



# Canadian Executive Compensation Index



**ECONOMIC  
RESEARCH**  
INSTITUTE

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# About the Index

ERI's Canadian Executive Compensation 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:

1. Small Cap – less than C\$25 million (295 companies)
2. Medium Cap – between C\$25 million and C\$500 million (245 companies)
3. 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 2015 Canadian Executive Compensation Index collectively represent roughly 85% of the investable Canadian stock market. [Click here](#) for a list of the companies included in this index.

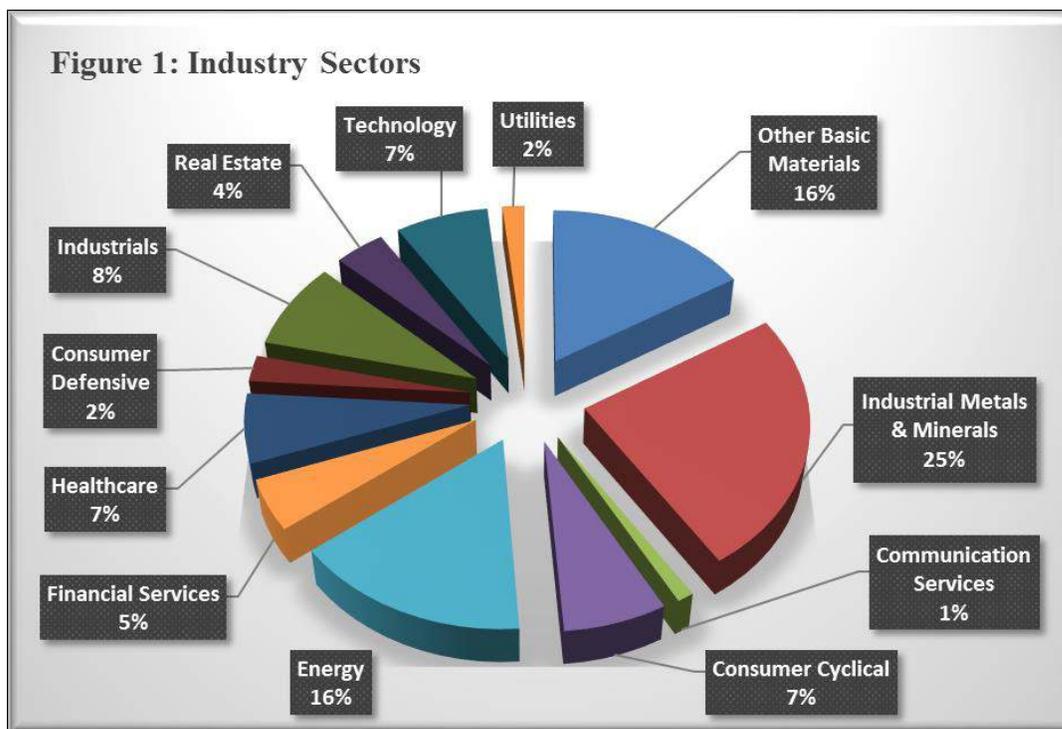
Each quarterly edition of the Canadian Executive Compensation Index will include compensation data for Chief Executive Officer and one other executive position. The December 2015 edition includes these titles:

