



Broader Public Sector Executive Compensation Program

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.

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.

Metro Toronto Convention Centre posted a draft Executive Compensation Program on its website from January 26, 2018 to February 24, 2018 for the required thirty (30) days and invited comments from the public during this consultation phase. If you have feedback on the Program please email Marna Santo, msanto@mtccc.com. We will be accepting public input until February 24, 2018. All feedback is appreciated and will be kept on record.

SECTION A: Compensation

Background

Metropolitan Toronto Convention Centre Corporation (“MTCC”) operates the largest convention centre in Canada. It is governed by the Metropolitan Toronto Convention Centre Corporation Act and is 100% owned by the Province of Ontario. MTCC’s facility encompasses 2.8 million square feet and rents 600,000 square feet to events of all sizes and types. MTCC is one of the few Canadian crown corporations that operates under a mandate that must maintain break-even profitability, while creating economic benefits to the City of Toronto; MTCC was able to generate \$63 million in revenue in the last fiscal year.

MTCC’s mandate is to operate, maintain and manage an international class convention centre facility in the City of Toronto in a manner that will promote and develop tourism and industry in Ontario. When MTCC’s North Building first opened in 1984, it established a set of goals, consistent with the policy objectives set out by the Ministry, of generating a positive economic impact to the City of Toronto through increased visitors to Ontario. In order to achieve this, the Board established four operating goals:

1. To position MTCC as a world-class convention centre;
2. To attract incremental visitors to Toronto, Ontario and Canada;
3. To provide an Ontario cultural showcase for conventions, tradeshow, public shows and meetings; and
4. To operate on a long-term basis as a profitable business.

Over the years, the MTCC has been extremely successful in achieving its goals. It is one of the few Canadian crown corporations that operates under a mandate that it must achieve a breakeven/profitable bottom line that can generate enough cash flow to meet its operational obligations, finance capital improvements and uphold its commitment to the shareholder by way of a distribution payment.

MTCC competes in a complex and challenging marketplace, and its operations are impacted by:

- Competing for business locally and internationally against other convention centres, as well as private sector organizations such as hotel conference centres, concert halls and stadiums. MTCC faces a high level of local competition (i.e. three convention centres and three downtown big “box” hotels)
- Increasing competition from other Canadian and international cities that are also looking to attract major meetings and conventions, given their economic benefit to the municipality
- Needing adequate partnerships to support MTCC’s sales and marketing initiatives (i.e. maintaining a strong relationship with Tourism Toronto and the local hotel community, as they regularly collaborate on marketing and sales initiatives to drive large convention business to the city)
- Needing to be nimble and entrepreneurial in a highly competitive business environment, while respecting the controls and oversight required of a government agency

Since MTCC’s opening, it has operated with success in providing significant economic contributions to the city and province by:

- Hosting over 20,000 events to drive attendance to Toronto to over 60 million individuals
- Employing thousands of staff members and providing over \$475 million in wages and benefits
- Generating over \$500 million in economic impact in 2016/17, which represents the highest revenues amongst all convention centres

Compensation Philosophy

MTCC is committed to providing a work environment which stimulates employees to perform their tasks with the highest quality and effectiveness, both as individuals and team members. The organization believes and recognizes that compensation is a fundamental building block used to reward employees based on job performance. MTCC also believes employee performance is the foundation of the organization's success. As such, the compensation program is designed to attract, retain, develop and motivate high caliber people who share the organization's vision and values, and will contribute to its success.

In order to adhere to its philosophy, MTCC's management reviews third party salary surveys on an annual basis, to ensure alignment. In addition, MTCC takes into consideration the average annual compensation increases that the hospitality sector is experiencing, along with any applicable inflation costs. MTCC management uses this information to formulate its recommendation to the Governance Committee to justify any proposed increases to salaries. Furthermore, the MTCC provides all salaried employees the same annual percentage increase that it provides to designated executives.

Compensation Package

MTCC's executives' total compensation is comprised of the following:

1. Total Cash Compensation: includes the sum of base salary and performance pay. MTCC will cap total cash compensation for executives at the 50th percentile of maximum total cash compensation (i.e. sum of maximum base salary and maximum pay-at-risk) of similar organizations in the Broader Public Sector ("BPS"), as per current regulation (BPS Executive Compensation Framework Regulation 304/16).
 - a. Base Salary Policy: will have a salary range with a 30% spread from minimum to maximum
 - b. Performance Pay: bonuses are discretionary and are dependent on the attainment of overall corporate results, the employee's overall performance rating and the achievement of individual goals.
2. Benefits: Benefits will be reviewed annually and will be provided in the same manner and relative amount to non-executive managers, in compliance with the Framework.

