
TD's Approach to Compensation

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 2016, we spent \$9.3 billion globally on compensation and benefits.

Compensation programs are designed to be fair and administered without discrimination, and we conduct market research to ensure that our total rewards programs are competitive within our industry. In addition, our retirement, benefits and savings programs are designed to give employees flexibility and choice so they can meet their needs and the needs of their families.

Employee Compensation

In designing a comprehensive total rewards package, the bank completes many activities to ensure that compensation is aligned with performance, is competitive and is delivered equitably, including:

- Establishing base salary ranges that reflect the range of pay seen in the external market for positions with similar skills, complexity and accountabilities
- Developing incentive compensation plans that align pay with the performance of the corporation, the businesses and/or the individual
- Providing annual salary increase budgets, as well as ongoing flexibility to increase base pay to align with greater proficiency and improved performance
- Reviewing base salary ranges, incentive plans and other total rewards programs on a regular basis and making changes as appropriate
- Considering the comparability of base salary increases and incentive outcomes over time for all employees.

Executive Compensation

We have a balanced approach to executive compensation 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. Key elements of this approach include a focus on effectively managing risk to the organization and the deferral of a significant portion of the compensation awarded to our executives and many other employees. This deferred compensation vests at the end of a minimum of three years, is tied to the bank's share price and promotes decision-making that is in the best long-term interests of the bank and its stakeholders.

Linking environmental, social and governance factors in executive compensation

Incentive compensation is based on a combination of financial and non-financial measures. One of the key performance measures used to determine incentive pools for executives is an evaluation of the customer experience, which is assessed using feedback directly from customers following an interaction with TD. We typically structure performance objectives in terms of five categories: customer, business operations, financial, employee and community. These objectives are used to evaluate performance, which has a direct impact on compensation, in alignment with the bank's pay-for-performance philosophy.

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

