

2025 Director Compensation Trends

S&P TSX Composite Index

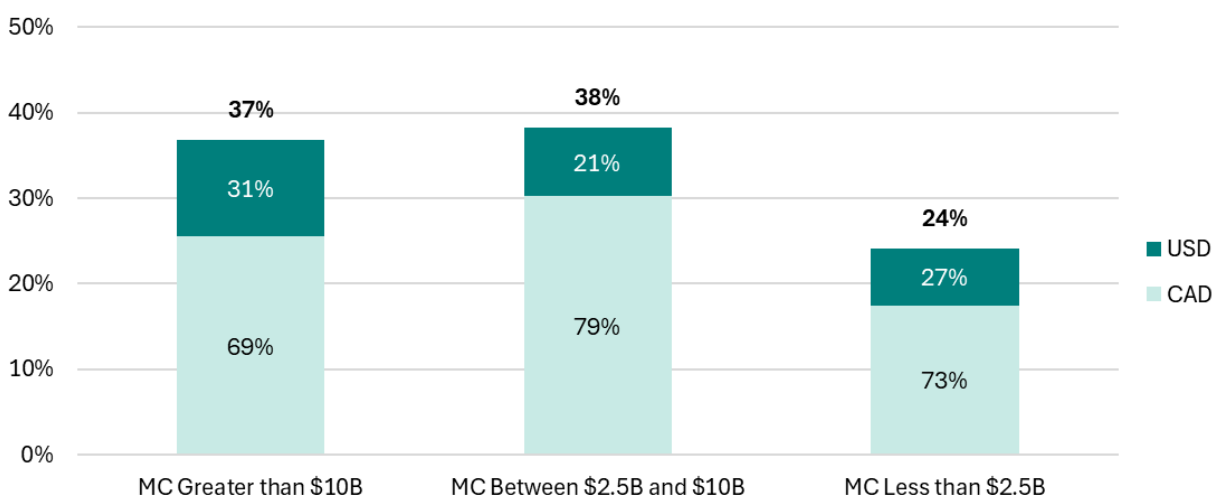
EXECUTIVE SUMMARY

Board member compensation	<p>4% increase in 2024 total board member compensation to a median of \$202,500 (from \$195,000 in 2023 and \$199,000 in 2022)</p> <p>54% of total board member compensation provided in equity and 46% in cash</p>
Industry differentials	<p>Board compensation is highest in the Materials and Information Technology & Communications sectors (~10% higher than average) and lowest in the Consumer and Financials sectors (~10% lower than average)</p>
Board chair compensation	<p>2% increase in 2024 board chair compensation to a median of \$335,000 (from \$330,000 in 2023 and \$315,000 in 2022)</p> <p>Approximately a 1.6x multiple between Board Chair compensation to board member compensation, consistent year-over-year</p>
Committee compensation	<p>Continued mixed practice to provide separate committee member compensation, including retainers and meeting fees</p> <p>Trend towards undifferentiated committee member retainers by committee (Audit v. Compensation / HR v. Nominating / Governance)</p> <p>Committee Chair compensation remains highly prevalent with differentiation for Audit and HR Committee Chairs relative to Governance Committee Chairs</p>
Pay design	<p>Equity continues to be predominantly provided in deferred share units</p> <p>Share ownership requirements remain 3x either the cash retainer or the total cash plus equity retainer</p>
Demographics	<p>Slight increase in the percentage of female directors (36% v. 35% last year and 33% in 2022)</p> <p>Slightly younger and less tenured directors on a year-over-year basis</p>

INTRODUCTION

Southlea's latest research report summarizes year-over-year director compensation trends among the companies within the S&P/TSX Composite Index. Data reflect 212 companies that disclosed compensation for their board of directors and have been summarized by company size in terms of market capitalization (MC), with a fairly well distributed group of companies in each size category. The companies in the sample largely report in Canadian dollars, though the use of USD increases among the largest companies, which tend to be more global. The data were collected by ESGAUGE, a data analytics firm.

