



2020 PROXY SEASON REVIEW & OTHER TOPICS

Hugessen TSX60 Webinar

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Speakers – Toronto



Camille Jovanovic
Manager
Hugessen – Toronto



Brian Lees
Manager
Hugessen – Calgary



Peter Stephenson
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Michelle Tan
Principal
Hugessen – Toronto



Kathryn Neel
Managing Director
Semler Brossy - NYC

Agenda

- 1 Welcome
- 2 Highlights from 2020 Proxy Season
- 3 Emerging Topics and Trends
- 4 Q&A
- 5 Closing Remarks

*If you have any questions, please submit them on Zoom.
Questions will be addressed at the end of this presentation*

Speakers – Calgary



Reanna Dorscher
Principal
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Manager
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Partner
Hugessen – Toronto



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Partner
Hugessen – Calgary



Stephen Charlebois
Principal
Semler Brossy – L.A.

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Speakers – Montreal



Mario Brin
Principal
Hugessen – Montreal



Jean-Francois Malo
Manager
Hugessen – Toronto



Georges Soaré
Partner
Hugessen – Toronto

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EXECUTIVE COMPENSATION

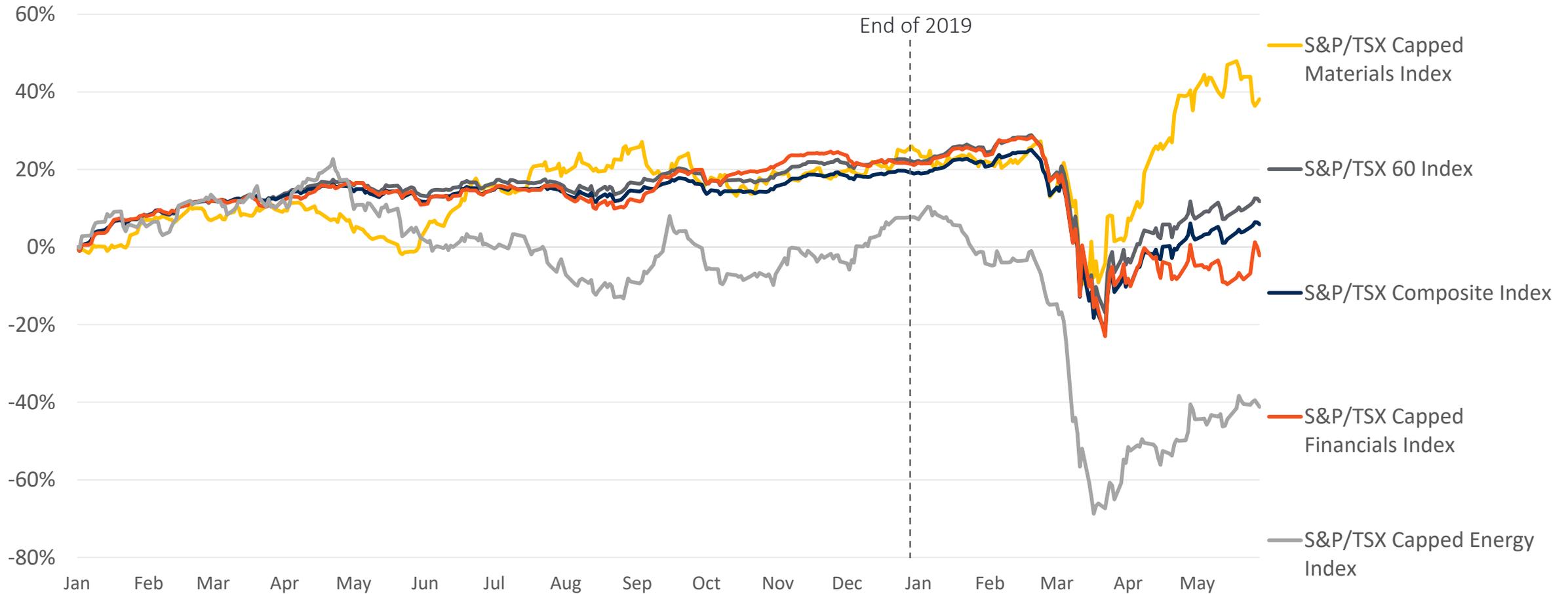
PERFORMANCE AND PAY

Scope of Study:

- *Companies in the TSX60 Index*
- *2020 Proxies commenting on Fiscal 2019 (n=59)*

