

## Executive Committee

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|-------|--|---------|--|-----------|
| EX6.1 |  | Amended |  | Ward: All |
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### **Review of City of Toronto Guiding Principles for Executive Compensation Policies at City Agencies and Corporations**

#### **City Council Decision**

City Council on July 19 and 20, 2023, adopted the following:

1. City Council approve the updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations in Attachment 1 to the report (June 26, 2023) from the City Manager.
2. City Council request the Boards of Directors of City agencies and corporations listed in Schedule B of Attachment 1 to the report (June 26, 2023) from the City Manager to adopt or amend as appropriate their organization's executive compensation policy to align with the Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations in Attachment 1 to the report (June 26, 2023) from the City Manager, and to apply it to new executives hired and newly created executive positions.
3. City Council direct the Boards of Directors of City agencies and corporations listed in Schedule B of Attachment 1 to the report (June 26, 2023) from the City Manager to provide their organizations' Board-approved adopted or amended executive compensation policy to the City Manager by the first quarter of 2024.
4. City Council, in light of the climate crisis and Toronto's net zero commitments, request the Boards of Directors of City Agencies and Corporations listed in Schedule B of Attachment 1 to the report (June 26, 2023) from the City Manager, to review how to incorporate the objectives of TransformTO into goal setting and measurements of performance of Chief Executive Officers and into Chief Executive Officers' total compensation, and to report back to the City Manager in the first quarter of 2024.
5. City Council forward this item to the Boards of Directors of those City agencies and corporations that were not in scope for this review, except for the Seniors Housing Corporation to which the Guiding Principles apply, for their review, reference and use as those Boards deem appropriate.
6. City Council consider the condition set by City Council at its meeting on July 19, 20, 21 and 22, 2022, in Item 2022.EX34.31 as satisfied and permit Toronto Hydro on a go-forward basis to amend its current compensation policies, or amend the base or incentive compensation provisions of its existing employment contracts with Toronto Hydro senior executives or to hire any new permanent senior executives.
7. City Council direct that Confidential Attachment 1 to the report (July 4, 2023) from the City Solicitor remain confidential in its entirety, as it contains advice that is subject to solicitor-

client privilege.

Confidential Attachment 1 to the report (July 4, 2023) from the City Solicitor remains confidential in its entirety in accordance with the provisions of the City of Toronto Act, 2006, as it contains advice that is subject to solicitor-client privilege.

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## **Confidential Attachment - Advice or communications that are subject to solicitor-client privilege**

### **Committee Recommendations**

The Executive Committee recommends that:

1. City Council approve the updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations in Attachment 1 to the report (June 26, 2023) from the City Manager.
2. City Council request the Boards of Directors of City agencies and corporations listed in Schedule B of Attachment 1 to the report (June 26, 2023) from the City Manager to adopt or amend as appropriate their organization's executive compensation policy to align with the Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations in Attachment 1 to the report (June 26, 2023) from the City Manager, and to apply it to new executives hired and newly created executive positions.
3. City Council direct the Boards of Directors of City agencies and corporations listed in Schedule B of Attachment 1 to the report (June 26, 2023) from the City Manager to provide their organizations' Board-approved adopted or amended executive compensation policy to the City Manager by the first quarter of 2024.
4. City Council provide this report to the Boards of Directors of those City agencies and corporations that were not in scope for this review, except for the Seniors Housing Corporation to which the Guiding Principles apply, for their review, reference and use as those Boards deem appropriate.
5. City Council consider the condition set by City Council in Item 2022.EX34.31 (July 19, 2022) as satisfied and permit Toronto Hydro on a go forward basis to amend its current compensation policies, or amend the base or incentive compensation provisions of its existing employment contracts with Toronto Hydro senior executives or to hire any new permanent senior executives.
6. City Council direct that Confidential Attachment 1 to the report (July 4, 2023) from the City Solicitor remain confidential in its entirety, as it contains advice that is subject to solicitor-client privilege.

### **Origin**

(June 26, 2023) Report from the City Manager

### **Summary**

This report responds to City Council's 2021 direction to the City Manager to complete an independent external review of executive compensation policies and practices at City agencies and corporations and review and update the City's Guiding Principles for the Development of Senior Executive Compensation Policies (the "Guiding Principles"). This report provides the findings of the review and seeks Council's approval of updated Guiding Principles.

While the City is not the employer of agency and corporation executives, it supports agencies and corporations to set executive compensation in a transparent, rational, accountable and fair manner, taking into account the responsible use of taxpayer and ratepayer funds. Strategic compensation ensures senior executives are attracted and retained in the increasingly competitive labour market.

An independent external review of executive compensation at City agencies and corporations found that their policies were developed using some or all the components of the City's framework, and that most organizations' current policies and practices are consistent with those utilized in the public, broader public, and not-for-profit sectors, and in some cases, the private sector. The review also found key elements of the 2014 Guiding Principles to be sound, prudent, and reasonable but suggested changes in specific areas to better reflect current leading market practice and labour market conditions.

The Guiding Principles have been updated to provide flexibility for agencies and corporations while ensuring alignment to market indicators. The amendments include limited use of private sector comparators and incentive pay in accordance with predetermined criteria and within market norms. Utilizing the methodologies outlined in the updated Guiding Principles will result in caps to City agency and corporation executive compensation commensurate with their benchmarks.

### **Background Information (Committee)**

(June 26, 2023) Report from the City Manager on Review of City of Toronto Guiding Principles for Executive Compensation Policies at City Agencies and Corporations (<https://www.toronto.ca/legdocs/mmis/2023/ex/bgrd/backgroundfile-237960.pdf>)

Attachment 1 - Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated).

(<https://www.toronto.ca/legdocs/mmis/2023/ex/bgrd/backgroundfile-237961.pdf>)

Attachment 2 - Korn Ferry Executive Compensation Review Report

(<https://www.toronto.ca/legdocs/mmis/2023/ex/bgrd/backgroundfile-237962.pdf>)

### **Communications (City Council)**

(July 19, 2023) Letter from Michael Eubanks, Chair, Human Resources and Environment Committee, Toronto Hydro (CC.New)

(<https://www.toronto.ca/legdocs/mmis/2023/cc/comm/communicationfile-171579.pdf>)

## **1a Executive Compensation Review - Legal Comments**

**Confidential Attachment - Advice or communications that are subject to solicitor-client privilege**

### **Origin**

(July 4, 2023) Report from the City Solicitor

### **Summary**

At its meeting of July 14, 2021, City Council had before it the supplemental report (dated July 13, 2021) from the City Manager and the City Solicitor including a confidential attachment containing solicitor-client advice respecting the issues surrounding the issue of executive compensation policies for City Agencies and Corporations.

As the current report (June 26, 2023) from the City Manager to be considered by Executive Committee at its meeting of July 11, 2023 concerns this same issue, this supplemental report has been prepared in order to ensure that legal advice is again available for the convenience of Committee and Council and may be considered along with the City Manager's recommendations.

### **Background Information (Committee)**

(July 4, 2023) Report from the City Solicitor on Executive Compensation Review - Legal Comments

<https://www.toronto.ca/legdocs/mmis/2023/ex/bgrd/backgroundfile-238130.pdf>

Confidential Attachment 1 - Executive Compensation Policies - Legal Advice