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Executive Compensation Policy

Philosophy

Agricorp's approach to executive compensation is designed to attract and retain talented people, fulfill requirements of the Agency's approved business plan, and meet the long term objectives of the organization's strategic framework.

Agricorp's executive compensation policy considers the following:

- Agricorp's executive compensation program will be designed to be cost effective and reflect financial prudence appropriate for a public entity
- Agricorp defines its competitive market as public sector organizations in Ontario
- Agricorp's aim is to be competitive in the public sector market in its approach to developing and delivering executive compensation
- Agricorp's executive compensation will seek to attract and retain skilled and qualified employees
- Agricorp will benchmark its executive compensation annually and establish its pay envelope using target job rates compared to the 50th percentile of the public sector market in Ontario

Applicability

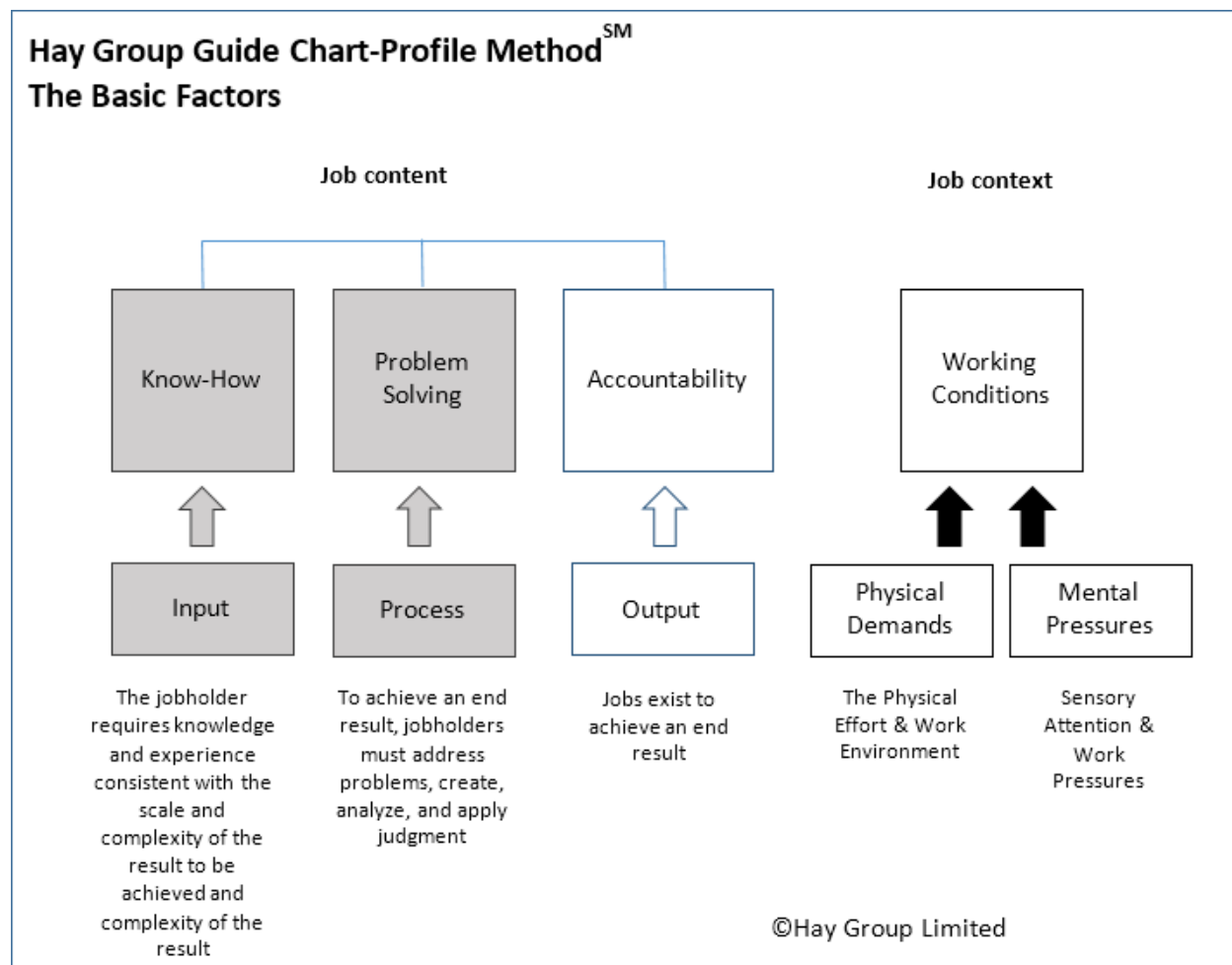
This policy will apply to these designated executive positions at Agricorp:

Chief Executive Officer
Chief Financial Officer
Chief Information Officer
Senior Director, Program Delivery
Senior Director, Program Development
Senior Director, Legal Services
Senior Director, Human Resources & Organizational Development
Director, Strategic Management & Communications

These positions may be subject to change from time to time as organizational structure dictates with approval of the board of directors.

