Toronto Atmospheric Fund

Executive Compensation Policy

(Total Rewards Approach)

Proposed updates for Board approval January 29, 2024

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1. Purpose of Executive Compensation Policy

Toronto Atmospheric Fund's (TAF) 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 Chief Executive Officer (CEO) and Vice-Presidents (VP).

TAF'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. TAF 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.

TAF 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 TAF to review and evaluate the performance of the TAF's CEO annuallyThis will be undertaken by the Human Resources 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 TAF.

The Human Resources Committee ("the Committee") of the TAF 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.

2. 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; and
- Ensure transparency of the compensation plan and process.

3. Compensation Strategy

TAF subscribes to a Total Rewards Approach to executive compensation that takes into consideration all aspects of compensation including monetary components of base salary, merit pay, retirement planning contribution 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.

TAF 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 TAF 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, TAF positions total executive compensation, including benefits, at the median (50th percentile) of the market. Programs are designed to be flexible so that total compensation can be above or below the median based on experience, performance, and business need to attract and retain specific talent.

TAF is committed to being transparent, disciplined and accountable in its executive compensation.

4. Compensation Administration

4.1 Performance Management

TAF will maintain a detailed, complete and up to date job description for the CEO and VP 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.

Annual performance reviews will be conducted for all TAF Executives. The performance review process will include objective-setting for the subsequent year, establishing individual and organizational goals and targets linked to TAF’s Strategic Directions and Annual Business plans. 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.

4.2 Comparator Group

TAF will benchmark against a minimum of eight comparable organizations of a similar size, structure and business. In addition, TAF may also collect other broader-market published survey data. Relevant Public, Broader Public, Not-for-Profit, and Private sector comparables can be used, with the number of Private Sector organizations not exceeding one-third of the blended comparator group.

Comparator organizations and survey data will be approved by the Committee in advance of compensation reviews. Each comparator analysis will provide a clear and detailed rationale for the use of the chosen comparators.

4.3 Compensation Reviews

TAF will conduct executive compensation reviews at least every five years to ensure that total compensation is in line with the Comparator Group identified. The 25^{th}, 50^{th} and 75^{th} percentiles for both base compensation and total cash compensation (base plus bonus) on job rate and actuals will be benchmarked. Aligned with TAF’s Total Awards Approach, the review will also benchmark incentive compensation, benefits, pensions, non-cash reward options, and pay administration. Base Salary Ranges and total compensation will be established using the median of market comparators.

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 TAF’s compensation strategy and objectives.

4.4 Benefits

Benefits for Executives include holidays, personal time, dental, drug and medical coverage, life insurance, accidental death and dismemberment, and long-term disability. Benefits will be regularly benchmarked against the comparator group to ensure TAF’s offering is effective in retaining or attracting its CEO and VPs.

4.5 Pensions

TAF does not have a pension fund, but may provide a cash contribution in lieu of pension.

5. Establishing Salary

5.1 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 approved Comparator Groups

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 they possess 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 TAF 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 TAF’s ability to pay, form the basis upon which periodic adjustments to all the Salary Ranges are made. The new range will affect the TAF CEO and/or VP at their next salary review. It will not result in an automatic salary increase.

5.2 New Positions

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

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

5.4 Incentive Compensation / Variable Pay

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

5.5 Merit Pay

TAF Executives are eligible for Merit Pay, to recognize contributions towards meeting measurable individual and organizational goals.

Merit Pay enables executives to progress through their Base Salary range, and is calculated as a percentage of the Base Salary in the year in which it is awarded and can be awarded as a one-time lump sum payment or added to the employee’s Base Salary as a salary Adjustment if the Base Salary is within the Base Salary Range. If the Executive is already at the top of their Base Salary Range, Merit Pay can be awarded as a lump re-earnable Merit Pay; it may not be added to the base salary.

Award amounts for merit pay will consider:

- Availability of budget;
- The level of individual and organizational performance;
- Market trends; and
- Market adjustments.

6. Termination Arrangements

TAF Executives' employment constitutes a contract in law and therefore, termination of employment, where this is necessary, must be in keeping with relevant legislation. Where termination occurs for reasons other than just cause, the Executives 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 and will minimize severance payouts and restrict termination payments in the case of termination with cause.