Chart 1: Sample by Market Capitalization (MC) and Reporting Currency



Methodology

Data in this report reflect compensation disclosed in 2023, 2024, and 2025 proxy circulars representing 2022, 2023, and 2024 compensation levels, respectively. Total compensation is estimated based on a standard number of meetings and committee memberships (eight board meetings, two committee memberships and four committee meetings per committee) to provide an apples-to-apples comparison for similar workloads. All data are in the currency reported by each company and are summarized at par (e.g., \$1CAD = \$1USD). For comparison purposes, we have also provided data for the S&P 500 in USD. New for this year, we have provided data for TSX Composite companies with market cap greater than \$10B for a size-adjusted comparison to the S&P 500 (median market cap of \$30B CAD vs. \$38B USD, respectively). Each element is independently arrayed and cannot be added to form the total.

BOARD MEMBER COMPENSATION

Total board member compensation for the TSX Composite rose slightly at the 50th percentile (median, or 50P) from \$195,000 to \$202,500 between 2023 and 2024; following a slight decrease between 2022 (\$199,000) and 2023. The relative weight on compensation delivered in cash v. equity remained consistent at 54% weight on equity (cash includes the cash retainer and meeting fees where applicable).

In 2024, total board member compensation for the S&P 500 was \$305,000 USD, 50% percent higher than the TSX Composite. Though this indicates that the U.S. pay premium is narrowing slightly (60% in 2023), the ability for Canadian companies to attract and retain North American / Global talent remains a hot topic. Refer to Southlea's article: [Tacking Currency Challenges in Canadian Executive Compensation](#) for a framework to consider the inclusion of U.S.-based peers in compensation peer groups and use of converted or nominal / par dollars to review and denominate pay.

Versus the TSX Composite >\$10B cut, representing a similarly sized sample, total board member compensation for the S&P 500 is 22% higher (excluding the impact of currency).

We note that the difference in the U.S. v. Canada is less for cash compensation with significantly higher equity retainers driving the overall total board member compensation difference.

Companies continue to move away from providing board meeting fees with 9% of companies (v. 12% last year and 15% the year before) continuing this practice, reflecting a persistent trend towards an “all-in” retainer structure.

Table 1: Board Member Compensation

Element	Board Members									
	TSX Composite - 2022		TSX Composite - 2023		TSX Composite - 2024		TSX Market Cap > \$10B		S&P 500 - 2024	
	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P
Cash Retainer	98%	\$80,000	99%	\$85,000	99%	\$92,083	100%	\$112,500	97%	\$105,000
Equity Retainer	80%	\$114,500	81%	\$115,500	81%	\$120,000	84%	\$138,750	98%	\$200,000
Meeting Fees (Per Meeting)	15%	\$1,500	12%	\$1,500	9%	\$1,500	5%	\$1,500	7%	\$2,000
Total Board Member Comp.	100%	\$199,000	100%	\$195,000	100%	\$202,500	100%	\$250,000	100%	\$305,000
% Equity Compensation	-	58%	-	55%	-	54%	-	53%	-	64%

