



# Human Resources Committee Toolkit

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Southlea

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ADMINISTRATEURS  
DE SOCIÉTÉS  
PENSER AU-DELÀ  
DE LA SALLE DU CONSEIL.



The role of the Human Resources Committee (HRC) continues to evolve and become more complex. The decisions that are made are highly scrutinized and send important signals to stakeholders about the company’s strategy and priorities.

There are some unique aspects to the HRC, given the main areas of oversight do not have the same standardized rules and processes as those found in Committees such as Audit. In addition, HRCs are dealing with emotional and personal topics (compensation, talent) that can have a fundamental impact on the business and its performance.

Given these challenges, we leverage our 70+ years of combined consulting experience to provide a toolkit and reference guide to reinforce an effective HRC.

**In this first toolkit, we focus on key issues facing the HRC from their evolving role to the oversight of various governance and talent issues.**

We provide an overview of the issues, various tools and templates to support the process, and **13 questions** that the HRC can consider to align their programs in the best interests of the organization.

**The toolkit works in sequential order:**

**Role of the HRC**

**Stakeholder preferences**

**Governance issues**

**Talent oversight**

# Instructions

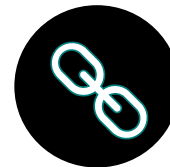
Click on each of the topics on the left to jump to that section of the toolkit.



Click on this icon (located on the top left of the page) to access a set of templates that you can complete for your organization.



Click on this icon to access an external resource that we think provides helpful context.



**The toolkit works in sequential order:**

**Role of the HRC**

**Stakeholder preferences**

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# Role of Human Resources Committee

In this section, we cover:

- Human Resources Committee (HRC) Charter
- HRC Calendar
- HRC Responsibilities Matrix
- HRC Meeting Planning
- HRC Member Skills

## Key questions for the HRC

1. Does the HRC Charter align with the organization's strategy and maturity?
2. Are HRC Charter topics effectively addressed throughout the HRC meeting cycle?
3. Are the responsibilities of each stakeholder clearly articulated and understood?
4. Is there a standard schedule leading up to each HRC meeting, communicated to all stakeholders?
5. Have you reviewed and considered the skills of HRC members?





# 1. Does the HRC Charter align with the organization’s strategy and maturity?

The Canadian Securities Administrators (CSA) has base requirements for HRCs, but many HRC charters have expanded scopes that address compensation design, governance of compensation and talent.

Responsibility	CSA Req
<b>Compensation Design</b>	
Compensation philosophy	
Executive incentive plan design	<input checked="" type="checkbox"/>
Organization wide incentive plan design	
CEO’s compensation level (quantum of pay)	<input checked="" type="checkbox"/>
Non-CEO officer compensation levels (quantum of pay)	<input checked="" type="checkbox"/>
Board of Director compensation levels (oversight may be given to a different committee)	<input checked="" type="checkbox"/>
Organization wide compensation structure(s)	
<b>Governance of Compensation</b>	
Organization wide annual salary budget and incentive plan funding	
Equity grants and share reserve usage	
CEO objective setting and performance review	<input checked="" type="checkbox"/>
Review CEO recommendations for non-CEO officer performance objectives / review	
Governance policies (e.g., clawback, change in control)	
Executive contracts (termination provisions, severance arrangements, benefits, pension, perquisites)	

Continued on following page >>

**Core responsibilities** | **Commonly accepted responsibilities** | **Emerging responsibilities**

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Governance Issues

Talent Oversight



# 1. Does the HRC Charter align with the organization’s strategy and maturity (continued)?

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Responsibility	CSA Req
<b>Governance of Compensation (continued)</b>	
Risk assessment	<input checked="" type="checkbox"/>
Review of executive compensation disclosure	<input checked="" type="checkbox"/>
Engage with / respond to shareholders and proxy advisors on pay matters (including say-on-pay)	
<b>Talent / Other</b>	
CEO recruitment / termination	
Retention plans for CEO and key executive roles	
CEO and key executive succession planning	
Development plans of CEO and key executives	
People strategy	
Culture and employee engagement	
DEI strategy and roadmap	
Annual board evaluation	
Review of HRC mandate	

