

# Metrolinx Executive Compensation Program

Considering: O. Reg. 304/16: EXECUTIVE COMPENSATION FRAMEWORK under Broader Public Sector Executive Compensation Act, 2014, S.O. 2014, c. 13, Sched. 1

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**METROLINX**

An agency of the Government of Ontario  
Une agence du gouvernement de l'Ontario

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## Introduction

The Government of Ontario has implemented a new framework for broader public sector executive compensation. The Executive Compensation Framework regulation came into force on September 6, 2016. It applies to all designated employers under the *Broader Public Sector Executive Compensation Act, 2014* (“BPSECA”) and establishes requirements that designated broader public sector employers must meet when setting executive compensation. Metrolinx has been in compliance with all provincial compensation restraint legislation in effect since March 25, 2010.

The framework requires all designated employers to have a written executive compensation program that describes the compensation they may provide to designated executives. The program must include information on the following:

- Compensation philosophy;
- Salary and performance-related pay caps;
- Comparative analysis used to determine salary and performance-related pay caps; and
- Other elements of compensation provided to designated executives.

Before an executive compensation program is effective, employers are required to post a draft executive compensation program on their public-facing website for a minimum of thirty (30) days to allow a reasonable opportunity for members of the public to comment on the manner in which the employer determines the compensation they may provide to their designated executives.

Metrolinx posted a draft Executive Compensation Program on its website from January 23, 2017 to February 21, 2017 for the required thirty (30) days and invited comments from the public during this consultation phase.

## Background

In 2009, amendments to the *Metrolinx Act* were made that merged the former Metrolinx and GO Transit organizations into a single agency to deliver on the Regional Transportation Plan for the Greater Toronto and Hamilton area (“GTHA”) including the planning, delivery and operation of a variety of transit and transportation services. The immediate effort was focused on integrating the corporate functions, followed by the transformation of the planning and capital projects delivery areas. Most recently, this transformation has continued, with change processes now underway in operations, customer experience, marketing, communications and community relations. As part of the transformation process, Metrolinx has created a single unified organization, replacing separate business units, with clear leadership accountabilities including a Chief Financial Officer, Chief Operating Officer and a Chief Capital Officer reporting to the President and Chief Executive Officer (“the CEO”).

Metrolinx has also grown significantly in its mission and mandate, with the addition of PRESTO, UP Express, GO Regional Express Rail (“RER”) and the advancement of the York VIVA Rapidway, Eglinton Crosstown, Finch, Hurontario and Hamilton Light Rail Transit projects. In addition, the size and scope of GO Transit has grown year-over-year, with services that have been expanded and extended to new communities. Ridership has grown with these new service offerings.

The corporation's capital program has grown from \$1.33 billion in 2010/11 to the 2016/17 level of \$4.46 billion. The operating budget has also grown from \$440 million to \$860 million, and the number of GO train trips has increased from 53,681 to 86,906 annually. A GO Passenger Charter has been introduced, with quarterly reporting on results, as well as a variety of new programs, such as the regional trip planner – Triplinx. UP Express service was launched in June 2015, on time and on budget, and ridership levels are now exceeding forecasts, with average daily ridership of 8,400 in August 2016. PRESTO has been fully deployed on GO Transit, OC Transpo in Ottawa and seven (7) other transit agencies, PRESTO

deployment was completed as planned on the TTC by the end of 2016. There are now about 2.5 million PRESTO customers, and that number is increasing by 10,000-20,000 new customers every week.

Metrolinx has received a variety of honours during this time of growth, including its being identified as one of the GTA's Top Employers and the naming of GO Transit as North America's top commuter transit system by the American Public Transportation Association in 2013.

The past seven (7) years has been a time of integration of the services offered by the still young corporation, as well as a period of unprecedented growth.

## Compensation Structures

The merged Metrolinx organization adopted the already established compensation structure that existed within GO Transit prior to the merger. It was recognized at the time of the merger that the current structure did not fully reflect the mandate of the newly formed organization and was not able to adequately align with the new business model, support the achievement of the business goals or able to attract, retain and motivate key employees. However, as the organization was reviewing an appropriate compensation structure, the *Public Sector Compensation Restraint to Protect Public Services Act 2010* came into effect on March 25, 2010 and carried on to March 31, 2012. The legislation froze the compensation structures for all non-union employees in the Ontario Public Service and broader public sector including Metrolinx.