2019 & YTD 2020 Sector Performance

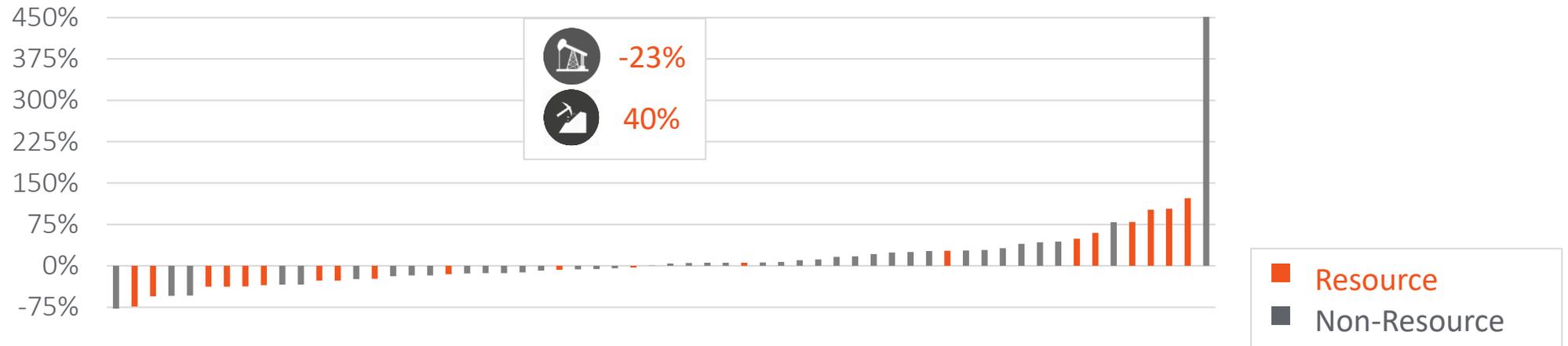
Strong 2019 performance across most sectors, new reality in 2020



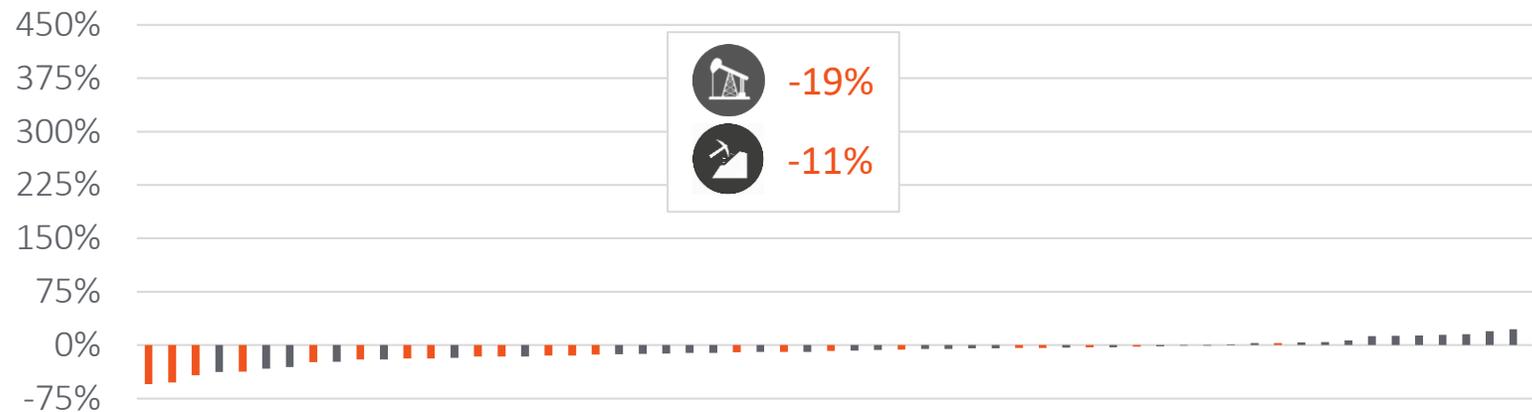
2018 – 2019 TSR

A greater proportion of TSX60 constituents had positive TSRs in 2019 compared to 2018