Core responsibilities | Commonly accepted responsibilities | Emerging responsibilities





## 2. Are HRC Charter topics effectively addressed throughout the HRC Meeting cycle?

An illustrative annual calendar is outlined below, with typical topics covered by fiscal quarter. The calendar should be tailored to cover each of the areas of responsibility in a specific HRC charter. Topics may be addressed in one or multiple HRC meetings depending on the scope of work covered

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> <li>Review of prior year's performance results and incentive plan payouts (in aggregate and for each senior executive)</li> <li>Determination of executive equity grant levels, as appropriate</li> <li>Incentive plan performance objective setting</li> <li>Compensation risk review (triennial review, or as needed)</li> </ul>	<ul style="list-style-type: none"> <li>Review of market trends in compensation design and governance</li> <li>Review of incentive plan designs (triennial review, or as needed)</li> <li>Peer group approval</li> <li>Disclosure and proxy advisor/shareholder feedback</li> </ul>	<ul style="list-style-type: none"> <li>Executive succession planning</li> <li>Pay for performance analyses</li> <li>Board compensation review, as relevant</li> <li>Review of diversity, equity and inclusion (DEI) programs / statistics</li> <li>Executive compensation benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary year-end review of corporate and executive performance</li> <li>Executive target pay recommendations (e.g., salary and bonus targets)</li> <li>Salary budget increase recommendations</li> </ul>

**Be flexible and agile to address special situations throughout the year  
e.g., M&A, shareholder activism, executive transitions**



### 3. Are the responsibilities of each stakeholder involved clearly articulated and understood?

Clearly articulated roles and responsibilities ensure all stakeholders understand their role in executing the HRC charter. The illustrative matrix below can be an effective tool to provide full transparency and can vary based on your company's ownership structure and governance maturity

Element	Timing	Inform	Review	Recommend	Approve
CEO performance and incentive payouts	Q1	CEO / advisors	-	HRC	Board
CEO target compensation increases	Q4	Mgmt. / advisors	-	HRC	Board
CEO direct report performance / incentive payouts	Q1	Mgmt. / advisors	-	CEO	HRC
CEO direct report target compensation increases	Q4	Mgmt. / advisors	-	CEO	HRC
Prior year's performance results	Q1	Mgmt. / advisors	CEO	HRC	Board
Salary budget increase	Q4	Mgmt. / advisors	CEO	HRC	Board
Incentive pool funding / aggregate payouts	Q1	Mgmt. / advisors	CEO	HRC	Board
Changes to comp. structure (for following year)	Q3	Mgmt. / advisors	-	CEO	HRC
Changes to incentive plans (for following year)	Q2	Mgmt. / advisors	-	CEO	HRC
Pay for performance results	Q3	Mgmt. / advisors	HRC	-	-
Market trends in compensation and governance	Q2	Mgmt. / advisors	HRC	-	-
Incentive plan performance target and range setting	Q4/Q1	Mgmt. / advisors	-	CEO	HRC
Executive succession plan	Q3	Mgmt. / advisors	-	CEO	HRC
DEI strategy / programs / progress	Q3	Mgmt. / advisors	-	CEO	HRC
Changes to Board compensation	Q3/Q4	Mgmt. / advisors	-	HRC	Board