Subsequently, as part of the 2012 Budget, the government introduced amendments to the *Broader Public Sector Accountability Act* ("BPSAA") effective March 31, 2012 under the *Strong Action for Ontario Act (Budget Measures (2012))* that:

- extended compensation restrictions for designated executives earning greater than \$100,000 annually;
- froze the overall performance pay envelopes for two years for all non-union staff; and
- restricted pay-for-performance for designated executives to re-earnable lump-sum payments only.

Metrolinx has limited its compensation program to fully comply with the restraints imposed by the provincial legislation. The same salary bands and performance management program have been in place for all non-union positions since March 2010, with no market adjustments provided since 2010.

In 2014, the Ontario Government enacted the *Broader Public Sector Executive Compensation Act* ("BPSECA") that gave the Province authority to create comprehensive executive compensation frameworks for certain employers in the broader public sectors. Most recently on September 6, 2016, the Province put in place a regulation that requires agencies, boards and commissions to develop an executive compensation framework for their organizations, including the establishment of a compensation philosophy, the development of appropriate comparator groups, and the setting of compensation at no more than the 50<sup>th</sup> percentile of the compensation in the comparator group. The attached information sets out our final approved Executive Compensation Program.

## Compensation Governance

The Metrolinx Board of Directors ("the Board") follows best governance practices and government requirements when addressing compensation. There is a six (6) member Human Resources and Compensation Committee ("the Committee"). The Committee meets a minimum of four (4) times a year. Each meeting is presided by a Chair of the Committee, and minutes of the meetings are kept. The Committee is allotted time at each meeting for the members to meet in camera without management present. The Committee reports on the proceedings of each meeting to the Board at the next Board

meeting. When the Committee reaches a position on a subject, they will make a recommendation to the full Board for approval, when required.

The Committee is responsible for overseeing all significant compensation matters including but not limited to:

- Reviewing compensation structures and ensuring a strong link between pay and performance;
- Reviewing and approving changes, as appropriate, to Metrolinx compensation, including compensation principles and objectives for total compensation, desired competitive positioning and comparator groups;
- Ensuring that compensation programs and performance targets are consistent with the Board's compensation philosophy and aligned with Metrolinx strategic and operating objectives;
- Overseeing and approving all senior executive pay, including the CEO, as it relates to corporate governance and legislation, including total compensation; and
- Overseeing succession planning for the CEO and senior executives.

## Compensation Philosophy

In 2013, Metrolinx, under the direction of the Board of Director's Human Resources and Compensation Committee ("the Committee"), began a process to evaluate the corporation's compensation framework and philosophy with the assistance of the Hay Group to provide independent expert advice. While recognizing that the Board could not put in place an updated program given the legislation then in place, it was believed to be important to understand how the market had evolved, and how the corporation compared with other Canadian broader public sector organizations with similar mandates and activities, and how the new Metrolinx integrated structure fit within the broader public sector from a compensation perspective. As part of this process, thirty six (36) comparable broader public sector organizations were identified, and it was decided by the Committee that Metrolinx should benchmark itself to the 50<sup>th</sup> percentile of these organizations. No private sector organizations were included in the comparator market group, and all public sector comparators are Canadian organizations. Metrolinx has three (3) classes of executives reporting to the CEO, being: Chief Operating Officer and Chief Capital Officer (classed as E3), Chief Financial Officer, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President, PRESTO and Chief Planning Officer (classed as E4), Chief Human Resources Officer, Chief Customer and Marketing Officer, Chief Communications and Public Affairs Officer, Chief Information Officer, and other Vice Presidents (classed as E5).

With less than twenty five (25) executive roles, Metrolinx has a lean executive structure with the majority of the executive roles at the E5 level. While the executive structure may change due to business needs, Metrolinx ensures that the structures are in line with best organizational design principles to not require excessive senior level staff. Based upon consultation with external consultants, Metrolinx has determined that for an organization the size and scope of Metrolinx, three levels of executive reporting to the CEO is a very common approach and appropriate to reflect various size of portfolios/responsibility/scope of a senior leadership team.

With the regulation recently put in place by the Province of Ontario, Metrolinx is in a position to move forward with the government's direction. The Committee has updated the work originally completed in 2013, reflecting among other matters, changes in the comparator group. Due to these changes, the comparator group has changed from thirty six (36) to thirty four (34) Canadian broader public sector organizations.

