

Stakeholder Review Report

TD has been reporting on corporate responsibility (CR) performance since 2002 and began incorporating panel feedback in the 2011 CR Report. To encourage open and frank discussion, TD engaged an independent consultant, Solstice Sustainability Works to facilitate the stakeholder review process. This panel report has been prepared by Solstice with the *Management Response* sections added by TD.

For the 2012 CR Report we assembled two stakeholder panels – one in Canada and one in the United States – to critically review TD’s assessment of material topics and the Bank’s CR priorities. The panel’s feedback will inform TD’s future reporting and guide the Bank’s ongoing work towards being The Better Bank. On behalf of TD, we would like to express our appreciation to all the panel members who shared their experience and insights.

Panel Structure and Process

TD convened two panel meetings, one each in Toronto and Philadelphia, in fall 2012. In collaboration with us, TD selected as panellists individuals with a diversity of knowledge and experience and the ability to provide valuable and candid feedback. Some have prior experience with CR reporting, some reflect the interests of TD’s core stakeholders and some have experience in social, environmental or governance issues that are relevant to TD. Our thanks to the TD employee panellists and the following individuals who participated:

Canadian Panel	U.S. Panel
Andrew Crane, Schulich School of Business Bruce Cran, Consumers’ Association of Canada Jenna Feldman, Tim Hortons Inc. Doug Morrow, Corporate Knights Sheila Oviedo, Sustainalytics Steven Price, WWF-Canada Julia Robbins, Vancity Linda Weichel, CivicAction Lynne Woolcott, St. Christopher House	Jennifer Anderson, Resonate Kirsty Jenkinson, World Resources Institute Anna Kearney, BNY Mellon Rina Levy, Bloomberg Luis Mora, Finanta Amy Wilson, Widener University Diane Sterner, Housing and Community Development Network of New Jersey

We referred participants to the Material Issues and CR Priorities included in TD’s 2011 CR Report and TD’s Manager of Corporate Responsibility presented to the panel TD’s plans to update these for the 2012 CR Report. Panellists were also provided the opportunity to make anonymous comments to the facilitator after the meeting. The facilitator circulated detailed notes to the Panel members to check for accuracy and then prepared this Review Report. TD management received it and added a response. Panel members received the finished Review Report and agreed to have their name included. Panellists were reimbursed for travel costs and TD offered a modest honorarium that could also be donated to a charity of the panellist’s choice.

Commentary from the panel

While there were two panel meetings, the results were similar enough to treat them as one combined panel. The panel was encouraged by TD's willingness to learn and openness in conducting the stakeholder review, and offered these comments in the spirit of continuous improvement.

Comments on TD's Material Issues

The panel reviewed an unranked list of eighteen issue areas that TD has determined to be material to TD's business and to stakeholders. As the results of the panel have already been incorporated into TD's CR Report for 2012, only the most significant panel recommendations on material issues are included here.

The 2011 panel had questioned whether material issues should be identified separately for TD's Canadian and U.S. operations, reflecting the different political and risk situations. However, the results of the Canadian and U.S. panel meetings in 2012 did not diverge much from one country to another.

Create a strategic framework

The main suggestion from the panel was to group the issues and present them in a framework to show where TD intends to focus and the connection to TD's strategy. There were differing views on whether the list should be ranked, with panel members noting, on the one hand, that all the issues are important and suggesting, on the other, that some issues are closer to TD's core business (such as environmentally and socially responsible financing, accessible banking and inclusion, and risk management) and therefore should take precedence.

Support material issues

The panel validated many of the issues TD identified as material. In addition to those noted above, these included:

- Customer service/satisfaction/convenience
- Governance, especially executive compensation
- Financial literacy
- Supply chain management
- Affordable housing
- GHG emissions and energy
- Employee engagement
- Community investment

Broaden analysis from own operations to broader impacts

The panel found that some material issues were defined too narrowly. For example, by defining GHG Emissions and Energy in terms of TD's own footprint could overlook opportunities to influence others in the value chain, such as suppliers and customers, to reduce their impacts. The panel recognized that as a predominantly retail bank TD's influence and exposure through project financing and investment is lower than some commercial banks. However they saw plenty of opportunity in home and small business financing to extend influence and possibly benefit from "green" market growth.

Distinguish issues from context

The panel suggested that Economy was too broad to be an issue and should be considered as context instead. There was also a suggestion to remove stakeholder relations as an issue because it is part of what TD does in relation to many issues.

Consider linkages among issues

The panel pointed out that there are points of connection among the issues. For example, accessibility is tied to financial literacy. Employee engagement drives customer satisfaction. Moving towards paperless banking could affect energy use. The panel wanted to see this understanding reflected in TD's strategy.

Show how TD is taking action on material issues

The panel was not asked to review the whole CR Report which elaborates on TD's performance on sustainability issues. Nevertheless some panel members did scrutinize the report and recommended adding more detail (additional metrics, benchmarks or context) in some areas, such as access to banking, community reinvestment, small business lending, and incorporating environmental, social and governance (ESG) factors into traditional risk analysis.

