

**AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF THE TORONTO-DOMINION BANK**

**CHARTER**

*~ ~ Supervising the Quality and Integrity of the Bank's Financial Reporting ~ ~*

*Main Responsibilities:*

- overseeing reliable, accurate and clear financial reporting to shareholders
- overseeing internal controls - the necessary checks and balances must be in place
- directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditor – the shareholders' auditor reports directly to the Committee
- listening to the shareholders' auditor, internal auditor and the chief compliance officer, and evaluating the effectiveness and independence of each
- overseeing the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies
- acting as the audit committee and conduct review committee for certain subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies
- receiving reports on and approving, if appropriate, certain transactions with related parties

*Independence is Key:*

- the Committee is composed entirely of independent directors
- the Committee meets regularly without management present
- the Committee has the authority to engage independent advisors, paid for by the Bank, to help it make the best possible decisions on the financial reporting, accounting policies and practices, disclosure practices, and internal controls of the Bank

***Composition and Independence, Financial Literacy and Authority***

The Committee shall be composed of members of the Board of Directors in such number as is determined by the Board with regard to the by-laws of the Bank, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three directors.

In this Charter, “Bank” means The Toronto-Dominion Bank on a consolidated basis. However, in overseeing entities in which The Toronto-Dominion Bank has a controlling interest, where such entities have their own independent board and committee oversight structure under applicable law, the Committee shall be entitled to place reliance on these processes in satisfying its Charter responsibilities provided that it does not come to the conclusion that it would be inappropriate to do so. The Committee shall review materials of relevance to it with respect to such entities, as provided by management or as requested by the Committee.

No member of the Committee may be an officer or retired officer of the Bank. Every member of the Committee shall be independent of the Bank within the meaning of all applicable laws, rules and regulations including those particularly applicable to audit committee members and any other relevant consideration as determined by the Board of Directors, including the Bank’s Director Independence Policy.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly appointed. A Chair will be appointed by the Board upon recommendation of the Corporate Governance Committee, failing which the members of the Committee may designate a Chair by majority vote. The Committee may from time to time delegate to its Chair certain powers or responsibilities that the Committee itself may have hereunder.

In addition to the qualities set out in the Position Description for Directors, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank’s financial statements. At least one member of the Committee shall have a background in accounting or related financial management experience which would include any experience or background which results in the individual’s financial sophistication, including being or having been an auditor, a chief executive officer or other senior officer with financial oversight responsibilities.

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Bank appropriate to fulfilling its responsibilities, including the shareholders’ auditor. The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties, and may retain and determine the compensation to be paid by the Bank for such independent counsel or outside advisor in its sole discretion without seeking Board approval.

Committee members will enhance their familiarity with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development.

### ***Meetings***

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee shall meet with the shareholders' auditor and management quarterly to review the Bank's financial statements consistent with the section entitled "Financial Reporting" below. The Committee shall dedicate a portion of each of its regularly scheduled quarterly meetings to meeting separately with each of the Chief Financial Officer, the Chief Auditor, the Chief Compliance Officer and the shareholders' auditor and to meeting on its own without members of management or the shareholders' auditor. Annually, the Committee shall meet jointly with the Risk Committee and the Office of the Superintendent of Financial Institutions ("OSFI") to review and discuss the results of OSFI's annual supervisory examination of the Bank.

To facilitate open communication between this Committee and the Risk Committee, and where the Chair of the Risk Committee is not a member of this Committee, he or she shall receive notice of and attend by invitation of this Committee, as a non-voting observer, each meeting of this Committee and receive the materials for each such meeting.

Additionally, the Committee may invite to its meetings any director, management and other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

### ***Specific Duties and Responsibilities***

#### *Financial Reporting*

The Committee shall be responsible for the oversight of reliable, accurate and clear financial reporting to shareholders, including reviewing the Bank's annual and interim financial statements and management's discussion and analysis, prior to approval by the Board and release to the public, and reviewing, as appropriate, releases to the public of significant material non-public financial information of the Bank. Such review of the financial reports of the Bank shall include, where appropriate but at least annually, discussion with management and the shareholders' auditor of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

The Committee shall review earnings press releases and satisfy itself that adequate procedures are in place for the review of the Bank's public disclosure of financial information extracted or derived from the Bank's financial statements, other than the public disclosure in the Bank's annual and interim financial statements and MD&A, and must periodically assess the adequacy of those procedures.

