



CCGG Releases New Executive and Director Compensation Guidebook

October 2025

In October 2025, Canadian Coalition for Good Governance (CCGG) published new guidelines on executive and director compensation, which refined and updated its Executive Compensation Principles in 2013. The recommendations concentrate on pay structure, performance metrics and targets, risk mitigation, target and realized total compensation, and director compensation.

KEY TAKEAWAYS

In addition to reinforcing many of their principles from the 2013 report and position papers on equity ownership and non-GAAP measures, this report includes the following, signaling shifts in institutional investor preferences:

- Introduced tips on reducing risk from stock options, by reducing their weight, limiting the number granted, setting a higher than market strike price and introducing performance-vesting provisions
- Outlined more specific guidance on the use and disclosure of special awards
- Clarified considerations on the selection of peer companies for executive compensation benchmarking purposes including the use of comparably-sized organizations based on market capitalization or enterprise value rather than revenue, and to consider companies in developed markets other than just the U.S. if expanding beyond Canada
- Enhanced focus on longer-term performance with the use of single multi-year performance periods for performance share units and cliff vesting at the end of three years for RSUs and stock options

DETAILS

Key recommendations are highlighted below along with Southlea's comments:

Topics	CCGG's Recommendations
Pay mix	▪ Significant component should be at-risk and performance-based. Mix of pay may vary based on officer's tenure, role, and total compensation.
	<i>Southlea Comments: CCGG encourages considering various industry-, company-, and individual-specific factors in determining pay mix.</i>
Stock options	▪ Implement measures to reduce risks of options, such as reduce weights of options and move towards PSUs, set caps on number of options, set high option strike price, or attach performance vesting conditions. ▪ Options are more problematic for industries with volatile share prices and commodity prices.
	<i>Southlea Comments: NEW recommendation on measures to reduce risks from option grants. Although not yet standard market practice, issuers may consider these measures as risk-mitigation options.</i>
	▪ Revisit the guaranteed portion of PSU awards; prefer this portion to be designated as RSUs.



Topics	CCGG's Recommendations
Guaranteed vesting under performance-based equity awards	For PSUs, include a zero-vesting outcome.
	<i>Southlea Comments: Issuers should set "real" thresholds below which nil PSUs will vest, which is common practice outside of financial services.</i>
Indirect comp. – perks, benefits, severance	Non-standard practices should be avoided or clearly disclosed.
	<i>Southlea Comments: CCGG looks for standard market practices for indirect compensation, e.g. severance not exceeding 2x salary plus bonus.</i>
Special awards	- Should be based on company and/or individual's performance. - Avoid during an industry-wide cyclical downturn. - Encourage longer-term thinking, with higher performance targets, longer-term vesting and settlement in DSUs or shares to be held until retirement.
	<i>Southlea Comments: NEW recommendation - CCGG expects clear disclosure and a compelling rationale for special awards, which should be accompanied by more stringent performance targets and/or extended vesting periods.</i>
Disclosure of performance metrics, targets, and payouts	- Clearly disclose measures, targets, and actual performance. - Most important when variable compensation is not aligned with long term share price performance.
	<i>Southlea Comments: CCGG acknowledges that most S&P/TSX Composite Index constituents provide clear disclosure of their performance targets.</i>
Non-GAAP financial measures	Clearly articulate rationale for material adjustments to GAAP financial figures.
	<i>Southlea Comments: CCGG previously published a position paper on the use of non-GAAP measures in executive compensation.</i>
PSU performance targets	Within PSUs, multi-year performance targets, e.g. single 3-year relative TSR is preferred over three 1-year TSR targets.
	<i>Southlea Comments: NEW recommendation - CCGG recommends a single long performance period for PSUs, rather than a combination of multiple short performance periods.</i>
Adding performance measure	- Use measures within management's control. - Avoid too many measures; mitigate complexity and distraction. - Consider materiality / accountability; avoid overlapping metrics.
	<i>Southlea Comments: NEW recommendation on performance measures.</i>
Anti-hedging and anti-monetization policies	- Prohibit all derivative instruments. - Prohibit transactions that monetize an executive's economic interest, unless truly extraordinary circumstances.
	<i>Southlea Comments: Note that CCGG discourages all types of derivatives and similar instruments that could be used to hedge an individual's downside risk to company shares.</i>



Topics	CCGG's Recommendations
Clawback policies	- Flexibility to apply a clawback, triggered by either a financial restatement or employee misconduct. - Cover all forms of incentive compensation and apply to all executives and officers eligible for RSUs/PSUs/options. <i>Southlea Comments: NEW recommendation – CCGG advises a more stringent approach than standard market practices on clawback policies.</i>
Share ownership guidelines (SOG) and practices	- Build economic interest over time, e.g., require annual share purchase. - Express SOG relative to TDC, not a multiple of salary. - Require executives to meet the majority of SOG through common shares. - Limit to awards that have vested, are full value in nature, and which must be held until retirement. - Consistently value securities at either market value (preferred) or at acquisition price. <i>Southlea Comments: The recommendations align with CCGG's position paper on equity ownership guidelines.</i>
Long term vesting	Encourage cliff vesting after 3 years for RSUs and stock options. <i>Southlea Comments: NEW recommendation – CCGG favours cliff vesting over ratable vesting for time-based equity awards.</i>
Shareholder dilution	Prefer fixed reserve to rolling reserve. <i>Southlea Comments: NEW recommendation – rolling plans are still prevalent in the Canadian market, but CCGG notes that shareholders prefer fixed plans.</i>
External equity and benchmarking	- Caution overreliance on relative positioning of total pay against industry peers. - For peer group construction, consider no larger than 2x market cap or Enterprise value (not revenue), similar industry, broader international markets (if operations in the U.S.), and avoid outliers. <i>Southlea Comments: NEW recommendation – CCGG advises the board not to use total revenue to screen its peers. In addition, CCGG recommends peers in developed markets such as the U.K. for companies with operations in the U.S. Such practices are not yet common in the Canadian market.</i>
Company-specific factors	Set pay levels based on performance and the executive's demonstrable skills; avoid benchmarking to industry median pay levels in all cases. <i>Southlea Comments: While benchmarking against peer median has become the market norm, CCGG discourages following this approach in all cases.</i>
Realized pay and board use of discretion	- Encourage board discretion when realized pay is out of sync relative to the shareholder experience. - Board discretion should be applied rarely and in both directions.



Topics	CCGG's Recommendations
	<i>Southlea Comments: CCGG cautions that board discretion should be available but only applied in rare cases.</i>
Director pay quantum	Consider company size, industry, complexity, and workload.
	<i>Southlea Comments: CCGG suggests various factors of consideration when setting director pay.</i>
Director compensation structure and share ownership	- No performance-based awards. Options are not appropriate. - Suggest at least 50% granted in common shares / full value awards (e.g., DSUs). If using RSUs, include accelerated vesting provision upon director resignation. - No pensions, benefits, or perks that are offered to executives. - Only common shares and DSUs should count towards director ownership.
	<i>Southlea Comments: CCGG advises that total director compensation should comprise at least 50% in equity.</i>

ABOUT US

[Southlea](#) are trusted independent compensation consultants who help solve your complex business challenges. We provide global perspectives as a [GECN Group](#) company working with over 150 compensation consulting professionals in 15 countries. We are headquartered in Toronto with offices in Vancouver, Edmonton and Montreal. We have clients across Canada, representing all industries and organization structures. Our team of experienced compensation consultants are multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women's Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.