Metrolinx's compensation philosophy is designed to ensure that Metrolinx is able to attract, retain, and motivate key talent in a manner that is competitive, affordable and aligned with Metrolinx's business

strategy and the environment in which it operates. Specifically, the objectives of Metrolinx's executive compensation framework include:

- Competitive positioning of total compensation at the 50<sup>th</sup> percentile;
- A performance management program that differentiates and rewards performance;
- Considers the long-term affordability and sustainability of Metrolinx's compensation structure; and
- Is equitable, providing equal compensation for equal contribution.

Metrolinx does not offer retention pay, signing bonuses or any other compensation features that are prohibited by the provincial regulation. Executives have the same compensation and benefit program offered to other non-union employees, with the exception of car allowances provided to three (3) executives. These allowances were evaluated in 2011, and a business case confirmed that the value of each of these allowances made sense from a business perspective, given the extensive need for travel within the region on normal business activities.

Metrolinx does not currently have a variable pay program for any of its staff. In addition, the Committee does not intend to recommend the establishment of a variable pay program for the corporation at this time, as this would result in a significant increase in the compensation for senior executive positions and the cost to Metrolinx. Instead, the Committee is recommending that Metrolinx build a portion of what is the comparator market's total compensation into the Metrolinx compensation program. To be conservative, the Committee is proposing that the equivalent of approximately 33% of the comparator market's variable pay program be included in the Metrolinx compensation program. The Committee believes this represents a conservative approach by responding to the direction contained in the provincial regulation, but not adjusting to the full equivalent value of the comparator market's variable pay programs.

## Executive Compensation Program Framework

Given the work completed in 2013, Metrolinx is well-positioned to implement the government's direction. The Committee has updated and refreshed the earlier work, and a proposed compensation framework was posted for input from January 23, 2017 to February 21, 2017 inclusive.

In total, there were thirty three (33) comments received during the public consultation process. The comments contained recommendations that salary increases be based on performance and be made in modest increments. The Human Resources and Compensation Committee of the Board of Directors met on February 24, 2017 to discuss the results of the public consultation. The Committee reviewed the public input and gave full attention and consideration to the feedback provided by the public. The Committee has committed to ensure that progression through the adjusted ranges will be made in a reasonable and measured way. The Committee recommended the framework to the Board of Directors, and the Board subsequently adopted the compensation framework. The framework has also been confirmed by the Ministry of Transportation.

## Metrolinx Regulatory Compliance

The table below summarizes Metrolinx’s compliance to Ontario’s Regulation 304/16 posting requirements. Additional details are provided in Exhibits within the posting.

Framework Requirement	Metrolinx Compliance
<p>(1) Every designated employer shall have a written executive compensation program setting out the compensation that may be provided to its designated executives.</p>	<p>A draft program was posted from January 23, 2017 to February 21, 2017 for public consultation. This posting is the final executive compensation program.</p>
<p>(2) The executive compensation program shall conform to the terms of the compensation framework set out in section 2 and shall include the following information:</p> <ol style="list-style-type: none"> <li>1. The maximum salary and performance-related pay calculated under section 3 for each designated executive or class of designated executives.</li> <li>2. The executive positions and comparator organizations used in each calculation, together with an explanation of how the positions used are comparable to the position or class of positions held by the designated executive or class of designated executives, and of how the comparator organizations used are comparable to the designated employer with respect to the factors mentioned in sub-subparagraphs 1 ii A to E of subsection 3 (2).</li> <li>3. The percentile values that were selected for each calculation.</li> <li>4. The percentage values that were chosen under clauses 3 (4) (e) and (f) for each calculation.</li> </ol>	<p>Metrolinx conforms to the compensation framework.</p> <p>A brief overview of market analysis and pay cap is provided below, with full detail of executive classes and calculations provided in <b>Exhibit A</b> for each class of designated executive.</p> <p>This framework applies equally to all executives at Metrolinx.</p> <p>The calculations from Metrolinx market analysis feature elements as follows.</p> <p>A comparator group (see <b>Exhibit B</b>) that is:</p> <ul style="list-style-type: none"> <li>■ A group of 30 - 40 Canadian public sector organizations</li> <li>■ Each selected organization shares some, but not necessarily all, of the attributes of Metrolinx, including i) job types, ii) geography, iii) industry sector, iv) size, v) complexity, vi) represented work force, and vii) ownership</li> <li>■ Importantly: the organizations contain jobs of size, scope and complexity similar to Metrolinx jobs. Metrolinx and all of the selected organizations utilize the same job evaluation methodology which involves the comparison of roles of similar knowledge/skill/ability, as specified in the regulation framework</li> </ul> <p>Calculations were conducted which illustrate that:</p> <ul style="list-style-type: none"> <li>■ Pay Ranges are based upon the median (50<sup>th</sup> percentile) maximum of the market for salary and performance-related pay</li> <li>■ Metrolinx pay ranges are not fully at the pay cap as established by the cap calculation, but in fact are below the regulated cap</li> <li>■ Pay Ranges are established for each class, and individual compensation, and adjustments, will be different based upon performance measurement (for pay for performance, see <b>Exhibit C</b>)</li> </ul>