TSX60 Index Constituents - 2019 Total Shareholder Return

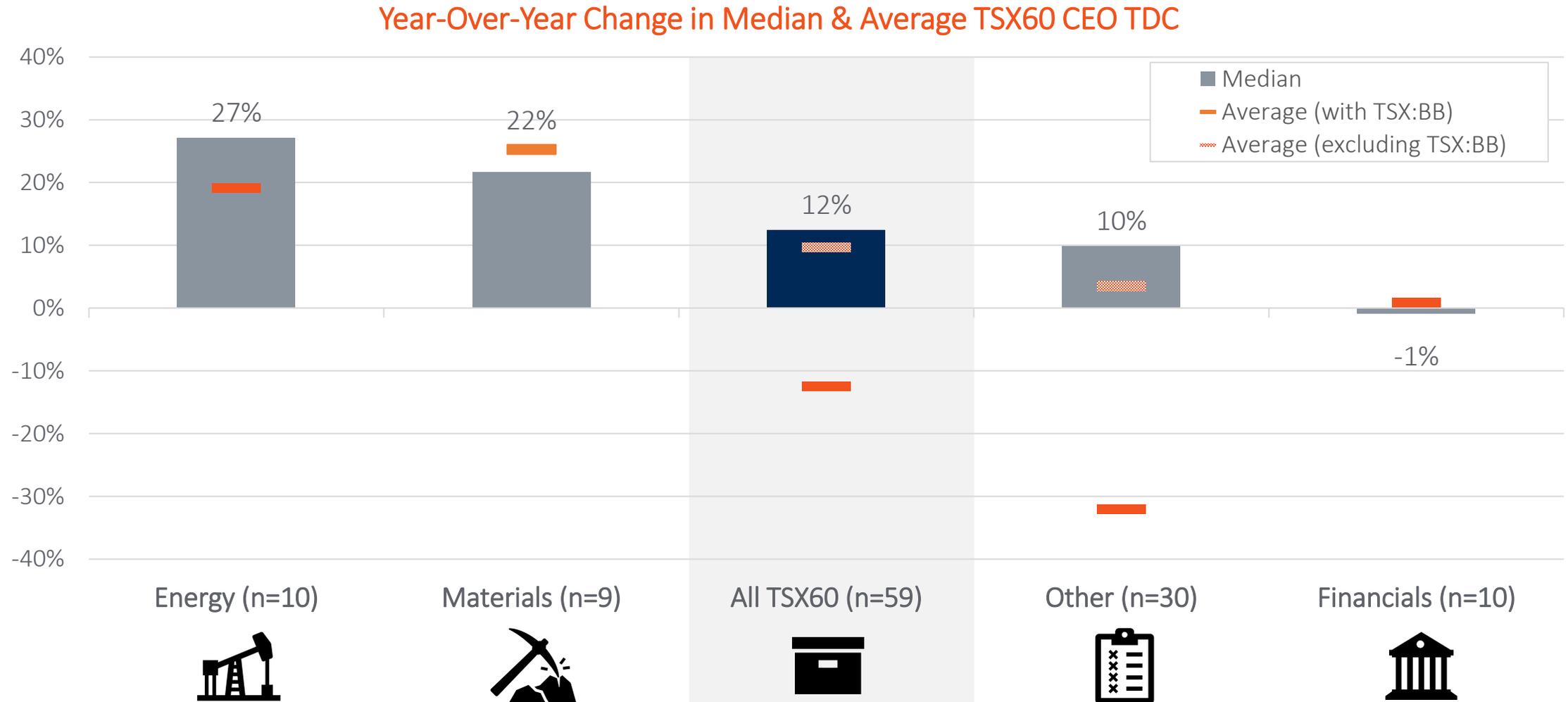


TSX60 Index Constituents - 2018 Total Shareholder Return



2019 YoY Median CEO TDC by Industry

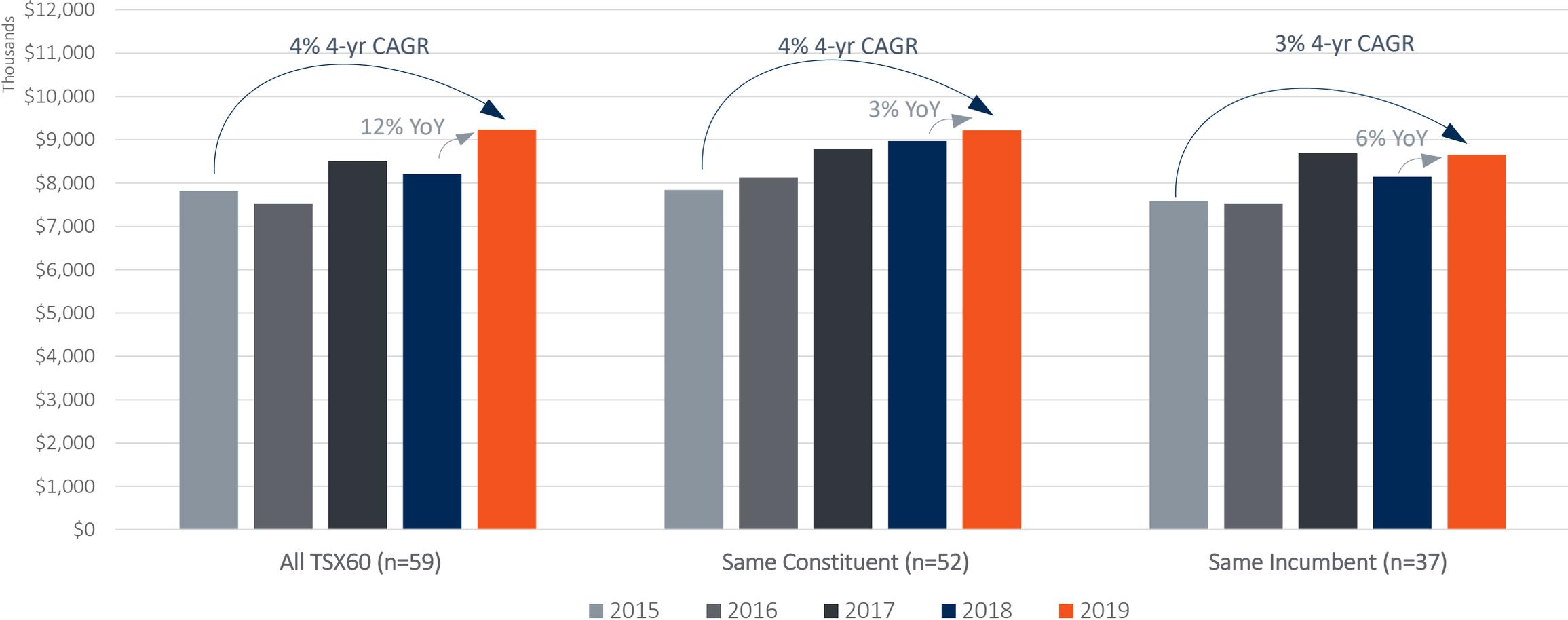
Compensation in the majority of sectors saw YoY increases in median and average (excluding TSX:BB) TDC



