



# TD Securities – Hong Kong Branch

For the Fiscal Year Ended October 31, 2016

## INTRODUCTION

The following document outlines the remuneration practices for the Hong Kong operations of TD Securities (Toronto-Dominion Bank Hong Kong Branch).

## REMUNERATION GOVERNANCE AND POLICIES

Oversight of remuneration at TD Bank Group (“TD”) globally is a key function of the Human Resources Committee (“TD HRC”) of the Board of Directors. Additional oversight of remuneration for the Toronto-Dominion Bank Hong Kong Branch is provided by the International Remuneration Committee (“IRC”) whose mandate includes ensuring alignment with regulatory requirements in the United Kingdom and Asia-Pacific region.

## TD BANK GROUP HUMAN RESOURCES COMMITTEE

The TD HRC is the committee of the TD Bank Group Board of Directors that is responsible for overseeing TD’s total rewards programs including remuneration (i.e., variable incentives including deferred remuneration), pension, benefits, and perquisites on a global basis. In addition, the TD HRC is responsible for overseeing talent management and succession planning for the senior-most executives of the bank, as well as for setting objectives and evaluating the performance of the Chief Executive Officer (CEO) of the bank.

### COMMITTEE COMPOSITION

In keeping with best practices, the TD HRC is composed entirely of independent directors who are knowledgeable about issues related to human resources, leadership, talent management, remuneration, governance and risk management. To assist in executing its responsibilities, the TD HRC hires an independent remuneration advisor who reports solely to the TD HRC and does not provide any services to management.

## INTERNATIONAL REMUNERATION COMMITTEE “IRC”

The IRC is the committee of the Europe and Asia-Pacific Supervisory Committee (“EAPSC”) that has been authorized to play a critical role in the oversight of remuneration. The EAPSC acts as the governing body for the TD Securities entities in Europe and Asia-Pacific, and as the representative of the shareholders for the Europe and Asia-Pacific subsidiaries.

The IRC is responsible for providing effective oversight of remuneration policy and practices, and ensuring that remuneration processes and practices:

- Are aligned with the business and compensation strategy;
- Are compliant with regulatory expectations and best practices; and
- Enable TD Securities entities in the Europe and Asia-Pacific regions to attract, retain, and motivate high performing personnel, to create
- sustainable value for shareholders over the long term, taking into account the interests of other long-term stakeholders.

As part of the oversight responsibilities, the IRC is responsible for identifying Senior Management and Key Personnel; for reviewing and approving the individual remuneration packages for all Senior Management/Key Personnel; and, for reviewing and approving the aggregate incentive awards for all employees.

The IRC met two times in 2016.



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## COMMITTEE COMPOSITION

The IRC is composed of at least three members, all of whom are independent of the day to day management and oversight of activities. No individual is involved in decisions relating to his or her own remuneration.

The Committee may engage external advisors for independent advice and counsel. In fiscal 2016, the Committee did not engage any external advisors.

## SENIOR MANAGEMENT AND KEY PERSONNEL

Senior Management is defined as those who are responsible for oversight of the TD Securities Hong Kong Branch's strategy or those with oversight over material business lines. Key Personnel is defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the TD Securities Hong Kong Branch.

In identifying Key Personnel, all employees that could have a material impact on TD Securities Hong Kong Branch's risk profile are considered. The final list is determined by the IRC after assessing a number of factors including role, accountabilities, impact on risk, remuneration, and size and composition of team.

Each year, the IRC reviews and approves the individuals identified as Senior Management and Key Personnel based on the criteria established by the Hong Kong Monetary Authority.

## LINK BETWEEN REMUNERATION AND PERFORMANCE

Remuneration consists of fixed pay (i.e. salary), variable incentive pay (non-deferred and deferred incentives) and benefits. Fixed pay is typically aligned with the market for similar roles at similar sized companies.

All variable incentive pay is dependent on the achievement of financial and non-financial measures at the bank, segment, team and individual level (additional details on the metrics in the different incentive plans is provided in the next section of this disclosure). All variable incentive pay includes consideration of adherence to effective risk management at both the plan and individual level.

Under all incentive plans, the TD HRC and the IRC have the ability to reduce or cancel awards in the event of poor performance, significant risk related issues, or other unusual circumstances. To facilitate appropriate risk adjustments to incentive plans, the TD Chief Risk Officer presents an annual

Enterprise Risk Appetite Scorecard to a joint session of the TD HRC and the TD Risk Committee of the TD Board of Directors. This process allows the HRC to appropriately consider risk when determining global incentive pools, and to ensure that remuneration is appropriately linked to the bank's risk adjusted performance. The IRC is advised of the Risk Scorecard results for consideration when determining annual awards for TD Securities Hong Kong. In addition, there is a risk and control process, whereby risk events are identified and documented (with input from risk and control function heads) and then individual performance and remuneration impacts are considered. Results from the risk and control process are reviewed with the IRC.