- Chief Executive Officer
- Chief Operating Officer

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



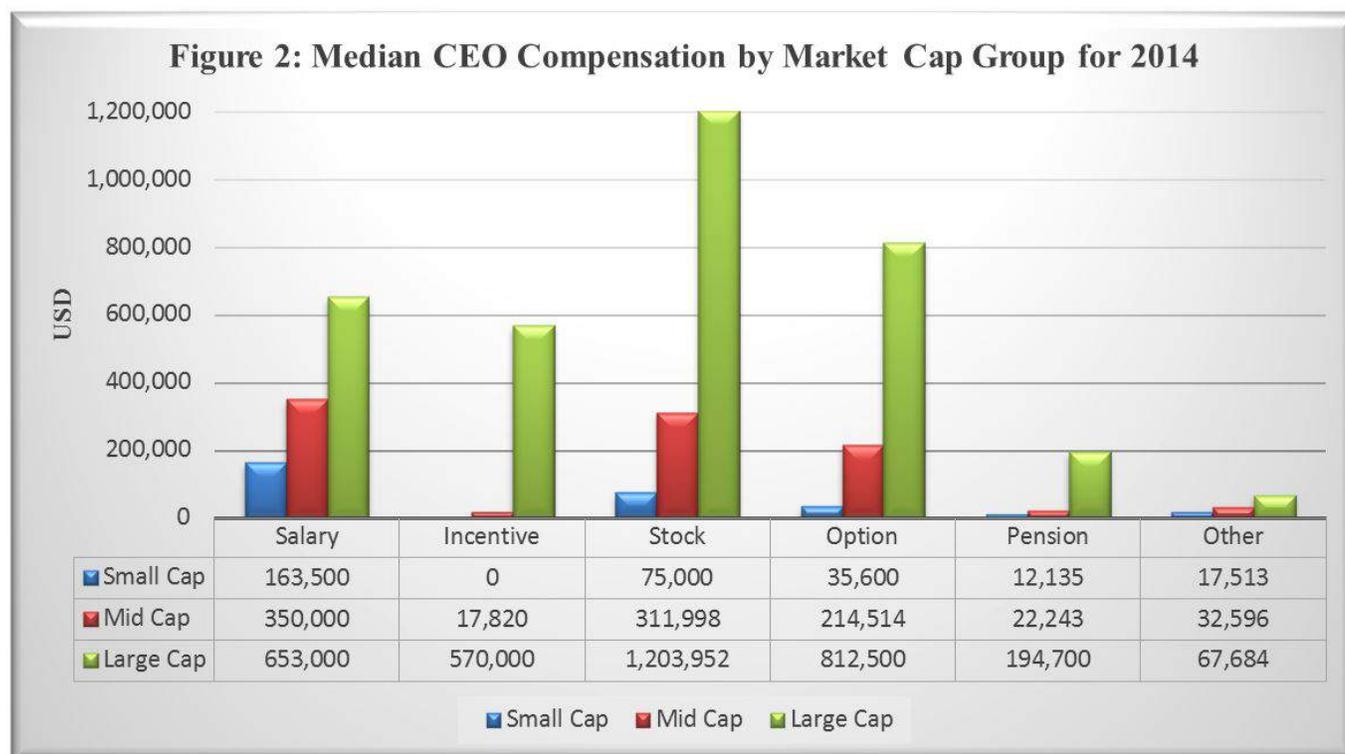
## Chief Executive Officer

Table 1 shows the median total direct compensation for Canadian Chief Executive Officers in 2014. 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 - 2014 CEO Total Direct Compensation**

Market Cap Group	Total Direct Compensation (\$)		
	25th Percentile	Median	75th Percentile
1	120,000	183,601	284,130
2	358,713	592,358	1,024,090
3	1,347,205	2,566,013	4,583,279