Framework Requirement	Metrolinx Compliance
<p>5. A description of any other element of compensation available to designated executives that is not generally provided, in the same manner and relative amount, to non-executive managers, and the reasons why the element is required.</p>	<p>Metrolinx provides a car/travel allowance to three designated executives that is not generally provided to other employees. This allowance is not provided to all executives, and the decision to provide this allowance was reviewed in 2011. The rationale for this allowance is that, for those three roles, significant amounts of travel are required for the performance of the designated executive's job. Travel is generally within Metrolinx's service areas, and includes travel to Metrolinx properties, as well as business locations of Metrolinx p (e.g. municipal offices).</p> <p>Except for the above, Metrolinx does not provide any elements of compensation that are available to executives but not available to non-executives.</p> <p>Metrolinx does have for all employees a mileage reimbursement program for any employee using their own vehicles to travel for business purposes. The three executives who receive the car allowance are not eligible for the mileage reimbursement.</p>
<p>6. A description of the designated employer's compensation philosophy, including details regarding:</p> <ul style="list-style-type: none"> <li>i. How the compensation program supports the designated employer's strategic objectives, and</li> <li>ii. What the compensation program, including its approach to performance-related pay, is designed to reward.</li> </ul>	<p>Metrolinx is recognized for its strong vision and mission, which has become a foundation for the way the corporation attracts, retains and drives employee engagement. Metrolinx employees are passionate about their work and support the goal of delivering an integrated transportation system, resulting in a high-energy and fast-paced work environment that focuses on innovation, teamwork and excellence in service delivery.</p> <p>Currently with over 3,500 employees, Metrolinx is a growing organization with continued expanding operations, capital projects and services.</p> <p>The compensation philosophy is to target pay at total remuneration of the market median of the 50th percentile (P50) of the broader public sector peer group. That is the point where half of our comparators pay above, and half pay below. Metrolinx determines pay ranges based upon the market study.</p> <p>A strong performance management program which considers an individual employee's development, achievement of goals, contribution to team goals and competencies, is used to move employees through their market-based salary ranges.</p>

