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# Compensation Disclosure: Legal and Regulatory Requirements

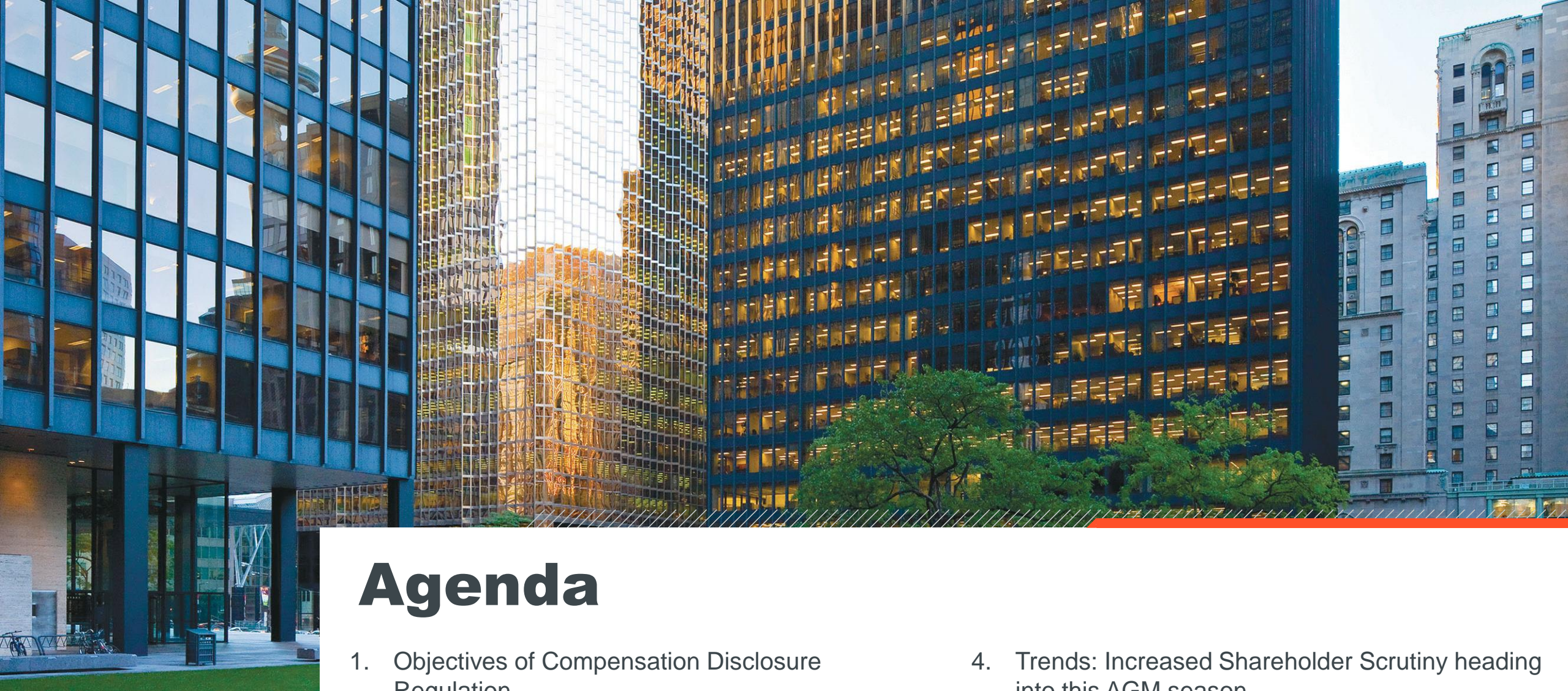


Compensation Accountability – *May 15, 2023*

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# Agenda

1. Objectives of Compensation Disclosure Regulation
2. Requirements under NI 51-102
3. Form 51-102F6 – Statement of Executive Compensation
4. Trends: Increased Shareholder Scrutiny heading into this AGM season
5. Bonus: Proposed Changes to Form 58-101F1 re. diversity-related disclosures



