



Ontario  
Energy  
Board | Commission  
de l'énergie  
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# Executive Compensation Program

December 4, 2017

The Government of Ontario introduced new requirements that broader public sector employers must meet when establishing executive compensation programs. The Executive Compensation Framework Regulation 187/17 came into force on September 6, 2016, and it was amended (Regulation 304/16) in June 2017. It applies to all designated employers under the *Broader Public Sector Executive Compensation Act, 2014*, which includes the Ontario Energy Board (OEB).

The regulation requires that an Executive Compensation Program set out the following information:

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

OEB's Management Committee has developed an Executive Compensation Program that enables the organization to attract, retain and motivate executives who have the necessary skills and knowledge of the industries OEB regulates. As Ontario's independent energy regulator, the OEB makes decisions and provides advice to the government in order to contribute to a sustainable, reliable energy sector and to help consumers get value from their natural gas and electricity services. The OEB Executive Leadership team is accountable for overseeing a sector comprised of more than \$25 billion in electricity distribution assets, and in natural gas, more than \$18 billion in distribution assets. Therefore, it is important that an executive compensation program is appropriate, accountable and effective given this broad and highly complex mandate.

The OEB's Executive Compensation Program is set out in the document below. In establishing each element of the program, the OEB has consistently reflected on the following compensation philosophy that was originally set out in 2004:

- *Externally Competitive* – maintaining no higher than, in aggregate, a 50<sup>th</sup> percentile total compensation level relative to the industries we compete with for talent in a very competitive market, including those organizations the OEB regulates and other broader public sector organizations with similar skill sets and complexities.
- *Internal Equity* – the Executive Compensation Program is structured to provide equal value for equal contribution.

Provide the information required for each section. Refer to the [Broader Public Sector Executive Compensation Guide](#) for additional instructions and assistance with completing this form.

<b>A. Compensation Philosophy</b>	Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.
<b>B. Designated Executive Positions</b>	List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.
<b>C. Salary and Performance-related Pay Caps</b>	
Comparator Selection	Provide information on the comparators used to benchmark salary and performance-related pay at the designated employer for each designated executive position or class of positions. Provide a rationale for the chosen comparators.
Comparative Analysis Details	Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.
Structure	Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the salary ranges and performance-related pay structure can provide useful context.
<b>D. Salary and Performance-related Pay Envelope</b>	Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.
<b>E. Other Elements of Compensation</b>	<p>Provide information on any proposed compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions or classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers.</p> <p>Include rationale outlining the critical business reasons that justify the provision of each proposed element of compensation.</p>
<b>F. Supplemental Information</b>	Provide any additional information required to support or explain the information included in the executive compensation program.

Provide the contact information of the person completing this program.

**Contact Information**

Organization (Full Name)  
Ontario Energy Board

**Completed By**

Last Name	First Name	Middle Initial
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Job Title

**Address**

Unit Number	Street Number	Street Name	PO Box
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	2300	Yonge Street	
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City/Town	Province	Postal Code
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Toronto	Ontario	M4P 1E4
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Telephone Number	Fax Number
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Email Address

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## A. Compensation Philosophy

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Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.

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The OEB's Executive Compensation Philosophy identifies the key principles for the development of the OEB's Executive Compensation Program that supports the attraction, retention and motivation of executives with the necessary skills and knowledge of the industries the OEB regulates in a manner that complies with the Executive Compensation Framework Regulation established by the Province of Ontario

The OEB's compensation philosophy is comprised of four key principles:

1. **Accountability:** Drive the achievement of the OEB's mandate by holding executives accountable for the achievement of annual objectives that serve the public interest and assist consumers in obtaining reliable yet cost-effective energy services
2. **Sustainability:** To be sustainable, compensation must be both competitive and affordable
3. **Clarity:** Be simple to understand, administer, and communicate in way that recognizes the financial and non-financial rewards of employment at the OEB
4. **Enabling:** Supports the OEB's mission to promote a viable, sustainable and efficient energy sector and the OEB's role as a protector of consumer interests within the electricity and gas sectors, by recognizing the need for exceptional executive talent with deep knowledge of the industries they regulate

At this point in time, the Ontario government requires that the OEB must seek approval for the use of private sector comparators where there are not sufficient public sector comparators. It has been determined that, for the purposes of developing an executive compensation framework, the OEB will set a compensation philosophy that:

- Makes pay comparisons exclusively to broader public sector organizations, including the broader public sector organizations the OEB regulates as well as those organizations comparable to the OEB in structure and operations
- Excludes private sector organizations regulated by the OEB, such as Enbridge and Union Gas, from the comparator group for this study, but reserves the right to seek approval to do so at any time if it deems necessary due to the importance of the regulated industries as a market for talent

The OEB's Executive Compensation Program is comprised of three elements:

### 1. Base Salary

- Salaries provide regular compensation to executives for their contributions to the organization
- Each class of executives has an established salary range that provides for actual salaries relative to a target level (fully competent) taking into account their experience, accountabilities and performance

### 2. Performance-Based Compensation

- A portion of executive compensation must be earned based on the achievement of organizational and individual goals on an annual basis
- This performance-based compensation plays an important role in aligning executives with a common set of goals and holding them accountable for the achievement of those goals
- Executives only receive performance-based compensation if they achieve their annual objectives. This compensation is a one-time payment and is not pensionable

### 3. Pension & Benefits

- Providing competitive benefits and pensions is an important part of ensuring the physical and financial well-being of all employees, including executives
- The OEB provides benefits and pensions to executives that are generally consistent with non-executive managers

**B. Designated Executive Positions**

List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.