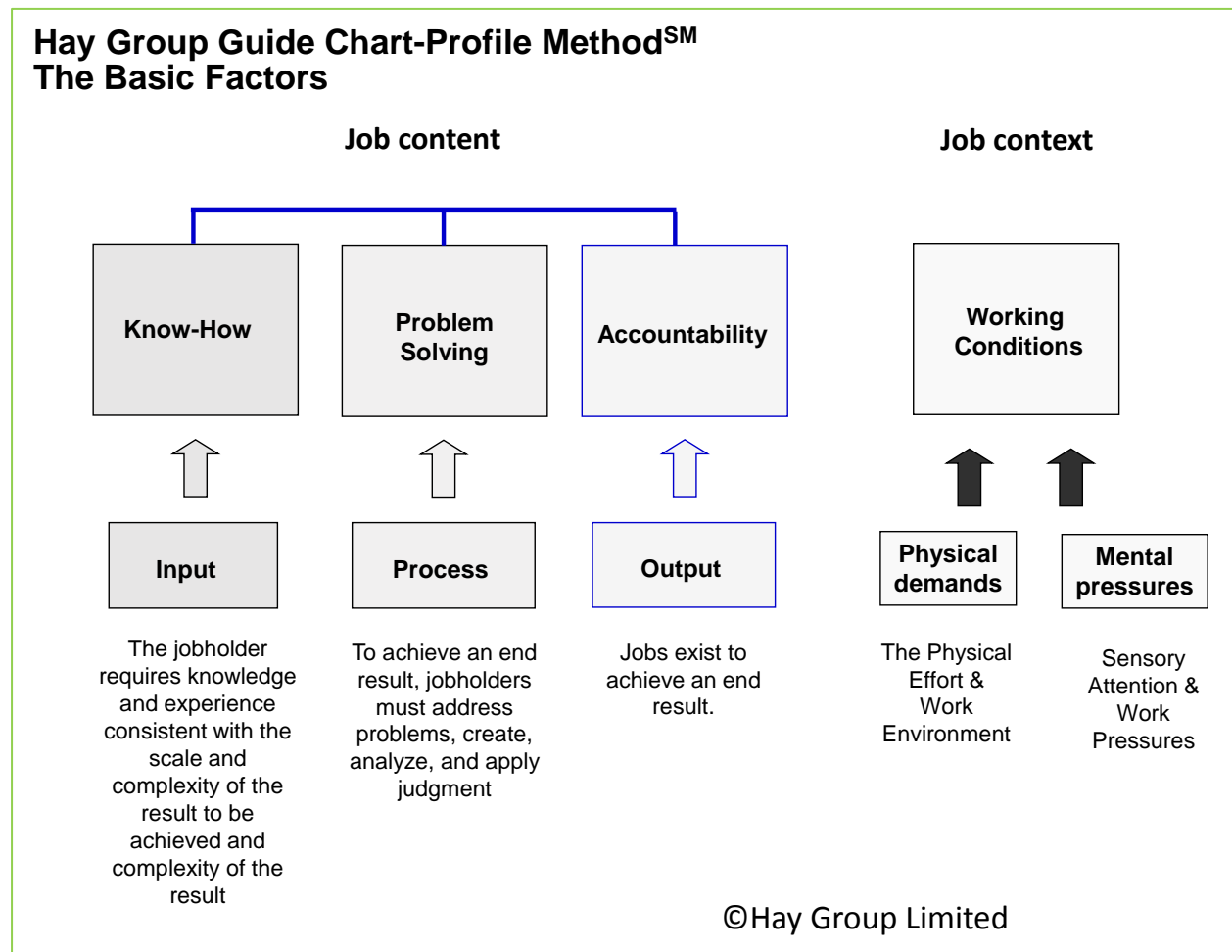


# Exhibit A: Calculations of Pay Cap for Each Executive Class

## Executive Classes & Metrolinx Job Evaluation

Executive roles are evaluated considering the required skills, knowledge, and responsibility and working conditions of the role. The evaluation system used by Metrolinx Executive roles is the Hay Group Guide-Chart Profile Method<sup>SM</sup> which is also used by many other organizations in the world, and the Canadian Broader Public Sector organizations. The evaluation points of the role determine its class.

A brief overview of the evaluation methodology is provided in the graphic below.



## Terms of Compensation Framework: Pay Cap Comparator Group

The Ontario Regulation establishes that a designated employer, such as Metrolinx, “shall not provide a designated executive salary and performance-related pay that is greater than the maximum salary and performance-related pay” subject to various calculation guidelines.

Guidelines are summarized as follows:

Framework Requirement: Comparator Group	Metrolinx Compliance
<p>At least eight comparator organizations, at least one being Canadian public/broader public sector.</p> <p>Non-Canadian public/broader public sector organizations selected are subject to approval by Minister.</p>	<p>Metrolinx uses a group of 30 – 40 organizations, which consists entirely of Canadian public and broader public sector organizations, which is more than the requirement.</p> <p>The full list is provided in <b>Exhibit B</b>.</p>
<p>Comparator organizations may be selected if:</p> <ol style="list-style-type: none"> <li>i. It has at least one comparable executive</li> <li>ii. Organization is comparable with respect to most or all of the following factors:               <ol style="list-style-type: none"> <li>a. Scope of responsibility of executives</li> <li>b. Type of operations</li> <li>c. Industries within which the organization competes for executives</li> <li>d. Size of organization</li> <li>e. Location of the organization</li> </ol> </li> </ol>	<p>The comparator groups are a wide range of organizations which:</p> <ul style="list-style-type: none"> <li>■ All have at least one comparable executive in terms of job ‘size’ (i.e., the Hay Points); scope of responsibility is also captured in the points</li> <li>■ Location is varied across Canada, though a greater proportion of organization in the group is Ontario</li> <li>■ Similar industry types have been selected. For example, organizations which also have transit oversight, rail and bus logistics are included in the comparator group, but also roles of which are capital projects intensive and infrastructure concentrated which are also part of Metrolinx operations. Organizations have been selected which are similar size, but also, bigger and smaller than Metrolinx. It is important to note that jobs are compared on a ‘points’ basis, not a job match basis (for example, a VP may be compared to an EVP; what matters is not title, but comparable job size based on required knowledge, skill, ability and responsibility of the role)</li> <li>■ Organizations selected as comparators must all also participate in the Hay Group compensation database and have their roles evaluated with the same methodology to ensure fair, consistent comparison. Hay Group updates their compensation database two times annually with data submitted by the companies</li> </ul>

## Terms of Compensation Framework: Pay Cap Calculation Detail

Framework Requirement: Cap Calculation	Metrolinx Compliance
<p>Calculation shall:</p> <p>Determine the maximum amounts of salary and performance-related pay that may be paid to the executives in comparable positions.</p>	<p>Metrolinx, under the guidance of Hay Group Limited, has calculated the maximum amounts of salary and performance related pay that may be paid to executives in comparable positions for each executive class (E1 through E5).</p>
<p>Select a percentile that is no greater than the 50<sup>th</sup> percentile.</p>	<p>Metrolinx has calculated its salary ranges for each executive class based on market 50<sup>th</sup> percentile.</p> <p>Metrolinx has opted to provide less than the 50<sup>th</sup> percentile of market maximum as:</p> <ul style="list-style-type: none"> <li>▪ Metrolinx does not provide a short-term variable pay program to its executive classes even though such programs are prevalent in the market</li> <li>▪ Variable pay programs by definition are not guaranteed, and as such, the Metrolinx has opted to discount the maximum salary and performance pay used to develop its pay ranges</li> <li>▪ The Metrolinx pay ranges thereby are lower than market median relative to total cash compensation</li> </ul>

Current Executive Salary ranges:

Executive Class*	Minimum of Range	Midpoint of Range	Maximum of Range
CEO	\$ 300,000	\$ 325,000	\$ 350,000
CCO, COO, EVP	\$ 206,844	\$ 232,700	\$ 258,555
CFO	\$ 192,000	\$ 216,000	\$ 240,000
CHRO, CCMO, CIO, CCPAO, CPO, VP	\$ 160,680	\$ 180,765	\$ 200,850

\* Abbreviated titles are provided for each class. Their definition of each is as follows (CEO = Chief Executive Officer, CCO = Chief Capital Officer, COO = Chief Operating Officer, CFO = Chief Financial Officer, EVP = Executive Vice President, CPO = Chief Planning Officer, CHRO = Chief Human Resources Officer, CCMO = Chief Customer and Marketing Officer, CCPAO = Chief Communications and Public Affairs Officer, CIO = Chief Information Officer, VP = Vice President).

The values below are based on Hay Group database maximums calculated based upon the salary structure and short-term incentives (“STI”) design of the organizations within the comparator group. Monetary values are all expressed in Canadian dollars, rounded to the nearest hundred.

The “Salary + Performance Pay Maximum (\$)” column form the salary cap within the Ontario Executive Compensation Framework regulation.

<b>Metrolinx Executive Class</b>	<b>Market Base Salary Maximum (\$)</b>	<b>Market Variable Pay Maximum (%)</b>	<b>Salary + Performance Pay Maximum (\$)</b>
E1 (CEO)	417,200	44.9	604,420
E2*	370,800	38.0	511,700
E3 (CCO, COO)	309,000	31.8	407,110
E4 (CFO, EVP, CPO)	258,100	26.5	326,500
E5 (CHRO, CCMO, CCPAO, CIO, VP)	200,400	21.6	243,740

\* Note: Metrolinx currently does not have any positions that would be included in an E2 class, based on the methodology applied by the Hay Group.

Data is provided by Hay Group Limited.