Median CEO Pay YoY

Median TSX60 compensation has seen a relatively stable increase over the last five years

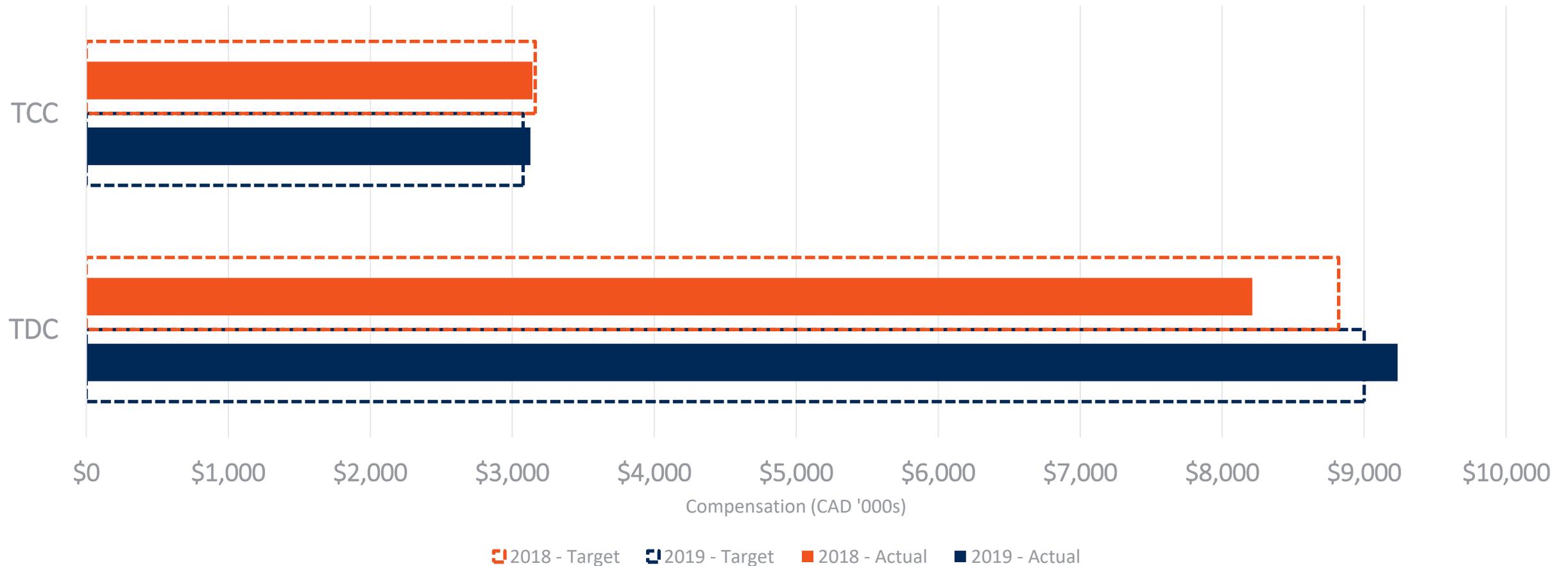
5 Year Trend in Median TSX 60 CEO TDC



Actual vs. Target Pay: Entire TSX60

Contrary to 2018, above target LTIP awards drive increase in median CEO pay

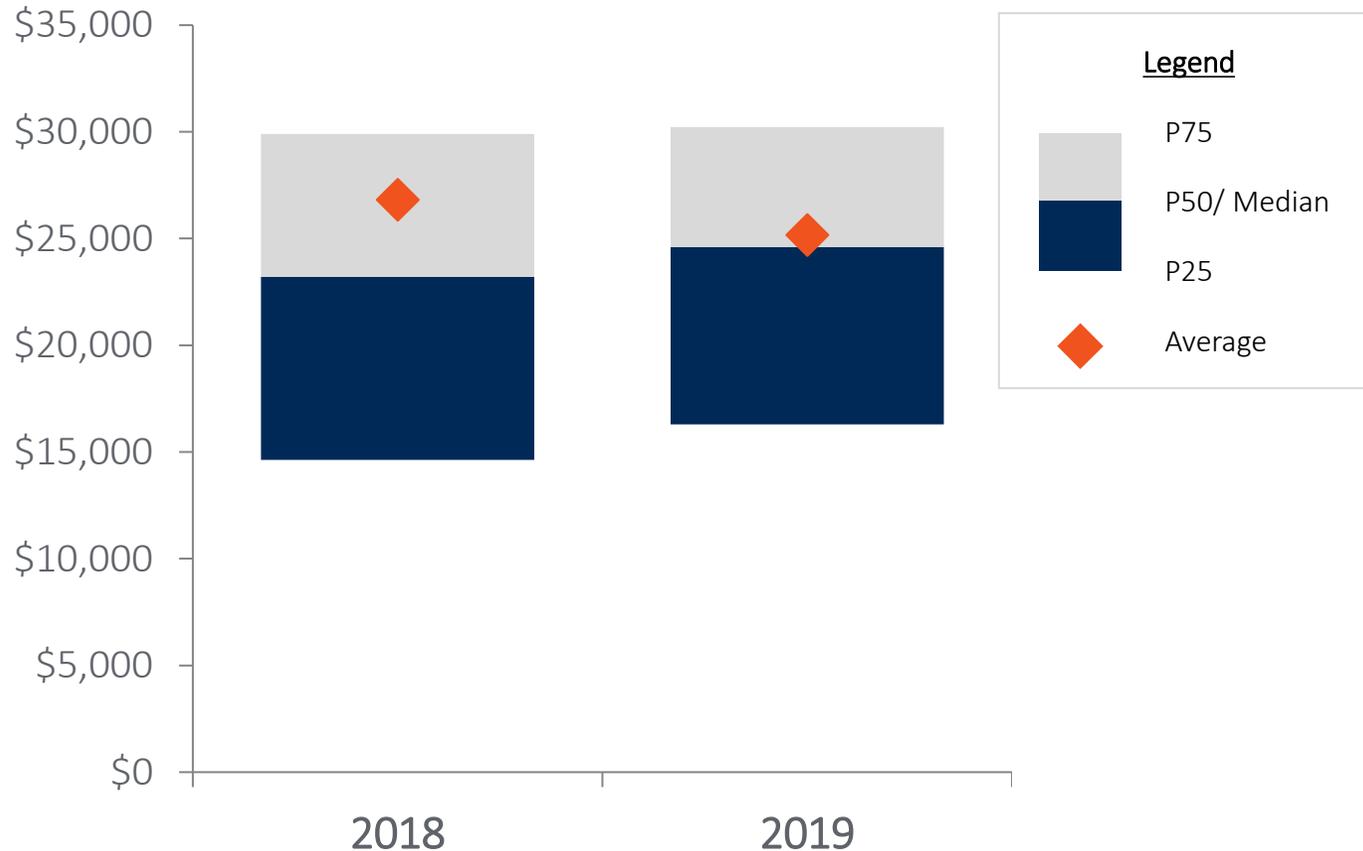
2018 vs. 2019 Change in Actual and Target Compensation



Compensation Levels: Top 5 Pay

Total top 5 pay increased year over year, CEO share of total remains stable

Aggregate Top 5 Pay



CEO Pay as a Multiple of NEO Pay		
	<u>2018</u>	<u>2019</u>
CFO	3.07x	2.88x
NEO3	2.10x	2.28x
NEO4	2.78x	3.09x
NEO5	3.83x	3.68x



