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Canadian Executive Compensation Index

March 2016



About the Index

ERI's Canadian Executive Index is a quarterly report that measures trends in executive compensation using 800 publicly traded companies in Canada. These organizations were ranked in the top 1,000 public Canadian companies by market capitalization in both 2013 and 2014. To account for the effect of company size on executive pay, the participant companies in this analysis are separated into three groups based on individual market capitalization as of August 2015. The breakdown of the chosen market cap groups is as follows:

- Small Cap - less than C\$25 million (295 companies)
- Mid Cap - between C\$25 million and \$500 million (245 companies)
- Large Cap - greater than C\$500 million (260 companies)

Unless otherwise noted, all values referred to in the index are in Canadian dollars. The 800 companies included in the March 2016 Canadian Executive Index collectively represent roughly 85% of the investable Canadian stock market. [Click Here](#) for a list the companies included in this index.

Each quarterly edition of the Canadian Executive Index will include compensation data for Chief Executive Officer and one other executive position. The March 2016 edition includes these titles:

- Chief Executive Officer
- Executive Vice President

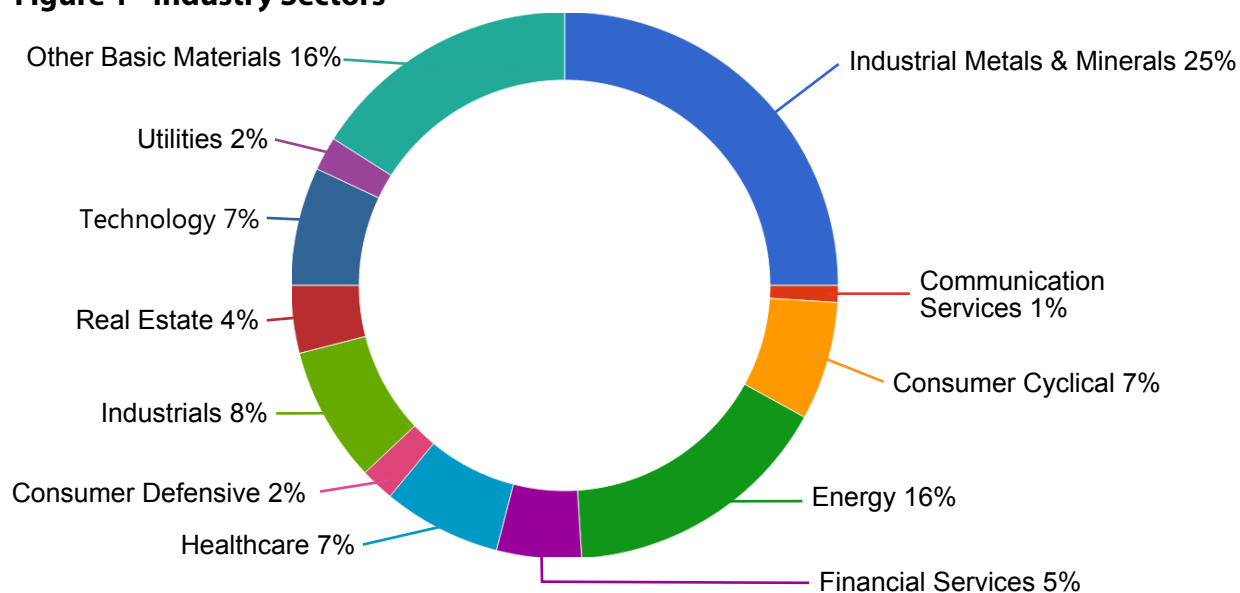
This report will also discuss the fluid landscape for the analysis and benchmarking of executive compensation packages. Analysis of Canadian public company information circulars will drive this discussion.

Company-Level Data

Median revenue for the index increased 15% from 2013 to 2014. In 2014, the median revenue for companies in the index was just over C\$40 million. Manufacturers of Industrial Metals & Minerals represent 25% of the index, while Energy and Other Basic Materials manufacturers combine for an additional third of the participating companies.