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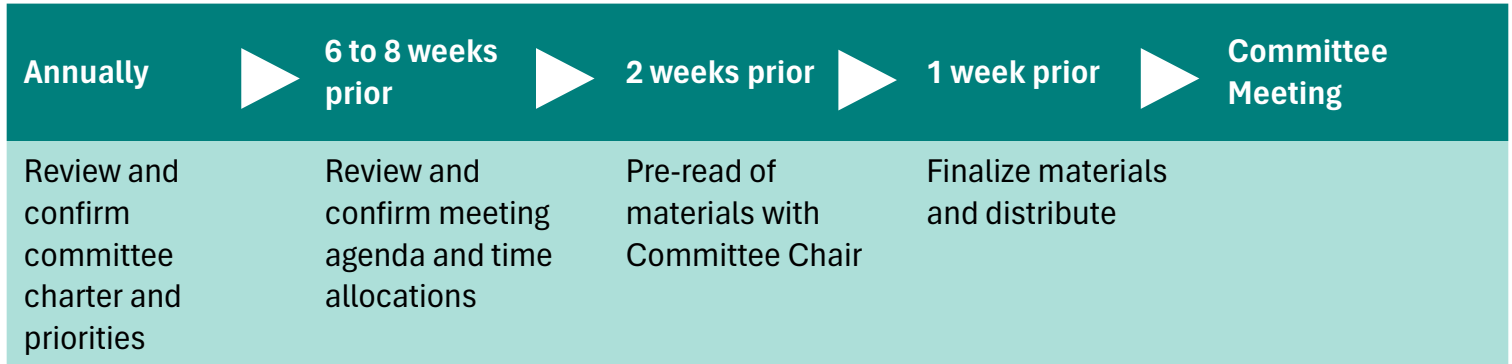
Talent Oversight





# 4. Is there a standard schedule leading up to each HRC meeting, communicated to all stakeholders?

To prepare for each committee meeting, we suggest a structured process to confirm priorities and to ensure that sufficient time is spent on each priority



Strategic and / or contentious items often require additional time for both the committee and management to develop, review and discuss the materials. In many cases, these discussions can be staged over several committee meetings with ongoing dialogue occurring between these meetings

For example: the approval process can be made over a minimum of two meetings: 1<sup>st</sup> meeting present data and solicit feedback, and 2<sup>nd</sup> meeting review and approve



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## 5. Have you reviewed and considered the skills of HRC members?

Given the nature of the HRC, the board needs to think through the right mix of skillsets and experiences, including comfort with some of the more difficult roles of the HRC

As a starting point, all HRC members need to be considered independent.

In addition, there are several hard and soft skills:

	Skill Set	Consideration
Hard skills	Deep HR and executive compensation experience	Not required as the technical aspects can be learned in role and through advisor
	Strong business and industry knowledge	Critical to creating the linkages between the business, performance and pay
Soft skills	Being curious and thoughtful	Usually more than one answer and need to apply judgement
	Prepared to have hard discussions with empathy	Dealing with very emotional topics and the need to manage trade-offs between stakeholders

In this section, we cover:

- Canadian governance landscape
- Proxy advisor pay for performance testing
- Investor perspectives
- Disclosure best practices

## Key questions for the HRC

6. How does the HRC engage with stakeholders?
7. Do you review and understand proxy advisor reports annually, including pay for performance analyses?
8. Do your policies generally align with “good governance practices” as identified by the governance community? If not, do you have supporting rationale for applying a differing approach?
9. Does your disclosure address key issues shareholders may be concerned about?



## 6. How does the HRC engage with stakeholders?

HRCs should engage with a range of governance stakeholders on pay programs and decisions

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	Shareholders	Proxy Advisors	Other Governance Stakeholders
Who	<ul style="list-style-type: none"> <li>Top 5-10 shareholders, covering a meaningful % of outstanding shares</li> <li>Other influential institutional shareholders and activist shareholders (e.g. MEDAC, Climate100+, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>ISS</li> <li>Glass Lewis</li> </ul>	<ul style="list-style-type: none"> <li>Regulators (e.g., OSFI)</li> <li>Canadian Coalition for Good Governance (CCGG)</li> <li>Globe and Mail's Board Games</li> <li>TSX Listings</li> </ul>
Interests	<ul style="list-style-type: none"> <li>Share price / total shareholder return</li> <li>Strategy / performance</li> <li>Good governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Providing a service to their clients (shareholders) / for-profit business</li> <li>Good governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring pay programs do not lead to adverse outcomes</li> </ul>
Focus Areas	<ul style="list-style-type: none"> <li>Say-on-Pay – <a href="#">see next page</a></li> <li>Good / clear disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Pay for performance (P4P) tests</li> <li>Evaluation of equity plan proposals</li> <li>Voting recommendations</li> <li>Changes in methodologies / views over time</li> </ul>	<ul style="list-style-type: none"> <li>Views of each stakeholder on various governance issues</li> <li>Compliance items</li> <li>Best vs. common practice</li> </ul>
Engagement	<ul style="list-style-type: none"> <li>Meet with largest shareholders every 1-3 years to discuss perspectives on executive pay</li> <li>Socialize new / unique / potentially controversial pay decisions / programs</li> </ul>	<ul style="list-style-type: none"> <li>Review detailed reports annually</li> <li>Consider modeling tests / evaluation in advance where unique pay programs / decisions exist or when performance has been challenged</li> </ul>	<ul style="list-style-type: none"> <li>CCGG interview (~3 years for mid / large listed issuers)</li> <li>Review Board Games score</li> <li>Keep up-to-date on trends and new regulations</li> </ul>
Levers	<ul style="list-style-type: none"> <li>Say-on-Pay vote</li> <li>Director nomination votes</li> <li>Shareholder proposals</li> <li>Proxy fights</li> </ul>	<ul style="list-style-type: none"> <li>Voting recommendations (Say-on-Pay, and director nomination)</li> </ul>	<ul style="list-style-type: none"> <li>Media: general public opinion</li> <li>Influence opinion of others</li> <li>Regulatory powers</li> </ul>