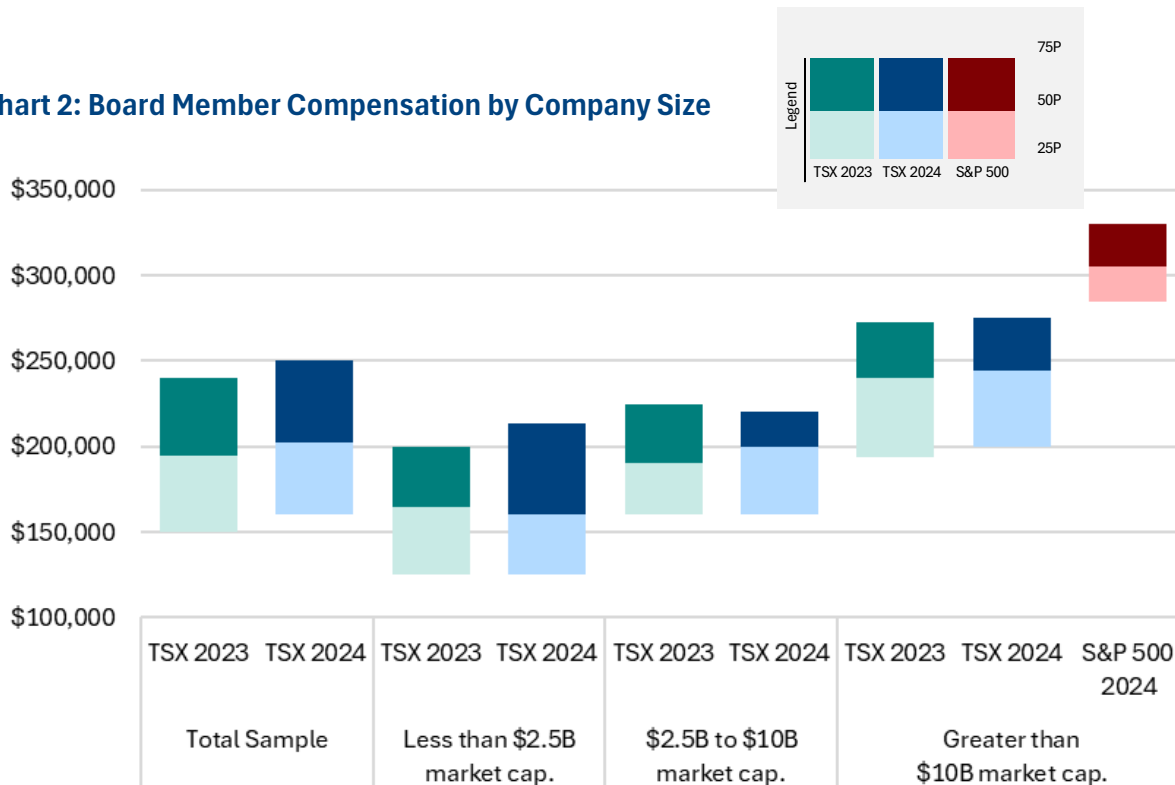
BOARD MEMBER COMPENSATION BY COMPANY SIZE

We observe a clear relationship between company size (in terms of market capitalization) and total board member compensation. Slightly lower to slightly higher pay levels are consistent across the sample with an approximate -3% decrease to 5% increase year-over-year depending on the size of company. The range of compensation among companies of a similar size represents the diversity of practices depending on the organization's scope, industry, and relative complexity.

Table 2: Board Member Compensation by Company Size

Total Board Member Compensation (by size)	Percentiles				
	TSX Composite - 2023		TSX Composite - 2024		Δ
	n=	50P	n=	50P	
Total Sample	226	\$195,000	212	\$202,500	4%
Less than \$2.5B market cap.	61	\$164,403	78	\$160,000	-3%
\$2.5B to \$10B market cap.	77	\$190,000	81	\$200,000	5%
Greater than \$10B market cap.	78	\$240,000	51	\$244,125	2%