Figure 1 illustrates the industry representation of the Canadian Executive Index for 2014

Figure 1 - Industry Sectors



Chief Executive Officer

Total direct compensation includes salary, annual cash incentive, and the grant-date value of stock and option awards in a fiscal year. The mid and large cap groups saw median total direct increases of 4.4% and 5.5%, respectively, over 2013. However, executives in the 75th percentile of the large market cap group experienced a 5% decrease in total direct compensation. The small cap companies saw a decrease in total direct compensation of 11% in 2014. This was mostly attributed to smaller equity grants in 2014, as well as an 8% decrease in median salary.

Table 1 shows total direct compensation for Canadian Chief Executive Officers in 2014

Table 1 - 2014 CEO Total Direct Compensation

Market Cap Group	Total Direct Compensation (C\$)		
	25th Percentile	Median	75th Percentile
Small	120,000	183,601	284,130
Mid	358,713	592,358	1,024,090
Large	1,347,205	2,566,013	4,583,279

Figure 2 shows values for two other traditional summary compensation table elements. Pension refers to above-market earnings in, or direct payouts to, retirement or non-qualified deferred compensation plans. Other refers to executive benefits and perquisites (e.g., use of the company aircraft) that are not included in one of the other categories. Although the small market cap group experienced a decrease in total direct compensation, CEOs in this group experienced significant increases in pension (57%) and other compensation (28%) in 2014. Meanwhile, CEOs in the medium and large market cap groups saw decreases in these areas.

Figure 2 - Median CEO Compensation by Market Cap Group for 2014

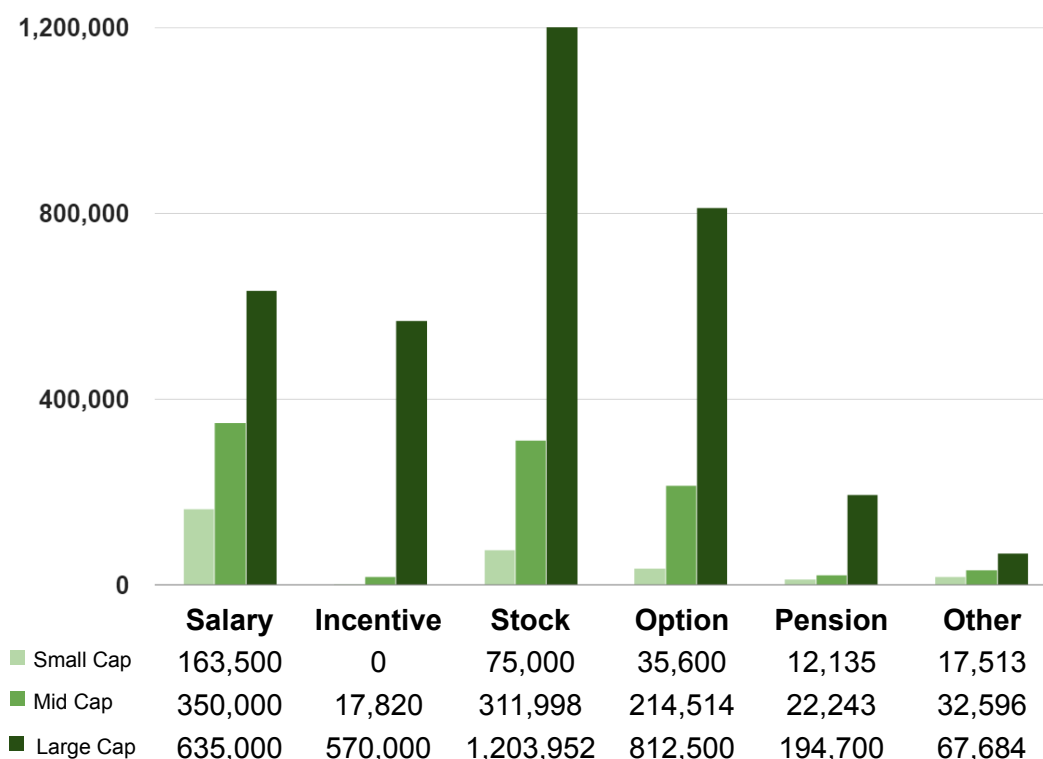


Figure 2 displays median values for the four components of total direct compensation, separated by market cap group

CEO Salary

CEO salaries decreased for the smallest public companies, but increased elsewhere in 2014. The medium and large market cap groups saw salary increases of roughly 5%, while the small group median salary decreased 8%. As a result, we saw a significant increase in the separation of typical fixed cash payments between small and large Canadian companies. As of 2014, the median large cap CEO earned a salary more than four times higher than that of his small cap counterpart.