Comparative market analysis

Agricorp compared the compensation for its designated executive positions to the market 50th percentile of the broader public sector in Ontario. Using a third party compensation consultant's well-established job evaluation methodology, the Hay Group Guide-Chart Profile MethodSM, the breadth and scope of all 8 executive positions were reviewed and evaluated. The job evaluation allowed the accountabilities and responsibilities of each executive job to be quantified, such that the resulting outcomes could be used as a comparison against jobs of a similar size (i.e. evaluation points) in comparable organizations. This evaluation system is used by many other organizations in Ontario, including Ontario Broader Public Sector organizations. A brief overview of the evaluation methodology is provided in the graphic below:



Based on the varied nature of the executive requirements to have experience across multiple industries (i.e. agriculture, financial, insurance, technology) to enable the effective and efficient functioning of the agency, Agricorp, with the support of its consultant, established that the most appropriate market comparator group would encompass all Ontario broader public sector organizations within the consultant's database of compensation information to determine the 50th percentile of the relevant market. These comparator organizations have jobs comparable to Agricorp roles (based on job size methodology, level of accountability, type of operations the organization engages in, regulatory requirements, and location of the organization, not title match). There were 20 broader public sector organizations based in Ontario used from the Hay Group's database as comparator organizations:

- Government of Ontario
- Alcohol and Gaming Commission of Ontario
- Bluewater Power Distribution Corporation
- Cambridge and North Dumfries Hydro Inc.
- Canada Mortgage and Housing Corporation
- City of Brantford
- Export Development Canada
- Farm Credit Canada
- Festival Hydro Inc.
- Guelph Hydro Electric Systems Inc.
- Halton Hills Hydro Inc.
- Horizon Utilities Corporation
- Kitchener-Wilmot Hydro Inc.
- London Hydro
- McMaster University
- Metrolinx
- Ontario Teachers Insurance Plan
- Welland Hydro-Electric System Corp.
- Westario Power Inc.
- Workplace Safety and Insurance Board

The Hay Group's job evaluation methodology takes into consideration the regulation requirements for selection of comparators, including:

- scope of responsibilities of the organization's executives
- the type of operations the organization engages in
- the industries within which the organization competes for executives
- the size of the organization
- the location of the organization

Comparator Positions

Hay Price Points	Position title	Comparator positions
1654	Chief Executive Officer	The Hay Group's job evaluation methodology allowed the accountabilities and responsibilities of each executive job to be quantified, such that the resulting outcomes could be used as a comparison against jobs of a similar size (i.e. evaluation points) in the comparable organizations noted above.
1158	Chief Financial Officer Chief Information Officer Senior Director, Program Delivery Senior Director, Program Development	
967	Senior Director, Human Resources & Organizational Development Senior Director, Legal Services	
807	Director, Strategic Management & Communications	

The following table is the Hay Group summary of the market comparison data used to develop the salary structure within the Agricorp framework.

Broader Public Sector Group of 20 (as of Dec 2014)				
Agricorp Job Band	Hay Price Points	Maximum P50 Salary Range	Maximum Incentive	Maximum P50th Total Compensation
EX4	1654	\$271,860	21.9%	\$331,329
EX3	1158	\$204,240	18.8%	\$242,535
EX2	967	\$175,260	18.8%	\$208,121
EX1	807	\$150,880	12.5%	\$169,740

Based on the data, the Agricorp board elected to take a conservative approach to establishing the maximum of its salary ranges and set them conservatively below the maximum salary range of the market P50th without an incentive.

Agricorp salary structure

Upon completion of the job evaluation assessment and market review, Agricorp was able to establish a banded salary structure for its executive compensation. Agricorp will pay its executive a defined salary within a banded structure and has no pay for performance component.