## 6. How does the HRC engage with stakeholders (continued)?

Say-on-Pay (SoP) provides shareholders with ability to directly share their perspectives on the company's executive compensation programs

### WHAT IS SoP?

- An advisory vote on the approach to executive compensation
- Voluntary and non-binding in Canada (mandatory in the US), but recognized as governance best practice

### WHY IMPLEMENT SoP?

**Though it often acts as a “Say-on-Performance”, it usually provides benefits for mature issuers:**

- Demonstrate governance best practices and encouraged by shareholders
- In case of discontent with executive compensation practices (or broader HR practices) and disconnect between pay and performance, this advisory vote offers a forum for investors to express concerns, avoiding votes against the nominations of HRC directors
- Good barometer for shareholder engagement and/or shareholder sentiment toward executive pay program and pay for performance decisions

### WHAT IS A GOOD SoP SCORE?

**Similar to director nomination voting results, shareholder sentiment is reflected in the percentage of support (rather than in pass/fail, 50%+ scores):**

- Above 95%: Excellent score
- 90% - 95% : Good / average score
- 80% - 90%: Ok score – worth assessing shareholders/proxy advisors' areas of interest
- 70% - 80%: Expect some investor engagement; consider disclosure on action taken the following year
- Below 70%: Major changes required; voting result will attract negative attention

# 7. Do you review and understand proxy advisor reports annually, including pay for performance analyses?

The following frameworks are applied by ISS and Glass Lewis to evaluate CEO / NEO pay and company performance

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<b>Primary quantitative tests</b>	<ul style="list-style-type: none"> <li>CEO total pay vs. median CEO total pay of the ISS peer group</li> <li>3-year average CEO total pay and 3-year TSR performance, compared to the ISS peer group</li> <li>Trending of 5-year CEO total pay and 5-year TSR</li> </ul>	<ul style="list-style-type: none"> <li>Relative 3-year average pay for CEO (only) and NEOs (including CEO) vs. the GL peer group</li> <li>Relative company performance based on a composite of measures (measures vary by industry) vs. the GL peer group</li> </ul>
<b>Initial results</b>	<ul style="list-style-type: none"> <li>“Low”, “Cautionary Low”, “Medium” or “High” level of concern</li> </ul>	See “final results” (below)
<b>Secondary quantitative tests</b>	<ul style="list-style-type: none"> <li>Secondary test – Financial Performance Assessment (FPA). This assessment will be based on Economic Value Added (EVA) metrics</li> <li>May raise or lower score from primary tests</li> </ul>	n/a – no secondary test
<b>Final results</b>	<ul style="list-style-type: none"> <li>Based on primary and secondary tests, a “Medium” or “High” level of concern will trigger a further qualitative review (below)</li> </ul>	<ul style="list-style-type: none"> <li>Results in a letter grade, A, B, C (aligned!), D or F. D and F letter grades may trigger a further qualitative review (below)</li> </ul>
<b>Qualitative review (if required)</b>	<ul style="list-style-type: none"> <li>Various aspects of the executive pay framework are considered on a case-by-case basis</li> <li>When considering CEO’s total compensation, ISS may also consider relative CEO / NEO pay and TSR performance vs. company’s own disclosed compensation peer group, as well as realizable pay (if disclosed)</li> </ul>	

# 8. Do your policies generally align with “good governance practices” as identified by the governance community? If not, do you have supporting rationale for applying a differing approach?