Metrolinx does not currently have a variable pay program for any of their staff in the unionized, management or executive groups. Further, there is no variable pay program currently in development or planned for executive job classes at this time. As a result, Metrolinx has opted to not utilize the full available cap from the market median calculation, but rather, consider only a portion of the variable pay within the market while setting the compensation ranges. This decision was undertaken considering that there is less portion of pay ‘at risk’, and performance is measured at Metrolinx by movement through the range only not by short-term incentives.

Using the calculated cap in the column above, Metrolinx then considers:

- A conservative portion, 1/3 (33.3%), of the market short-term incentive value only
- The desired pay structure similar to that of other broader public sector organizations as:
  - 90% (minimum) - 100% (midpoint) - 115% (maximum)
- The Metrolinx cap calculation is then lower than the Regulation Maximum using the following methodology:
  - Taking the Market Base Salary Range Maximum
  - Adding 33.3% of the comparator group maximum short-term incentive
  - Using that sum of base salary range + a portion of market STI as the Metrolinx Executive Class Range Maximum (i.e., “Metrolinx Cap”)
  - Calculating range midpoint at 100% and minimum at 90%, treating the cap as 115%

- The table below illustrates the calculations for each of the Metrolinx Executive Job Classes, rounded to the nearest \$100:

Calculation Step	Executive Class**				
	E1	E2*	E3	E4	E5
1. Market Median Reference Point: Salary Range Maximum of the Market, at Median	\$ 417,200	\$370,800	\$ 309,000	\$ 258,100	\$ 200,400
2. Calculation Adjustment for Market incentives not provided at Metrolinx is 33.3% of the market short-term incentive maximum	44.9 %	38.0 %	31.8 %	26.5 %	21.6 %
	x	x	x	x	x
	1/3	1/3	1/3	1/3	1/3
	=	=	=	=	=
	14.9 %	12.7 %	10.6 %	8.8 %	7.2 %
3. Resulting Salary Range Cap	\$ 479,500	\$417,700	\$ 341,700	\$ 280,900	\$ 214,800

\* Note: Metrolinx currently does not have any positions that would be included in an E2 class, based on the methodology applied by the Hay Group.

\*\* Jobs within each class are provided in other calculations tables.

The result is:

Metrolinx Executive Class	Minimum of new Range	Midpoint of new Range	Maximum of new Range
E1 (CEO)	\$ 375,300	\$ 417,000	\$ 479,500
E2*	\$326,900	\$363,200	\$417,700
E3 (CCO, COO)	\$ 267,400	\$ 297,100	\$ 341,700
E4 (CFO, EVP, CPO)	\$ 219,800	\$ 244,200	\$ 280,900
E5 (CHRO, CCMO, CCPAO, CIO, VP)	\$ 168,100	\$ 186,800	\$ 214,800

\* Note: Metrolinx currently does not have any positions that would be included in an E2 class, based on the methodology applied by the Hay Group.

The overall payroll adjustment budget envelope is shared through the company and distributed fairly and equitably based upon the performance rankings.

Aside from any required adjustments made for any executives resulting from the Executive Compensation program implementation, the overall plan is to allow individuals to progress through adjusted salary ranges over time in accordance with Metrolinx's pay-for-performance program. The average rate of increase in salary for designated executives is intended to be the same given the same levels of performance as the non-executive staff.

## Terms of Compensation Framework: Confirmation of Compensation Elements not provided

The regulation states: “A designated employer shall not provide the following elements of compensation to a designated executive, subject to any entitlement to the element under the Employment Standards Act, 2000.”

The table below provides confirmation statements of Metrolinx compliance with this aspect of the Regulation. Metrolinx does not provide these forms of compensation for any employee, nor the executive classes.