<b>Full Job Title</b>	<b>Class of Position</b>
E.g. Chief Operating Officer	E.g. VP-1
Chair & Chief Executive Officer	Chair & Chief Executive Officer
Chief Operating Officer	Chief Operating Officer
General Counsel & VP, Legal Services & Strategic Policy	VP Level II
VP, People, Culture & Business Solutions	VP Level II
VP, Applications	VP Level I
VP, Public Affairs	VP Level I
VP, Consumer Protection & Industry Performance	VP Level I

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**C. Salary and Performance-related Pay – Comparator Selection**

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Provide information on the comparators used to benchmark salary and performance-related pay at the designated employer for each designated executive position or class of positions. Provide a rationale for the chosen comparators.

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**Comparators 1**

Executive Positions or Classes of Positions Benchmarked  
Chief Executive Officer

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**Canadian Public Sector or Broader Public Sector Comparators**

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)  
Alberta Utilities Commission, Guelph Hydro Electric Systems Inc., Horizon Utilities Corporation, Hydro Ottawa, Independent Electricity System Operator, National Energy Board, Ontario Financing Authority, Ontario Pension Board, Ontario Securities Commission, Toronto Hydro

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Positions or Classes of Positions (e.g. Chief Financial Executives)  
Chief Executive Officers

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**Rationale for Selected Comparators**

Similar scope of responsibility for organization's executives, as the most senior executive position within the organization, with responsibility for setting overall strategic direction  
Many comparators have regulatory operations  
They recruit from the broader public sector or energy sector  
Majority of regulators are within 1/2x to 2x the operating budget of the OEB  
Most organizations are also located in Ontario

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The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

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**Comparators 2**

Executive Positions or Classes of Positions Benchmarked  
Chief Operating Officer

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**Canadian Public Sector or Broader Public Sector Comparators**

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)  
Alcohol & Gaming Commission of Ontario, Horizon Utilities Corporation, Hydro Ottawa, Independent Electricity System Operator, National Energy Board, Ontario Financing Authority, Ontario Pension Board, Ontario Securities Commission, Toronto Hydro

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Positions or Classes of Positions (e.g. Chief Financial Executives)  
Top Operations Executives, Executive Directors

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**Rationale for Selected Comparators**

Similar scope of responsibility for organization's executives, as the top operating role or chief operating officer.  
Many comparators have regulatory operations  
They recruit from the broader public sector or energy sector  
Majority of regulators are within 1/2x to 2x the operating budget of OEB  
Most organizations are also located in Ontario

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The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

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**Comparators 3**

Executive Positions or Classes of Positions Benchmarked  
VP Level II

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**Canadian Public Sector or Broader Public Sector Comparators**

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)

Alberta Utilities Commission, Guelph Hydro Electric Systems Inc., Horizon Utilities Corporation, Hydro Ottawa, Independent Electricity System Operator, National Energy Board, Ontario Financing Authority, Ontario Pension Board, Ontario Securities Commission, Toronto Hydro

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Positions or Classes of Positions (e.g. Chief Financial Executives)

Top Legal Executives, Corporate Services Executives, Chief Financial Officers, Top Human Resources Executives

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Rationale for Selected Comparators

Similar scope of responsibility for organization's executives, with accountability for strategic leadership of a prominent function or group of related functions, reporting to the CEO or COO.

Many comparators have regulatory operations

They recruit from the broader public sector or energy sector

Majority are within 1/2x to 2x the operating budget of OEB

Most organizations are also located in Ontario

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The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

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#### **Comparators 4**

Executive Positions or Classes of Positions Benchmarked

VP Level I

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#### **Canadian Public Sector or Broader Public Sector Comparators**

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)

Alberta Utilities Commission, Guelph Hydro Electric Systems Inc., Horizon Utilities Corporation, Hydro Ottawa, Independent Electricity System Operator, National Energy Board, Ontario Financing Authority, Ontario Pension Board, Ontario Securities Commission, Toronto Hydro

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Positions or Classes of Positions (e.g. Chief Financial Executives)

Communications Executives, Regulatory Executives, Audit Executives

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Rationale for Selected Comparators

Similar scope of responsibility for organization's executives, with accountability for strategic leadership of a function, typically reporting to the CEO or COO.