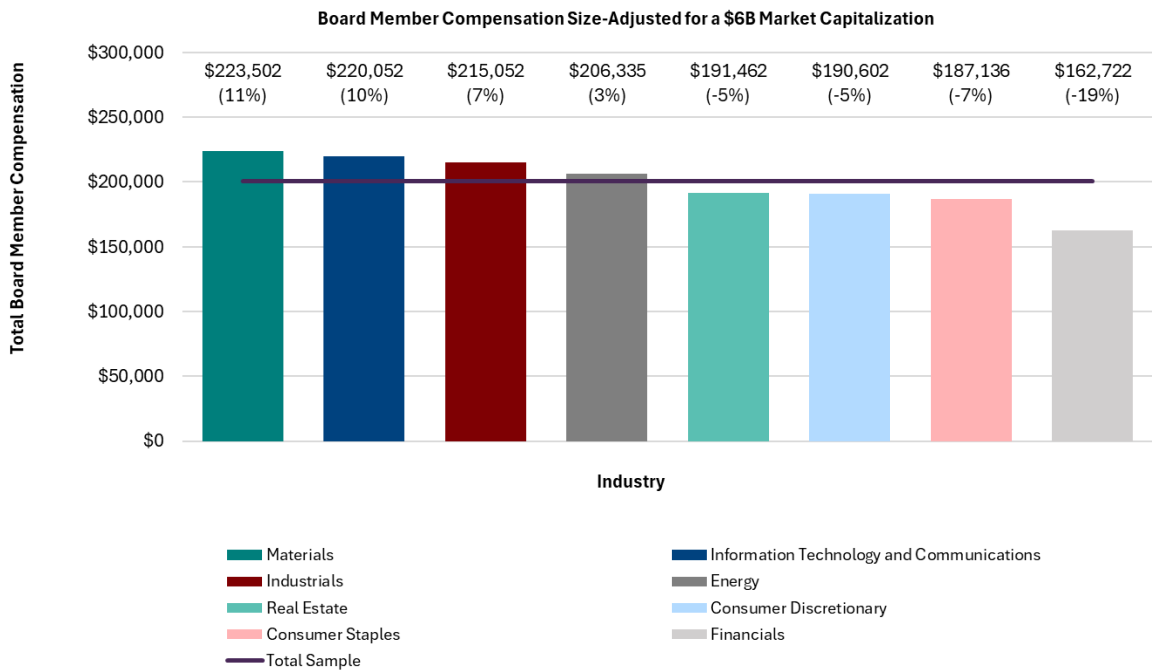
Chart 2: Board Member Compensation by Company Size



BOARD MEMBER COMPENSATION BY INDUSTRY

Board member compensation is highest in the Materials and Information Technology & Communications sectors and lowest in the Consumer and Financials sectors. We note that this summary has been normalized to reflect a company with a market capitalization of \$6 billion to provide a clearer perspective of the industry impact on compensation. These industry differences may reflect the different talent markets required for each industry, e.g., some industries may have a broader global talent market, or require unique skills / experience, which puts upward pressure on compensation.

Chart 3: Board Member Compensation by Industry*



*Size adjusted using a regression analysis to \$6 billion market capitalization

BOARD CHAIR COMPENSATION

Of the 65% of TSX Composite companies with a non-executive Board Chair, total Board Chair compensation at the 50th percentile increased from \$330,000 to \$335,000, representing a 2% increase. When expressed as a multiple of board member compensation, Board Chairs receive 1.6x board member compensation at the 50th percentile, consistent with the past two years. Independent Board Chair compensation among TSX Composite companies with >\$10B MC is significantly higher at \$445,000, with greater

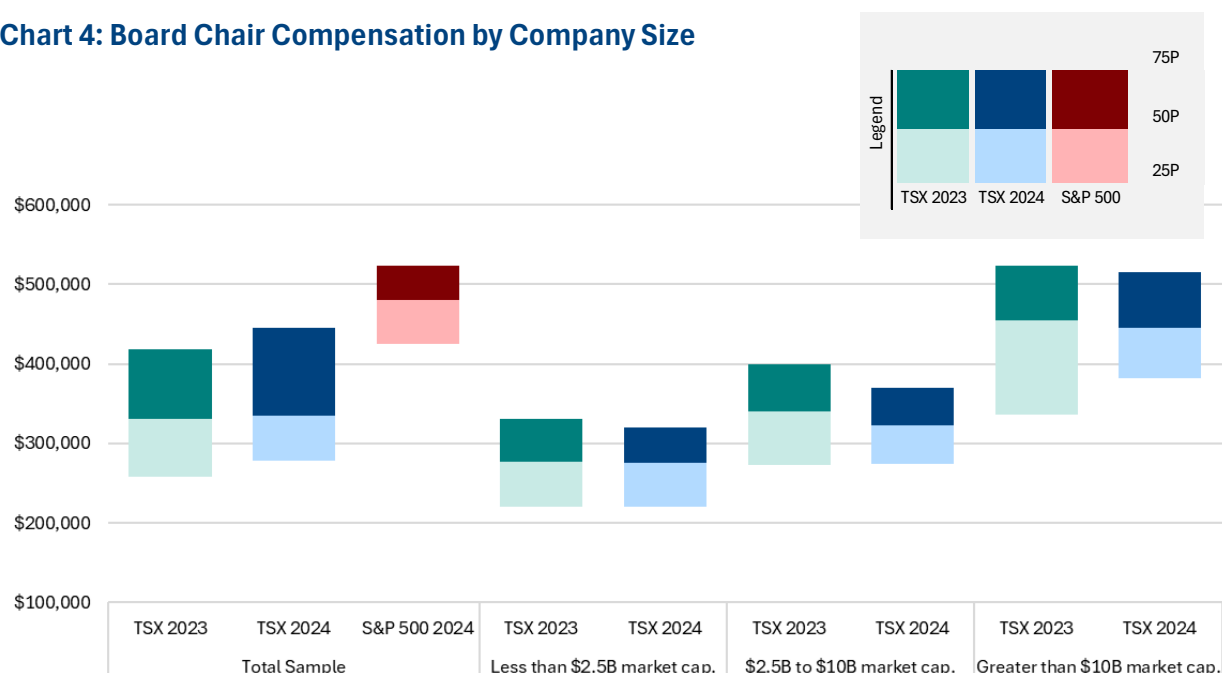
differentiation v. typical Board members (1.8x).

