



EXECUTIVE COMPENSATION: Good Corporate Governance

WCBC Western Compensation
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Contact Barry D. Cook
Western Compensation & Benefits Consultants
2000 - 1188 W. Georgia Street
Vancouver, BC V6E 4A2
604-683-9155 | wcbc@wcbc.ca

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Executive Compensation: Good Corporate Governance

The biggest development over the past 25 years in the world of compensation has been the dramatic changes in governance. This change commenced with executive positions in the early 1990s and continues today.

In March 2015, Western Compensation & Benefits Consultants (“WCBC”) conducted a national research project on:

- executive compensation philosophy design;
- similarities/differences in compensation philosophy between executive and positions below executive;
- objectives of the executive compensation program;
- selection of peer group for compensation comparisons;
- pay positioning policy; and
- communication of the compensation philosophy.

A total of 115 organization from across Canada participated in this survey.



Our Findings

What is Corporate Governance?

Corporate governance identifies processes and procedures by which corporations are directed and controlled such as assignment of rights and responsibilities of board, management, shareholders/ stakeholders, auditors, etc.; defines rules and procedures for decision-making; and provides mechanisms for monitoring policies, actions and decisions.

Growth in the demand for good corporate governance has been fueled by a number of developments such as failures of large corporations, fraud, evidence of bad policies/decisions and the 2008 financial crisis.

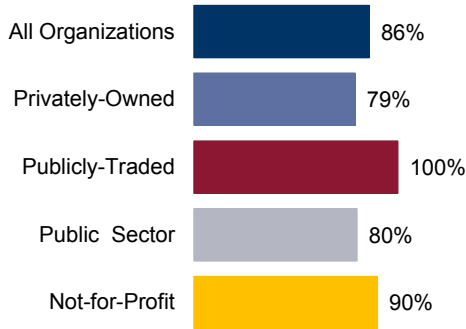
Executive compensation governance is an important component of overall corporate governance.

Policies Vary by Sector

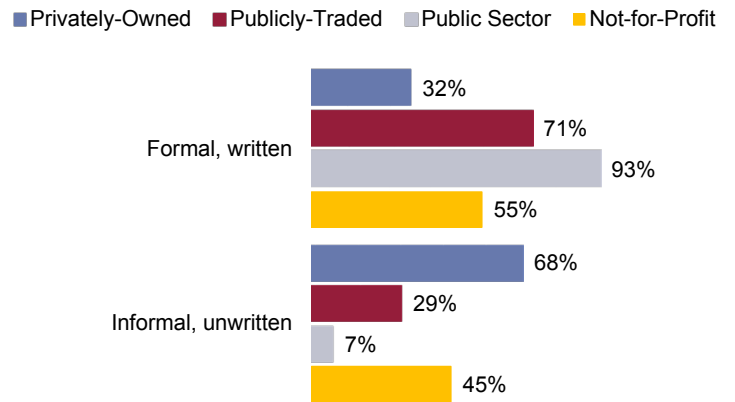
The prevalence and design of an executive compensation philosophy varies depending on whether the organizations is privately-owned, publicly-traded, in the public sector or a not-for-profit. Publicly-traded organizations in the private sector and some public sector organizations are regulated and therefore have the most formal plans, but there is a spill-over to, and adoption by, all types of employers.

Highlights

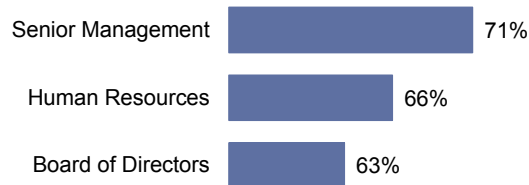
Percent of organizations with a compensation philosophy



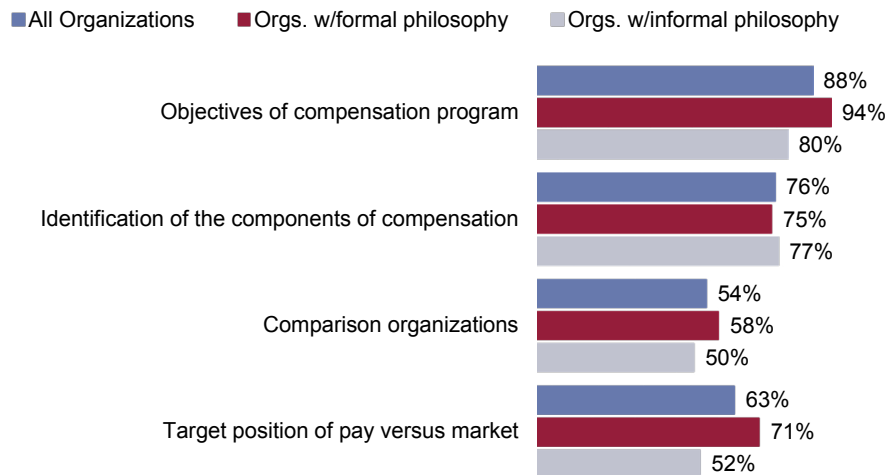
Formality of executive compensation philosophy