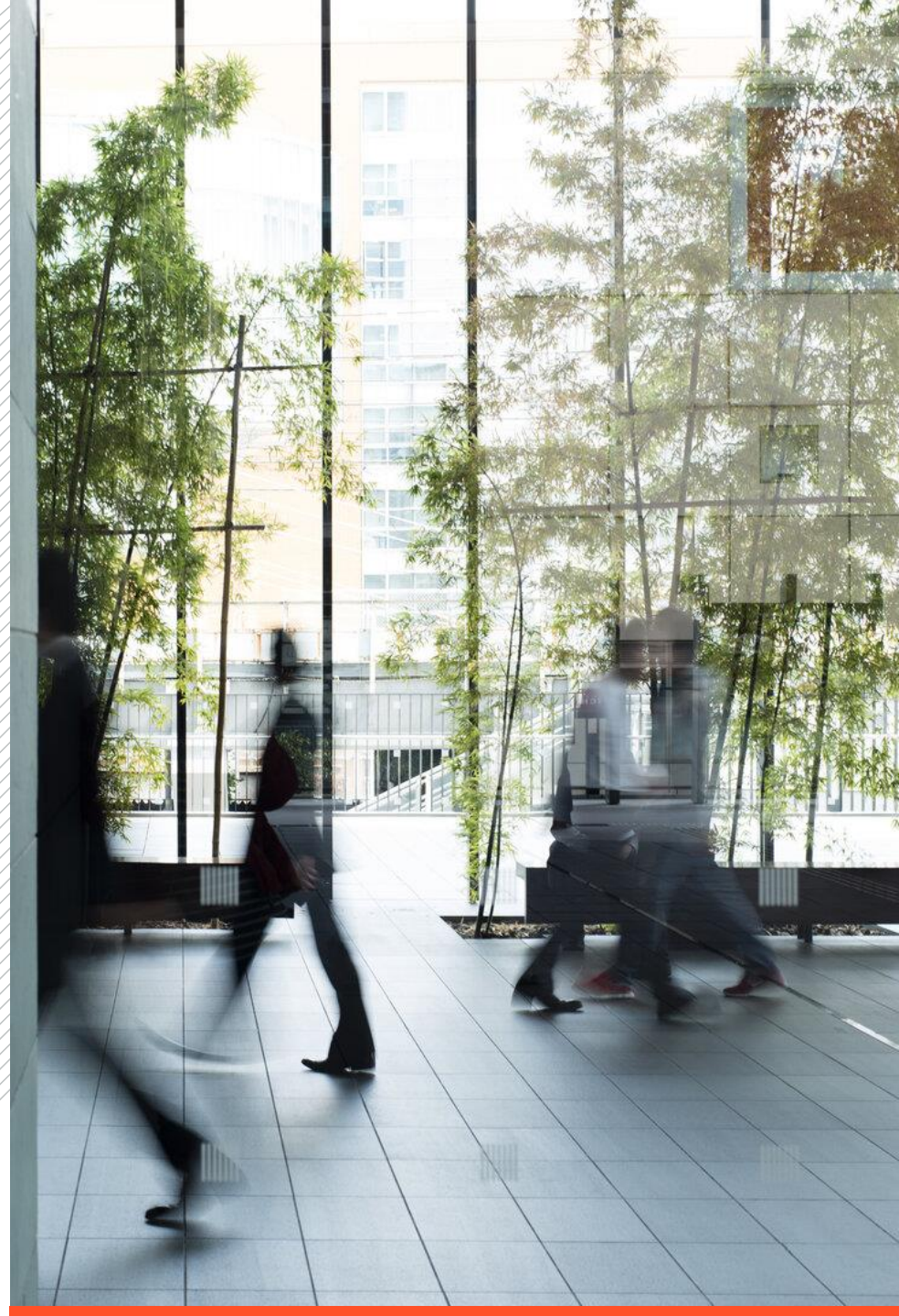
# Objectives of Compensation Disclosure



# What are the objectives of compensation disclosure?

Reporting Issuers are required to regularly disclose all compensation provided to certain executive officers (NEOs) and directors. The objectives of compensation disclosure are as follows

- **Comprehensive.** All direct and indirect compensation provided to NEOs and directors in connection with services they have provide to the company should be disclosed
- **Communication.** A reasonable person, when reading a compensation disclosure filing, should understand what compensation was paid and how compensation decisions are made
- **Stewardship and Governance.** Compensation disclosure is a key aspect of the overall stewardship and governance of a company and helps investors understand how decisions about executive compensation are made.





