

TD's Approach to Total Rewards

TD provides employees with a comprehensive total rewards package that includes a combination of base salary, incentive 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 2019, we spent over \$11 billion globally on compensation and 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 for shareholders 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. As a result, TD embeds ESG-related elements in the determination of the variable incentive pool and the evaluation of individual performance for executives.

TD's ESG-related objectives incorporate goals across a number of key categories, including Customers, Colleagues, Community, Environment and Governance. Metrics related to two of these categories – Customer and Colleague – were included in the key metrics used to determine the variable incentive pool for senior executives under the Executive Compensation Plan in 2019. In addition, the individual performance of executives is assessed against several programs and principles which support and reflect TD's ESG goals, and this assessment of individual performance is a key determinant of variable incentive 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.

More details on our executive compensation structure can be found in [TD's Proxy Circular](#).

Employee Total Rewards

TD's total rewards philosophy is to provide a total rewards offering that is market competitive, performance based, appropriately prioritizes customer needs while minimizing pressure that could lead to misconduct, and promotes fair and consistent outcomes and alignment between executives and employees. 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 and structures 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;
- 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;
- Performance and compensation decisions are subject to a review process, and outcomes are monitored closely;
- 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.



TD's Approach to Total Rewards (continued)

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 updates on key total reward initiatives for front line employees, and monitors compensation outcomes to confirm alignment in approach between executives and employees. Examples of compensation outcomes and initiatives include the following:

- Investments to ensure the bank offers a competitive total rewards package to employees, including those in entry level roles. Through these investments, minimum entry level wages have been increased by at least 35% in Canada and the U.S. since 2014;
- Review of the business performance factors used to determine year end incentive awards for the 40,000+ employees who participate in our large corporate incentive plans, including confirming that the factors for employees are no less than those for executives; and
- Review of the year-end base salary increase budgets, including confirming that the budgets for employees are no less than the outcomes for executives.

Gender Pay

Diversity and inclusion are core values and strategic business priorities. Our goal is to sustain 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 and professional opportunities for all employees, while consistently working to address the key factors, including the representation of women in senior roles, that can contribute to a gender wage gap.

Among these efforts are initiatives to promote equitable outcomes for promotions and career development. We refreshed our Women in Leadership strategy to sustainably increase the representation of women from all communities and backgrounds, call upon both men and women to help create inclusive workplaces that work to close gender inequalities, and lead efforts to close the gap. We have embedded diversity and inclusion into every aspect of our business, from formal business strategy, to our workplace practices (including diversity and inclusion objectives in the

goals for all senior leaders) and policies, customer relationships and community involvement. Over 300 leaders at TD are active in our diversity subcommittees and regional councils, which are aligned with TD's key Diversity and Inclusion pillars. Our Women in Leadership network has grown to 16,000 colleagues across Canada and the U.S., and is driving leadership development by connecting women in a number of ways, including a variety of in person and virtual professional development, mentoring and leadership training opportunities to support career advancement. TD has many executives that continue to be recognized as among some of the most exceptional and influential diversity and inclusion champions in North America.

With respect to compensation, the comprehensive and well-established programs and structures described in the employee compensation section above are gender neutral and designed so that employees performing the same job have the same opportunity, supporting internal equity and fairness.

In support of these gender-neutral compensation 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, and outcomes are monitored for gender-based differences.
- We conduct reviews of compensation practices and outcomes to verify that where we have men and women performing the same job, that our pay practices are gender neutral while taking into consideration performance and experience in the role.

During 2019, we worked with a third-party provider to complete a detailed statistical analysis of compensation to assess potential differences in outcomes based on gender. The review found that women earned more than 99 cents for every dollar earned by men in base salary and total compensation, adjusting for factors such as level, geography and role. We are committed to delivering equitable opportunities for all employees, including making adjustments to compensation where appropriate, and continuing to monitor our programs to confirm they are being delivered in a gender-neutral manner.

We believe that this holistic approach, which combines a focus on increased representation, together with gender neutral compensation programs and policies that are closely monitored, provides fairness and equality in both professional and compensation opportunities, and demonstrates our ongoing commitment to being an inclusive and diverse organization.