CEO Annual Cash Incentive

Roughly 48% of Canadian public company CEOs, primarily in the medium and large market cap groups, earned some form of annual variable cash in 2014. This is a decrease of 8% from 2013, but the general trend of the current decade is an increased focus on tying pay to objective company performance. We expect that the likelihood of performance cash plans will move back above 50% in the coming years.

CEO Equity Compensation

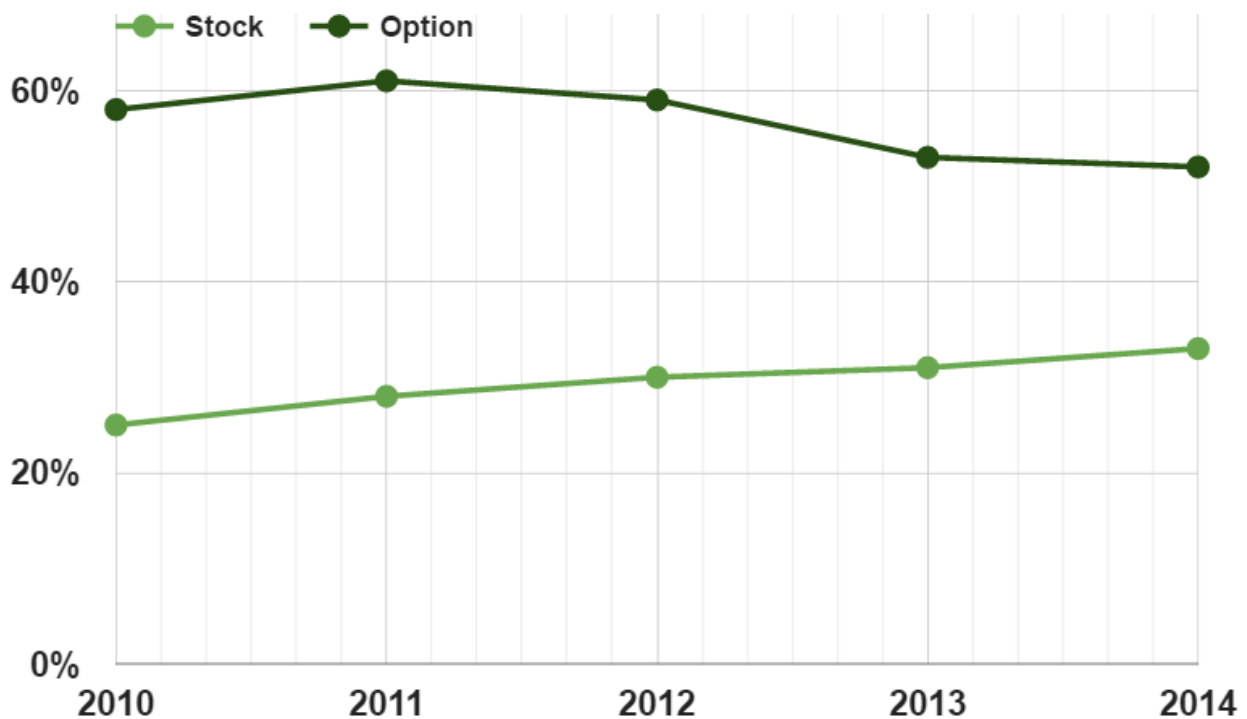
Larger companies tend to pay executives more than smaller companies in all pay categories. That difference is most dramatic when it comes to equity compensation. The median grant-date value of equity awarded to CEOs in 2014 was almost eight times higher for large cap companies as compared to small cap companies. The median value of 2014 equity grants for our large cap company group was C\$1,250,000.

Typical equity grants decreased slightly in 2014 for all three market cap groups

The percentage of CEOs earning full-value stock versus option awards remained flat in 2014. Option awards were part of 52% of CEO pay packages, while full-value awards were found in just 31% of packages.

Figure 3 displays the prevalence of these two equity payments over the past five years.

