TD Bank Group
Director Independence Policy

Summary

This policy formalizes the Board's approach to determining director independence and was approved by the Board.

Regulatory Background

This policy complies with the following rules and regulations:

- National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators
- National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators
- National Instrument 51-102 – *Continuous Disclosure Obligations* and Form 51-102F6 – *Statement of Executive Compensation*
- Corporate governance requirements for maintaining a listing on the Toronto Stock Exchange contained in Section 472 of the TSX Company Manual
- Corporate Governance Rules of the New York Stock Exchange codified in Section 303A of the NYSE's Listed Company Manual applicable to foreign private issuers
- Rule 10A-3 – *Listing Standards Relating to Audit Committees* promulgated under the U.S. Securities Exchange Act of 1934 to implement Section 3 of the U.S. Sarbanes-Oxley Act of 2002
- *Affiliated Persons (Banks) Regulations* (SOR/92-325) promulgated under the *Bank Act* (Canada)

The Board has also considered the recommendations contained in National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators in formulating this policy.

Composition

The Board must be able to operate independently of management in order to be effective. Therefore, a majority of the Board must be independent, as determined under this policy, at all times. In addition, each committee of the Board should be composed entirely of independent directors or as provided in their respective charters.

To facilitate the objective of a majority-independent Board at all times, new non-management directors should be independent when nominated or appointed to the extent practicable.

Meaning of "Independent"

A director will be considered independent if he or she meets the independence criteria established under this policy. Each member of the Audit Committee must also meet the additional independence criteria set out below under the heading "Additional Independence Criteria for Audit Committee Members".

Role of the Corporate Governance Committee and the Corporate Secretary

The Corporate Governance Committee is responsible for:

- Recommending to the Board independence criteria for directors; and
- Evaluating the independence of directors annually in connection with the process for selecting Board and committee members for the following year, and as needed for director appointments during the year.

The Corporate Secretary is responsible for overseeing the due diligence process regarding the independence status of directors and potential directors under this policy and applicable rules and regulations and for reporting to the Corporate Governance Committee as set out below under the heading “Annual Evaluation of Director Independence”.

Independence Criteria

In order for a director to be considered independent under this policy:

- The Corporate Governance Committee must determine the director has no direct or indirect relationships with the Bank that would make him or her personally beholden to the Bank and consequently interfere with the exercise of his or her independent judgment. In this policy, this is known as a material relationship.
- The director must not be, and must not have been in the past three years, an employee or executive officer of the Bank (other than as an interim chief executive officer of the Bank).
- None of the director’s immediate family members may be executive officers of the Bank. Immediate family member means: spouse or common-law partner, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of the director or his or her immediate family member) who shares the individual’s home.

Annual Evaluation of Director Independence

In conducting its annual evaluation of director independence, the Corporate Governance Committee will follow the following procedures:

- Receive a report from the Corporate Secretary on the independence status of the individual directors based on the results of the due diligence process. The Report will include details of any particular cases of potential material relationships, as well as the proportion of independent members of the Board and its committees.
- Review with the Corporate Secretary the due diligence process and the factors considered to arrive at the conclusions as to the independence status of the directors, and consider any particular cases of potential material relationships.
- Report annually to the Board on the independence status of the individual directors.

These procedures also apply to director appointments made between annual meetings with any necessary modifications.

Material Relationships

Based on the results of the due diligence process, the Corporate Secretary will bring all relationships between the Bank and individual directors to the attention of the Corporate Governance Committee that the Corporate Secretary, in consultation with the General Counsel, believes should have Committee consideration. In addition, the Committee may inquire about any particular cases.

The following considerations apply to making any determination as to the materiality or potential materiality of any relationships between the Bank and individual directors:

1. Consideration should be given to the nature of the director's relationships with the Bank and the importance of those relationships to the director. The following relationships are particularly relevant: outsourcing, consulting, legal, accounting and financial services.
2. Significant relationships of these types should be examined not only from the director's standpoint, but also from that of persons or organizations the director is related to, such as a spouse or an entity that employs the director in an executive capacity.
3. For a director in such a relationship, consideration should be given to whether he or she could, or could reasonably be expected to, lack objectivity with respect to management's recommendations and performance. The goal is for a large majority of the Board to be composed of directors whose loyalty to the Bank and its shareholders is not compromised by any other relationship with the Bank.
4. Some directors or entities they are connected with may have banking relationships with the Bank. Relationships of this kind should be examined to determine whether the directors are, or could reasonably be perceived to be, personally beholden to the Bank. Relevant factors in this analysis include:
    - Overall creditworthiness of the banking customer (independent credit ratings, net assets, etc.);
    - Existing banking relationships with other institutions; and
    - Status of the director's involvement with the customer (retired, active executive, etc.)

Additional Independence Criteria for Audit Committee Members

Audit Committee members must meet the additional independence requirements set out below. This reflects the importance of objective oversight of the quality of financial disclosure and the adequacy of internal controls.

- Audit Committee members may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or any of its subsidiaries, other than compensation as directors or under a retirement plan for prior service with the Bank (as further detailed in applicable rules and regulations).

- Audit Committee members must not be an "affiliated" person of the Bank or any of its subsidiaries (as required under National Instrument 52-110 – *Audit Committees* and SEC Rule 10A-3).

<u>Transparency</u>

The Board communicates clearly to the Bank's shareholders in the management proxy circular the Board's approach to director independence, as well as the independence status of the director nominees. This disclosure should include:

- What the Corporate Governance Committee considers when it evaluates the independence of the directors under the criteria established by this policy.
- Which director candidates the Corporate Governance Committee has determined are not independent under the criteria established by this policy and why.
- Any additional disclosure concerning director independence required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, Form 51-102F6 – *Statement of Executive Compensation* (for members of the Human Resources Committee), or other applicable rules and regulations.
- How the director candidates compare to the independence standards contained in the NYSE Corporate Governance Rules applicable to the board members of U.S. domestic companies listed on the exchange (recognizing that the Bank is not required to comply with such Rules as long as it discloses any significant differences compared to its own practices).
- With respect to director candidates who will serve on the Audit Committee if elected, confirmation that they will meet the additional director independence standards for audit committee members contained in Section 1.5 of National Instrument 52-110 – *Audit Committees* and SEC Rule 10A-3.
- Which director candidates are affiliated under the *Affiliated Persons (Banks) Regulations* promulgated under the *Bank Act* (Canada).

<u>Effective Time of the Determination of Independence</u>

The determination of the independence of each director under the criteria established by this policy is effective from the date of the annual meeting (or the date of appointment for directors appointed between annual meetings) until the next annual meeting.

<u>Changes in Directors' Circumstances</u>

If an independent director's circumstances change significantly in the course of the year such that he or she may potentially have a material relationship with the Bank, the director should promptly advise the Chairman of the Board.

If, after further inquiry, the Chairman of the Board believes the relationship may be material in the reasonable opinion of the Corporate Governance Committee, he or she is to advise the Committee.

The Committee should then consider whether any action is required to be taken before the next annual meeting and, if so, make a recommendation to the Board.

Review of the Policy

The Corporate Governance Committee will review this policy as needed, and in any event every three years. The Committee will request Board approval for any material amendments to this policy.

Date

This policy is dated as of September 29, 2015.