Variable incentive pay is delivered in two parts – non-deferred incentives and deferred incentives. Generally, the more senior or more highly paid the employee, the greater the portion of variable remuneration that is delivered as deferred remuneration. Deferred incentives (share based) are used to align employees with shareholders over the long term, and the ultimate value realized is based on performance over time.

Deferred incentives are delivered through a number of different plans including a Restricted Share Unit Plan, a Performance Share Unit Plan, and a Stock Option Plan. Awards granted under the share unit plans vest at the end of a minimum of three years, while awards under the Stock Option Plan vest at the end of four years. To ensure that



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remuneration is aligned with risks over the medium term, at maturity, all deferred remuneration plans (Deferred Cash, Restricted Share Units / Performance Share Units and Stock Options) are subject to a discretionary reduction to the value of outstanding awards in unusual circumstances prior to payout, based on consideration of risk outcomes during the deferral period.

## **Design and structure of remuneration including criteria used for performance measurement, risk adjustment, deferral policy and vesting criteria**

All Key Personnel receive fixed remuneration (base salary) plus variable incentive pay. TD ensures that fixed remuneration is sufficient to maintain an appropriate balance between fixed and variable remuneration components.

Annual incentive awards for Key Personnel are delivered through the Executive Compensation Plan (ECP), the Performance Compensation Plan (PCP) or the Employee Incentive Plan (EIP).

Details regarding the criteria used for performance measurement, risk adjustment, the deferral policy and vesting criteria can be found in TD's annual Management Proxy Circular found at the following site: <https://www.td.com/document/PDF/investor/2016/E-Circular-2016.pdf>

## **EXECUTIVE COMPENSATION PLAN**

Under the ECP, each executive has an individual remuneration target. At year-end, the aggregate pool of funds available to award as incentive remuneration is equal to the sum of the individual targets multiplied by a business performance factor.

The key metrics used to determine the business performance factor include Net Income After Tax (NIAT), and Customer Experience results for the bank and for business segments as applicable. In addition, relative performance is evaluated against a peer group of companies on a series of measures that are determined by the TD HRC on an annual basis. The final business performance factor is subject to a discretionary risk adjustment that is approved by the TD HRC after considering performance against the bank's risk appetite.

To protect against conflict of interest, NIAT and Customer Experience results for executives in control functions are based on TD's enterprise performance, not on the performance of TD Securities or TD Securities Hong Kong.

Individual awards are based on an evaluation of a number of factors including individual performance against objectives, leadership, future potential, and an evaluation against a standard set of accountabilities regarding risk and control behaviours. Individual awards can be higher or lower than their variable remuneration target multiplied by their applicable business performance factor (funds available). The sum of individual awards should not exceed the aggregate funds available under the plan on a global basis.

## **PERFORMANCE COMPENSATION PLAN**

Annual incentive awards for front office employees, and other employees who directly support revenue generating positions, are delivered through the Performance Compensation Plan (PCP) for which there is one global pool.

The aggregate pool is determined based on contribution to profit, aggregate enterprise and TD Securities performance, and a discretionary risk adjustment that is approved by the TD HRC after considering performance against the bank's risk appetite.

The approved global pool is allocated to senior business leaders by the Chairman, President and CEO of TD Securities at his discretion. Factors considered when allocating the pool include, but are not limited to, the following: business performance, strategic initiatives, risk management, and market levels of remuneration. The amounts allocated to a specific business are not directly linked to the funding rates used to derive the global pool.



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Senior business leaders are responsible for allocating their portion of the approved pool to the individual employees within their business. Individual award decisions are discretionary and there are no formulae or explicit guidelines for making award decisions. Factors considered include, but are not limited to, the following: individual and business performance, teamwork, risk management, market environment, market levels of remuneration, and potential future contribution to the firm. To ensure appropriate consideration of non-financial performance measures, each employee is evaluated on a scorecard of governance, control and risk management measures in conjunction with the determination of the annual award.

## EMPLOYEE INCENTIVE PLAN

Annual incentive awards for TD employees in support and control functions are delivered through the Employee Incentive Plan. Under the Employee Incentive Plan, each individual has an incentive target which is multiplied by a business performance factor as well as an individual performance factor. Similar to those of the Executive Compensation Plan, the key metrics under the plan include NIAT and Customer Experience results for the bank and for business segments, as applicable. The Employee Incentive Plan also includes a discretionary adjustment to account for risk or other factors.

To protect against conflict of interest, NIAT and Customer Experience results for employees in control functions are based on TD's enterprise performance, not on the performance of TD Securities or TD Securities Hong Kong.