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Comprehensive and transparent disclosure	Opposition to “out of plan” / special awards	Clear pay for performance relationship, with emphasis on variable (“at risk”) pay	Minimum level of “performance-based” LTIP
Opposition to stock option repricing	Use and disclosure of risk management process and tools	Limited use of Committee / Board discretion; and where applied, clear rationale disclosed	Appropriate levels of share ownership guidelines and reasonable compliance
Opposition to employee loans	Reasonable employee severance following a CIC and/or termination, including double trigger equity vesting	Regular shareholder engagement	Reasonable dilution and burn rate
Longer-term vesting / term of stock options	Clawback policy	Anti-hedging policy	Modest and reasonable perquisites





# 9. Does your disclosure address key issues shareholders may be concerned about?

The following disclosure principles help to ensure readers understand the compensation program and the organization’s pay for performance story

Content	Communication
<p>Summarize the compensation framework, including the purpose of each compensation element and the link to the business strategy</p> <p>Provide an overview of the governance framework for compensation decisions, including stakeholders, decision making processes, and pay design features that mitigate risk and unintended behaviours</p> <p>Describe the rationale for recent pay decisions and the alignment with company performance results</p> <p>Provide a realized and realizable pay analysis to illustrate the pay for performance relationship</p> <p>Reflect relevant and reasonable disclosure trends relative to public company standards and peer practices</p>	<p>Be reader friendly, with the use of tables and charts where possible to reduce text and mitigate repetition</p> <p>Use plain language to assist with the reader’s understanding of the content</p> <p>Highlight key messages using callout boxes</p> <p>Include an executive summary / letter to shareholders to tell the pay for performance story at a high level and provide an overview of key decisions related to compensation for the year</p> <p>Use a governance checklist to support quick understanding of governance practices followed by the company (“what we do”) and problematic pay practices the company does not engage in (“what we don’t do”)</p>

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## 9. Does your disclosure address key issues shareholders may be concerned about? (cont'd)

### Illustrative example – governance checklist

What ABC Co. does:	What ABC Co. does NOT do:
<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Pay for performance, aligning the interests of executives and shareholders</li> <li><input checked="" type="checkbox"/> Regularly reviews compensation levels and design vs. industry peers, with support from an independent compensation advisor</li> <li><input checked="" type="checkbox"/> Positions target compensation around the median of market peers</li> <li><input checked="" type="checkbox"/> Balances focus on short-term and longer-term incentive plans</li> <li><input checked="" type="checkbox"/> Sets performance goals that are mindful of all stakeholders</li> <li><input checked="" type="checkbox"/> Stress-tests incentive compensation programs and payouts</li> <li><input checked="" type="checkbox"/> Caps short-term incentive payouts at 200% of target</li> <li><input checked="" type="checkbox"/> Uses informed judgement in the evaluation of performance and pay decisions</li> <li><input checked="" type="checkbox"/> Requires executives to maintain a minimum level of share ownership</li> <li><input checked="" type="checkbox"/> Periodically conducts a compensation-risk review</li> <li><input checked="" type="checkbox"/> Provides employment agreements to senior executives with contract terms and severance provisions aligned with market typical practice</li> <li><input checked="" type="checkbox"/> Recoups compensation paid (Clawback Policy) following a material restatement of financial results due to material non-compliance with reporting requirements</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Does not guarantee pay</li> <li><input checked="" type="checkbox"/> Does not make pay decisions solely based on formulaic performance results</li> <li><input checked="" type="checkbox"/> Does not re-price outstanding equity without shareholder approval</li> <li><input checked="" type="checkbox"/> Does not provide employee loans or provide tax gross ups</li> <li><input checked="" type="checkbox"/> Does not permit insider trading (as part of the Insider Trading Policy) or hedging of equity-based compensation (as part of the Anti-Hedging Policy)</li> </ul>

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In this section, we cover:

- Compensation risk reviews
- Clawback policies
- Share ownership guidelines

## Key questions for the HRC

10. Does the HRC regularly review potential risks associated with the executive total rewards program and policies?
11. Do you review your governance practices relative to peers and best practice on a regular basis?