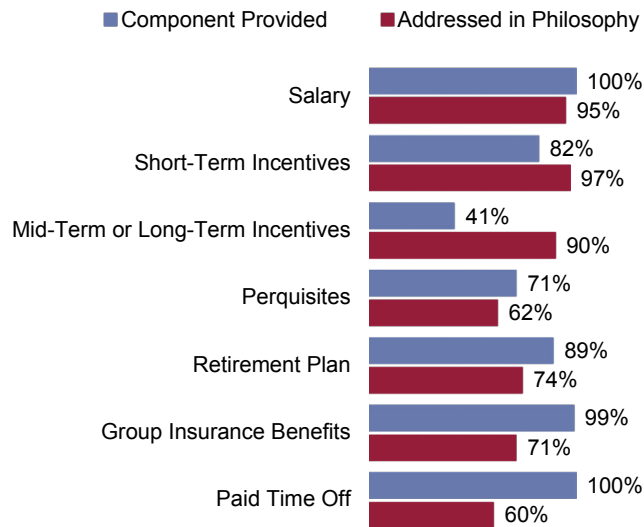
Entities involved in developing executive compensation philosophy



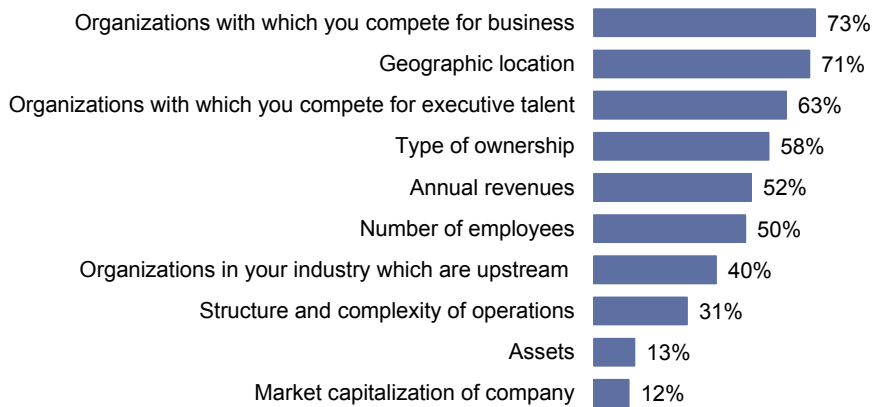
Topics included in executive compensation philosophy



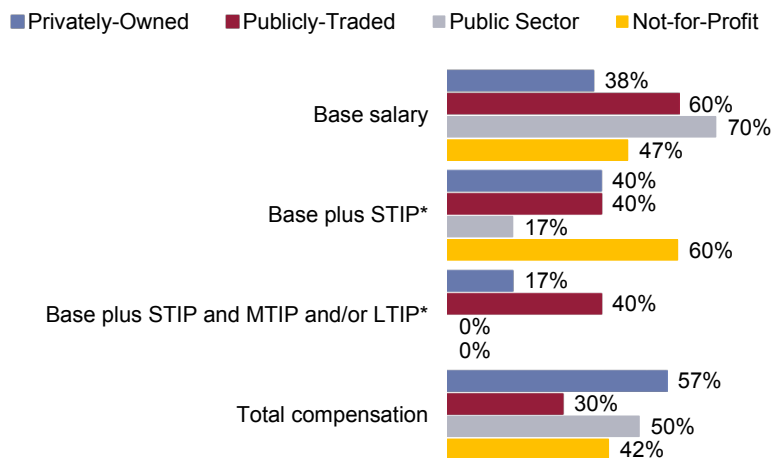
Components of compensation provided to executives and addressed in the executive compensation philosophy



Criteria used for peer group selection



Pay positioning strategies in place for executive compensation levels



**only those organizations that provide these forms of compensation are included in the calculation.*