

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD framework is a set of recommendations for disclosing climate-related financial risks and opportunities structured around four pillars: Governance, Strategy, Risk Management, and Metrics and Targets. The following describes Toll Brothers' management of climate-related risks and opportunities within this framework.

OVERVIEW

With annual home building revenues over \$10 billion, over 70,000 home sites owned or controlled at our latest fiscal year end, and operations across all regions of the country, we are among the nation's largest home builders and developers of land. Risks and opportunities related to climate change could therefore have an impact on our business, and in particular on our ability to control, own, entitle and develop land for residential use.

In our business, we generally pursue land opportunities that support our strategy of creating thriving luxury communities in the most desirable locations—at the corner of “Main and Main.” The communities we create tend to be located in some of the most difficult, highly regulated markets in the United States. Over the years, land use regulations and building codes have become increasingly stringent in terms of environmental restrictions, building component requirements, and construction techniques, which has resulted in new homes being much more resilient and able to achieve greater energy efficiency and higher rates of resource conservation when compared to homes built just a few decades ago. These are features that many home buyers value.

Beyond living in more energy-efficient, resilient, and sustainable homes, modern home buyers want to live in communities that foster a sense of place and exist in harmony with the surrounding environment. Therefore, both as a matter of business strategy and increasing regulation, we continually integrate environmental and climate considerations into our approach to buying and

managing land and building homes, including with respect to environmental hazards such as flood and wildfire risks, sustainable transport, promoting local economic development, walkability, proximity to mass transit, local businesses, and redevelopment.

At Toll Brothers, our environmental and climate-related priorities include:

- Supporting our company's growth by meeting or exceeding customer expectations related to sustainable products and energy-efficient homes
- Improving our operational efficiency, including lowering costs and reducing the environmental footprint of our operations and supply chain
- Fostering a company culture of sustainability that engages and attracts people who want to make a difference
- Engaging with our stakeholders on environmental issues
- Demonstrating our commitment from the top, including continued integration of sustainability into company decision-making

The discussion below provides a more detailed overview of the ways in which we at Toll Brothers view climate-related risks and opportunities, structured around the TCFD's four climate pillars.

GOVERNANCE

Our full Board of Directors generally oversees the company's sustainability goals and objectives, which include climate-related risks and opportunities. Execution of the company's sustainability strategy is overseen by

the company's senior management team. Management is responsible for setting direction and driving accountability as we address important issues, work with key stakeholders, and measure and report our progress, including with respect to climate change.

Management of climate-related risks and opportunities is incorporated into our day-to-day operations, processes, and overall risk management systems, and involves numerous departments and levels throughout our organization. Oversight of some of the key risk areas is incorporated into the roles and responsibilities of the following departments and individuals both in the field and in our corporate office:

- Our Land Acquisition teams oversee the process for environmental assessments of land and lots and consult with our divisions on conditions or issues as necessary
- Our Divisional Operations, Architecture, and Purchasing personnel are all responsible for building quality homes that adhere to local regulations and requirements for construction, energy codes, certificates of occupancy, and similar regulations
- Toll Integrated Systems (TIS) is responsible for manufacturing and supplying quality engineered construction components that meet stringent regulatory and internal standards in many of our markets
- Our National Purchasing team manages relationships with national vendors and identifies solutions to help maintain a sustainable supply chain
- Risk Management is responsible for preparing for and preventing property loss and personal injuries, helping to establish emergency preparedness procedures and safety protocols for our construction activities, and overseeing the operations of our captive insurance company
- Human Resources and Legal oversee the day-to-day management of employee-related and regulatory risks
- Investor Relations and Legal are responsible for oversight of regulatory updates related to sustainability disclosures and data requirements, managing engagement with investors and other stakeholders, preparing and compiling sustainability-related reporting and disclosures, and providing insights and updates to the executive team and Board of Directors, and
- Toll Brothers Mortgage monitors and implements any necessary actions in response to updated regulations for financing.

The executive management team actively oversees each of the functions listed above and stays apprised of the key elements of each risk area through their day-to-day oversight functions.

STRATEGY

Toll Brothers has been operating since 1967 and became a public company in 1986. We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached home, attached home, master-planned, and urban low-, mid-, and high-rise communities. We serve first-time, move-up, empty-nester, active-adult, and second-home buyers, as well as urban and suburban renters. We build in over 60 markets in 24 states: Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Maryland, Massachusetts, Michigan, Nevada, New Jersey, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Washington, as well as in the District of Columbia. We operate our own architectural, engineering, mortgage, title, land development, insurance, smart home technology, and landscape divisions. We also develop master-planned and golf course communities and operate our own lumber distribution, house component assembly, and manufacturing operations.

Our home building operations are our core business, and we spend significant time and resources identifying, entitling, and developing land parcels and building, selling, and closing homes. Before entering into an agreement to purchase or acquire control of a land parcel, we complete extensive diligence, including comparative studies and analyses that assist us in evaluating the acquisition. These analyses may include soil tests, environmental studies, an evaluation of necessary zoning and other governmental entitlements, and extensive market research to evaluate if and which of our product offerings are appropriate for the market.