Individual awards are based on an evaluation of a number of factors including individual performance against objectives, and consideration of a scorecard

which assesses governance, control and risk management behaviours. Awards to individual employees may be higher or lower than their funds available (i.e., their variable remuneration target x their applicable business performance factor x their applicable individual performance multiplier). However, the sum of individual awards should not exceed the aggregate funds available under the plan.

Annually, the IRC reviews and approves the aggregate ECP, PCP and EIP awards, ensuring they are aligned with and support the current and future financial status of TD Securities Hong Kong.

## REMUNERATION AWARDED TO SENIOR MANAGEMENT AND KEY PERSONNEL

For the year ended October 31, 2016, TD Securities Hong Kong Branch employed one individual identified as Senior Management. To preserve employee confidentiality and data protection, we have not disclosed remuneration details.

The IRC is the committee authorized by the TDGF Board of Directors to play a critical role in the oversight of remuneration. The purpose of the IRC is to assist the Board of Directors of TD Global Finance (along with the Boards of other entities within its purview).

The IRC is responsible for providing effective oversight of remuneration policy and practices, and ensuring that remuneration processes and practices:

- Are aligned with the business and compensation strategy;
- Are compliant with regulatory expectations and best practices; and
- Enable TD Securities entities in the Europe and Asia-Pacific regions to attract, retain, and motivate high performing personnel, to create sustainable value for shareholders over the long term, taking into account the interests of other long-term stakeholders.



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As part of the oversight responsibilities, the IRC is responsible for identifying Material Risk Takers, for reviewing and approving the individual remuneration packages for all Material Risk Takers, and for reviewing and approving the aggregate incentive awards for all employees.

The IRC met two times in 2016.

## COMMITTEE COMPOSITION

The IRC is composed of at least three members, all of whom are independent of the day to day management and oversight of activities. No individual is involved in decisions relating to his or her own remuneration.

The Committee may engage external advisors for independent advice and counsel. In fiscal 2016, the Committee did not engage any external advisors.

## MATERIAL RISK TAKERS

In identifying Material Risk Takers, all employees that can have a material impact on TD Global Finance's risk profile are considered. The final list is determined by the IRC after assessing a number of factors including role, accountabilities, impact on risk, remuneration, and size and composition of team.

The process for identifying Material Risk Takers also incorporates the qualitative and quantitative criteria for identifying material risk takers, as published by the European Banking Authority (EBA) in June 2014.

Each year, the IRC reviews and approves the individuals identified as Material Risk Takers.

## LINK BETWEEN REMUNERATION AND PERFORMANCE

Remuneration consists of fixed pay (i.e. salary), variable incentive pay (non-deferred and deferred incentives), and benefits. Fixed pay is typically aligned with the market for similar roles at similar sized companies.

All variable incentive pay is dependent on the achievement of financial and non-financial measures at the bank, segment, team and individual level (additional details on the metrics in the different incentive plans is provided in the next section of this disclosure). All variable incentive pay includes consideration of adherence to effective risk management at both the plan and individual level.

Variable incentive pay is delivered in two parts – non-deferred incentives and deferred incentives. Variable incentive pay, including deferred incentives, awarded to Material Risk Takers, is structured to align with regulatory requirements.

Deferred incentives are delivered through a number of different plans including a Deferred Cash Plan, a Restricted Share Unit Plan, a Performance Share Unit Plan, and a Stock Option Plan. The majority of the plans vest at the end of a minimum of three years, and share based plans include an additional 6 month retention period for Material Risk Takers. To ensure that remuneration is aligned with risks over the medium term, at maturity, all deferred remuneration plans (Deferred Cash, Restricted Share Units / Performance Share Units, and Stock Options) are subject to a discretionary reduction to the value of outstanding awards in unusual circumstances prior to payout, based on consideration of risk outcomes during the deferral period (described further below under 'Risk Adjustments').

## RISK ADJUSTMENTS

Under all incentive plans, the IRC and the TD HRC have the ability to reduce or cancel awards in the event of poor performance, significant risk related issues, or other unusual circumstances, such as:

- The firm or the business unit suffers a material downturn in its financial performance;



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- There is reasonable evidence of employee misbehaviour or material error; or,
- The firm or the relevant business unit suffers a material failure of risk management.

To facilitate appropriate risk adjustments to incentive plans, the TD Chief Risk Officer presents an annual Enterprise Risk Appetite Scorecard to a joint session of the TD HRC and the TD Risk Committee of the TD Board of Directors. This process allows the TD HRC to appropriately consider risk when determining global incentive pools, and to ensure that remuneration is appropriately linked to the bank's risk adjusted performance. The IRC is advised of the Scorecard results for consideration when determining annual awards for TDGF. In addition, there is a risk and control process, whereby risk events are identified and documented (with input from risk and control function heads) and then individual performance and remuneration impacts are considered. The IRC reviews the results from the risk and control process and approves any adjustments to individual remuneration for TD Global Finance employees.