# 10. Does the HRC regularly review potential risks associated with the executive total rewards program and policies?

Publicly-traded companies are required to consider the implications of the risk(s) associated with the company's executive compensation policies and practices

As part of the Canadian Security Administrators (CSA) disclosure requirements, **companies must disclose each year whether the board of directors, or a committee of the board, considered the implications of the risk associated with the company's executive compensation policies and practices, including:**

The extent and nature of the board of directors' or committee's role in the risk oversight of the company's compensation policies and practices

Any practices the company uses to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risks

Any identified risks arising from the company's compensation policies and practices that are reasonably likely to have a material adverse effect on the company

It is common for the HR Committee to complete a "compensation risk assessment" (or engage a third party to complete) every two to three years, or when material changes are made to the executive compensation program

Consider any compensation-related risks that have impacted peers

**Common areas of review include** Compensation philosophy, pay disclosure, mix of pay, employment contracts, supplemental retirement plans, share ownership and trading policies, severance and termination provisions, and incentive plan designs and governance



# 11. Do you review your governance practices relative to peers and best practice on a regular basis?

In Canada, clawback policies are voluntary but widely used as they are considered a good governance practice. In the U.S., the SEC now requires listed companies and Canadian Foreign Private Issuers (FPIs) to implement a specific clawback policy

**A clawback policy allows a company to recover (claw back) compensation paid to executives**

Element	Common Canadian Practice	New SEC Rules
<b>Participants</b>	CEO and CFO, and sometimes the broader executive team	All current and former executive officers
<b>Trigger</b>	Material restatement because of misconduct Increasingly, broader misconduct definitions and some examples of misconduct only policies being adopted Board had discretion to trigger	Accounting restatements due to a company's material noncompliance under securities law Not limited to officers who contributed to the restatement and not due to misconduct only Board discretion is restricted
<b>Compensation</b>	Often annual incentives and/or PSUs where clear redetermination of award values are possible  In many cases, the definition is less clear and subject to judgement	Incentive compensation tied to financial reporting measures, including share price and total shareholder return  Excludes stock options and/or equity awards that are time vesting; and awards that are based on discretion and/or strategic/operating results
<b>Time period</b>	Varies; between one to three years preceding the date a financial restatement is identified	Three years preceding the date a financial restatement is identified



# 11. Do you review your governance practices relative to peers and best practice on a regular basis (continued)?

Share ownership guidelines require executives to hold a certain value or number of company shares within a defined period to align with shareholder interests

Feature	Considerations	CCGG Recommendations
<b>Quantum</b>	<p>Common to state as a multiple of salary for executives. Some companies state as a fixed number of shares</p> <p>Ability to comply through vested LTIP</p> <p>Quantum is typically aligned with industry practice but should also consider the LTIP portfolio utilized by the organization</p>	<p>Establish share ownership requirements to continually build an officer’s economic interest overtime</p> <ul style="list-style-type: none"> <li>• Require % of TDC to be invested annually</li> <li>• Establish and express share ownership requirements relative to total direct compensation instead of as a multiple of salary</li> </ul>
<b>Vehicles includes</b>	<p>Best practice suggests including only common shares, RSUs, and DSUs (RSUs and DSUs are subject to time vesting only with no performance conditions)</p> <p>Guidance against including PSUs and stock options that are at risk of forfeiture if performance conditions are not met / if the share price does not increase</p> <p>Some preference among governance organizations to require that a portion to be held in real shares</p>	<p>Require majority of ownership to be met through common shares alone</p> <p>If credit for compensation awards is given, limit to those that are vested and full value (e.g., DSUs)</p>
<b>Time to achieve</b>	<p>Typically, 3-5 years to achieve ownership guidelines</p> <p>Should consider industry practice and LTIP granting practices of the organization</p>	n/a
<b>Valuation approach</b>	Mixed practice, with some companies using the current market value and others using the higher of market or acquisition value	Value securities at either market value or acquisition price

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In this section, we cover:

- Role of the HRC in talent oversight
- Talent dashboards

## Key questions for the HRC

12. What role should the HRC play in talent oversight? What processes are in place to support the HRC with their oversight role?
13. Do you have insights into the broader talent and culture issues that may pose risks to the organization?