Comments on TD's CR Priorities

Overall comments

In general, the panel responded positively to the ten statements with the following four areas TD has prioritized:

- Be customer focused
- Be an extraordinary place to work
- Be an environmental leader
- Strengthen our communities

The panel described the priorities as impressive, thoughtful and sweeping and noted that all stakeholders were reflected in them. Within each priority there are opportunities for improvement, discussed below. Key themes from the panel discussion were leadership, innovation, risk management, empowerment, transparency and excellence. Panel members quotes have been included as illustrative of the discussion in each area.

Be customer focused

As in 2011, panel members had a mixed reaction to the priority *Treat customers fairly and provide support in tough times*. While some associated it with TD going the extra mile to help those who needed it most, others want to see TD supporting all customers always, not just in tough times. One panel member said, "We need help when we're growing too."

There was a general view that "treat customers fairly" was such a basic expectation that it shouldn't be highlighted and service excellence was more in keeping with TD's culture. The panel would prefer a priority about empowering customers and potential customers to make better decisions to improve their livelihood. The panel suggested that financial literacy should be part of this priority.

The panel pointed out that there is still work to do in this area, such as building relationships with customers; making better use of the bank's ombudsman program to resolve customer complaints; and in providing useful information to low income individuals.

"I assume fairness. I want to get the information I really need." Canadian panellist

"What should I expect of customer focused? Accessible, in person and electronically. Products and services that I can understand. Response in times of challenge." U.S. panellist

Be an extraordinary place to work

Panel members noted the evident enthusiasm TD employees have for their work and commended TD for its work on diversity and inclusion. The panel also commented on the connection between engaged employees and service excellence in terms of turnover and convenience. Staff turnover was cited as a factor in the quality of customer relationships. Convenience is an attractive feature for customers, but longer hours can affect employees. The panel suggested giving more power to front line staff to make customer focused decisions.

"To move forward a bank needs a labour force that is happy. There needs to be a huge commitment to ensure people want to come and work for TD." U.S. panellist

"Identify employees who are good at relationships and try to make more like them." Canadian panellist

Be an environmental leader

The panel saluted TD for its work to reduce both paper and carbon in a coordinated way. However, they suggested that improving TD's own environmental footprint should be considered a business basic rather than leadership. They saw some opportunity for environmental improvements in the supply chain considering the scale of TD's operations. The greatest leadership opportunities, they suggested, would come at the other end of the value chain, by creating innovative products to empower customers to reduce their environmental impacts. For example, TD could help homeowners and small business owners to understand and reduce their carbon footprint.

The panel approved of the focus on managing social and environmental risks of lending and investment products and would extend it to how TD invests its own funds. As in 2011, the panel would like to see more tracking, with metrics, of the effectiveness of the Environmental and Social Credit Risk Process.

"As a financial institution, paper and green office initiatives are table stakes – just part of running the business." Canadian panellist

"Are you preparing customers for climate change risk?" U.S. panellist

Strengthen our communities

The panel saw this as an area of opportunity for TD and would like stronger language to reflect a more proactive approach. Reflecting TD's strength in financial literacy, the panel suggested adding educational development as a way of contributing to diverse communities. Affordable housing and impact investing could be added as part of this priority.

Supply chain opportunities were seen as relevant to this priority in the context of local purchasing. The panel suggested that working with large national suppliers could be an effective way to drive social and environmental improvement through the supply chain, and that using local or regional suppliers could be more effective at spreading wealth.

There was some overlap with the customer focus priority in that serving certain groups of customers such as small business, new immigrants or low income people could be a strategy for community development.

Community groups want relationships with TD employees who are empowered to partner with them in addressing community needs.

“What would show commitment? Longer term access to capital. Mentoring of non-profits.” U.S. panellist

“Isn’t TD doing this already? What’s the next step? I want something more dramatic and forward looking, and more concrete.” Canadian panellist

Be transparent about the way we conduct our business.

This priority was originally presented as part of Strengthen our Communities. For the panel, it was a recurring theme relating to several priorities. Panel members spoke of the importance of “open and transparent relationships” with customers; transparency about credit card fees and other products; and reporting the impact of various initiatives in relation to TD’s overall business.

“Lobbying activities should be aligned with stated goals. It would be refreshing for a bank to be transparent about this”. Canadian panellist

“Be as specific as you can about your lending portfolios and about the incentives built into remuneration structures.” U.S. panellist

Lead in addressing systemic issues and risks

The panel suggested adding this as another priority. The panel approved of TD’s guiding principle to “take only risks we understand and can manage,” and encouraged TD to look beyond direct risk to the Bank. Panellists would like to see TD play a leadership role in creating a more resilient and sustainable economy by addressing systemic risks. The panel acknowledged TD’s research and other work on financial, economic, and political system risks and TD’s track record in partnering with groups to address systemic social and environmental challenges. They see the Bank as well positioned to advocate for sustainability. Specific suggestions included advocating for a price on carbon, working with other financial institutions to reduce risk in the financial system, and acting with a long term orientation.

“The systemic issues are crucial. How do you de-risk the financial system and make it more sustainable?” Canadian panellist

“It’s incumbent on a leading financial institution to consider new ways to engage customers to respond to the world’s challenges.” U.S. panellist