

TD's Approach to Total Rewards

The Toronto-Dominion Bank Group ("TD", the "Bank" and "our") provides employees with a comprehensive total rewards package that includes a combination of base salary, variable compensation, benefits, and retirement and savings plans. The Bank's philosophy is to provide a competitive package that is tailored, as appropriate, to the different practices of the locations in which the Bank operates. In 2021, we spent over CAD \$12.4 billion globally on salaries, incentive compensation and employee benefits.

Executive Total Rewards and the Link to Environmental, Social and Governance Factors

We have a balanced approach to executive total rewards that is intended to attract, retain and motivate high-performing executives to create sustainable value over the long term. Our proxy circular outlines the six key principles considered when designing the executive compensation program and provides detailed disclosure of our approach. One of the objectives of the executive compensation program is to reward executives for successfully executing TD's strategy, which includes environmental, social and governance (ESG) factors, consistent with the Bank's [Shared Commitments](#), [Code of Conduct and Ethics](#) and Risk Appetite Statement. As a result, TD embeds ESG-related elements in the determination of the variable compensation pool and the evaluation of individual performance for executives.

In 2021, the Bank formally incorporated a number of ESG factors into the key metrics used to determine the variable compensation pool for the Senior Executive Team. These ESG metrics supplemented the existing customer experience metrics, and are related to the Bank's overall ESG strategy, including objectives related to climate change, diversity and inclusion, and employee engagement.

The table below provides a summary of the ESG metrics, results, and associated impact on variable compensation awards for members of the Senior Executive Team in 2021. More details on our executive compensation structure can be found in [TD's 2022 Proxy Circular](#).

ESG METRICS	2021 TARGET / METRIC	2021 RESULTS/ COMMENTS	IMPACT ON VARIABLE COMPENSATION POOL
Customer Experience	67.1%	✓ 70.2% (3.1% above target)	
Climate Change	Progress on target setting required to achieve climate plan	<ul style="list-style-type: none"> ✓ Scope 1 and 2 GHG emissions reduction target was established and published in July 2021 ✓ Plan for scope 3 financed emissions targets established; work to develop methodology and set targets for key carbon intensive sectors on track ✓ Active engagement with industry, government, and policy making to support longer term consistency and comparability in disclosure of performance and progress 	
	Sustainable finance embedded in business practices	<ul style="list-style-type: none"> ✓ ESG Centre of Expertise established and operating; 50+ business led sustainable finance/ESG initiatives completed or underway 	+4.1%
Diversity & Inclusion	Sustain Vice President and above (VP+) Women in Leadership (WIL) representation of 40% (Canada)	<ul style="list-style-type: none"> ✓ Sustained VP+ WIL representation of 40% 	
	Double Black VP+ representation across North America by 2022	<ul style="list-style-type: none"> ✓ Representation increased year-over-year; on track to achieve 2022 goal 	
	Achieve 25% Black, Indigenous ¹ and minority ² VP+ representation across North America by 2025	<ul style="list-style-type: none"> ✓ Representation increased year-over-year; on track to achieve 2025 goal 	
Employee Engagement	Top quartile employee engagement (4.25) in annual Pulse Survey ³	<ul style="list-style-type: none"> ✓ Annual Pulse Survey result of 4.27 exceeding the top quartile benchmark 	

In addition, the individual performance of executives is assessed against relevant programs and principles which support and reflect TD's ESG goals, and this assessment of individual performance is a key determinant of variable compensation awards. These programs and principles

include individual ESG objectives as appropriate for the role, consistency with the Bank's Risk Appetite Statement, Code of Conduct and Ethics, and cultural and behavioural standards embodied in TD's Shared Commitments and human resources policies and programs.

1. "Indigenous person" is defined as First Nations, Inuit, Métis, American Indian, Alaska Native, Native Hawaiian or other.

2. "Minority" is defined as non-Caucasian in race or non-white in colour.

3. TD tracks employee engagement through our Pulse Survey, a company-wide internal survey conducted annually.



Employee Total Rewards

TD's total rewards philosophy is to provide a total rewards offering that is market competitive, performance based, minimizes practices that could lead to misconduct, promotes fair and consistent outcomes and alignment between executives and employees, and recognizes and rewards the invaluable contribution of our colleagues. To execute against this philosophy, TD has comprehensive and well-established total rewards programs, structures, and practices that are designed to deliver appropriate outcomes for all employees.