Comparator Organizations

MTCC has selected BPS comparator organizations based on the 5 factors outlined in the framework:

1. The scope of responsibilities
2. The type of operations
3. The industries where the organization recruits
4. The size of the organization
5. The location of the organization

SECTION B: Designated Executive Positions

Full Job Title	Class of Position
President & CEO	CEO
General Manager*	GM
Vice President, Food & Beverage	VP 1
Vice President, Operations	VP 1
Vice President, Sales	VP 2
Vice President, Finance	VP 2
Chief Information Officer	VP 3
Vice President, Human Resources & Administration	VP 3
Direct, Event Coordination	D 1

*MTCC underwent a restructuring in 2017-18 mid-fiscal, whereby the Executive Vice President (EVP) position was eliminated and a new General Manager (GM) position was created.

SECTION C, PART 1: Salary and Performance-related Pay – Comparator Selection

Comparators 1

Executive Positions or Classes of Positions Benchmarked

All positions (CEO, GM, VP 1, VP 2, VP 3, D 1)

Canadian Public Sector or Broader Public Sector Comparators

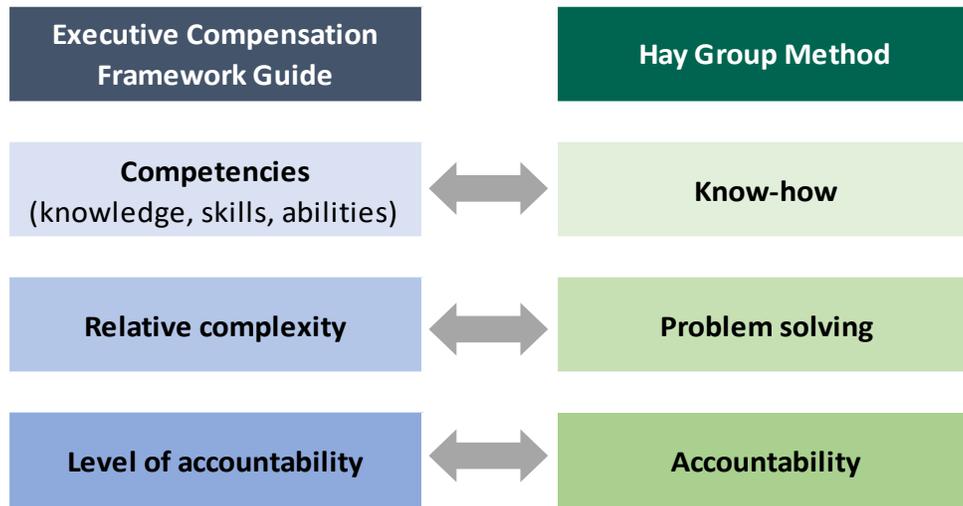
Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)

The comparator group is comprised of a subset of organizations (N=10) from the Broader Public Sector (“BPS”) market from the Hay Group database, organizations are as follows:

1. Canada Lands Company CLC Limited
2. Greater Toronto Airports Authority
3. Hydro One Brampton
4. Independent Electricity System Operator
5. Oakville Hydro Corporation
6. Ontario Lottery and Gaming Corporation
7. Ottawa Convention Centre (“Shaw Centre”)
8. TVOntario
9. Veridian Corporation
10. Waterfront Toronto

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

MTCC's designated executives have been compared based on a similar "job size", and not a job match (for example, a VP may be compared to an EVP; irrespective of job title or function). MTCC's executive roles and jobs within the comparator market have been evaluated using the Hay Group Guide-Chart Profile MethodSM to ensure a fair and consistent comparison. As demonstrated with the chart below, this methodology is aligned with the requirement of the Framework that specifies that the comparable positions must be similar with respect to essential competencies (knowledge, skills, abilities), relative complexity, and the level of accountabilities associated with the position.