EXECUTIVE COMPENSATION

PAY MIX AND PLAN DESIGN

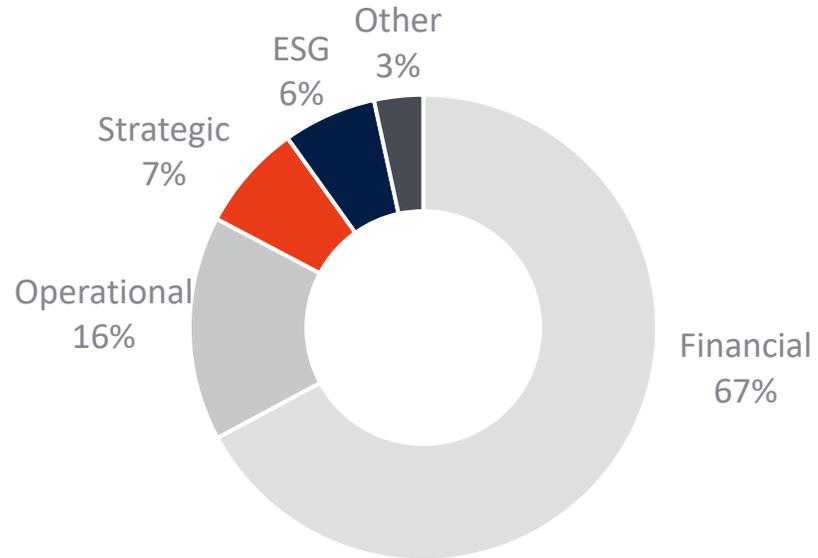
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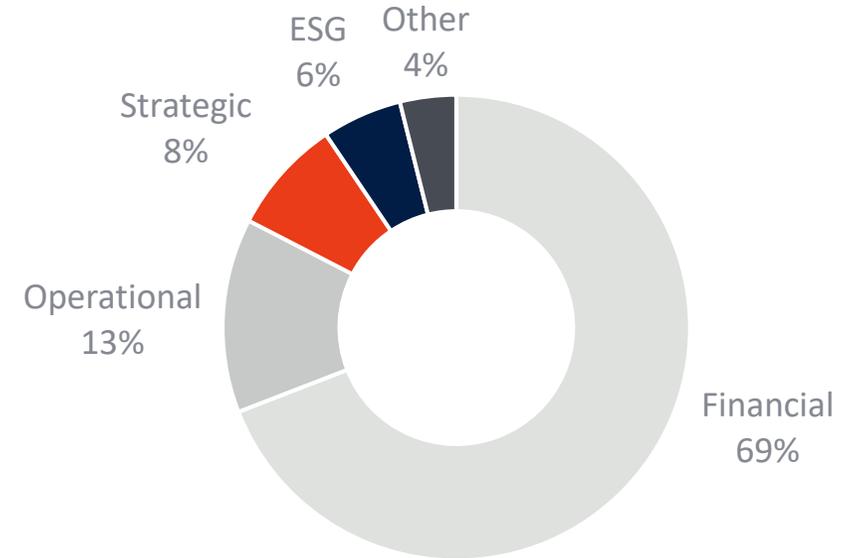
Short Term Incentive Design: No Significant Change

STIP design remains relatively stable year-over-year, ESG metrics may be focus in future.

2018 Corporate STIP Mix



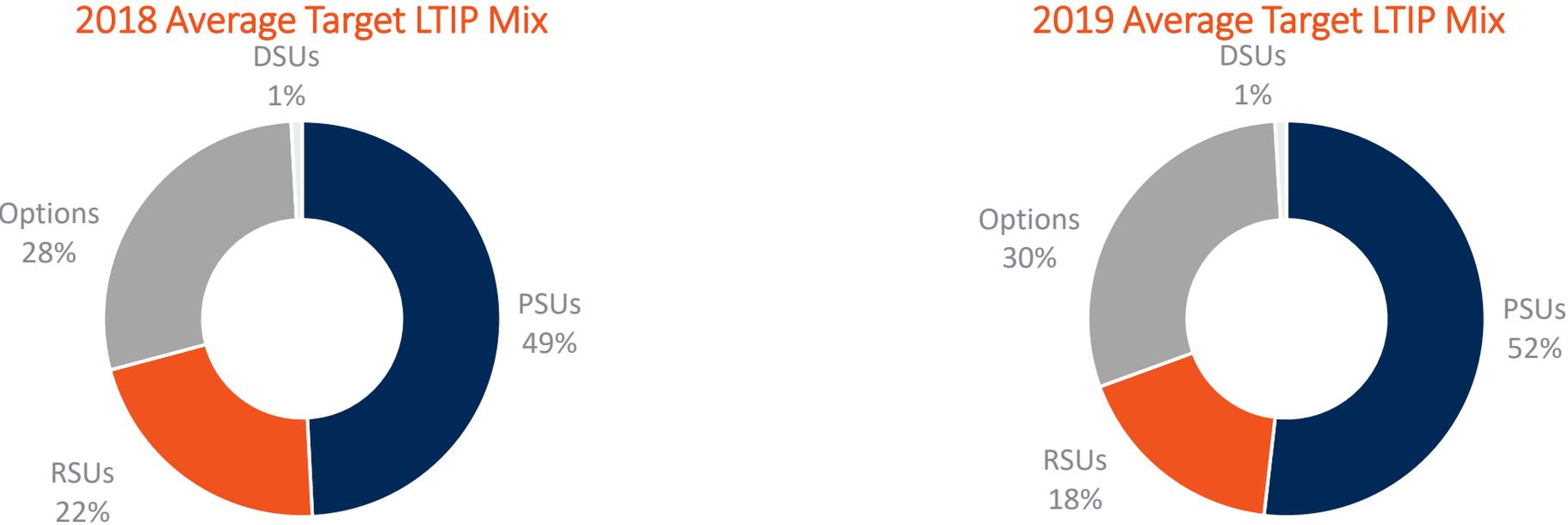
2019 Corporate STIP Mix



2018	STIP Metrics	2019
5.4	Number of metrics used, on average	5.3
60%	Scorecards with an individual component	63%
16%	Board exercised discretion	17%

Long Term Incentive Design: No Significant Change

PSUs continued to increase in LTIP mix, with more performance metrics being added.