## CLAWBACK

All variable incentive awards made under the executive compensation plan are subject to clawback in the event of a material misrepresentation resulting in the restatement of financial results or a material error, within a three year lookback period.

## DESIGN AND STRUCTURE OF REMUNERATION INCLUDING CRITERIA USED FOR PERFORMANCE MEASUREMENT, RISK ADJUSTMENT, DEFERRAL POLICY AND VESTING CRITERIA

All Material Risk Takers receive fixed remuneration (base salary) plus variable incentive. TD ensures that fixed remuneration is sufficient to maintain an appropriate balance between fixed and variable remuneration components. All Material Risk Takers are subject to the Capital Requirement Directive IV bonus cap, whereby variable remuneration cannot exceed 100% of fixed remuneration.

Annual incentive awards for Material Risk Takers are delivered through the Executive Compensation Plan (ECP), the Performance Compensation Plan (PCP) or the Employee Incentive Plan (EIP).

Details regarding the criteria used for performance measurement, risk adjustment, the deferral policy and vesting criteria can be found in TD's annual Management Proxy Circular found at the following site: <https://www.td.com/document/PDF/investor/2016/E-Circular-2016.pdf>

## EXECUTIVE COMPENSATION PLAN

Under the ECP, each executive has an individual remuneration target. At year-end, the aggregate pool of funds available to award as incentive remuneration is equal to the sum of the individual targets multiplied by a business performance factor.

The key metrics used to determine the business performance factor include Net Income After Tax (NIAT), and Customer Experience results for the bank and for business segments as applicable. In addition, relative performance is evaluated against a peer group of companies on a series of measures that are determined by the TD HRC on an annual basis. The final business performance factor is subject to a discretionary risk adjustment that is approved by the TD HRC after considering performance against the bank's risk appetite.

To protect against conflict of interest, NIAT and Customer Experience results for executives in control functions are based on TD's enterprise performance, not on the performance of TD Securities or TDGF.





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Individual awards are based on an evaluation of a number of factors including individual performance against objectives, leadership, future potential, and an evaluation against a standard set of accountabilities regarding risk and control behaviours. Individual awards can be higher or lower than their variable remuneration target multiplied by their applicable business performance factor (funds available). The sum of individual awards should not exceed the aggregate funds available under the plan on a global basis.

## PERFORMANCE COMPENSATION PLAN

Annual incentive awards for front office employees and other employees who directly support revenue generating positions are delivered through the Performance Compensation Plan (PCP) for which there is one global pool.

The aggregate pool is determined based on contribution to profit, aggregate enterprise and TD Securities performance, and a discretionary risk adjustment that is approved by the TD HRC after considering performance against the bank's risk appetite.

The approved global pool is allocated to senior business leaders by the Chairman, President and CEO of TD Securities at his discretion. Factors considered when allocating the pool include, but are not limited to, the following: business performance, strategic initiatives, risk management, and market levels of remuneration. The amounts allocated to a specific business are not directly linked to the funding rates used to derive the global pool.

Senior business leaders are responsible for allocating their portion of the approved pool to the individual employees within their business. Individual award decisions are discretionary and there are no formulae or explicit guidelines for making award decisions. Factors considered include, but are not limited to, the following: individual and business performance, teamwork, risk management, market environment, market levels of remuneration, and potential future contribution to the firm. To ensure appropriate consideration of non-financial performance measures, each employee is evaluated on a scorecard of governance, control and risk management measures in conjunction with the determination of the annual award.

## EMPLOYEE INCENTIVE PLAN

Annual incentive awards for TD employees in support and control functions are delivered through the Employee Incentive Plan. Under the Employee Incentive Plan each individual has an incentive target which is multiplied by a business performance factor as well as an individual performance factor. Similar to those of the Executive Compensation Plan, the key metrics under the plan include NIAT and Legendary Experience results for the bank and for business segments, as applicable. The Employee Incentive Plan also includes a discretionary adjustment to account for risk or other factors.

To protect against conflict of interest, NIAT and Legendary Experience results for employees in control functions are based on TD's enterprise performance, not on the performance of TD Securities or TDGF.

Individual awards are based on an evaluation of a number of factors including individual performance against objectives and consideration of a scorecard which assesses governance, control and risk management behaviours. Awards to individual employees may be higher or lower than their funds available (i.e., their variable remuneration target x their applicable business performance factor x their applicable individual performance multiplier). However, the sum of individual awards should not exceed the aggregate funds available under the plan.

Annually, the IRC reviews and approves the aggregate ECP, PCP and EIP awards, ensuring they are aligned with and support the current and future financial status of TDGF.



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## REMUNERATION AWARDED TO MATERIAL RISK TAKERS

For the year-ended October 31, 2016, 2 Material Risk Takers are employed TD Global Finance. To preserve employee confidentiality and data protection, remuneration data will not be disclosed.