KORN FERRY®

City of Toronto
Agency & Corporation Executive Compensation
Board Discussion Guide

In recent years, executive compensation has been a topical subject among the boards of directors in both the private and public sectors due to COVID, global and domestic economic factors, fiscal constraints, industry performances, tight labor market conditions, broader public sector executive compensation regulations, shareholders' scrutiny, market compensation trends, and other factors.

In first half of 2022, the City commissioned Korn Ferry to review executive compensation at City Agencies and Corporations (A&Cs) using the current City's executive compensation guidelines. In order for the review to be well informed by the current environment and individual A&C's experience, City staff and Korn Ferry thank you for this opportunity to hear from your Board on executive compensation. The following topics are important for the City's review and development of executive compensation guidelines.

(1) The City's current executive compensation guidelines (see Appendix A)

a) What areas of the current guidelines work or are challenging for your agency/corporation (e.g., comparator group definition, merit pay / incentive pay)?

b) What are your current executive compensation priorities (e.g., updating pay policy structure, developing incentive pay program, managing flight risks)?

(2) Your executive talent landscape

a) Do you hire executives externally or develop them internally or a mix of both, considering the past experience and the future intentions?

b) Where are your market sources (i.e., industry, sector) for hiring executive talent? Based on your history, where did your executives leave for (excluding retirees)?

(3) Alignment of executive recruitment with organizational and business needs

a) What are your executive compensation challenges to deliver your current and future business needs?

b) What are the strengths and weaknesses of your executive compensation policy in with respect to attracting new executive talent into your organization?

c) Thinking about the new executives hired in the last 3 years, how often did you go beyond your current executive compensation policy in order to attract your executive candidates?

(4) Approaches to benchmarking compensation using comparators.

a) For developing your executive target compensation ranges, what comparator groups do you use for your executive team as a whole? Consideration factors for comparators normally include sector (public, private, not-for profit sectors), industry, geography, ownership etc.

b) Do you have any specialist executives who might require a special comparator group? What are the reasons?

Appendix A: Highlights of Current City Framework and Guiding Principles
(Item 2014.EX44.8)

- Compensation Comparator Group: complete the analysis for each senior executive position by using industry comparators in the public sector. They must be "like" public sector organizations of similar size, structure, risk, and complexity.
- Salary Range: the salary range midpoint should be the median (P50) of the comparators. Minimum base salary should be no less than 15% less than the median, and maximum no more than 15% above median (P50).
- Merit / Variable / Incentive: Payments only occur when executives demonstrate superior performance by exceeding specific organizational performance measures. The opportunity should not exceed 20% of base salary. Where both Merit Pay and Variable / Incentive Pay are used, the combination should not exceed 25% of base salary.
- Benefit Costs: a competitive, appropriate package for the demographics of the senior executive talent pool, providing public value for money. Benefit costs should not exceed 20% of base salary.
- Pension contribution of employer and employee at a ratio of 1:1.

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