# 12. What role should the HRC play in talent oversight? What processes are in place to support the HRC with their oversight role?

The HRC role in talent oversight continues to expand beyond typical compensation-related activities

Area	HRC responsibility
Talent strategy	Ensure the talent strategy supports the business strategy and is supported by the compensation strategy
Succession planning	Develop a strong pipeline for CEO and senior management succession  Oversee the succession planning process to ensure that a strong pipeline is in place below the senior management level and for key roles within the organization
Workplace safety	Review regular updates on the state of workplace safety within the organization  HRC oversight may vary by industry
Culture, employee engagement, DEI	Understand potential risks associated with organization culture, employee engagement, and diversity, equity, and inclusion (DEI)

The specific scope of the HRC’s role may vary by area in order to provide sufficient oversight of management’s strategy and execution of the strategy with careful consideration of the role of the HRC v. management.

The HRC can start by incorporating these topics into the annual agenda and asking probing questions.

Pay attention to global trends – e.g., CEO to median employee ratio (US) or gender pay gap (UK)



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# 13. Do you have insights into the broader talent and culture issues that may pose risks to the organization?

A talent dashboard can provide the HRC with regular updates on talent-related issues at the appropriate level to execute their oversight role

## Illustrative example – talent dashboard

Demographics	Stability	Pay fairness	Capabilities
Full time, part time, contingent workers	Number of new hires	Pay equity	L&D
Diversity statistics	Voluntary and non-voluntary turnover	Pay ratios	Skill gaps
		Pay and diversity	

Culture	Productivity	Health and safety	Risks
Engagement surveys	Return on workforce	Work-related injuries / fatalities	Identification of talent risks
Work from home policies	Profit / employee		

**Be data oriented and analytic**

Gather details by executive and aggregated data for others

**Ensure regular and consistent monitoring**

Review long-term trends and performance relative to market

**Pose key questions**

Ensure you have the right information and understand the details

# Taking independent executive compensation and governance advisory to a new level

Southlea is an innovative and independent executive compensation and governance consulting firm.

We work with companies across Canada and internationally. As part of the Global Executive Compensation and Governance Group (GECN), we regularly partner with over 150 compensation professionals in 15 countries making us the only independent advisory firm in Canada with a global perspective.

As one of the largest compensation practices in Canada, our team offers a unique understanding of business and people strategies, specializing in the financial services, asset management, technology, and natural resources sectors.

We provide independent advice to the board while working collaboratively with management in the best interest of the organization.

Delivering fresh insights and perspectives based on the latest market trends and governance practices, we create compensation programs with impact.

Southlea is a certified Women's Business Enterprise and is Rainbow Registered as an LGBT+ friendly organization, and our diverse perspectives are embedded into everything we do.



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# Associated Templates

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Southlea

October 2023



INSTITUTE OF  
CORPORATE  
DIRECTORS  
THINK BEYOND  
THE BOARDROOM.

INSTITUT DES  
ADMINISTRATEURS  
DE SOCIÉTÉS  
PENSER AU-DELÀ  
DE LA SALLE DU CONSEIL.