# Legal Requirements under National Instrument 51-102



# NI 51-102 – Compensation Disclosure Provisions

There are two provisions in [NI 51-102 – Continuous Disclosure Obligations](#) that require reporting issuers to provide compensation disclosure filings:

## Section 9.1.3 – Content of Information Circular

- If a reporting issuer is required to send an **information circular** to shareholders in connection with:
  - (a) An annual general meeting;
  - (b) A meeting at which directors are to be elected; or
  - (c) A meeting at which shareholders are asked to vote on a matter relating to executive compensation;

then the issuer must include a compensation disclosure section in that information circular, in accordance with [Form 51-102F6 – Statement of Executive Compensation](#)

## Section 11.6 – Compensation Disclosure for Certain Reporting Issuers

- Reporting Issuers:
  - That are **not** required to send an information circular; or
  - Sends an information circular that does not provide a compensation disclosure section and does not file an AIF that includes compensation disclosure

must file a stand-alone disclosure in accordance with [Form 51-102F6 – Statement of Executive Compensation](#)

# Compensation Disclosure Requirements

Under both s. 9.3.1 or s. 11.6 of NI 51-102, the following requirements for compensation disclosure apply:

- **Content:** Disclose **all compensation** paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the issuer, or a subsidiary of the issuer, **to each NEO and director**, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the NEO or director for services provided, directly or indirectly, to the issuer or a subsidiary of the issuer.
- **Discussion:** include detail and discussion of the compensation, and the decision-making process relating to compensation, presented in such a way that it provides a **reasonable person an understanding** of
  - (i) **how decisions about** NEO and director compensation **are made**,
  - (ii) the compensation paid, made payable, awarded, granted, given or otherwise provided to each NEO and director, and
  - (iii) **how** specific NEO and director **compensation relates to the overall stewardship and governance** of the reporting issuer
- **Form:** In accordance with [Form 51-102F6](#)
- **Timing/Deadlines:** **140 days** after the end of the issuer's most recently completed financial year



# A Note on Venture Issuers

- Though venture issuers are still required to provide compensation disclosure, they are subject to different (less stringent) requirements:
  - [Form 51-102F6V](#): Venture issuers *may* provide compensation disclosure in this Form 51-102F6V instead, which is a simplified form
  - **Timing**: If disclosing within an information circular, venture issuers must provide disclosure not later than **180 days** after the end of the issuer's most-recent financial year