#### *Financial Reporting Process*

The Committee shall support the Board in its oversight of the financial reporting process of the Bank including:

- working with management, the shareholders' auditor and the internal audit department to review the integrity of the Bank's financial reporting processes;
- reviewing the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Bank's quarterly and annual consolidated financial statements and other disclosure documents as required;

- considering the key accounting policies of the Bank and key estimates and judgments of management and discussing such matters with management and/or the shareholders' auditor;
- keeping abreast of trends and best practices in financial reporting including considering, as they arise, topical issues such as the use of variable interest entities and off-balance sheet reporting, and their application to the Bank;
- reviewing with the shareholders' auditor and management significant accounting principles and policies and all critical accounting policies and practices used and any significant audit adjustments made;
- considering and approving, if appropriate, major changes to the Bank's accounting and financial reporting policies as suggested by the shareholders' auditor, management, or the internal audit department; and
- establishing regular systems of reporting to the Committee by each of management, the shareholders' auditor and the internal audit department regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.

*The Audit Committee's Role in  
the Financial Reporting Process*

The shareholders' auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's annual financial statements and reviews of the Bank's quarterly financial information. Management of the Bank is responsible for the preparation, presentation and integrity of the Bank's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Audit Committee oversees the financial reporting process at the Bank and receives quarterly reporting regarding the process undertaken by management and the results of the review by the shareholders' auditor. It is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Bank's financial statements are complete, accurate and in accordance with GAAP.

*Internal Controls*

The Committee shall be responsible for overseeing the establishment and maintenance of internal controls of the Bank, including:

- requiring management to implement and maintain appropriate systems of internal controls (including controls related to the prevention, identification and detection of fraud), and that also comply with applicable laws, regulations and guidance, including section 404 of the U.S. Sarbanes-Oxley Act and similar rules of the Canadian Securities Administrators;
- meeting with management, the Chief Auditor and the shareholders' auditor to assess the adequacy and effectiveness of the Bank's internal controls, including controls related to the prevention, identification and detection of fraud;

- receiving reports from the Risk Committee as considered necessary or desirable with respect to any issues relating to internal control procedures considered by that Committee in the course of undertaking its responsibilities; and
- reviewing reporting by the Bank to its shareholders regarding internal control over financial reporting.

#### *Internal Audit Division*

The Committee shall oversee the internal audit division of the Bank, including reviewing and approving the mandates of the internal audit division and the Chief Auditor at least annually. The Committee shall satisfy itself that the internal audit division has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

- review and approve the annual audit plan and any significant changes thereto;
- confirm the appointment and dismissal of the Chief Auditor of the Bank;
- at least annually assess the effectiveness of the internal audit division;
- review regular reports prepared by the Chief Auditor together with management's response and follow-up on outstanding issues, as necessary; and
- provide a forum for the Chief Auditor to raise any internal audit issues or issues with respect to the relationship and interaction between the internal audit division, management, the shareholders' auditor and/or regulators.

#### *Oversight of Shareholders' Auditor*

The Committee shall review and evaluate the performance, qualifications and independence of the shareholders' auditor including the lead partners and annually make recommendations to the Board and shareholders regarding the nomination of the shareholders' auditor for appointment by the shareholders. The Committee shall also make recommendations regarding remuneration and, if appropriate, termination of the shareholders' auditor. The shareholders' auditor shall be accountable to the Committee and the entire Board, as representatives of the shareholders, for its review of the financial statements and controls of the Bank. In addition, the Committee shall:

- review and approve the annual audit plans and engagement letters of the shareholders' auditor;
- review the shareholders' auditor's processes for assuring the quality of their audit services including any matters that may affect the audit firm's ability to serve as shareholders' auditor;
- discuss those matters that are required to be communicated by the shareholders' auditor to the Committee in accordance with the standards established by the Canadian Institute of Chartered Accountants, as such matters are applicable to the Bank from time to time;
- review with the shareholders' auditor any issues that may be brought forward by it, including any audit problems or difficulties, such as restrictions on its audit activities or access to requested information, and management's responses;

- review with the shareholders' auditor concerns, if any, about the quality, not just acceptability, of the Bank's accounting principles as applied in its financial reporting; and
- provide a forum for management and the internal and/or shareholders' auditor to raise issues regarding their relationship and interaction. To the extent disagreements regarding financial reporting are not resolved, be responsible for the resolution of such disagreements between management and the internal and/or shareholders' auditor.

*Independence of Shareholders' Auditor*

The Committee shall monitor and assess the independence of the shareholders' auditor through various mechanisms, including:

- reviewing and approving (or recommending to the Board for approval) the audit fees and other significant compensation to be paid to the shareholders' auditor and reviewing, approving and monitoring the policy for the provision of non-audit services to be performed by the shareholders' auditor, including the pre-approval of such non-audit services in accordance with the policy;
- receiving from the shareholders' auditor, on a periodic basis, a formal written statement delineating all relationships between the shareholders' auditor and the Bank consistent with the rules of professional conduct of the Canadian provincial chartered accountants institutes or other regulatory bodies, as applicable;
- reviewing and discussing with the Board, annually and otherwise as necessary, and the shareholders' auditor, any relationships or services between the shareholders' auditor and the Bank or any factors that may impact the objectivity and independence of the shareholders' auditor;
- reviewing, approving and monitoring policies and procedures for the employment of past or present partners, or employees of the shareholders' auditor as required by applicable laws; and
- reviewing, approving and monitoring other policies put in place to facilitate auditor independence, such as the rotation of members of the audit engagement team, as applicable.

