
  - the possibility that carbon regulations or carbon prices might materially affect the borrower's ability to repay, or the value of our collateral.
- We will develop and incorporate an assessment of climate risk for carbon intensive sectors into our existing industry review processes.
  - We will review developments and opportunities related to potential carbon trading markets, and energy efficient renewable energy and clean power technologies.
  - As part of our ongoing participation in various public policy forums, including through our community investments and the TD Friends of the Environment Foundation, TD will contribute to research, dialogue and plans aimed at building greater consensus on policy strategies for achieving meaningful reductions in Canada's greenhouse gas emissions. In addition, we will review information regarding the physical impacts and resulting risks stemming from Climate Change.

## **V. Aboriginal People**

TD acknowledges the social and economic challenges affecting many Aboriginal communities in Canada, and elsewhere in the world<sup>12</sup>. TD also recognizes that the identities and cultures of many Aboriginal people are linked to the lands on which they live and the natural resources on which they depend.

We agree that Aboriginal people should be able to provide free and prior informed consent on projects and activities affecting their community<sup>13</sup>.

- As part of our commitment to this principle, we will engage our clients regarding their review of land claims and/or treaty obligations and the related risks these may pose, and management's strategies to address these issues.
- As part of our ongoing participation in various public policy forums and through our community investments, TD will support social and economic development initiatives for Canada's Aboriginal communities.

## **VI. TD's Operational Footprint**

TD strives to operate and manage our properties, products and services in an environmentally sensitive manner.

- TD will develop environmentally sound procurement practices for our major purchase categories which integrate environmental criteria and considerations into our supplier assessment processes.
- TD will develop paper and wood consumption specifications that are aligned with our goals of maintaining healthy forest ecosystems. In particular, we will take steps to reduce our paper use across our operations and will procure forest products from certified sources<sup>14</sup>.
- TD will assess greenhouse gas emissions in our operations and evaluate and implement strategies for emission reductions, with a view to announcing reduction targets in 2008.
- TD will continue to develop a process to track, report and manage our operational footprint performance.
- Through our Corporate Responsibility Report, TD will report annually on its operational performance, where the data is available, including energy consumption for owned and leased facilities, waste management and recycling.

## **VII. Implementation and Governance**

### *Management*

In 2006, TD created a Corporate Environmental Affairs team to inform, coordinate and oversee the implementation of our environmental efforts. The team will be an enterprise-wide resource on environmental issues, and will coordinate with businesses in the development and implementation of procedures to accomplish the commitments outlined in this framework. The team will also lead in the development of training, stakeholder engagement and reporting.

### *Governance*

Corporate Environmental Affairs reports to the Vice Chair for Corporate Operations, who is a member of TD's Executive Management Team. The Environmental Steering Committee, made up of business directors from across TD, will provide guidance and support regarding the management and implementation of TD's environmental policy and environmental management system. The Risk Committee of the Board will review the company's environmental policy annually. Finally we recognize that the context for consideration of the issues in this framework – particularly Climate Change – is shifting rapidly. Policy and solutions development

are moving at such a pace that we think it will be important for TD to review its efforts in this area on an annual basis.

### *Training and Education*

TD will enhance our employees' understanding of environmental issues affecting our businesses and operations through education and training. In addition to specific training for key individuals, we will develop resources to help educate employees about the implementation of this framework and to recognize and act on new opportunities to reduce TD's environmental footprint and encourage our clients to do the same.

### *Reporting*

Since 2002 TD has published an annual Corporate Responsibility Report. In the future, these reports will outline the progress TD has made in the implementation of this Framework.

In 2007, TD will launch an enhanced environmental section on its website. It will provide access to this Environmental Framework and periodic updating on our progress in implementation.

Reporting on our operational footprint will include reference to baseline data and numerical targets as they are established.

We will refer to the Global Reporting Initiative ("GRI") for guidance as we develop our reporting<sup>15</sup>.

### *Public Engagement/Consultation*

TD has consulted with a range of external groups in the development of this Framework. Going forward, we will continue to seek input from and contribute to environmental discussions through meetings and open dialogue with other financial institutions, shareholders, clients, non-governmental organizations, academia and government. We will continue to look to external partners for valuable input on informational resources that may benefit the effective implementation of this framework.

## Endnotes

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<sup>1</sup> The concept of sustainable development gained worldwide momentum with the publication of *Our Common Future* by the World Commission on Environment and Development in 1987, also known as the Brundtland Commission. The Commission defined sustainable development in the publication as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” This definition considers that while development may be essential to satisfy human needs and improve quality of life, it should occur in such a way that the capacity of the natural environment to meet present and future needs is not compromised.