2018	LTIP Metrics	2019
2.1	Average number of metrics used in PSUs	2.4
65%	Relative TSR metric used	63%
32%	Return metric used (e.g. ROE)	32%
16%	Operational metric used (e.g. safety)	19%



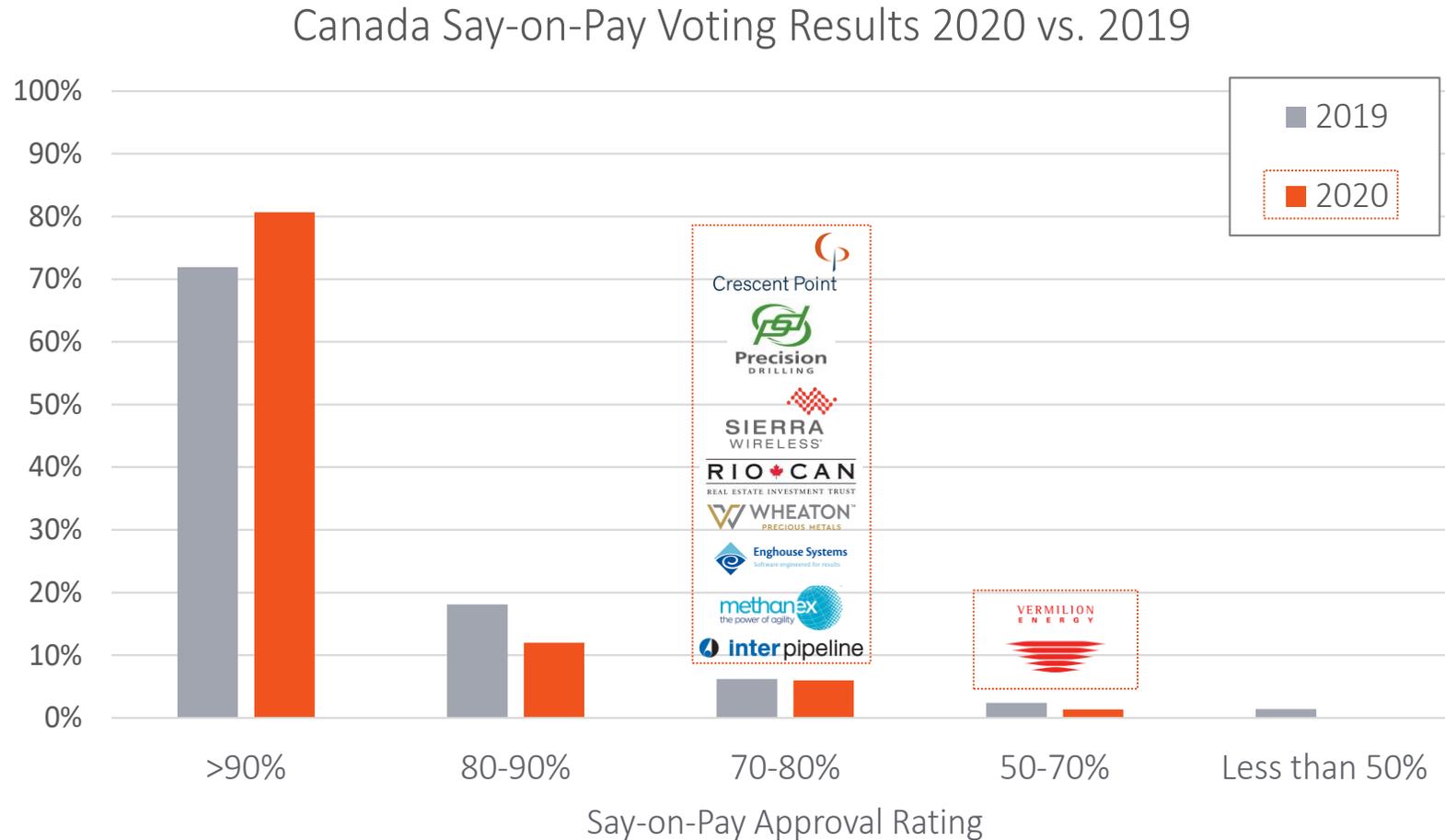
2020 SAY ON PAY RESULTS

Scope of Study:

- *Say on Pay results among the TSX Composite Index as of June 10, 2020 (n = 137)*