Examples of these programs, structures, and practices include:

- Compensation program eligibility, including both salary and incentive compensation, is based on role and level, and is applied consistently for all employees;
- The majority of employees are paid according to well-defined salary structures which provide a range of pay that is competitive in the market while allowing for appropriate variation to recognize individual performance, experience and capability;
- These salary structures are supported by market analysis and a robust job evaluation process that measures the content of positions and organizes jobs of similar complexity and accountability together into job levels;
- Salary structures and incentive programs are reviewed regularly with information gathered via recognized third-party compensation surveys, and adjustments are made where required to achieve appropriate outcomes, including the ability to deliver market competitive pay;
- All employees (based on jurisdiction and business) participate in the same benefits programs that offer choice and flexibility in selecting coverage for medical, dental and other benefits to help support colleague health and well-being; and
- All employees (based on jurisdiction and business) are given the opportunity to participate in the same base retirement arrangements (qualified plans in the U.S. and registered plans in Canada) to support their financial well-being in retirement.

Board Oversight of Employee Total Rewards

Delivering on our total rewards philosophy is a critical factor in attracting and retaining talented employees who are the Bank's greatest asset, with oversight of key elements provided by the Human Resources Committee (HRC) of the Board of Directors. The HRC is responsible for monitoring TD's total rewards strategy, plans, policies and practices. This is reflected in formal accountabilities for certain aspects of employee total rewards, including overseeing material employee incentive plans, and pension and benefits-related programs, both of which are important parts of the total rewards offering for all employees. The HRC reviews design principles and governance practices, including the appropriate consideration of conduct and other risks. In addition, the committee receives regular updates on key total reward initiatives for front-line employees, and monitors compensation outcomes to confirm alignment in approach between executives and non-executive employees.

During 2021, the Bank continued to invest in providing a competitive total rewards offering to colleagues, increasing minimum entry level wages to \$18 (or more) across the North American footprint, and adjusting salary ranges as appropriate to maintain competitive compensation opportunities. During the year, the committee monitored the compensation outcomes of executives relative to the outcomes of the broader employee population, together with initiatives designed to recognize the ongoing role of employees in enabling the Bank to maintain uninterrupted core services to customers throughout the pandemic, including the following specific items:

- Reviewed the business performance factors used to determine year-end incentive awards for more than 60,000 employees who participate in the Bank's large corporate incentive plans, confirming that factors for employees were equal to the comparable factors for executives;
- Reviewed the year-end base salary increase budgets, confirming that the increases for employees were comparable to the increases for executives;
- Supported the Total Well-Being Day, a one-time paid day off for colleagues to use in 2021 to prioritize and support the focus on well-being and self-care; and
- Endorsed the 2021 Colleague Appreciation Award of a one-time award of 5 TD shares to more than 85,000 non-executive employees to express gratitude for their significant efforts through the pandemic in support of the Bank, its customers, and the communities in which we operate.



Equitable Pay

Diversity and inclusion are core values and strategic business priorities. Our goal is to foster a culture of inclusion and provide a working environment that is supportive of all of our colleagues – where every employee has the opportunity to realize their potential to the fullest. In keeping with these core values, we are committed to providing equitable compensation for all employees.

The foundation of our approach to equitable compensation is the comprehensive and well-established programs and structures described in the employee total rewards section above. These programs and structures are designed so that employees performing the same job have the same opportunity, supporting internal equity and fairness, while recognizing differences in experience, performance and contribution.

In support of these programs and structures, we have a number of practices to enhance consistency and verify that outcomes are appropriate. Highlights include:

- Tools used to facilitate year-end base salary and incentive decisions include guidelines to support consistency in decision-making and additional training and other support is available to people managers.
- Year-end performance and compensation decisions go through a review process to monitor outcomes.
- We conduct detailed statistical analysis of compensation to assess potential differences in outcomes based on gender and ethnicity.

Since 2018, we have worked with a third-party provider on an annual basis to complete a detailed statistical analysis of compensation, adjusting for factors such as level, geography and role. We use these reviews to actively monitor our compensation outcomes and make adjustments where appropriate to further enhance consistency and fairness across the Bank.

After adjusting for factors such as level, geography and role, our 2021 review, which included over 85,000 employees globally, found that for both base salary and total compensation:

- Women earned more than 99 cents for every dollar earned by men;
- Visible minorities⁴ in Canada earned more than 99 cents for every dollar earned by non-visible minorities; and
- Minorities in the U.S. earned more than 99 cents for every dollar earned by non-minorities.

Our commitment to providing equitable compensation opportunities to all colleagues is part of our comprehensive and multi-pronged diversity and inclusion strategy, which includes a focus on increasing representation for under-represented groups. Additional details on the broader diversity and inclusion strategy can be found on page 73 of [TD's 2021 ESG Report](#).

4. "Visible minority" is defined as non-Caucasian in race or non-white in colour, other than an Indigenous person.

