EXECUTIVE COMPENSATION POLICY

CreateTO is committed to its executive compensation being set in a transparent, accountable, and consistent manner that protects public interest while attracting, motivating, and retaining highly talented Executives to manage the organization while also demonstrating value for money to the CreateTO Board, the City of Toronto, and to taxpayers and ratepayers. This Executive Compensation Policy was developed in accordance with "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated June 2023)".

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1. BACKGROUND

Launched on January 1, 2018, CreateTO was established to manage the City of Toronto's real estate, which, with more than 8,000 properties, is one of the most expansive, diverse, and valuable real estate portfolios in North America. CreateTO works collaboratively with City stakeholders, external partners, and community members to create more livable, sustainable and inclusive communities. The agency is enabling the City, for the first time, to adopt a strategic city-wide approach towards the delivery of real estate solutions to promote a balance of community and economic benefits.

CreateTO's Core Values, which guides the organization and shapes its culture are:

1. Improve lives
2. Focus on the future
3. Push boundaries
4. Create Change together
5. Be there for each other

Since its inception, CreateTO has successfully advanced projects that have contributed to achieving Toronto City Council's key policy goals including Housing, Economic Development, Environmental Sustainability, Cultural Vitality, Community Health and Diversity, Equity, and Inclusion.

CreateTO's greatest asset is its employees, who oversee real estate holdings valued at $27 Billion . Therefore, attracting, retaining and developing its employees is fundamental to CreateTO's success. The competition for talent in the public and private sectors, especially those with real estate expertise and experiences, has created a challenging environment for CreateTO to recruit and retain talent. At the same time, in June 2023, the Toronto City Council approved the updated "Guiding Principles for the Development of Senior Executive Compensation Policies as City Agencies and Corporations" ("Guiding Principles") and requested the Board of Directors of City agencies and corporations to adopt or amend as appropriate their organization's executive compensation policy to align with the Guiding Principles and to apply them to new executives hired and newly created executive positions.

It is with this background that CreateTO's People & Culture is pleased to present its first Executive Compensation Policy.

2. STEPS TO DEVELOPING AND IMPLEMENTING CREATETO'S EXECUTIVE COMPENSATION POLICY

Under the direction of the "Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations (Updated June 2023)", People & Culture has prepared this document to be adopted by the Board of Directors using the following steps:

- Prepared an Executive Compensation Policy that describes CreateTO's executive compensation philosophy, base salary and performance-related pay, comparative analysis (benchmark) and other cash or non-cash compensation elements, as well as the governance surrounding the policy.
- Updated the Base Salary and Performance-related pay structure by ensuring that each senior executive position has a detailed job description; that bases salary ranges were developed for each senior. executive position, with the midpoint of the salary range set at a median of a comparative benchmark; and that each senior executive participated in a formal and robust performance process.
- Selected comparable organizations and positions similar in size, complexity and other criteria as appropriate.
- Conducted a comparative analysis of the current compensation of CreateTO executives in relation to peer executives in comparative organizations
- Calculated salary and performance pay bands based on the 50^{th} percentile of the comparator organizations.
- Submitted CreateTO's Executive Compensation policy to CreateTO's Board for approval.

3. DESIGNATED SENIOR EXECUTIVE POSITIONS

The Executive Compensation Policy applies to the following designated executives:

- Chief Executive Officer
- Chief Development Officer
- Chief Legal Counsel & Corporate Secretary
- Chief Financial Officer & Executive Vice President Port Lands Management

4. CREATETO'S EXECUTIVE COMPENSATION PHILOSOPHY

CreateTO's executive compensation philosophy is summarized by the following objectives:

- Ensure executive leaders are focused and aligned with business strategy;
- Attract, retain and motivate top talent with the requisite expertise and skills to lead organizational success;
- Reward high performance through an appropriate mix of fixed salary and an at-risk, short-term incentive plan
- Steward public funds through a transparent compensation plan and process
- Comply with relevant legislation and City of Toronto Guidelines

CreateTO's compensation philosophy encompasses the following components: base salary, incentive pay, pension and benefits. The sum of these components provides the motivational incentive for CreateTOs executives to support both the long-term strategic vision of the organization and be held accountable to achieving key annual performance results.

CreateTO's compensation philosophy, practices, levels, and tools are reflective of best practices in markets from which CreateTO recruits from, including public and private sectors. As part of this, CreateTO uses benchmark data collected from appropriately identified comparator groups to form a "market composite" to assess the competitiveness of each executive's compensation. CreateTO positions total executive compensation at the 50^{th} percentile of that market.

5. BASE SALARY AND PERFORMANCE-RELATED PAY

a. Job Description

Each executive position will have an up to date and detailed job description. The job description documents the key functions, responsibilities, skills, knowledge, abilities, and other characteristics required for the position. It will be reviewed and updated at least every four years, or whenever substantial changes occur in the duties and responsibilities assigned to the position.

The job description is used as part of the recruitment, selection, training, performance evaluation and talent management processes. It is also used to compare the scope and content of each executive job with similar roles in the market comparator group.

b. Base Salary Ranges

A base salary range is established for each executive job based on findings of the Comparative Analysis described in section 6, below. The salary range "mid-point" is equal to the market 50^{th} percentile base salary. The salary range "minimum" and "maximum" are set at 80% and 120% of the mid-point, respectively. For the public sector comparators, base salary is calculated reducing the disclosed compensation by 10% to account for any bonuses or allowances included in the figures.