In the U.S., approximately 40% of the S&P 500 have a non-executive Board Chair, reflecting the increased prevalence of a combined Board Chair and CEO. Non-executive Board Chair compensation is higher than in Canada at \$480,000 and represents a lower multiple to board member compensation (1.5x) as found in the similarly-sized Canadian sample (1.8x).

Table 3: Board Chair Compensation

Element	Independent Board Leadership									
	TSX Composite - 2022		TSX Composite - 2023		TSX Composite - 2024		TSX Market Cap > \$10B		S&P 500 - 2024	
	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P
Total Board Chair Compensation	59%	\$315,000	63%	\$330,000	65%	\$335,000	63%	\$445,000	40%	\$480,000
Multiple of Board Member Comp.	-	1.6x	-	1.6x	-	1.6x	-	1.8x	-	1.5x

Chart 4: Board Chair Compensation by Company Size



COMMITTEE COMPENSATION

There is mixed usage of additional compensation (retainers and/or meeting fees) for committee member participation. Total committee member compensation at the 50th percentile is \$10,000 for all of the Audit, Compensation / HR, and Nominating / Governance committees, indicating a trend towards undifferentiated committee compensation (2023 values of \$10,000, \$9,000, and \$7,500, respectively). Committee member compensation in Canada remains lower than the S&P 500.

Table 4: Committee Member Compensation

Committee	Committee Member - Total Compensation							
	TSX Composite - 2023		TSX Composite - 2024		TSX Market Cap > \$10B		S&P 500 - 2024	
	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P
Audit	54%	\$10,000	52%	\$10,000	60%	\$12,632	54%	\$15,000
Compensation / HR	47%	\$9,000	52%	\$10,000	58%	\$11,000	43%	\$12,000
Nominating / Governance	45%	\$7,500	41%	\$10,000	49%	\$10,000	43%	\$10,000

Additional compensation for Committee Chairs (including retainers and meeting fees) is more prevalent, particularly for Audit Committee Chairs. Prevalence of Compensation / HR Committee has increased year-over-year, from 80% to 93%. Total compensation at the 50th percentile varies by committee at \$25,000 for Audit, \$20,000 for Compensation / HR and \$18,000 for Nominating / Governance influenced by the respective workloads of each committee. Committee Chair compensation remained relatively consistent year-over-year, with a 13% increase to Nominating / Governance Committee Chair compensation only. Pay levels in the similarly-sized sample (TSX Composite >\$10B) are similar to or slightly higher than the S&P 500.