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



## 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

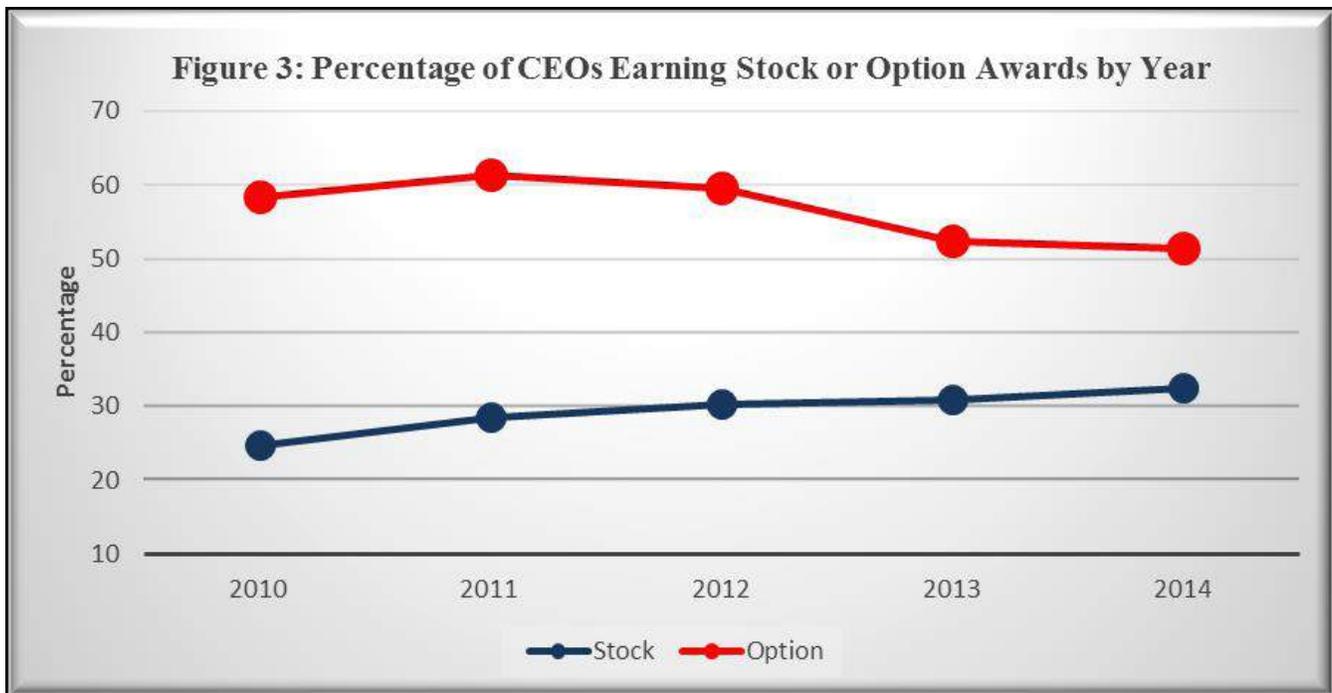
Roughly 48% of Canadian public company CEOs, primarily in the medium and large market cap groups, earned some form of annual variable cash in 2014. This is a decrease of 8% from 2013, but the general trend of the current decade is an increased focus on tying pay to objective company performance. We expect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

## CEO Equity Compensation

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

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.

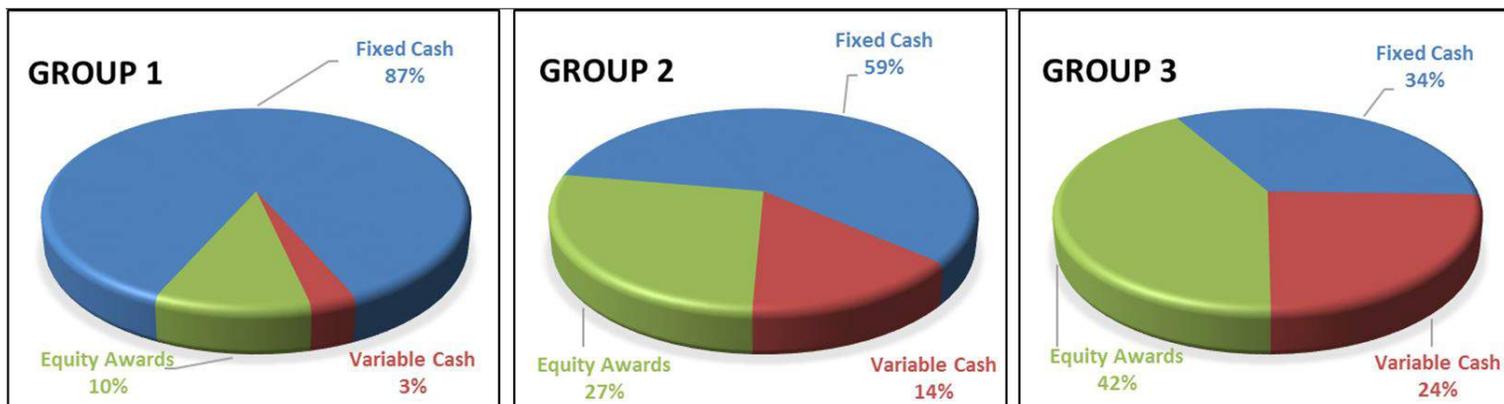
The percentage of CEOs earning full-value stock versus option awards remained flat in 2014. Option awards were part of 52% of CEO pay packages, while full-value awards were found in just 31% of packages. Figure 3 displays the prevalence of these two equity payments over the past five years.



