

TD's Approach to Total Rewards

TD 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 2020, we spent over \$11.5 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 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 compensation 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 compensation pool for senior executives under the Executive Compensation Plan in 2020. 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 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.

In 2021 we are building on the existing links, and formally incorporating a number of additional ESG metrics in the variable compensation pool for the Senior Executive Team. These new ESG metrics are related to the Bank's overall ESG strategy, and include objectives related to climate change, diversity and inclusion, and employee engagement.

More details on our executive compensation structure can be found in TD's [2021 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

and structures 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;
- 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.

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.

Fair 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 opportunities 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 all employees performing the same job have the same opportunity, supporting internal equity and fairness.

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. Our 2020 review found that:

- Women earned more than 99 cents for every dollar earned by men;
- Visible minorities 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 white employees.

We use these reviews to actively monitor our compensation outcomes and make adjustments where appropriate to further enhance consistency and fairness across the Bank. 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 69 of TD's [2020 ESG Report](#).

Response to COVID-19

Throughout 2020, the health, safety and well-being of colleagues remained a key focus and priority. The Bank made a commitment that there would be no COVID-19 related job losses in 2020 and provided colleagues with support for work-from-home arrangements, including training and equipment as well as expense reimbursement for home office setup. Other roles were found for branch personnel who are more vulnerable to coronavirus or whose branch was temporarily closed. People managers were provided with special training resources to enable them to manage the work-from-home environment as well as to recognize and assist colleagues experiencing emotional distress as a result of pandemic issues. Free access to counsellors was provided to employees and their family members along with enhanced access to tele-health services.

The Bank continued to pay base salaries for all employees, including those unable to work as a result of the pandemic whether because of self-isolation/quarantine, branch or store closure or otherwise, and additional paid time off was made available to colleagues to deal with school closure and dependent care issues. In addition, the Bank recognized front-line and non-executive employees' role in enabling the Bank to maintain uninterrupted core services to customers throughout the pandemic with special programs, including:

- Recognition awards totalling \$1,500 and three paid vacation days (\$500 and one paid vacation day per month for up to three months as applicable) for approximately 36,000 colleagues who were required to work in offices or the branch/store system during the first three months of the pandemic; and
- A \$500 Thank You award to the Bank's more than 85,000 non-executive employees who, in the face of the personal inconvenience and burdens of the pandemic, demonstrated extraordinary support for our customers during these challenging times.

The Bank continued to invest in providing a competitive total rewards offering to colleagues, preserving a base salary increase budget that allowed for broad base salary increases, and increasing certain minimum entry level wages for 2021. During the year, other actions taken to recognize non-executive employees for their ongoing commitment to the Bank and its customers included:

- Discretionary changes to the incentive plan for the more than 45,000 employees who participate in the Bank's large corporate incentive plans. Where the performance factors were below target, positive discretion was applied to partially mitigate the impact of the pandemic on the non-executive population. All performance factors for employees were equal to or higher than the comparable factors for executives.
- Year-end base salary increase budgets for employees that exceeded the outcomes for executives.

