

TA17.8

Attachment 1

Toronto Atmospheric Fund

Executive Compensation Policy

(Total Rewards Approach)

Draft for Board Consideration

September 15, 2017

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Purpose of Executive Compensation Policy

Toronto Atmospheric Fund's objective for executive compensation is to provide a reasonable and competitive total executive compensation, consistent with market-based compensation for individuals possessing the experience and skills needed to add value to the organization.

This is a forward looking policy and is not meant to change current terms of employment. It should be applied to recruitment of new staff, or upon renewal of contracts where those contracts allow for adjustment.

This policy applies to TAF's CEO and Vice-Presidents.

Toronto Atmospheric Fund's executive compensation framework recognizes and rewards differences in individual abilities and performance and distinguishes the differing levels of responsibility within the internal organizational structure. Toronto Atmospheric Fund recognizes the importance of equitable pay differentials for varied types of work and provides incentives for maximum contribution to the organization, self-improvement and career advancement.

Toronto Atmospheric Fund will develop and maintain salary practices and procedures that provide an effective means of controlling salary expenditures while being responsive to the changing market conditions.

It is the policy of Toronto Atmospheric Fund to review and evaluate the performance of the TAF's CEO annually, but no less frequently than bi-annually. This will be undertaken by the committee, which will report to the Board. The review of pay and performance will ensure that satisfactory and/or exceptional performance is recognized through compensation, however a performance review may or may not result in a change in pay.

The CEO will review and evaluate the performance of TAF's VP's annually, and through the committee, will inform the Board regarding VP performance and compensation.

Toronto Atmospheric Fund will adjust wages and salaries based on job performance, business growth, and comparable wages in the relevant labour markets. Changes in pay will be closely linked to the overall performance of the Toronto Atmospheric Fund.

The HR & Executive Compensation Committee of the Toronto Atmospheric Fund Board is responsible for maintaining the executive compensation program. The committee will review the compensation policy at least every four years and make recommendations for any changes to the Board, as appropriate.

The Board is responsible for approving the Executive Compensation Policy. As such, the Board will be trained in and/or review their fiduciary duty in setting executive compensation on a regular basis.

Key Guiding Principles

- Embrace a “pay for performance” environment
- Support immediate and long-term business objectives
- Balance individual and team performance to maximize results
- Facilitate the attraction and retention of well qualified employees
- Transparency of the compensation plan and process

Compensation Strategy

Toronto Atmospheric Fund subscribes to a Total Rewards Approach to executive compensation takes into consideration all aspects of compensation including monetary components of base salary, variable / incentive pay, merit pay, pension and benefits as well as non-monetary components of performance and recognition, professional development, career opportunities and work-life environment. This compensation strategy will be reviewed regularly and aligned with business strategy, HR strategy, and operational plans.

Toronto Atmospheric Fund will maintain a competitive position while promoting a “pay for performance” philosophy. Compensation practices, levels and tools are reflective of best practices in the markets from which Toronto Atmospheric Fund will recruit or which current staff may be recruited by, including public, private and non-profit sectors.

Benchmark data will be collected from an appropriately identified Comparator Group which form a “market composite” to assess the competitiveness of compensation. In general, Toronto Atmospheric Fund positions total executive compensation, including benefits, at the median (50th percentile) of the market. Programs are designed to be flexible so that compensation can be above or below the median based on experience, performance, and business need to attract and retain specific talent.

Toronto Atmospheric Fund is committed to being transparent, disciplined and accountable in its executive compensation.

Compensation Administration

Performance Management

Toronto Atmospheric Fund will maintain a detailed, complete and up to date job description for the Chief Executive Officer and Vice-President positions. The functions, accountabilities and responsibilities of the positions will be linked to the performance management program through clear expectations, goal setting, and objective performance measures.

Any increase to total compensation is not automatic and will be tied to performance. TAF’s Executives are required to meet strategic objectives and targets, demonstrate growth in the value of the organization, and consistently show superior performance in order to receive increases.

Comparator Group

Toronto Atmospheric Fund will benchmark against comparable organizations of a similar size, structure and business. In addition, TAF may also collect other broader-market published survey data. Each comparator analysis will provide a clear and detailed rationale for the use of the chosen comparators.

Compensation Reviews

Toronto Atmospheric Fund will conduct executive compensation reviews regularly to ensure that total compensation is in line with the Comparator Group identified. The 25th, 50th and 75th percentiles for both base compensation and total cash compensation (base plus bonus) on job rate and actuals will be benchmarked. The review will also benchmark incentive compensation, benefits, pensions, non-cash reward options, and pay administration.

Appropriate recommendations will be made as to the appropriate balance of weight given to internal equity and external market comparisons and changes may be recommended in order to ensure attraction and retention of exceptional employees, fair market compensation, and alignment with Toronto Atmospheric Fund's compensation strategy and objectives.

Benefits

Benefits for Executives include holidays, sick time, dental, drug and medical coverage, life insurance, short-term disability and long-term disability. Benefits will be regularly benchmarked against the comparator group to ensure Toronto Atmospheric Fund's offering is effective in retaining or attracting its CEO and VPs. To remain cost effective, benefit costs including mandatory benefits deducted as payroll deductions such as Employment Insurance and the Canada Pension Plan will not exceed 20 percent of base compensation.