*Finance Department*

The Committee shall oversee the Finance Department of the Bank, including:

- reviewing and approving the mandate of the Finance Department and the mandate of the Chief Financial Officer at least annually;
- reviewing and approving, at least annually, the Finance Department budget and resource plan, including receiving reports from management on resource adequacy;
- annually assessing the effectiveness of the Finance Department and Chief Financial Officer;
- confirming the appointment and dismissal of the Chief Financial Officer; and

- providing a forum for the Chief Financial Officer to raise any financial reporting issues or issues with respect to the relationship and interaction among the Finance Department, management, the shareholders' auditor and/or regulators.

#### *Conduct Review and Related Party Transactions*

The Committee shall be responsible for conduct review and oversight of related party transactions (except the approval of Bank officer related party credit facilities which are reviewed by the Management Resources Committee and the approval of Bank director related party credit facilities which are reviewed by the Risk Committee, as required), including satisfying itself that procedures and practices are established by management as required by the *Bank Act (Canada)* relating to conduct review and related party transactions and monitoring compliance with those procedures and their effectiveness from time to time.

#### *Business Conduct and Ethical Behaviour*

The Committee shall monitor compliance with policies in respect of ethical personal and business conduct, including the Bank's Disclosure of Information and Complaint Procedures and the Bank's Code of Conduct and Ethics and the conflicts of interest procedures included therein, including approving, where appropriate, any waiver from the Bank's Code of Conduct and Ethics to be granted for the benefit of any director or executive officer of the Bank.

#### *Compliance*

The Committee shall oversee the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies, including:

- reviewing with management the Bank's compliance with applicable regulatory requirements and the legislative compliance management processes;
- establishing procedures in accordance with regulatory requirements for the receipt, retention and treatment of complaints received by the Bank on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy;
- reviewing professional pronouncements and changes to key regulatory requirements relating to accounting rules to the extent they apply to the financial reporting process of the Bank; and
- reviewing with the Bank's general counsel any legal matter arising from litigation, asserted claims or regulatory noncompliance that could have a material impact on the Bank's financial condition.

#### *Compliance Department*

The Committee shall oversee the Compliance Department of the Bank and the execution of its mandate, including reviewing and approving its annual plan and any significant changes to the annual plan and/or methodology. The Committee shall satisfy itself that the Compliance Department has adequate resources and independence to perform its responsibilities. In addition, the Committee shall:

- annually review and approve the mandate of the Compliance Department and the mandate of the Chief Compliance Officer of the Bank;
- confirm the appointment and dismissal of the Chief Compliance Officer;
- confirm the appointment and dismissal of the Chief Anti-Money Laundering Officer of the Bank;
- at least annually assess the effectiveness of the Compliance function;
- regularly review reports prepared by the Chief Compliance Officer for the Audit Committee and follow-up on any outstanding issues;
- review an annual report from the Chief Compliance Officer regarding examinations of the Bank conducted by OSFI, and follow-up with management on the status of recommendations and suggestions, as appropriate; and
- provide a forum for the Chief Compliance Officer to raise any compliance issues or issues with respect to the relationship and interaction among the Compliance Department, management and/or regulators.

#### *General*

The Committee shall have the following additional general duties and responsibilities:

- acting as the audit committee and conduct review committee for certain Canadian subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies, including meeting on an annual basis with the chief actuaries of the subsidiaries of the Bank that are federally-regulated insurance companies;
- performing such other functions and tasks as may be mandated by regulatory requirements applicable to audit committees and conduct review committees or delegated by the Board;
- conducting an annual evaluation of the Committee to assess its contribution and effectiveness in fulfilling its mandate;
- reviewing reports from the Risk Committee for purposes of monitoring policies and processes with respect to risk assessment and risk management and discuss the Bank's major financial risk exposures, including operational risk issues, and the steps management has taken to monitor and control such exposures;
- reviewing and assessing the adequacy of this Charter at least annually and submitting this Charter to the Corporate Governance Committee and the Board for approval upon amendment;
- maintaining minutes or other records of meetings and activities of the Committee; and
- reporting to the Board on material matters arising at Audit Committee meetings following each meeting of the Committee and reporting as required to the Risk Committee on issues of relevance to it.