Many comparators have regulatory operations

They recruit from the broader public sector or energy sector

Majority are within 1/2x to 2x the operating budget of OEB

Most organizations are also located in Ontario

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The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

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### **C. Salary and Performance-related Pay – Comparative Analysis Details**

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Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.

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In line with industry practices, OEB's Executive Compensation Program is designed to ensure that each OEB salary and incentive range reflects the 50th percentile of the market. That is, for each OEB position / class of executive, half of the market would pay more and half would pay less than our Program.

The caps established by Regulations 304/16 and 187/17 are based on salary plus performance pay (total cash compensation) in OEB's comparator groups (the market). To establish caps, OEB obtained data on maximum compensation in the market (the top of the salary range plus maximum performance-based pay) and determined caps based on the 50th percentile of this data. Half of the companies in the market have maximum compensation above the caps and half of the companies in the market have maximum compensation below the caps.

To check that the Program was compliant with Regulations 304/16 and 187/17 caps, we calculated the maximum potential compensation for each class of OEB executive (the maximum of their salary band plus maximum incentive.) For each class of executive in OEB's Program, the potential maximums allowed by the Program are below the caps determined by Regulations 304/16 and 187/17.

The regulated caps set maximum upper limits on total compensation levels that the OEB's Program could deliver. Performance, capability and internal equity will be considered in determining the extent to which actual pay levels are determined relative to the regulated caps.

### C. Salary and Performance-related Pay Structure

Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on salary ranges and performance-related pay structure can provide useful context.

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate (\$)	Salary Range Maximum (\$)	Target Annual Performance-related pay (% of Salary)	Maximum Annual Performance-related Pay (% of Salary)	Salary and Performance-related Pay Cap (\$)
E.g. President	E.g. 200,000	E.g. 220,000	E.g. 240,000	E.g. 7.5	E.g. 10	E.g. 264,000
Chair & Chief Executive Officer	\$371,635	\$437,217	\$502,800	16.0	25.0	\$628,567
Chief Operating Officer	\$241,548	\$284,174	\$326,800	16.0	25.0	\$408,552
VP Level II	\$221,591	\$260,696	\$299,800	16.0	25.0	\$374,970
VP Level I	\$177,243	\$208,522	\$239,800	16.0	25.0	\$299,938

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## D. Salary and Performance-related Pay Envelope

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Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.

<b>Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)</b>	<b>Maximum Rate of Increase to Envelope (%)</b>
\$2,058,843	5.0

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Rationale for the Proposed Maximum Rate of Increase:

The Regulations require designated employers to determine their executive salary and performance related pay envelope and to establish a maximum potential annual increase to the salary and performance related pay envelope considering the following five factors:

- The financial and compensation priorities of the Ontario government
  - Recent executive compensation trends in the part of the Canadian public sector and broader public sector that is in the industry within which the designated employer competes for talent
  - A comparison between the percentage of the designated employer's operating budget used for executive compensation and that of its comparator organizations
  - The effect on attracting talent to the designated employer's executive positions, and retaining talent in these positions
  - Any significant expansion in the operations of the designated employer that is not a result of significant restructuring
- Considering these required factors, including the government's compensation and financial priorities, the OEB has determined a maximum increase of up to 5% of the executive salary and performance pay envelope will be required to attract and retain the necessary executive talent, while managing public dollars responsibly. The OEB's executive compensation salary and performance related pay envelope is \$2.059 million for 7 executive positions.

The OEB closely considers both executive compensation trends within the broader public sector, as well as the energy sector from which the OEB recruits talent. The following compensation projections for 2017 reflect the findings of Mercer (Canada) Limited's most recent Canadian compensation planning studies, but do not reflect the potential need to resolve internal equity, competitiveness or performance considerations within the salary and performance pay envelope:

- Canadian broader public sector average executive compensation increases of 2.6%
- Energy industry average compensation increases of 2.6%

In addition to the external markets the OEB competes with for talent, the OEB must consider increases for union jobs within the organization, as they are a source for attracting management and future executives. Represented jobs at the OEB may earn an annual salary increase of up to 6% through step progressions through the pay band combined with annual negotiated inflationary increases. Establishing a policy of providing increases for executives at up to 5% of the executive salary and performance pay envelope provides the flexibility required to balance affordability with the need to avoid long-term pay compression, or inversion, between layers of management and between management and union jobs.

The OEB regularly reviews the appropriateness of their organization structure and staffing and believes that the executive staffing and structure is appropriate given the complexity of the organization, and does not warrant an overall reduction in the annual maximum increase to the salary and performance pay envelope calculated.

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**E. Other Elements of Compensation**

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Provide information on any compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions or classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers.

Include rationale outlining the critical business reasons that justify the provision of each element of compensation.

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**Element 1**

Element of Compensation

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Positions or Classes of Positions

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Rationale

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**F. Supplementary Information**

Provide any additional information required to support or explain the information included in the executive compensation program.

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