

**June 9, 2015**

## **BUILD TORONTO INC., 2014 COMPENSATION DISCLOSURE AND ANALYSIS (CD&A)**

This document provides a discussion and analysis of the Board-approved executive compensation for 2014 for the Named Executive Officers (NEOs) of BUILD TORONTO. This document also outlines the Governance Practices of BUILD TORONTO's Human Resource and Corporate Governance (HRCG) Committee and Board of Directors.

BUILD TORONTO is a Corporation whose sole shareholder is the City of Toronto. BUILD TORONTO is overseen by an 11-member Board of Directors whose members are appointed by the Toronto City Council. Executive compensation is overseen by the HRCG Committee of the Board of Directors. The composition and functional responsibilities of the HRCG Committee are consistent with our Shareholder Direction.

### **Executive Summary**

The CD&A outlines the strategy and direction on executive compensation approved by the HRCG Committee and the BUILD TORONTO Board of Directors. The significant points in this document are:

- There is a strong process in place to manage executive compensation at BUILD TORONTO that is the responsibility of the HRCG Committee.
- The BUILD TORONTO Board of Directors has enacted policies to bring the Build Toronto executive compensation program into compliance with City Council's desire to limit incentive payments to 25% of base salary, subject to existing legal obligations. Compensation for the CEO hired in 2013 complies with City Council's direction.

### **1.0 BUILD TORONTO Board of Directors**

The BUILD TORONTO Board of Directors is responsible for overseeing the governance of the BUILD TORONTO organization in compliance with the Shareholder Direction from the City of Toronto. Its primary function in this area is overseen by the HRCG Committee, supported by the Senior Vice-President, Legal and Administration, and the Director of Human Resources.

The Board works within a climate of respect, trust and candor, fostering a culture of open dialogue. It fulfills its duties by:

- Maintaining a governance framework that sets broad areas of responsibility and includes appropriate checks and balances for effective decision-making and approvals;
- Making decisions that set the tone, character and strategic direction for the company and approving the vision, mission, values and guiding principles developed by management;
- Regularly monitoring management's effectiveness, including its leadership, recommendations, decisions and execution of strategies to ensure that the CEO and

senior management carry out their responsibilities in an organized, efficient and professional way.

The Board reviews the corporate governance framework and practices and revises them as regulations change, and as industry and shareholder expectations and corporate best practices continue to evolve within the context of the Shareholder Direction.

### **1.1 Human Resources and Corporate Governance Committee**

The HRCG Committee has a corporate governance role, and is responsible for assisting the Board in overseeing:

- Human resource policies
- Executive compensation
- Succession planning
- Corporate governance matters

This committee has five members:

- Deputy Mayor Denzil Minnan-Wong (Chair)
- Christopher Voutsinas (Board Chair)
- Frank Bucys
- Nancy Cohen
- Wayne Fraser

The HRCG Committee is responsible for:

- Consulting with management to develop the general philosophy on compensation and performance-based or “at-risk” pay;
- Reviewing and recommending to the Board for approval all compensation policies and programs for the NEOs;
- Setting corporate goals and objectives relating to the compensation for the CEO and the other NEOs;
- Evaluating the CEO’s performance against those goals and objectives;
- Setting CEO compensation based on the Committee’s evaluation;
- Approving the compensation of the other NEOs based on the CEO’s evaluations and recommendations; and
- Overseeing the development and implementation of compensation programs, including incentive compensation plans.

The HRCG Committee met five times in 2014. At the discretion of the Chair, a portion of each meeting was held *in camera* without management present.

## **2.0 Compensation Program**

The executive compensation program includes a base salary, a short-term incentive plan (STIP), an OMERS pension plan and other benefits. The STIP is *at-risk* compensation, which is awarded according to how well BUILD TORONTO performs as a company (corporate performance), and how well the executive performs in his or her role (individual performance).

### **2.1 The Relationship between Compensation and BUILD TORONTO's Corporate Performance**

The Executive Compensation system is directly linked to BUILD TORONTO's performance targets. The Board of Directors through the consideration and adoption of an Annual Business Plan and a Five-Year Strategic Plan approves these targets. In addition to the financial targets as laid out in the Business Plan, BUILD TORONTO's NEO's are evaluated on the performance of their business unit, and on City Building and Personal objectives.

### **2.2 Named Executive Officers (NEOs)**

In 2014, the NEOs consisted of:

1. William Bryck, Chief Executive Officer (CEO)
2. David Fiume, Senior Vice-President and Chief Financial Officer (CFO).
3. Don Logie, Senior Vice-President, Development
4. Steven J. Trumper, Senior Vice-President, Legal & Administration – April 1 to December 31, 2014
5. John Macintyre, Senior Vice-President, Corporate Development and Residential Projects – January 1 to March 31, 2014
6. Prakash David, Senior Vice-President, Retail and Residential Development – January 1 to March 31, 2014

As a result of a corporate restructuring completed in March 2014, Steven J. Trumper was promoted to Senior Vice-President, and John Macintyre and Prakash David left. All other NEOs were in place for the entirety of 2014.