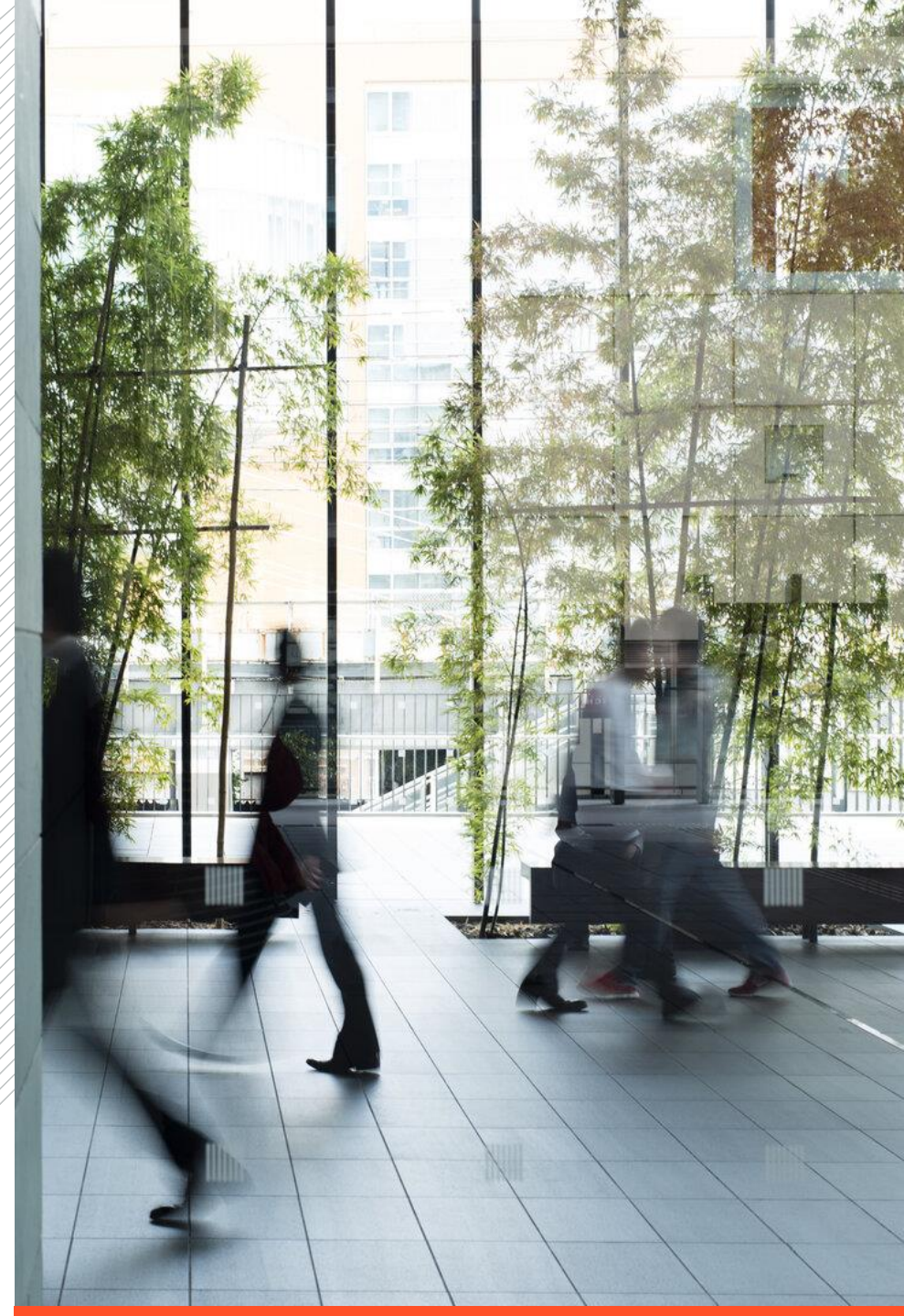
# Form 51-102F6



# Six items that form the Statement of Executive Compensation

[Form 51-102F6](#) requires reporting issuers to disclose compensation information via the following six items:

1. **Compensation Discussion & Analysis (“CD&A”)**
2. **Summary Compensation Table**
3. **Incentive Plan Awards**
4. **Pension Plan Benefits**
5. **Termination and Change of Control Benefits**
6. **Director Compensation**





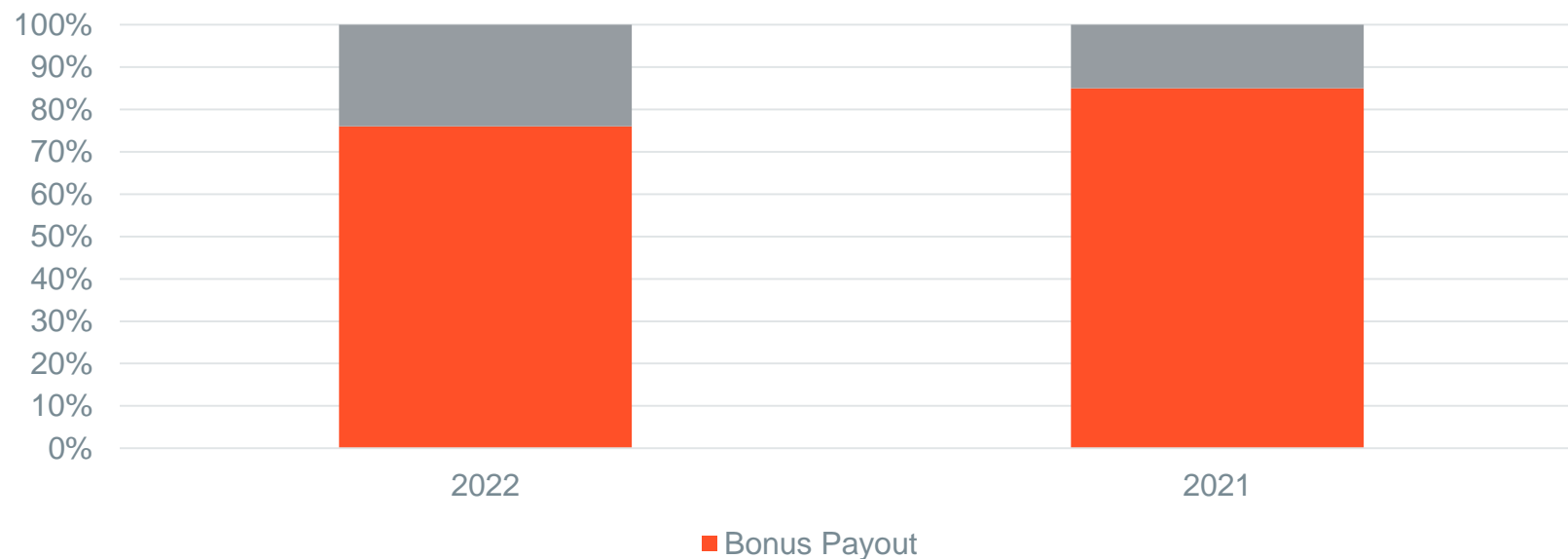
# Trends: Increased Shareholder Scrutiny