The following provides an overview of Hay Group's job evaluation methodology:

This method is based on Hay Group's long experience (60+ years) with both private and public sector clients. The method was first constructed to be a job evaluation technique, but its broader application in (A) compensation market pricing, (B) both job and organizational analysis, and (C) matching people to jobs in talent management processes, has made it a useful management tool.

Three principles are fundamental to the Hay Group Guide Chart-Profile MethodSM:

- An understanding of the content of the job to be measured.
- An understanding of the context within which the job has to be performed is equally important.
- The direct comparison of a job with other jobs, both inside and outside of the organization, to determine relative value.

The comparison is made between different aspects of total job content, defined as know-how, problem solving and accountability. The sum of these measures, expressed in job evaluation "points", represents the value of the whole job.

Know How

This factor measures the total of every kind of knowledge and skill, however acquired, needed for acceptable job performance. Three dimensions are considered:

- Practical procedures and knowledge, specialized techniques, and learned skills;
- Planning, coordinating, directing or controlling the activities and resources associated with an organizational unit or function; and
- Active, practicing, person-to-person skills in the area of human relationships.

Problem Solving

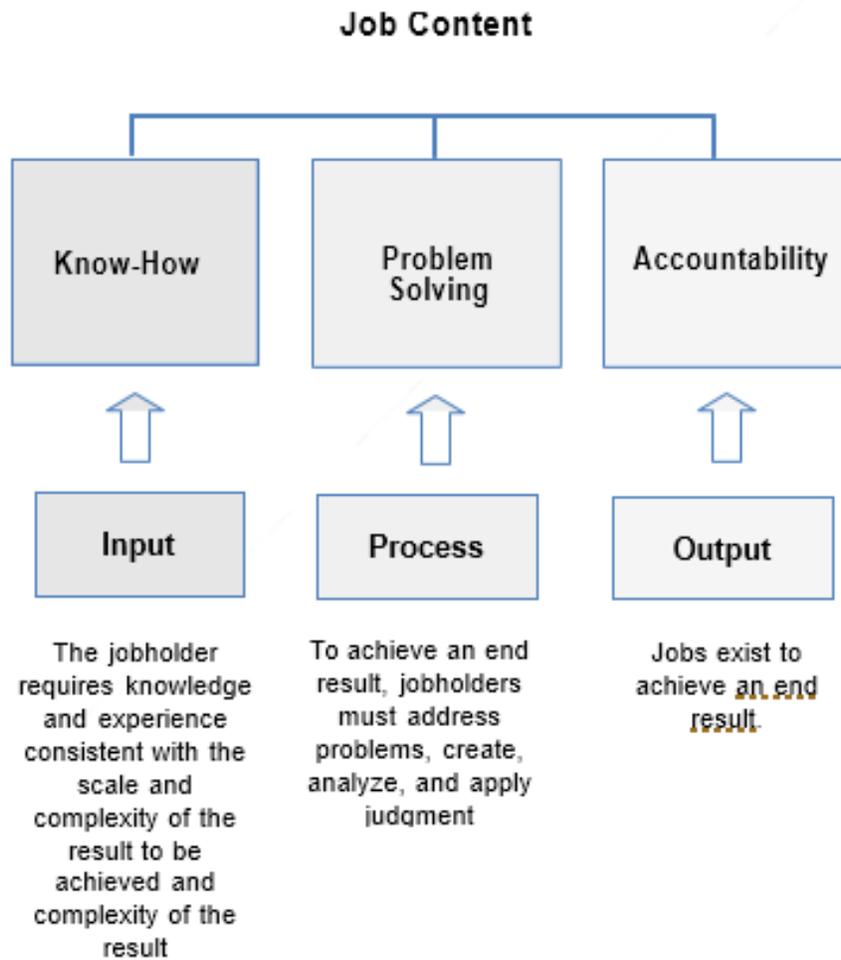
This factor measures the thinking required in the job by considering two dimensions:

- Environment in which the thinking takes place; and
- Challenge presented by the thinking to be done.

Accountability

This factor measures the relative degree to which the job, when performed competently, can affect the end results of the organization or a unit within the organization. The opportunity to contribute to an organization is reflected through dimensions, such as:

- Nature and degree of the decision-making or influence of the job;
- Unit or function most clearly affected by the job; and
- Nature of that effect.