# HRC mandate by topic

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Responsibility	HRC Accountability
<b>Compensation Design</b>	
Compensation philosophy	
Executive incentive plan design	
<a href="#">Organization wide incentive plan design</a>	
CEO's compensation level (quantum of pay)	
Non-CEO officer compensation levels (quantum of pay)	
Board of Director compensation levels (oversight may be given to a different committee)	
<a href="#">Organization wide compensation structure(s)</a>	
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Review CEO recommendations for non-CEO officer performance objectives / review	
Governance policies (e.g., clawback, change in control)	
Executive contracts (termination provisions, severance arrangements, benefits, pension, perquisites)	

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# HRC mandate by topic

Core responsibilities | [Commonly accepted responsibilities](#) | [Emerging responsibilities](#)

Responsibility	HRC Accountability
<b>Governance of Compensation (continued)</b>	
Risk assessment	
Review of executive compensation disclosure	
Engage with / respond to shareholders and proxy advisors on pay matters	
<b>Talent / Other</b>	
CEO recruitment / termination	
Retention plans for CEO and key executive roles	
<a href="#">CEO and key executive succession planning</a>	
<a href="#">Development plans of CEO and key executives</a>	
<a href="#">People strategy</a>	
<a href="#">Culture and employee engagement</a>	
<a href="#">DEI strategy and roadmap</a>	
Annual board evaluation	
Review of HRC mandate	

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# HRC topics by meeting

Q1	Q2	Q3	Q4

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# Responsibilities of key stakeholders



Topic	Timing	Inform	Review	Recommend	Approve

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# HRC meeting and preparation calendar

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	Annually ▶	6 to 8 weeks prior ▶	2 weeks prior ▶	1 week prior ▶	Committee Meeting
Meeting	Review and confirm committee charter and priorities	Review and confirm meeting agenda and time allocations	Pre-read of materials with Committee Chair	Finalize materials and distribute	
Q1	--	[Insert date]			
Q2	--				
Q3	--				
Q4	--				



# Governance checklist

What <b>[Company Name]</b> does:	What <b>[Company Name]</b> does NOT do:
<ul style="list-style-type: none"> <li><input type="checkbox"/> Pay for performance, aligning the interests of executives and shareholders</li> <li><input type="checkbox"/> Regularly reviews compensation levels and design vs. industry peers, with support from an independent compensation advisor</li> <li><input type="checkbox"/> Positions target compensation around the median of market peers</li> <li><input type="checkbox"/> Balances focus on short-term and longer-term incentive plans</li> <li><input type="checkbox"/> Sets performance goals that are mindful of all stakeholders</li> <li><input type="checkbox"/> Stress-tests incentive compensation programs and payouts</li> <li><input type="checkbox"/> Caps short-term incentive payouts at 200% of target</li> <li><input type="checkbox"/> Uses informed judgement in the evaluation of performance and pay decisions</li> <li><input type="checkbox"/> Requires executives to maintain a minimum level of share ownership</li> <li><input type="checkbox"/> Periodically conducts a compensation-risk review</li> <li><input type="checkbox"/> Provides employment agreements to senior executives with contract terms and severance provisions aligned with market typical practice</li> <li><input type="checkbox"/> Recoups compensation paid (Clawback Policy) following a material restatement of financial results due to material non-compliance with reporting requirements</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Does not guarantee pay</li> <li><input type="checkbox"/> Does not make pay decisions solely based on formulaic performance results</li> <li><input type="checkbox"/> Does not re-price outstanding equity without shareholder approval</li> <li><input type="checkbox"/> Does not provide employee loans or provide tax gross ups</li> <li><input type="checkbox"/> Does not permit insider trading (as part of the Insider Trading Policy) or hedging of equity-based compensation (as part of the Anti-Hedging Policy)</li> </ul>

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# Clawback policy summary

Element	Company Clawback Policy
Participants	
Trigger	
Compensation	
Time period	



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# Share ownership guideline summary

Feature	CEO	CEO Direct Reports	Other Executives	Directors
Quantum				
Vehicles included				
Time to achieve				
Valuation approach				

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# Talent dashboard

Category	Current	Target	Past Actuals			Peer Performance
			Year 1	Year 2	Year 3	
<b>Demographics</b>						
• Full time, part time, contingent workers						
• Diversity statistics						
<b>Stability</b>						
• Number of new hires						
• Voluntary and non-voluntary turnover						
<b>Pay fairness</b>						
• Pay ratios						
<b>Culture</b>						
• Engagement surveys						
<b>Productivity</b>						
• Return on workforce						
• Profit / employee						
<b>Health and safety</b>						
• Work-related injuries / fatalities						

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