Table 5: Committee Chair Compensation

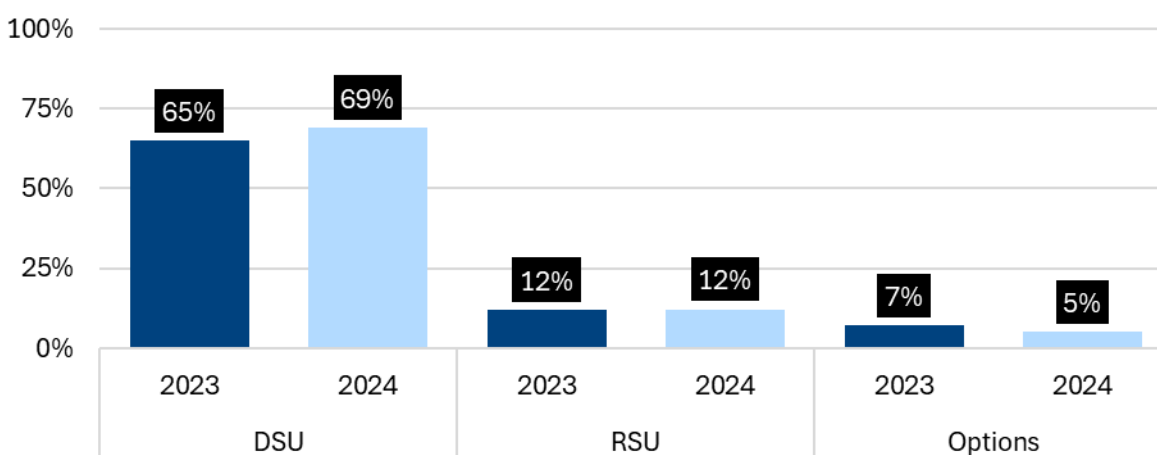
Committee	Committee Chair - Total Compensation							
	TSX Composite - 2023		TSX Composite - 2024		TSX Market Cap > \$10B		S&P 500 - 2024	
	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P
Audit	97%	\$25,000	97%	\$25,000	97%	\$30,000	98%	\$30,000
Compensation / HR	80%	\$20,000	93%	\$20,000	94%	\$26,000	97%	\$25,000
Nominating / Governance	73%	\$16,000	73%	\$18,000	78%	\$22,641	96%	\$20,000

BOARD EQUITY GRANTS

The majority of TSX Composite companies continue to grant deferred share units (DSUs) with approximately 12% granting restricted share units (RSUs) and 5% granting stock options, with little change on a year-over-year basis. The use of stock options is typically in resource-based and/or recently public companies. In the U.S., S&P 500 companies grant equity primarily in RSUs.

Given that DSUs are relatively illiquid and can only be redeemed when a board member leaves the board, some Canadian companies are exploring other ways to deliver equity compensation with more flexibility, particularly the use of RSUs (refer to the examples below).

Chart 8: Equity Grants



SHARE OWNERSHIP REQUIREMENTS

Share ownership requirements are similar year-over-year. Almost all TSX Composite companies articulate share ownership requirements for board members as either a multiple of the cash retainer or cash + equity retainers. Despite the significantly different total dollar amounts resulting from the differing ownership definitions, the median multiples of both cash and cash + equity retainers are 3.0x.

Governance influencers, including the Canadian Coalition for Good Governance in

2022 and the Globe & Mail Board Games in 2024, have expressed preferences to define executive share ownership as a multiple of total direct compensation instead of salary (analogous to total retainer instead of cash retainer for directors).

Though adoption of compliant policies has been limited, organizations can consider re-evaluating their executive and Board member share ownership guidelines to align with governance best practices.

In the U.S., most S&P 500 companies express the requirement as a multiple of the cash retainer. They also have a higher requirement at 5x the retainer (v. 3x in Canada) but that is on a relatively lower cash portion of the retainer whereas close to 40% of Canadian companies apply their requirement to the total of the cash + equity retainers.