## **3.0 Compensation Peer Group**

In 2014, BUILD TORONTO established a comparator group of public sector peer organizations establishing the executive compensation metrics for the NEO's. The comparator group consists of the following public sector companies:

- Independent Electricity System Operator
- Infrastructure Ontario
- Metrolinx
- Ontario Energy Board
- Ontario Financing Authority
- Ontario Securities Commission
- Toronto Community Housing Corp.
- Toronto Waterfront Revitalization Corp.
- Workplace Safety & Insurance Board

#### **4.0 Board Approved Executive Compensation Program for 2014**

Total compensation for the executives includes four elements:

1. Base salary
2. STIP
3. OMERS Pension
4. Benefits and perquisites

#### **4.1 Incentive Pay for BUILD TORONTO Executives – STIP**

Performance objectives set at the beginning of the year were evaluated at year-end in each of the following areas:

- Corporate Performance (based on Adjusted Net Operating Income)
- Business Unit Performance
- Personal Performance
- City-Building Performance

Build Toronto exceeded its financial targets in 2014, primarily through the value-added sale of two significant projects to the private sector.

#### **4.2 Benefits and Perquisites**

In 2014, NEOs were provided with a standard company package of Health, Dental, Disability and Life Insurance Benefits, which is the same program in place for all BUILD TORONTO employees. All benefit premiums are employer paid.

The NEOs were entitled to a maximum of \$2,000 annually for executive medical coverage that includes an annual Comprehensive Health Assessment and Wellness Program.

#### **4.3 Pension**

BUILD TORONTO is a member of the OMERS Multi-employer defined benefit pension plan. The OMERS Pension Plan is partially funded by the contributions made by employees (based on earnings) and the matching contributions made by employers within the Plan. Along with investment earnings, contributions provide members with lifetime retirement income.

OMERS contribution rates for normal retirement age 65 members for 2014 were 9.0% on the first \$52,500 (CPP earnings limit) of contributory earnings and 14.6% thereafter.

#### **4.4 Expenses**

BUILD TORONTO's NEO's are entitled to be reimbursed for certain business related expenses incurred in the course of their work pursuant to the company's expense policy. The expense claims for the three Senior Vice Presidents are approved by the CEO. The expense claims of the CEO are approved by the Chair of the BUILD TORONTO Board. All NEO expense claims are reviewed by the Finance, Audit and Risk Committee of the Board of Directors and are posted on the BUILD TORONTO website. In 2014, BUILD TORONTO's NEO's sought reimbursement for a total of \$8,007 in business related expense claims.

#### **4.5 Total Compensation**

The total compensation for the NEO's in 2013 was \$1,741,471. As a result of the corporate restructuring, the total compensation for the NEO's in 2014 was \$1,288,295; an overall reduction in NEO compensation of \$425,546.

#### **4.6 Attachments**

The following schedules are attached to this CD&A:

- (a) Schedule "A" contains a summary of the classification, salary and benefits paid to certain Build Toronto NEO's in 2014, as well as the total expense claims of each such NEO. Each of these NEO's have consented to the release of their personal information;
- (b) Schedule "B" is confidential, and contains a summary of the classification, salary and benefits paid to one of the Build Toronto NEO's who was employed for a portion of 2014, as well as the total expense claims of such NEO. The consent of this NEO to the release of his personal information has not been obtained.

BUILD TORONTO confirms that, except as set out on Schedule "B", all current and former members of the senior management team in 2014 have consented to the release of the information contained in this CD&A in order to enable the City Manager to publically disclose the information on the public agenda. Build Toronto has considered the privacy impacts of the disclosure under *Municipal Freedom of Information and Protection of Privacy Act* (the "**Act**") and confirms that there is no unauthorized release of personal information protected under the legislation.

**Schedule “A” – BUILD TORONTO 2014 Named Executive Officers (NEO’s) Compensation Summary<sup>(1)</sup>**

<b>Classification</b>	<b>Name</b>	<b>Base Salary</b>	<b>2014 STIP Incentive</b>	<b>Total Cash Compensation</b>	<b>Benefits</b>	<b>Expenses</b>	<b>Total Compensation<sup>(1)</sup></b>
President & CEO	William Bryck	\$300,000	\$56,250	\$356,250	\$5,305	\$1,385	\$362,940
SVP – Development & Investments	Don Logie	\$239,977	\$91,970	\$331,947	\$5,729	\$3,989	\$341,665
SVP & CFO	David Fiume	\$229,497	\$87,782	\$317,279	\$0	\$24	\$317,303
SVP, Legal & Administration <sup>(2)</sup>	Steven J. Trumper NEO	\$154,217	\$35,084	\$189,301	\$3,086	\$0	\$192,387
	Steven J. Trumper non-NEO	\$51,406	\$11,695	\$63,101	\$1,028	\$0	\$64,129
SVP, Corporate Development & Residential Projects <sup>(3)</sup>	John A. Macintyre	\$57,616	\$27,420	\$85,036	\$2,499	\$162	\$87,697

(1) Note: Compensation excludes OMERS pension contributions by Employer

(2) Steven J. Trumper – April 1, 2014 to December 31, 2014

(3) John A. Macintyre – January 1, 2014 to March 31, 2014