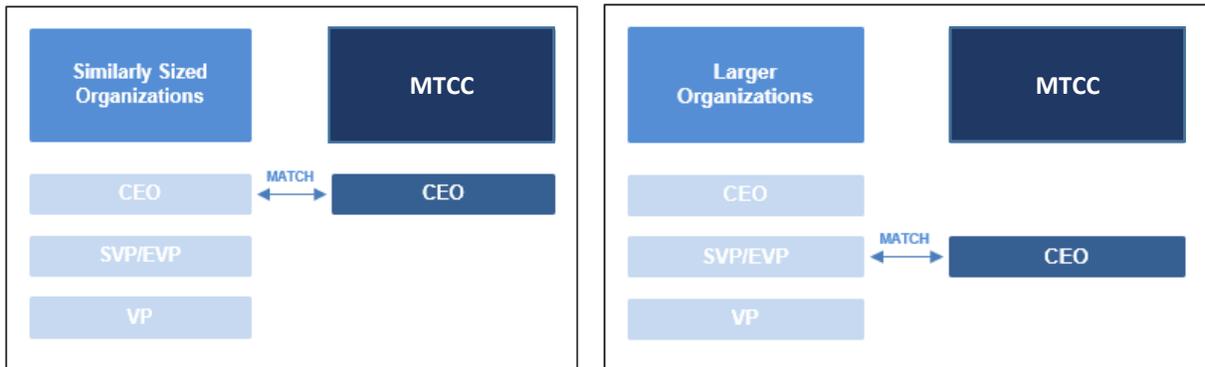


It is important to note that all positions in the Hay Group database have been evaluated using the same method. Job evaluation style may vary from one organization to another. In order to ensure consistency of job evaluation across all organizations in Hay Group database, job evaluation correlations have been assigned to each participant.

Rationale for Selected Comparators

Although MTCC primarily recruits from the hospitality sector, which tends to be organizations in the private sector, the comparator organizations selected were based on their similarities with MTCC with respect to most of the factors as specified by the framework:

- **The scope of responsibilities of the organization's executives:** All organizations have comparable jobs to MTCC's executive roles (i.e. benchmarking by job size methodology, not title match) when considering skill, knowledge, ability and accountabilities of roles
- **The type of operations the organization engages in:** MTCC is the largest convention centre in Canada; it manages 2.8 million square feet of space. The selected BPS comparator organizations are also fairly large and complex organizations that manage a large space
- **The industries with whom the organization engages in:** MTCC competes for executive talent primarily within the hospitality industry; however, few of these organizations exist within the BPS. Some organizations in the selected comparator group fit this criterion
- **The size of the organization:** All jobs in the comparator group that have been compared to MTCC's executive roles are of a similar job size. The Hay Group job evaluation methodology is of key importance as it allows MTCC to adjust for "job size" or, scope, relative to the jobs of the comparator organizations. Job evaluation point considerations include organization size, type of function, scope and portfolio. As illustrated in the diagram below, for relatively larger comparators, MTCC's CEO for example, would not be matched directly to the comparator CEO, but to an executive level that would have the same points as MTCC's CEO:



- **The location of the organization:** All organizations in the comparator group are located within Toronto/GTA with the exception of the Shaw Centre in Ottawa

Overall, MTCC believes that this group represents a balanced sample of organizations, of which each comparator organization meets at least 4 of the 5 listed criteria.

SECTION C, PART 2: Salary and Performance-related Pay - Comparative Analysis Details

MTCC's designated executives have been benchmarked to the 50th percentile of the comparator market's maximum total direct compensation (i.e. maximum salary + maximum performance pay). Hay Group's job evaluation methodology was used to benchmark all of MTCC's designated executives to jobs of similar size (i.e. job evaluation points) within the selected comparator group. The results of the comparative analysis were used to determine the maximum total cash compensation (i.e. pay cap) that can be earned by MTCC's executives. MTCC selected to set the pay caps at the 50th percentile of the maximum total direct compensation of the comparator market, by executive class. Salary ranges were developed using a 30% spread from minimum to maximum. Performance pay reflects levels of at-risk compensation to reinforce MTCC's performance-based culture, to supports its business objectives.