We actively identify, contract for, and purchase land and lots on essentially a daily basis. However, the time frame from identification of a land parcel to finished lots ready for home construction can vary significantly by parcel and by market, depending on the state of the land, entitlement requirements, and development timelines, among other factors. Because of this, we are typically identifying land and lot positions for several years into the future to ensure an ample supply of lots over the medium term.

In order to reduce the financial and other risks associated with land acquisitions and holdings and to more efficiently manage our capital, where practicable, we enter into option agreements to purchase land on a non-recourse basis, thereby limiting our financial exposure to amounts expended in obtaining any necessary governmental approvals, the costs incurred in the planning and design of the community, and, in some cases, some or all of the cost of the option (also referred to as “deposits”). Option agreements enable us to obtain necessary governmental approvals before we acquire title to the land and allow us to acquire lots over a specified period of time at contracted prices. The use of these agreements may increase our overall cost basis in the land that we eventually acquire but reduces our risk by limiting the time we hold title to land and allowing us to obtain the necessary development approvals before we expend significant funds to acquire the land. Holding title to land for shorter periods of time also reduces the risk that climate-related events that may impact that land will have an adverse financial impact on us. Our purchase agreements are typically subject to numerous conditions, including, but not limited to, obtaining necessary governmental approvals for the proposed community. In certain instances, our deposit under an agreement may be returned to us if all approvals are not obtained, although predevelopment costs usually will not be recoverable. We generally have the right to cancel any of our agreements to purchase land by forfeiture of some or all of the deposits we have made pursuant to the agreement.

Our climate strategy also includes careful consideration of risks and environmental conditions when sourcing land; thoughtful continued improvement in the building quality and energy efficiency of our homes while limiting cost impacts for our home buyers; exploration of and investments in new technologies and sustainable building products that may improve efficiencies and reduce environmental impacts of our homes; and ongoing engagement with our vendors and suppliers. These and other risk management processes we have implemented, as well as our geographic diversity, help us manage and mitigate risks in our business, including climate-related risks.

Outside of ongoing land purchases and community planning that takes place over the short and medium term, larger, over-arching strategic business decisions, including new business lines, initiatives like strategic adjustments to our apartment living platform and changes in strategic

focus, are reviewed by our Board of Directors over the longer term.

We have not performed a detailed climate scenario analysis to date. However, we periodically review with our Board of Directors enterprise-level sustainability risks that could have a significant impact on the company, including those associated with climate change. Key risks discussed with our Board in recent years include those pertaining to increased regulations, changes in building codes and construction techniques, land identification and development activities, the impacts of increased frequency and severity of extreme weather events, and risks of health and safety incidents.

RISK MANAGEMENT

We believe there are both risks and opportunities for our business related to climate change. Risks and opportunities that have been identified include the following:

Land Acquisition and Development (Transition Risk):

Climate change may increase the risk that federal, state, and local governments act to limit the emission of greenhouse gases by, among other things, imposing stricter land use, building and zoning codes, and preventing the development of exurban areas. The potential impact of increased government standards or regulations includes increases in operating and compliance costs; increased technology requirements and additional capital investment; elongated cycle times or delays to construction due to restrictions or additional requirements on land development and home construction in certain areas; and a reduction in the availability of mortgage financing provided by government agencies.

Potential opportunities resulting from increased government standards or regulations include increases in the availability or magnitude of credits and incentives to build more energy-efficient homes; increases in the availability or magnitude of credits and incentives to utilize less resource-intensive products and supplies in our homes; and increases in the availability or magnitude of credits and incentives to redevelop land/utilize greyfield and brownfield sites.

Migration Patterns (Physical Risk – Chronic): Over extended periods of time, climate change could make certain areas of the country less hospitable due to extreme weather conditions such as drought, excessive heat, and flooding events. Potential impacts arising from chronic

physical climate risks include migration out of these areas and the devaluation of land and communities in favor of more hospitable zones; decreases in home buyer demand due to increased insurance costs for home buyers and lower overall home affordability in more climate-sensitive areas; increased construction costs due to construction delays or labor availability driven by abnormally high temperatures; lack of product and materials availability driven by changing vendor supply chains; and shifts in our land and lot portfolio away from areas with rising sea levels, water scarcity, or sustained higher temperatures to areas with potentially higher land costs.

These impacts present both risks and opportunities. Because we operate over a broad geographic footprint, migration patterns between regions are less likely to impact us. In addition, the homes that we construct are generally more resilient and energy-efficient than comparably sized existing homes, which provides a competitive advantage with respect to increased consumer demand for more efficient homes. We also generally hold title to land for relatively short periods of time and actively seek to shorten these time frames by optioning land as described above, which mitigates the risk that physical effects of climate change will materially impact the value of our land or our operations.