## Average CEO Pay Mix

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



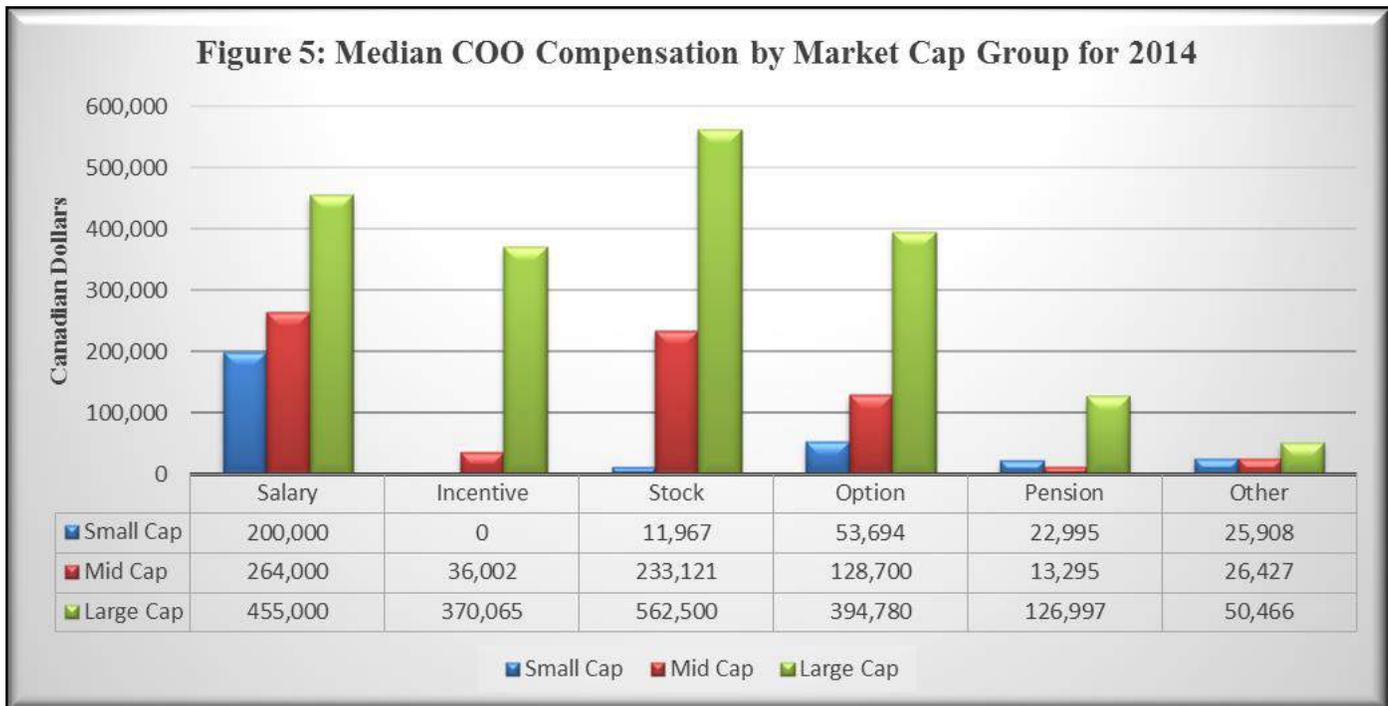
## Chief Operating Officer

Table 2 shows the median total direct compensation for Canadian Chief Operating Officers in 2014. The large cap group saw a median total direct compensation increase of 2% from 2013 to 2014. Meanwhile, the small and mid cap groups saw decreases in total direct compensation of 2.8% and 2.3%, respectively, over 2013. A 32% decrease in stock and a 50% decrease in other compensation caused the decrease in total direct compensation of the small cap group. Meanwhile, the decrease in total direct compensation of the mid cap group was a result of a 55% decrease in incentive pay and a 17% decrease in options.

**Table 2 - 2014 COO Total Direct Compensation**

Market Cap Group	Total Direct Compensation (\$)		
	25th Percentile	Median	75th Percentile
1	190,000	253,116	342,640
2	287,908	449,526	871,077
3	862,482	1,501,687	2,932,915

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. Again these values should be interpreted as the median for those COOs in ERI's Canadian Executive Compensation Index earning some compensation in the given form in 2014. All three market cap groups analyzed saw increases of less than 5.7% to median salary in 2014. Annual cash incentive decreased almost 56% for medium but increased by 2% for large sized companies. While COOs of small cap companies experienced a 31.6% decrease in stock, COOs of medium and large cap companies saw an increase of 124% and 18.8%, respectively, from 2013 to 2014.



# Supplemental Information

## Highest Paid Canadian Top Executives for 2014

Table 3 shows the 10 highest paid top executives in Canada in 2014. Generally, the salaries of these executives were significantly lower than their U.S. counterparts, with only two of the top 100 Canadian executives earning a salary greater than C\$2.5M. In fact, salary made up only 0.4% of the total direct compensation