Figure 3 - Percentage of CEOs Earning Stock or Option Awards by Year



Average CEO Pay Mix

Variable pay, including short-term cash bonuses and long-term equity grants, is a much larger percentage of total direct CEO compensation at larger companies. For small cap companies, the average salary comprised almost 90% of 2014 direct compensation, and variable cash constituted just 3%. For large cap companies, the split between fixed, short-term variable pay, and equity grants was much more even, with equity grants dominating at 42%.

Figure 4 - Average Mix of 2014 CEO Total Direct Compensation by Market Cap Group

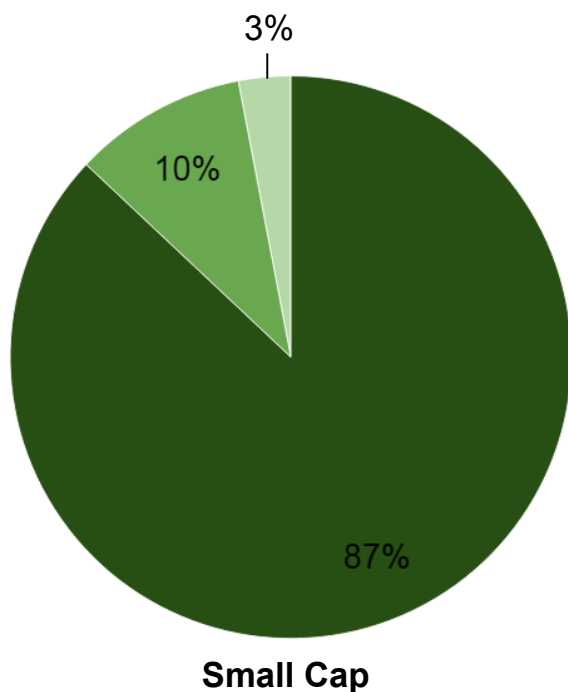
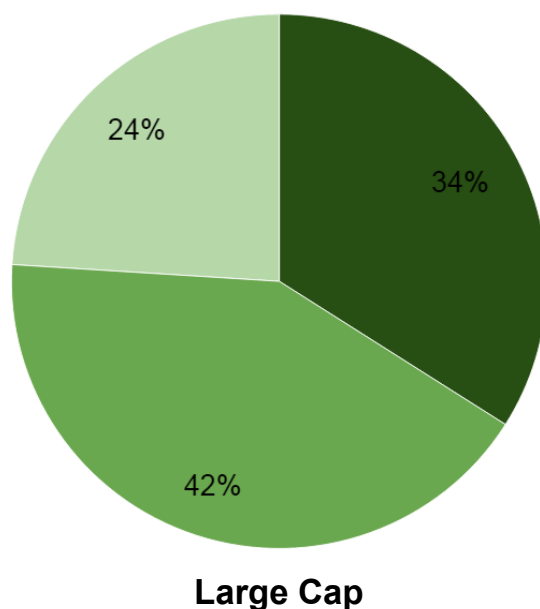
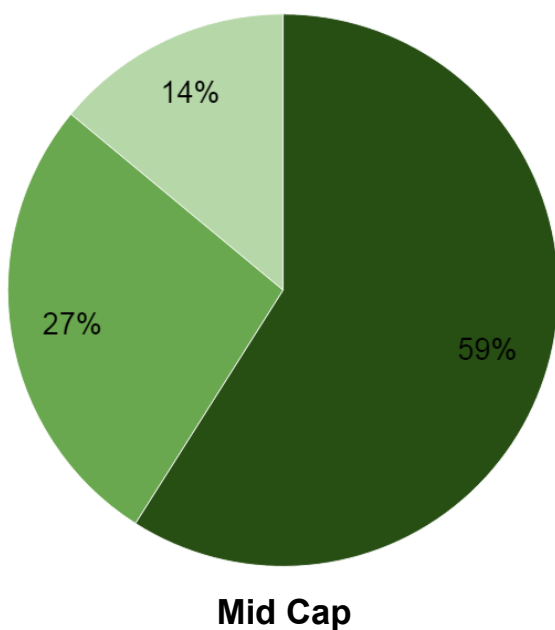


Figure 4 displays the average pay mix for CEOs in the three market cap groups for 2014

- Fixed Cash
- Equity Awards
- Variable Cash



Executive Vice President

Small and mid cap groups saw decreases in total compensation at the median and 75th percentile from 2013 to 2014. Since Executive Vice Presidents are less common at smaller organizations, the decreases in total direct compensation are likely a result of a small group of these executives receiving abnormally high compensation in 2013 that was not replicated in 2014. The large cap group saw an increase of median total direct compensation of 9.3% from 2013 to 2014.