<sup>2</sup> Biodiversity is a contraction of the term “biological diversity” and means the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. This definition is taken from the text of the Convention on Biological Diversity, one of the key agreements adopted at the 1992 Earth Summit in Rio de Janeiro. You can find the definition and more information about the Convention on the website of The Biodiversity Convention Office (BCO), which serves as Canada's National Focal Point for the United Nations Convention on Biological Diversity and the Canadian Biodiversity Strategy. See: <http://www.cbin.ec.gc.ca/about>

<sup>3</sup> The actions clients are taking to preserve high conservation values include those pertaining to endangered, threatened, rare and endemic species and habitat, large intact forests with viable populations, cultural artifacts, and ecological resources (e.g. water) that are an important source of livelihood to local communities.

<sup>4</sup> There are currently 788 World Heritage sites that were nominated by the member countries and selected by independent review panels for their natural and cultural values.

<sup>5</sup> As outlined in the IFC's Performance Standard 6 and followed by the Equator Principles: “significant conversion or degradation” is: (i) the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (ii) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

<sup>6</sup> Critical natural habitats are existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process).

<sup>7</sup> The Forest Stewardship Council (FSC) is an international organization that encourages the responsible management of the world's forests. FSC sets high standards to ensure that forestry is practiced in an environmentally responsible, socially beneficial, and economically viable way. There are other credible, internationally recognized forest stewardship certification schemes that assure that timber is produced legally and comes from broadly sustainable sources.

<sup>8</sup> The Canadian Standards Association's Sustainable Forest Management Standard (CSA), the Forest Stewardship Council Standards (FSC) and the Sustainable Forestry Initiative (SFI), all contribute to sustainable forest management. See: Canadian Council of Forest Ministers – Fact Sheet at [http://www.sfmcanada.org/english/pdf/Cert\\_Fact%20Sheet\\_E\\_US.pdf](http://www.sfmcanada.org/english/pdf/Cert_Fact%20Sheet_E_US.pdf).

<sup>9</sup> There are several sources on conservation assessments specific to Canada. See High Conservation Value Forest Support Document, WWF-Canada, 2005 (developed in consultation with the Forest Products Association of Canada); and Boreal Conservation Planning Principles, CBI, 2005. The Nature Conservancy, the Canadian Boreal Initiative, researchers at the

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Conservation Biology Institute and Global Forest Watch Canada recently created a new resource called the Boreal Information Center (BIC). BIC aims to provide a web-based, comprehensive data source on geographically specific forest values and thereby provide input to conservation assessment and planning. See [www.borealinfo.org](http://www.borealinfo.org).

<sup>10</sup> Established in December of 2003, the Canadian Boreal Initiative (CBI) is an independent organization working with conservationists, First Nations, industry and others to link science, policy and conservation activities in Canada's boreal region. See: [www.borealcanada.ca/](http://www.borealcanada.ca/)

<sup>11</sup> See Executive Summary of the Stern Review on the Economics of Climate Change: [http://www.hm-treasury.gov.uk/media/999/76/CLOSED\\_SHORT\\_executive\\_summary.pdf](http://www.hm-treasury.gov.uk/media/999/76/CLOSED_SHORT_executive_summary.pdf)

<sup>12</sup> Since the overwhelming majority of TD Securities' business is with North American companies operating primarily in North America, this framework focuses on the aboriginal peoples of North America. Section 35 of the Canadian Constitution Act, 1982 defines "Aboriginal Peoples" to include the Indian, Inuit, and Métis peoples. US law typically defines Indians to be the indigenous peoples of the continent at the time of European colonization.

<sup>13</sup> A series of recent Canadian Supreme Court decisions (*Haida Nation*, *Taku River Tlingit and Mikisew Crew First Nation*), have established a series of legal precedents. The Canadian government has an obligation to consult with aboriginal groups when a decision affects the exercise of aboriginal right or title. Government may delegate this responsibility to companies, but the obligation remains the responsibility of government. The degree to which the government must accommodate an aboriginal people (up to and including "consent") is dependent upon the strength of the right or title and the degree to which the decision our affect that right or title. The Court's decision in *Mikisew Crew First Nation* explains these principles and is available at <http://scc.lexum.umontreal.ca/en/2005/2005scc69/2005scc69.html>.

<sup>14</sup> See Endnote #8.

<sup>15</sup> See <http://www.globalreporting.org/Home>.