Adverse Weather Events (Physical Risk – Acute): Adverse weather conditions and natural disasters can have serious effects on our ability to develop our residential communities and other aspects of our business. To the extent that climate change contributes to an increase in the frequency or severity of adverse weather events, our business could be impacted. Events such as hurricanes, tornadoes, severe storms, heavy or prolonged precipitation, earthquakes, droughts, floods, wildfires, or other natural disasters or similar events could damage or destroy our homes under construction or land we own or control, which could result in losses exceeding our insurance coverage. Natural disasters can also lead to increased insurance costs for us, as well as increased competition for subcontractors, which can delay our construction activities even after an event has concluded. They may also result in reduced demand for homes in a given community, as potential buyers may avoid areas they deem to be at higher risk of loss, or they may face higher costs for, or may be unable to obtain, fire, flood, or other hazard insurance coverage in certain areas due to local

environmental conditions or historical events. In addition, adverse weather events could prompt governmental authorities to adopt more stringent building codes, which would likely increase development costs in affected areas and negatively impact home affordability and/or demand.

These impacts present both risks and opportunities. As noted above, our broad geographic footprint provides some protection from adverse migration patterns. In addition, because we construct our homes to the latest and most advanced building codes, our homes tend to be more resilient than comparably sized existing homes, providing a competitive advantage relative to customers who value increased environmental resistance. We also generally hold title to land for relatively short periods of time, and actively seek to shorten these time frames by optioning land as described above, which mitigates the risk that physical effects of adverse weather events will materially impact the value of our land or our operations.

Energy Efficiency of Homes (Transition Risk): An increased focus on reducing greenhouse gas emissions, as well as volatility in energy costs, could lead federal, state, and local governments to revise building and zoning codes to require more green technologies, such as solar panels and other net-zero ready features, in new construction homes. This could increase our costs to construct homes and make them less price competitive compared to existing homes. Requirements to include green technologies in new homes could also present an opportunity, as the potential to achieve savings by reducing or eliminating home energy costs over time may lead to a greater consumer appreciation for new homes, which are generally more energy-efficient than existing homes, which could increase consumer interest in our homes.

Resiliency of Homes (Physical Risk – Chronic): Climate change could lead federal, state, and local governments to require the latest in resilient technologies, such as the use of fireproofing materials to protect against wildfires and greater wind proofing in hurricane-prone areas, in new construction homes. Requirements to include these technologies in new construction could increase our costs to construct homes and make them less price competitive compared to existing homes. They may also present an opportunity, as the potential to avoid catastrophic losses, or to achieve greater savings over time through improved resiliency, may lead to a greater consumer appreciation for new homes.

MITIGATION

Ways in which we mitigate potential impacts resulting from risks related to climate change include:

- Our operating footprint is geographically diverse and spans over 60 markets in 24 states, which mitigates our exposure to climates, weather events, topography, and other characteristics associated with specific geographies
- We offer a diverse product portfolio that appeals to a broad range of home buyers
- We build our homes to code in all locations where we operate to ensure that our home buyers are best prepared for severe weather events or natural disasters
- We cater our building processes based upon the needs of each market, such as in many of our Florida markets, where we utilize concrete block in the construction of our homes to prevent damage and withstand substantial winds that could be caused by hurricanes or other weather events
- We maintain a robust due diligence process for evaluation of new land parcels and ensure compliance with relevant regulations and standards during land development and home construction
- We adjust our product offerings, sales pace, home prices and sales incentives as necessary in each of our markets to meet consumer demand
- We take steps in areas with higher risk for certain physical risks during land development, including obtaining water rights for sustainable water sources in locations subject to drought and remediating lots located within historical flood zones prior to vertical construction to help mitigate the future impacts on our homeowners
- We employ multiple strategies to mitigate the risks associated with our supply chain, including supplier diversification through the use of vendors and suppliers of varying sizes across multiple geographies and through continued investment in new and emerging technologies, including potential alternatives to traditional products
- We focus on ongoing engagement with our vendors and suppliers on a variety of sourcing and sustainability topics
- Approximately half of our land and lot portfolio is controlled via option agreements, which allows us to renegotiate terms or walk away from land parcels altogether if they no longer meet our needs, fit our underwriting criteria, or do not meet our environmental standards

- We leverage the expertise and knowledge of our locally based teams, who maintain familiarity with current and upcoming regulations within their local markets to ensure we follow any and all relevant building codes and specifications that govern those markets, and
- Toll Brothers Mortgage participates in industry groups to stay apprised of and provide input on potential changes in regulations and regularly adjusts its mortgage underwriting criteria to meet the standards accepted by government agencies.

METRICS AND TARGETS

We are tracking and have reported on numerous metrics throughout our sustainability report, including those outlined in the SASB Index, that help us assess climate risks and opportunities in our business. We are also in the process of gathering and assessing our greenhouse gas emissions data in compliance with applicable laws and regulations, and we expect to publish such data in accordance with required timelines. To date, we have not set any targets related to these metrics.