Framework Requirement (Section 3)	Metrolinx Compliance
i. Payments or other benefits provided in lieu of perquisites.	No payments are provided in lieu of perquisites.
ii. Signing bonuses.	Metrolinx does not provide signing bonuses.
iii. Retention bonuses.	Metrolinx does not provide retention bonuses.
iv. Cash housing allowances.	Metrolinx does not provide cash housing allowances.
v. Insured benefits that are not generally provided to non-executive managers.	All employees receive the same insured benefits in the non-executive and executive group.
vi. Termination payments, including payments in lieu of notice of termination, and severance payments that in total equal more than 24 times the average monthly salary of the designated executive.	Generally, Metrolinx will follow common law in Ontario with respect to severance pay. Metrolinx has reviewed all executive contracts and confirms that no severance exceeds the framework requirements.
vii. Termination or severance payments that are payable in the event of termination for cause.	Metrolinx does not provide payments for termination/severance in the event of termination for cause.
viii. Paid administrative leave, unless provided to the head of a college or university or another designated executive who is part of or will return to the faculty at a college or university.	Metrolinx does not provide paid administration leave, or, payments in lieu of administration leave.
ix. Paid administrative leave that accrues at a rate in excess of 10.4 paid weeks per year.	
x. Payments in lieu of administrative leave.	

## Exhibit B: Comparator Group

The following organizations form the market data utilized for the calculation of Metrolinx salary caps. Metrolinx in future analysis will continue to select 30 – 40 peer organizations with similar size / scope executive roles, and from the Canadian Boarder Public sector only, as available from the Hay Group compensation database<sup>1</sup>.

- |   |  |
|---|--|
| 1. Alcohol and Gaming Commission of Ontario | 17. Kitchener-Wilmot Hydro Inc.            |
| 2. Bluewater Power Distribution Corporation | 18. LCBO                                   |
| 3. CSA Group                                | 19. London Hydro                           |
| 4. Canada Lands Company CLC Limited         | 20. Oakville Hydro Corporation             |
| 5. Canada Mortgage and Housing Corporation  | 21. Ontario Lottery and Gaming Corporation |
| 6. City of Toronto                          | 22. Ontario Power Generation Inc.          |
| 7. Electricity Distributors Association     | 23. Ontario Teachers' Pension Plan Board   |
| 8. Exhibition Place                         | 24. Royal Canadian Mint                    |
| 9. Farm Credit Canada                       | 25. Safety Codes Council                   |
| 10. Government of Ontario                   | 26. SaskEnergy Incorporated                |
| 11. Greater Toronto Airports Authority      | 27. SaskTel                                |
| 12. Halifax Port Authority                  | 28. Toronto Hydro-Electric System Limited  |
| 13. Hydro One Brampton                      | 29. Toronto Transit Commission             |
| 14. Hydro One Inc.                          | 30. Utilities Kingston                     |
| 15. Hydro Ottawa Limited                    | 31. Veridian Corporation                   |
| 16. Independent Electricity System Operator | 32. Le Vieux-Port de Montréal              |
|   | 33. Waterfront Toronto                     |
|   | 34. Waterloo North Hydro                   |

### Note:

1. The data utilized in the calculation is effective as of May 2016.
2. The Hydro One compensation values extracted from the Hay Group database are still reflective of the Hydro One public sector pay practices, and, the organization is still 70% owned by the Government at this time. When Hydro One pay practices and ownership become reflective of that of the private sector, Metrolinx would no longer include the organization in the comparator group.

## Exhibit C: Metrolinx Pay for Performance

The **Metrolinx Performance Management Program (“PMP”)** applies to all executive and non-union employees. The purpose of the program is to provide compensation adjustments only to individuals who perform at or exceeding target performance based upon clear objectives. The process of the program is outlined below.

### **Non Union PMP Process**

The purpose of the PMP is to achieve excellence in employee and organizational performance and is designed to support individual performance goals with corporate goals while providing a road map for areas of development opportunities. The PMP for the Corporation’s non-union employees ensures that employees are rewarded for meeting their pre-set goals, objectives and values for the fiscal year that are linked to the organizational strategy. The Corporations’ performance year is aligned to its fiscal year, which covers the period from April 1 to March 31.

The goals are set at the beginning of the fiscal year with a mid-year review conducted in September/October and an annual review conducted in February/March of each year. The assigned performance ratings are Exceeds, Meets Plus, Meets, Meets Some and Does Not Meet. The merit awards are applied to salaries and added to the base compensation. Once employees reach the top of their salary bands, they receive their merit award as a lump sum amount.

### **Pay-for-Performance (PFP) Process**

The assigned performance rating from the PMP process is used to calculate the PFP award which can be awarded to an employee as a merit increase to the base pay or as a lump sum if the employee has reached their range maximum. This process provides a consistent approach to PFP across all regular full-time non-union employees in the Corporation. The PFP award percentages by ratings are refreshed annually and approved by the Committee of the Board.