Table 2 shows the median total direct compensation for Canadian Executive Vice Presidents in 2014

Table 2 - 2014 EVP Total Direct Compensation

Market Cap Group	Total Direct Compensation (C\$)		
	Percentile	Median	75th Percentile
Small	168,021	251,000	466,698
Mid	283,766	481,906	831,508
Large	850,855	1,449,797	2,553,684

Again, these values should be interpreted as the median for those EVPs in ERI’s Canadian Executive Index earning some compensation in the given form in 2014. All three market cap groups analyzed saw 1% to 3% increases in median salary in 2014. Less than 50% of EVPs of small cap organizations received cash incentives, stocks, or options in 2013 or 2014. Similarly, less than 50% of EVPs of mid cap organizations received an option award in 2013 or 2014. EVPs at large cap companies experienced a 22.3% increase in annual cash incentive, while their counterparts at mid cap organizations saw almost no change in this category. Although the typical EVP of a large cap company received a stock award in 2014 that was 15.7% higher than in 2013, the typical option award was 53% lower in 2014. Lastly, less than 50% of EVPs in any market cap group received a pension.

Figure 5 - Median EVP Compensation by Market Cap Group for 2014

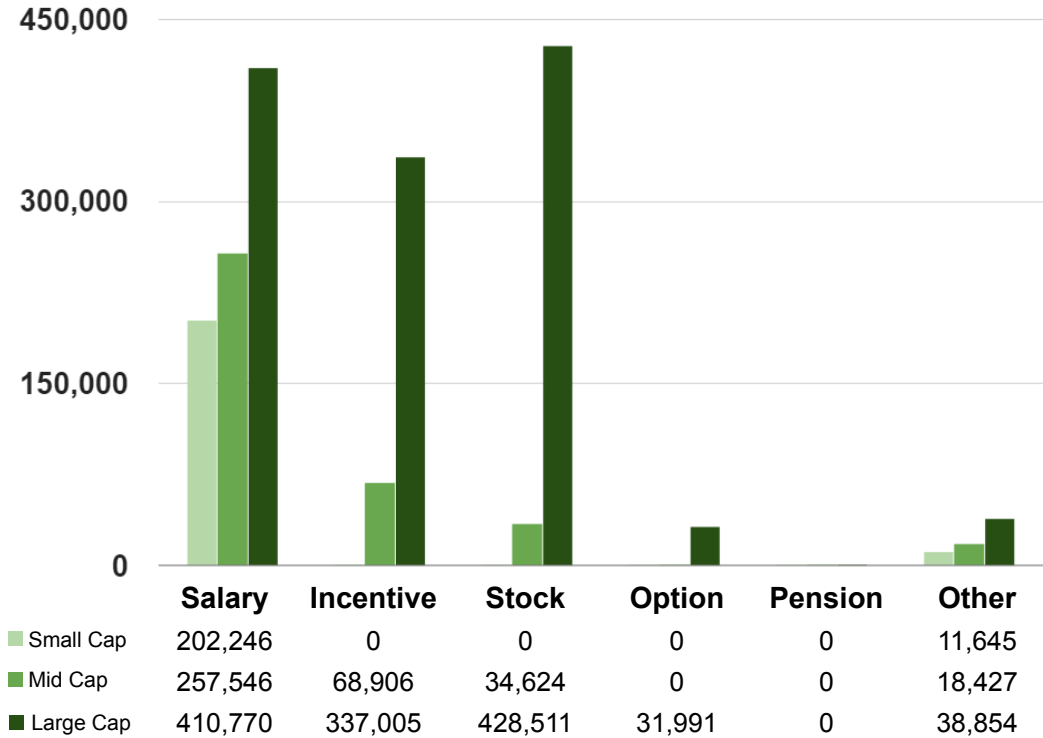
