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## 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 2017, we spent \$10 billion globally on compensation and benefits.

### 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. In addition, we typically structure individual 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](#).

### Gender Pay

Inclusion and diversity are core values and strategic business priorities. Our goal is to sustain a working environment that is supportive of all of our people – 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 continuously working to address the key factors that can contribute to a gender wage gap (i.e., the difference in average pay between males and females).

For more than a decade, TD's Women in Leadership strategy has worked to increase representation of women at senior levels at the Bank and attract women to areas traditionally dominated

by men. We have embedded inclusion and diversity into every aspect of our business, from formal business strategy, to our workplace practices (including inclusion and diversity objectives in the goals for all senior leaders), customer relationships and community involvement. Over 300 leaders at TD are active in our diversity subcommittees and regional councils, and Women in Leadership forms one of the pillars of our inclusion strategy. These are critical initiatives, as gender-based differences in the types and levels of roles are a significant factor in pay outcomes.

In addition, we have comprehensive and well-established compensation programs and structures which are gender neutral and designed to ensure that employees performing the same job have the same opportunity, resulting in internal equity and fairness. Highlights include:

- We have a pay for performance philosophy under which employees have the opportunity to influence their compensation based on their individual performance against team and personal objectives aligned to TD strategy.
- We define compensation program eligibility, including both salary and incentive compensation, based on role and level, and apply eligibility and opportunity consistently regardless of gender.
- The majority of our employees are paid according to well defined salary structures and we provide guidelines and other training support to people managers to enhance consistency in outcomes.
- Salary structures are supported by market analysis and a robust job evaluation process which utilizes a job evaluation methodology that measures the content of positions and organizes jobs of similar complexity and accountability together into job levels.
- We review these programs and structures regularly and make adjustments where required to achieve appropriate outcomes.
- Year-end performance and compensation decisions go through a review process, and at the most senior levels, incentive decisions are specifically reviewed for gender based differences on an annual basis.
- We conduct periodic reviews of compensation practices within specific business segments and/or specialties to ensure that where we have men and women performing the same job, that our pay practices are gender neutral taking into consideration, performance and experience in the role.

We believe that this holistic approach, which combines a focus on increased representation, together with gender neutral compensation programs and policies demonstrates our ongoing commitment to being an inclusive and diverse organization.