of John Chen, the CEO and Executive Chairman of BlackBerry Ltd. Stock award constituted 98.9% of Mr. Chen's 2014 total direct compensation, but it is unlikely that a stock award of this size will be granted again in 2015. In another interesting case, Donald Walker of Magna International Inc. received incentive pay that was over 32 times higher than his reported salary for 2014. Mr. Walker's salary was 1.4% of his total direct compensation while incentive pay and stock awards comprised 46.2% and 30.8% of total direct compensation, respectively. [Click here](#) for a full list of the 100 Highest Paid Canadian Top Executives in 2014.

**Table 3 - 2014 Highest Paid Canadian Executives**

Company	Title	Name	Salary	Incentive	Stock	Option	Total Direct
BlackBerry Ltd	Chief Executive Officer & Executive Chairman	John Chen	349,220	699,615	90,707,110	0	91,755,945
Lions Gate Entertainment Corp	Director & Chief Executive Officer	Jon Feltheimer	1,568,008	9,362,500	12,493,143	44,418,941	68,053,598
BlackBerry Ltd	Director, President & Chief Executive Officer	Thorsten Heins	1,078,906	3,068,137	36,112,485	0	53,180,921
Magna International Inc	Director & Chief Executive Officer	Donald Walker	360,750	11,693,850	7,796,640	3,490,950	25,284,694
Onex Corp	Chief Executive Officer	Gerald W. Schwartz	1,300,000	17,838,291	0	0	19,138,291
Canadian Pacific Railway Ltd	Chief Executive Officer	E H Harrison	2,421,592	7,289,700	3,662,444	3,661,937	17,632,169
Shaw Communications Inc	Chief Executive Officer & Director	Bradley Shaw	2,775,000	7,722,825	0	0	14,811,956
Royal Bank Of Canada	Director, President & Chief Executive Officer	David Mckay	1,104,982	1,701,630	4,440,000	1,110,000	14,195,336
Eldorado Gold Corp	Chief Executive Officer	Paul N. Wright	1,514,000	3,974,250	2,744,125	2,744,125	13,788,702
Suncor Energy Inc	Director, President & Chief Executive Officer	Steven Williams	1,511,521	2,281,050	5,500,605	4,322,340	13,746,990

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