Salary ranges are used to manage the executives' salaries to ensure that salaries remain competitive and reflect each executive's value to and impact on CreateTO. The ranges are updated annually either by undertaking a full benchmarking study, as described in section 6., below or based on market research on the salary increase percentages ,that organizations in the comparator group, are making to executive salaries and/or salary ranges.

c. Performance Assessment Program

All CreateTO's Executives will participate in an annual and robust performance assessment program. The performance measures include both individual and organizational measures.

The performance assessment process takes into consideration each executive's job description and is aligned to the annual organizational objectives approved by CreateTO's Board. The process includes goal setting and identifying performance measures, monitoring and feedback, and concluding with a performance appraisal. The stated performance assessment measures for each executive, among other things, will relate to:

- Strategic objectives articulated by the organization
- Demonstrated growth in public value of the organization
- Creating a positive, dynamic, professional, ethical, service-oriented workplace culture that attracts, motivates and retains employees
- Timely and thorough implementation of applicable City Council directives including Shareholder Directions, Relationship Frameworks, applicable City of Toronto policy, and recommendations of City accountability Officers and internal ethics executives; and
- Alignment with applicable City priorities and plans.

d. Incentive Pay

Executives at CreateTO are eligible to participate in the organization's at-risk Short-Term Incentive Plan (STIP), in addition to their base pay, as this is standard practice in comparable organizations that CreateTO recruits from. To be eligible for STIP, executives must participate in CreateTO's annual performance assessment process.

The STIP will be awarded only where the executive has met and exceeded performance criteria as set out in CreateTO's performance assessment process. A short-term incentive under the Plan will not be awarded to executives whose individual performance is deemed not satisfactory.

The executive STIP payment cannot exceed 25% of their base pay.

At this time, CreateTO does not have a Merit pay program impacting executive salaries. Should it be introduced, it would be calculated separately to avoid compounding increases.

6. COMPARATIVE ANALYSIS

Two comparator groups were selected to represent the labour market (where executives are hired from and lost to) for CreateTO executives. The comparator group formation has followed the Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations.

<u>Public Sector Comparator Group</u>

This comparator group includes ten public sector organizations based in Toronto that met one of two selection criteria in addition to location: i. organizations with significant real estate operations or ii. have revenue or an operating budget within 1/3 to 3 times that of CreateTO. These criteria capture the market values of executive real estate expertise and organizational leadership complexity. The ten organizations are listed in Appendix A.

The Public Sector Comparator Group 50th percentile compensation data, by executive job, will be weighted 66.67% in the market analysis.

<u>Private Sector Comparator Group</u>

CreateTO satisfies all criteria established in Guiding Principles to include a Canadian private sector comparator group:

i. The organization has significant commercial and revenue generating requirements;
ii. The comparable industry/market includes a significant proportion from the Private Sector;
iii. Talent source and competition is from the Private Sector for the executive team or the specialist executive role; and
iv. There is a significant business need requiring executive talent from the Private Sector, in order to compete.

Private Sector compensation data will be extracted from the annual REALPAC Compensation Survey. The Survey, which is conducted annually, provides reliable and detailed market compensation information for the Canadian real estate industry. The survey uses market best practices in data collection, validation, analysis, and reporting.

The CreateTO comparator group is a subset of the REALPAC Survey – organizations with fewer than 150 employees which includes the smallest organization. In general, these organizations are smaller than CreateTO if size were measured by asset value.

The Private sector Comparator Group 50th percentile compensation data, by executive job, will be weighted 33.33% in the market analysis.

7. Other Cash or Non-cash Compensation Elements

a. Benefits Package

CreateTO provides a benefits package that includes holidays, sick time, medical, dental and drug coverage, life insurance, and short-term and long-term disability plans. Benefits will be regularly benchmarked and analyzed through comparator compensation to ensure that the benefits package is competitive and provides the public with value for money.

CreateTO executives participate in the Ontario Municipal Employees Retirement Plan (OMERS) with an executive/employer contribution ratio of 1:1, except as allowed under the pension plan policy or applicable law.

b. Other Entitlements/Perquisites

CreateTO will not provide any other entitlements or perquisites to its senior executives.

c. Termination Payments

An executive's employment with CreateTO constitutes a contract in law and therefore, termination of employment, where necessary, must be in keeping with legislation. Where termination occurs for reasons other than just cause, the executive will be treated fairly and appropriate severance arrangements will be made, in accordance with the Employment Standards Act of Ontario. Where termination is for cause, employment may be terminated without notice or severance.

Termination clauses will be reviewed by legal counsel for rigor, reasonableness and common and employment law considerations, prior to being inserted into employment contracts.

8. Policy Governance

The Executive Compensation Policy, approved by the Board, will be reviewed and updated every 4 years and within each term of City Council. This includes the updating of comparator information and compensation data established for Base Salary midpoints and ranges; incentive pay opportunities, and other elements of executive total compensation.

Annually, executive compensation data for all executives will be provided to the City Manager at a time and format as requested by them.

Effective Date: March 2024

Appendix A - Public Sector Comparators

Organization	Real Estate Operations	Comparable Operating Budget / Revenue
Alcohol and Gaming Commission		●
Exhibition Place		●
Infrastructure Ontario	●	
Metropolitan Toronto Convention Centre		●
Ontario Energy Board		●
Ontario Financing Authority		●
Ontario Pension Board		●
Toronto Community Housing	●	
Toronto Parking Authority	●	
Toronto Waterfront Revitalization	●	