SECTION C, PART 3: Salary and Performance-related Pay Structure

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
CEO	\$241,500	\$284,100	\$326,700	-	30%	\$424,700
GM*	n/a	n/a	n/a	-	n/a	\$373,700
VP 1	\$170,400	\$200,500	\$230,600	-	25%	\$288,300
VP 2	\$152,300	\$179,200	\$206,100	-	25%	\$257,600
VP 3	\$119,100	\$140,100	\$161,100	-	25%	\$201,400
D 1	\$106,900	\$125,800	\$144,700	-	20%	\$173,600

**New position; pay mix currently under review.*

SECTION D: Salary and Performance-related Pay

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)*

\$2,022,722

Maximum Rate of Increase to Envelope (%)

5%

Rationale for the Proposed Maximum Rate of Increase:

MTCC has considered all of the factors set out below in determining the maximum rate of increase:

- 1) Financial priorities and compensation priorities of the Ontario Government

- 2) Recent executive compensation trends in the competing industry
- 3) Portion of operating budget to executive compensation with respect to the comparator organization
- 4) Compression or inversion of compensation between executives and non-executive managers
- 5) Significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring

Although, all the above listed factors were considered, certain factors were given more attention due to data availability and/or relative impact on MTCC'S executive compensation needs and organization-specific circumstances.

1. Financial priorities and compensation priorities of the Ontario Government

One of the priorities of the Ontario Government is to ensure a vibrant tourism market in the Toronto region. Tourism as a direct result of conventions at MTCC's facility positively impact the Toronto economy. Appropriate compensation for the leadership team of MTCC will ensure that this positive impact continues to grow.

2. Recent executive compensation trends in the competing industry

Korn Ferry Hay Group's 2016 Executive Market Trends report indicates a cumulative increase in actual base salary from 2012 to 2016 of approximately 12.9%, or a compound annual growth rate of 2.5% for executives in the national industrial and financial sector market, which includes all private and public sector organizations excluding those in the pure public sector from Hay Group's database. Specific to the national broader public sector, a cumulative increase in actual base salary from 2012 to 2016 of approximately 10%, or a compound annual growth rate of 1.9% was reported. MTCC's proposed maximum rate of increase of 5% will allow for the initial and future annual compensation adjustments needed to attract, retain and motivate the executive team, or address any internal/external inequities that may arise.

3. Portion of operating budget to executive compensation with respect to the comparator organization

MTCC has made efforts to obtain data and analyze information regarding to this factor. However, at this time, this type of information is not readily available.

4. Compression or inversion of compensation between executives and non-executive managers

There are currently no compression or inversion issues between executives and non-executive managers at MTCC. The 5% maximum rate of increase of 5% would allow MTCC to ensure reasonable pay gaps are maintained in the future.

5. Significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring

At this time, MTCC does not anticipate any special/major restructuring projects in the near future.

The Board will continue to exercise reasonableness when approving the amount of increase to executives in any given year, and will not exceed the approved maximum amount. The Board will continue its practice of looking at comparator market data, applicable inflation and market trends in determining appropriate increases. This will provide MTCC the flexibility to address future compensation needs, such as compression issues, remaining competitive in the marketplace,

attracting and retaining the required talent, and the ability to administer its performance management program.

**Note: This amount is based on current base salaries plus maximum performance-related pay. The envelope has been calculated based on last fiscal's compensation cycle, which includes the Executive Vice President (EVP) position and excludes the new General Manager (GM) position. Based on the 2017-18 restructuring, the new 'envelope' amount is \$2,078,211, which excludes the EVP position that was eliminated and includes the newly created GM position.*

SECTION E: Other elements of compensation

All other elements of compensation that are currently provided to designated executives that is not generally provided in the same manner and relative amount to non-executive managers, will be addressed in the upcoming three-year period to comply with the Framework.

The Framework indicates that a designated employer shall not provide an element of compensation unless the element is generally provided for in the same manner or relative amount to non-executive managers, is required for the performance of the designated executive position's function or is otherwise required for critical business reasons.

The Broader Public Sector Executive Compensation Act, 2014 also states that after three years all elements of executive compensation that are greater than what is authorized under the Framework are not valid or payable.

All other elements of compensation at MTCC that are currently provided to designated executives that are not generally provided in the same manner and relative amount to non-executive managers, will be addressed in the upcoming three-year period to comply with the Framework. This applies to the President & C.E.O.'s, Supplementary Executive Retirement Plan (SERP), which will be phased out in three years.