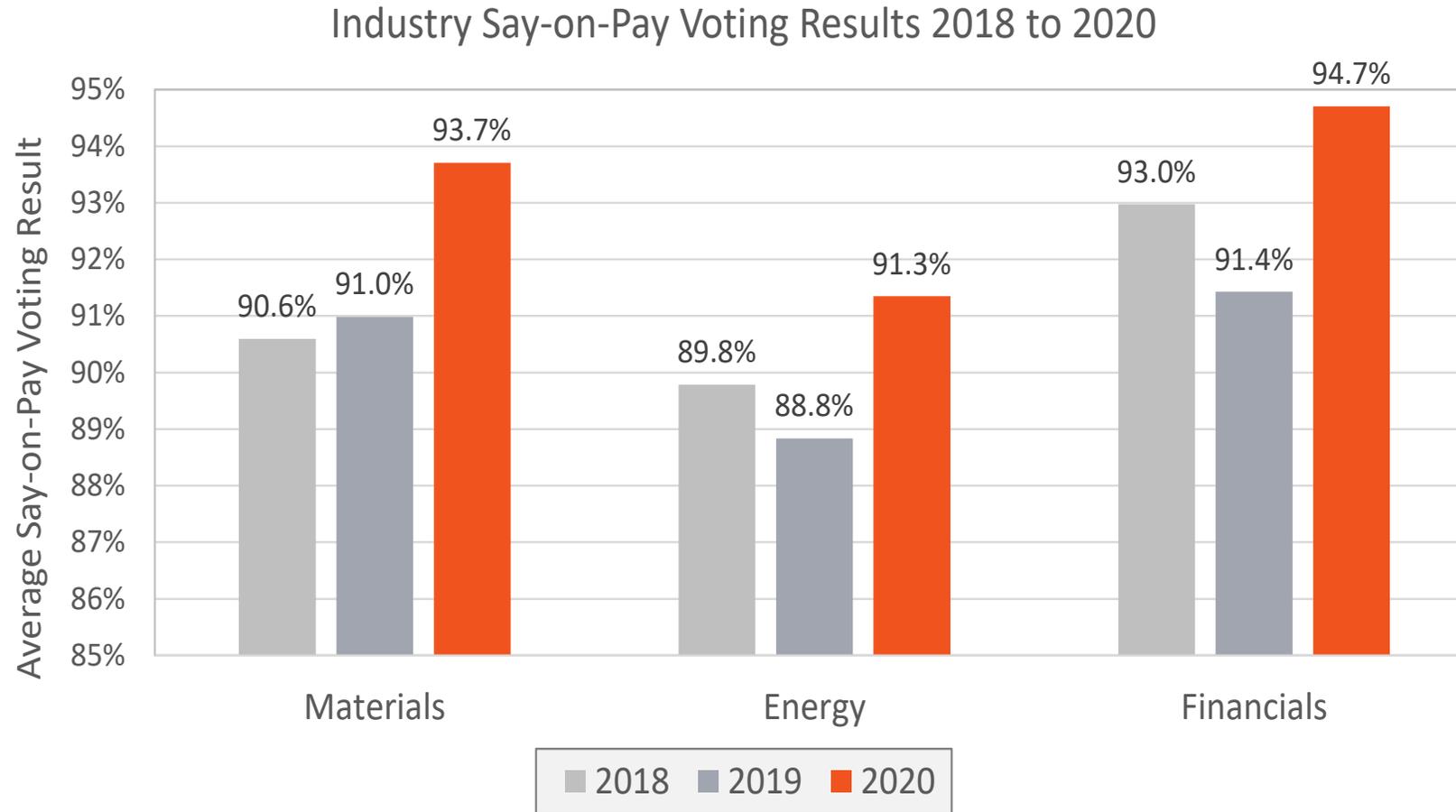
Canadian Say on Pay Results

The proportion of companies scoring below 90% decreased from 28% in 2019 to 20% in 2020



Canadian Say on Pay Results by Industry

Say on Pay results increased across all sectors in 2020 compared to mixed results in 2019



Companies Responding to Low Say on Pay in 2020

Incentive design changes, shareholder engagement drive improved results

Company	Key Issue in 2019	Response	2020 SoP Result
	Pay and performance disconnect	<ul style="list-style-type: none"> • Shareholder outreach • Suspension of cash transaction bonuses 	58% → 92%
	Pay and performance disconnect	<ul style="list-style-type: none"> • Shareholder outreach • Changes to STIP program 	72% → 95%
	Pay and performance disconnect	<ul style="list-style-type: none"> • Shareholder outreach • Changes to LTIP program 	77% → 96%



EMERGING TOPICS AND TRENDS

Emerging Topics & Trends

Two important topics related to the COVID-19 crisis, and how they impact compensation:



Performance Management and Potential Use of Discretion on Incentive Programs

- Impacts of COVID-19 on 2020 compensation programs and how to think about the use of discretion
- Assessing organization and key executive performance in light of a challenging year
- Spotlight on Board effectiveness



Environmental, Social & Governance (“ESG”)

- Prevalence of ESG metrics in incentive programs
- COVID-19 has put significant focus on the *social* aspects of businesses, including human capital management of the broader workforce
- Pay equity implications

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TSX60 Proxy Webinar and Discussion

June 2020

Thank you for joining us. Please take a minute to complete our survey.

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