Pensions

Toronto Atmospheric Fund does not have a pension fund, but provides a contribution towards a self-selected RRSP.

Establishing Salary

Base Salary

The TAF Executive positions are compensated within a salary range, having a minimum, a midpoint and a maximum. Salary ranges are established and maintained based on the relationship of Toronto Atmospheric Fund compensation to the appropriate labour market.

The salary data collected and analyzed during the comparator compensation review establishes a "market rate" or the midpoint of the salary range. This midpoint of the range is the median (50th percentile) salary in the comparator labour market paid to employees performing similar jobs in a fully satisfactory manner.

A Salary Range is established around the midpoint as follows:

- The minimum of the range represents the lowest rate TAF will pay to the CEO and VPs if he/she possesses the minimum qualifications for the position. The minimum will be 15% less than the median.
- The maximum of the range represents the highest rate TAF commits itself to pay an outstanding CEO or VP. The maximum will be 15% more than the median.

Programs are designed to be flexible so that compensation can be 15% above or 15% below the median based on experience, performance, and business need to attract and retain specific talent.

A review of the relevant comparator labour market will be conducted on a regular basis to provide Toronto Atmospheric Fund with the information required to determine if Salary Range adjustments are needed to maintain competitive positioning. The overall competitiveness of the Salary Ranges is also assessed in relation to economic conditions and cost of living patterns. All of these factors, in conjunction with budget considerations and Toronto Atmospheric Fund's ability to pay, form the basis upon which periodic adjustments to all the Salary Ranges are made. The new range will affect the Toronto Atmospheric Fund CEO and/or VP at his/her next salary review. It will not result in an automatic salary increase.

External Equity Considerations

In the event that the external market dictates a starting salary beyond what is allowed by the maximum of the salary range, a market rate will be established for the position in question, based on market data and the requirement for premium pay for special or scarce skills. The market rate for the position will be reviewed each year as part of the annual analysis.

New Positions

New job descriptions must be developed for all new positions, prior to hiring new executive roles into Toronto Atmospheric Fund. This allows TAF to set rates for the position that are competitive relative to market and that are consistent with the internal pay structure of the organization.

Positioning within the Range

For the purpose of explaining how to decide what a TAF Executive should receive, each salary range should be thought of in terms of quartiles. The position of an employee's salary within the salary range should reflect his/her experience, skills, and long term performance on the job. An employee earning a salary at the midpoint of the salary range should have demonstrated full competence and sustained performance in his/her job. An employee earning a salary above the midpoint of the salary range must possess highly developed skills and experience, and have sustained exceptional performance in the job for a prolonged period of time, usually two years or greater.

Minimum	Midpoint	Maximum	
Quartile 1	Quartile 2	Quartile 3	Quartile 4
• New hire with little experience	• Some experience at the executive level.	• Experienced executive	• Experienced executive

at the senior executive level. • Developing skills • Significant learning curve.	• Most skills already acquired. • Movement to midpoint occurs when all skills / tasks performed well.	• Highly developed skills • Long record of very good performance.	• Regularly uses highly developed skills and knowledge • Consistently exceptional performer.
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Incentive Compensation / Variable Pay

TAF's CEO and VPs are not eligible for incentive compensation.

Merit Pay

TAF Executives are eligible for bonus, not to exceed 5% of annual base salary. Merit pay is awarded based on achieving and exceeding individual and business goals, set during the annual performance management program.

Proposed Termination Arrangements

Both the TAF Board and the CEO have the right to terminate the employment relationship. The TAF CEO's employment with the Board constitutes a contract in law and therefore, termination of employment by the Board, where this is necessary, must be in keeping with relevant legislation. Where termination occurs for reasons other than just cause, the CEO will be treated fairly and appropriate severance arrangements will be made. Where termination is for cause, employment may be terminated without notice or severance. Note that application of this policy should be consistent with the terms of an existing contract.

Resignation

TAF's CEO should, wherever possible, provide his/her resignation to the Board, in writing, as early as possible; however, at least two month's notice of resignation is required.

CEO will immediately report VP resignation to the Committee and Board.

Termination by the Board of Management

During Probationary Period: If it is determined that the CEO will be terminated during the probationary period, he/she will be given appropriate notice by the Board in accordance with the *Employment Standards Act* of Ontario.

Discharge for Willful Misconduct: Willful misconduct implies an act of such gravity and seriousness that it constitutes a breach of the TAF CEO's fundamental obligations to the Board, and is therefore grounds for immediate dismissal. If the TAF CEO has purposefully committed an act of serious misconduct such as theft, violence, gross negligence of duty, insubordination, abandonment of position,

or breach of confidentiality, notice of discharge shall be given to the employee and employment shall be terminated immediately.

Termination for Reasons of Performance: Performance discussions will be documented, clearly setting out the areas of performance requiring improvement, the Board's expectations and required results, support available to the TAF CEO, and a time frame during which performance must improve.

In cases where there is insufficient improvement, the Board will advise the employee, in writing, that his/her employment will be terminated unless the required improvement is made by a specified date. No later than the specified date, if performance expectations are still not met, a formal letter of notice of termination will be given to the employee.

The CEO will seek agreement from the Committee to terminate a VP.