

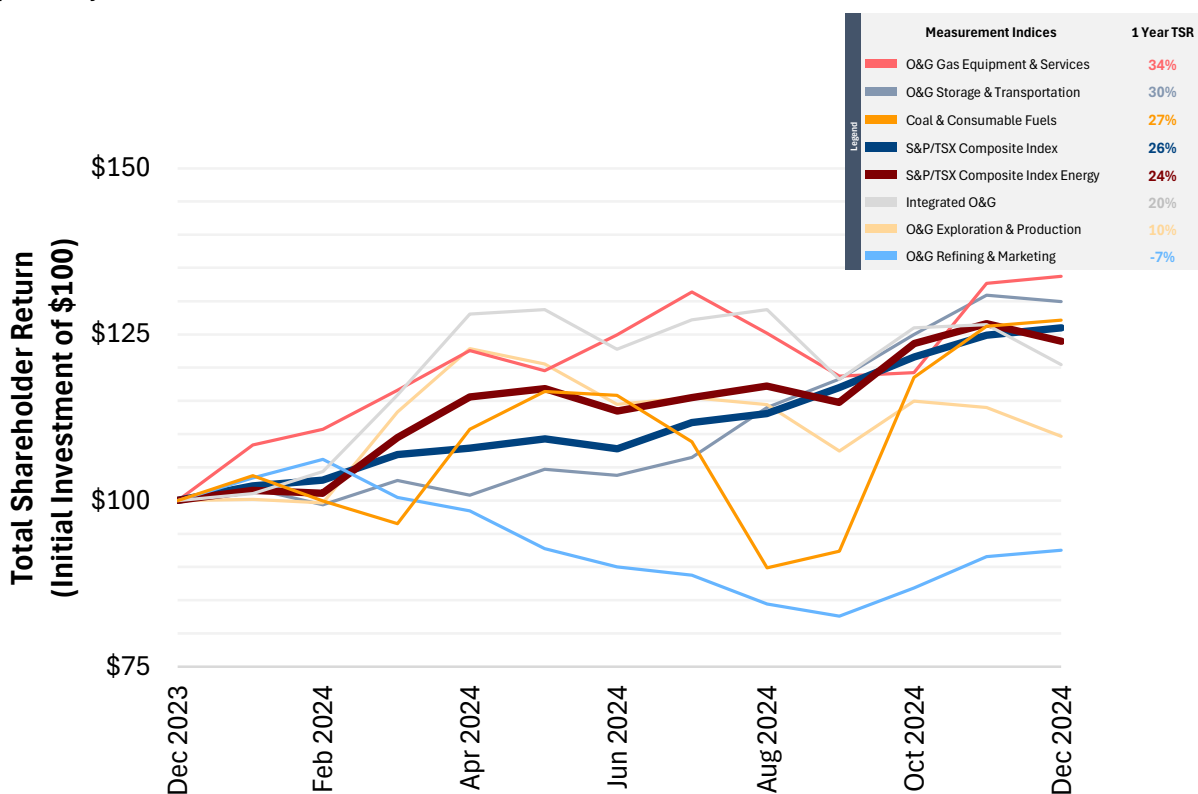


EXECUTIVE COMPENSATION TRENDS IN THE ENERGY SECTOR: 2025 INSIGHTS

October 2025

As the Canadian energy sector¹ continues to navigate a landscape of market consolidation, executive compensation has seen a modest uptick, driven largely by rising incentive levels.

The compensation outcomes for 2024 were shaped by robust financial performance. Median revenue growth for the year stood at 3%, while EBITDA remained relatively stable at -1%. Total Shareholder Return (TSR) demonstrated considerable variation across energy sub-sectors: the overall energy index increased by 24% during 2024, with refining and marketing declining by 7%, whereas equipment and services experienced a notable rise of 34%. Our sample of S&P/TSX Composite Energy companies reported enterprise values ranging from \$2.5 billion to \$16 billion, representing the 25th to 75th percentile, respectively.



In this analysis, we reviewed CEOs and CFOs who were in role for the past two fiscal years. Doing so allows us to isolate changes to increasing compensation, rather than an evolving mix of incumbents and / or

¹The energy sample consists of 40 companies from the S&P / TSX Composite Index classified under the energy sector at the time of analysis

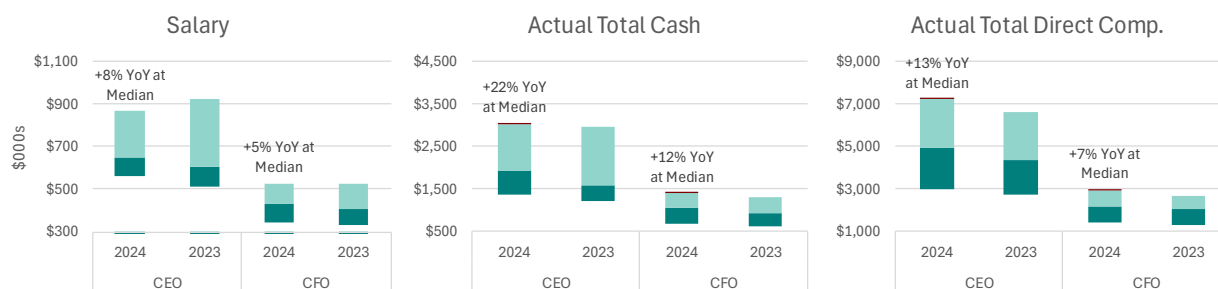


companies in the sample. We reviewed results from the energy sector in aggregate, rather than reviewing subsectors, as the sample size of most subsectors was insufficient to draw implications from.