# Deloitte Report on 2022 Executive Compensation

Financial Times article: [Pay for FTSE 100 Chiefs Rises by 12% Despite Cost of Living Crisis](#)

With several major companies having now filed with regulators their 2023 proxy (information) circulars, including compensation disclosure discussions, *Deloitte* has conducted preliminary analyses on 2022 CEO pay based on regulatory filings:

Executive bonus payout as percent of maximum award  
amount possible – 2022 vs 2021





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- “**More than 90 per cent of CEO salary increases for this year have been set below the average increase awarded to the workforce in the face of investor scrutiny and proxy guidance issued ahead of the 2023 AGM season.** The median CEO salary increase of 3.5 per cent to date compiled from the 55 annual reports compares with a median average salary increase of 6 per cent for the workforce.
- “**Mitul Shah, partner in *Deloitte’s* executive remuneration practice, predicted** *“a more challenging 2023 AGM season as investors closely scrutinize pay, with a particular focus on potential windfall gains made by executives on the back of incentive awards granted in 2020 during a dip in the market”.* **Shah added that this will contrast with last year when there was a** *“quieter AGM season as pay levels bounced back, following a period of temporary pay cuts and restraint during the COVID-19 pandemic [but] investors were generally supportive in voting on remuneration reports”.*

# Key considerations in executive compensation decisions

- "How the balance between retentive and motivational components in compensation program design promotes long-term performance
- How the compensation program rewards long-term financial value creation, sustained across the duration of the program's performance period
- How pay underpins strategy, with clear disclosure of the rationale for the selected performance metrics
- How resilient the pay program may be across dynamic market environments and the business cycle
- How the committee might responsibly use discretion to reinforce alignment of pay program outcomes with long-term shareholders' interests
- How to provide sufficient disclosure in unusual situations such as executive transitions and newly public companies."

BlackRock Investment Stewardship: [Our approach to U.S. Executive Compensation](#)



# Proposed Amendments to Form 58-101F1

# Proposed Changes to Form 58-101F1 and National Policy 58-201

April 13, 2023 - [CSA Notice and Request for Comment – Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices and Proposed Changes to National Policy 58-201 Corporate Governance Guidelines](#)

- The objective of the proposed amendments are to:
  - increase transparency about diversity, including diversity beyond women, on boards and in executive officer positions;
  - provide investors with decision-useful information that enables them to better understand how diversity ties into an issuer’s strategic decisions; and
  - provide guidance to issuers on corporate governance practices related to board nominations, board renewal and diversity.
- The Proposed Changes “[S]ubstantially maintain the existing disclosure requirements with respect to women on boards and in executive officer positions under the 2014 Requirements. Under both forms, the current “comply or explain” disclosure model would continue to apply with respect to policies for women on boards and targets for women on boards and in executive officer positions.”



# Thank you.

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