Agricorp Job Band	Position Title
EX4	Chief Executive Officer
EX3	Chief Financial Officer Chief Information Officer Senior Director, Program Delivery Senior Director, Program Development
EX2	Senior Director, Human Resources & Organizational Development Senior Director, Legal Services
EX1	Director, Strategic Management & Communications

Agricorp Job Band	Salary Range			Maximum Compensation Cap ²
	Minimum	Target Job Rate	Maximum	
EX4	\$207,000	\$230,000	\$241,500	\$241,500
EX3	\$156,978	\$174,420	\$183,141	\$183,141
EX2	\$137,437	\$152,707	\$160,342	\$160,342
EX1	\$119,089	\$132,321	\$138,937	\$138,937

1. The Agricorp board elected to take a conservative approach to establishing the maximum of its salary ranges and set them below the maximum salary range of the market P50th.
2. Agricorp maximum job rate is set at the 50th percentile of the market, and is well below the permissible regulatory cap of *maximum* compensation available within the market comparators. In addition, unlike some comparators, Agricorp has no pay for performance component.
3. An individual's salary may be adjusted within the salary band after an annual merit review if approved by the board of directors.
4. Once a year Agricorp may review and decide to increase salary bands determined by the lesser of: a) the average merit increase targets used for non-executive managers or b) the provincial public sector wage trend.

Salary pay envelope

Agricorp's compensation year is April 1 to March 31. Agricorp has selected September 1, 2017 as its effective date for calculating its pay envelope. The 2016-17 pay envelope was \$1,292,251.71. The total pay envelope for 2017-18, based on a 4% maximum rate of increase to the 2016-17 pay envelope, is \$1,322,404.25 representing an overall envelope increase of \$30,152.54.

In determining the value of the maximum annual rate of increase to the pay envelope, Agricorp considered the following factors, as outlined in the Regulation:

- The financial and compensation priorities of the Ontario Government as indicated in public documents of the Crown, the budget and the economic outlook.
- Recent executive compensation trends in the part of the Canadian public sector and broader public sector that is in the industry within which Agricorp competes for executives.
- A comparison between the percentages of Agricorp's operating budget that is used for executive salary and that are used for comparator organizations.
- The effect on attracting talent to the designated employer's executive positions, and retaining talent in the designated employer's executive positions, of the difference between the salary range for those positions who directly report to the executive positions.
- Any significant expansion or change in the executive roles and operations.

Based on the research conducted by the Hay Group, and additional analysis by Agricorp, a 4% maximum annual rate of increase to the pay envelope is proposed.

Items considered include:

1. Agricorp's executive compensation as a percentage of its operating budget is approximately 3% and is in line with comparator groups. Additionally, its operations govern significant financial transactions on behalf of the province including: up to \$5 billion in managed risk annually, collecting approximately \$175 million in premiums and fees, and payment of an average of \$350 million in claim or benefit payments per year.
2. The Agricorp board elected to set maximum job rates that were well below the maximum of the Hay Group recommendations based on market P50th benchmark data. This variance ranges as much as 30% below the allowable comparator maximum.

3. The Hay Group utilized 2015 pay data for the benchmarking and results are not current year data (estimated to be 2-3% lower) given policy implementation is occurring in 2017-18.
4. Agricorp executive salaries have remained frozen and unchanged for 6 years. Salary and pension increases within the Canadian public sector have generally ranged 0.5% and 2.5% per year. Had an average of 1.5% been applied each year, the effective change would have been an 11% increase to base salaries over the past 6 years.
5. The effect of salary freeze has resulted in some risk for retaining and attracting talent for the executive positions where compensation is currently 7.34% below the conservative levels established by the board for the defined target job rates. Some compression exists for reporting roles where maximum salary ranges of direct reports could overlap executive roles by as much as \$25,000 per year.
6. Agricorp has no planned changes for its executive structure. The 3-year business plan does add the delivery of 3 additional programs to its existing operations and management.

Annual merit increase

The salary for each individual executive will be reviewed on an annual basis. Given the performance of the individual, recommendations will be made for a merit-based salary adjustment that must remain within defined salary bands for the role. The board of directors will review and approve all merit increases for all designated executives.

The total pay envelope after merit increases of all designated executives must not exceed the pay envelope for the pay year. The pay envelope will be determined as per the Executive Compensation Framework regulation.

Benefits programs

Agricorp executives will participate in the same benefits programs offered to all Agricorp employees such as:

- Life insurance
- Extended health and dental coverage
- Pension Benefits
- Employee assistance programs
- Short and long term disability programs
- Vacation
- Sick leave

Agricorp has no elements of compensation or benefits provided exclusively to designated executives.

Public Consultation

Agricorp's proposed executive compensation framework was posted for public input for 30 days ending February 21, 2018. Any and all comments regarding the policy were provided in aggregate to Agricorp's board of directors.