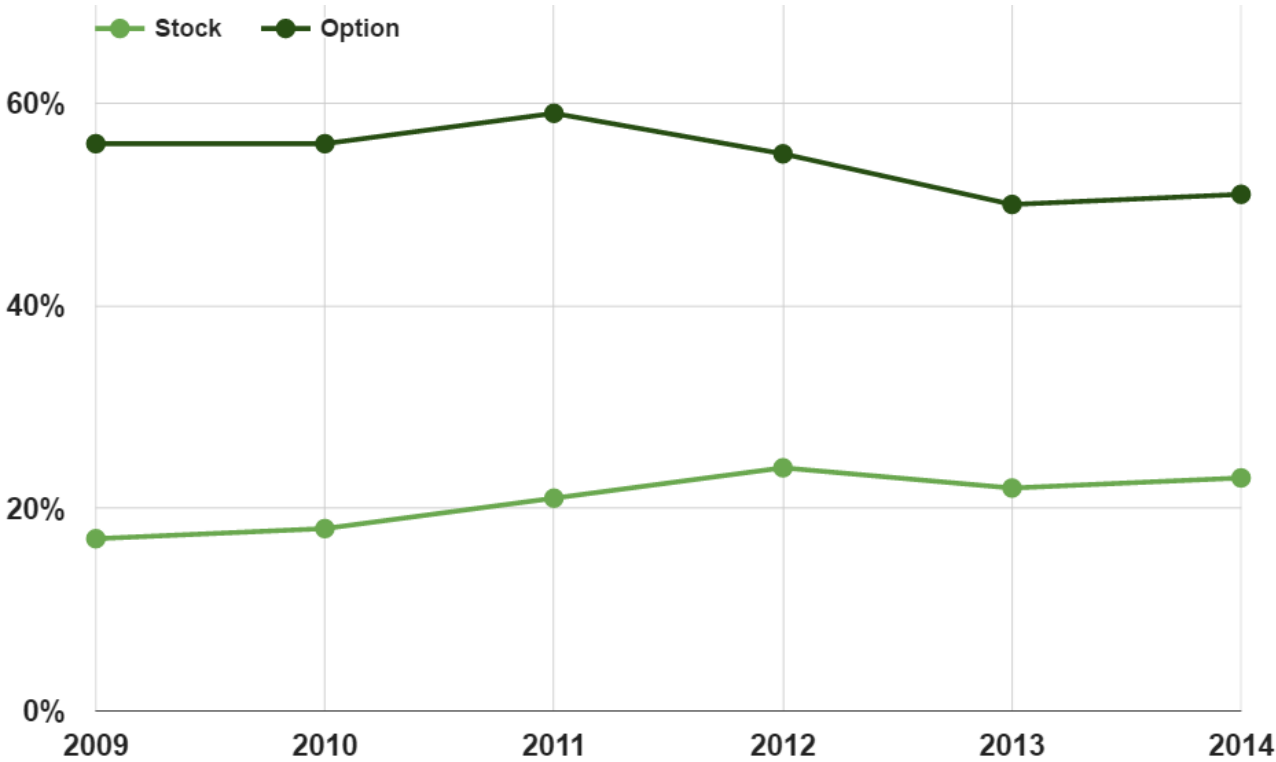


Figure 5 displays median values for the four components of total direct compensation, as well as medians for the Pension and Other columns defined in the CEO section of this report

Supplemental Information

In recent years, U.S. publicly-traded companies have slowly shifted away from appreciation awards and toward full-value stock awards. While option awards are currently more popular than stock awards in Canada, a similar culture change may be occurring in Canada. Figure 6 displays the prevalence of stock awards and option awards received by Chief Executive Officers, Chief Operating Officers, Chief Marketing & Sales Officers, Chief Human Resources Officers, Chief Financial Officers, and Executive Vice Presidents in ERI's Canadian Executive Index. The percentage of executives who received option awards decreased from 56% in 2009 to 50.5% in 2014, while the percentage of executives who received stock awards increased from 16.5% to 23% in the same period.

Figure 6 - Canadian Executives Earning Stock or Option Awards by Year



Please email Katie Sebastian at katie.sebastian@erieri.com with questions or comments.

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ERI Economic Research Institute
111 Academy Drive
Suite 270
Irvine, CA 92617

800.627.3697

erieri.com