Table 6: Share Ownership Multiples

Share Ownership Guideline	Retainer Multiple							
	TSX Composite - 2023		TSX Composite - 2024		TSX Market Cap > \$10B		S&P 500 - 2024	
	Prevalence	50P	Prevalence	50P	Prevalence	50P	Prevalence	50P
Cash Retainer	42%	3x	42%	3x	32%	3x	80%	5x
Equity Retainer	4%	4x	4%	3x	6%	3x	4%	4x
Cash & Equity Retainer	41%	3x	42%	3x	46%	3x	0%	-
Other	8%	3x	10%	4x	11%	5x	11%	5x

Other: includes fixed number of shares or fixed value guidelines

Typical share ownership amongst Canadian companies

- 3x multiple
- Based on cash retainer or cash + equity retainers, but the latter is more meaningful and tied to total compensation received by the director

Alternative forms of equity / shareholding requirements observed in the market



- Minimum share ownership of 3x annual retainer within 5 years; DSUs and common shares included in ownership definition
- Before minimum share ownership is met, directors are required to take at least 50% of their annual retainer in DSUs
- Once share ownership is met, minimum deferral lowered to 35% of annual retainer



- Minimum share ownership of 3x annual total retainer within 5 years; RSUs and common shares included in ownership
- Annual total retainer delivered 44% in cash and 56% in RSUs
- Directors are required to use a portion of after-tax value of settled RSUs or purchase common shares using a portion of their cash retainers on an after-tax basis to satisfy share ownership guidelines



- Minimum share ownership of 12,000 shares (including RSUs and DSUs) within 5 years
- Effective 2024, directors are awarded an annual grant of 2,500 RSUs
- Once minimum ownership has been satisfied, directors may elect to receive up to 1,500 of their annual RSU grant in cash
- Directors may always elect to receive up to 100% of their annual retainer in RSUs

BOARD DEMOGRAPHICS

TSX Composite companies tend to have between 7 to 13 board members with an average of 36% female board members (up from 35% last year and 33% in 2022). In terms of age, 36% of board members are less than 60 (up from 35% last year) with about one-half between age 60 and 70.

Board member tenure has decreased year-over-year, with a higher proportion with less than a five-years tenure (50% this year v. 43% last year and 56% in 2022) and fewer board members serving on the board for greater than 10 years (23% this year v. 27% last year and 21% in 2022).

Chart 5: Gender Breakdown

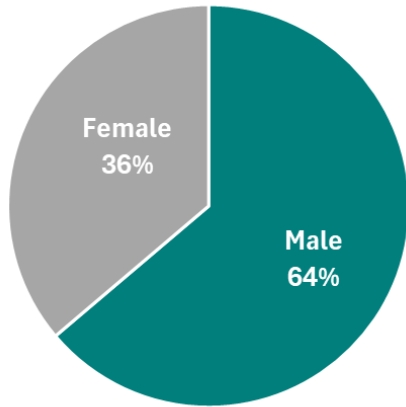


Chart 7: Tenure Breakdown (Years)

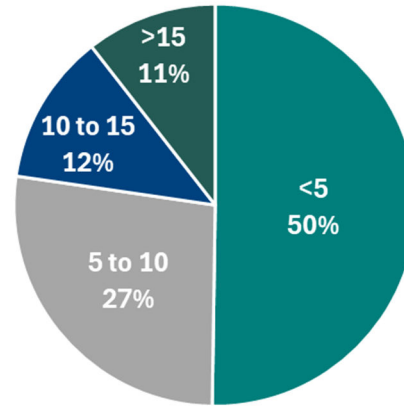
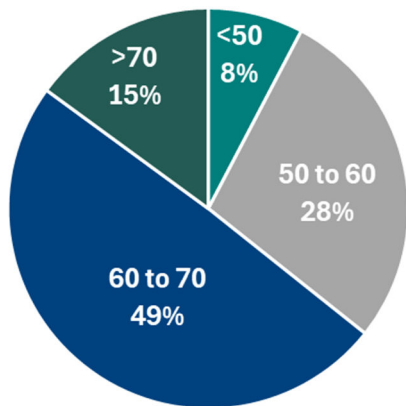


Chart 6: Age Breakdown



Highlights

- 36% female board members (up from 35% last year and 33% in 2021)
- Average age of 62.5 years (v. 62.4 years last year)
- Average tenure of 6.8 years (v. 7.8 years last year)

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