Salaries and Incentives Continue to Climb

Base salaries for top executives increased moderately, with the 50th percentile of CEO and CFO compensation increasing by 8% and 5% respectively. The median salary increase was 4-5%, with 25% of incumbent CEOs receiving an increase of 10% or greater and 18% of incumbents not receiving an increase.

Actual Total Cash Compensation and Actual Total Direct Compensation both surged by 13% for incumbent CEOs and 7-8% for CFOs, reflecting a continued shift to incentives as the primary driver of compensation increases.



Bonus Payouts Exceed Targets

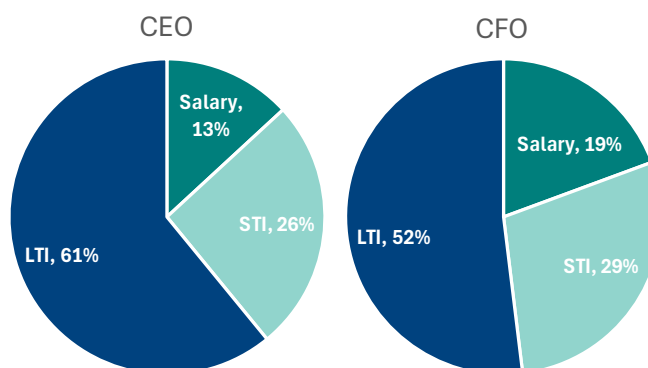
At median, as a percent of salary, actual STI payouts (as a percentage of salary) increased from 140% in 2023 to 174% in 2024, while, for the CEO, the median payout was 141% of target.

Role	Incentive Grants								
	Short-Term Incentive (% of target)			Short-Term Incentive (% of salary)					
	2024			2024			2023		
	25P	50P	75P	25P	50P	75P	25P	50P	75P
Chief Executive Officer	115%	141%	175%	134%	174%	242%	108%	140%	190%
Chief Financial Officer	104%	140%	185%	79%	118%	183%	89%	118%	130%



Pay Mix: Long-Term Focus

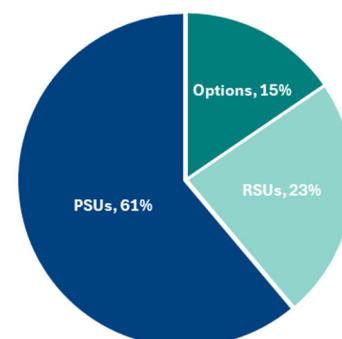
The composition of executive pay was steady in 2024, with CEO compensation broken down as 13% salary, 26% short-term incentives, and 61% long-term incentives. CFO compensation continues to be more fixed than CEO, breaking down as 19% salary, 29% short-term incentives, and 52% long-term incentives. Typically, we see a correlation between higher pay levels and more variable pay.



Long-Term Incentive Mix

In the Long-Term Incentive (LTI), Performance Share Units (PSUs) continue to take center stage, reflecting 61% of the LTI, with Restricted Share Units (RSUs) and Stock Options reflecting the remaining 23% and 15% respectively. Within PSUs, 74% of companies use Total Shareholder Return (TSR) as a key metric. Other common measures include ESG metrics (28%), strategic objectives (26%), and cash flow (15%). Most companies employ multiple metrics, with only two relying solely on TSR. Southlea recommends diversifying metrics to enhance measurement robustness and avoid unintended effects. While Relative TSR aims to assess management performance, its limitations—such as differences in peer operating and risk profiles—mean diversification remains important.

Reviewing the prevalence of vehicles in companies' LTIPs, PSUs are used at 75% of companies, RSUs are used in 60% of plans, while Stock Options are used in 35% of LTIP plans.



Prevalence	Stock Options / SARs	Restricted Share Units (RSUs)	Performance Share Units (PSUs)
% of Companies	35%	60%	75%

What This Means for the Energy Sector

As consolidation continues across Canada's energy industry, pay rates are expected to climb. One trend worth watching is how Canadian firms are comparing executive compensation to their U.S. counterparts, whose currency-adjusted packages are often higher—this could drive further increases in Canada. The shift towards RSUs and PSUs persists, with plans for PSUs being continually adjusted. Given the challenges of setting multi-year PSU targets, some companies are showing interest in time-based equity awards like RSUs, featuring longer vesting periods (such as five years) and post-exercise holding requirements. These approaches provide stronger, long-term alignment with shareholders and simplify matters compared to PSUs. Such strategies may be particularly well-suited for energy businesses that have extended capital



cycles and experience significant price fluctuations. Additionally, the use of absolute shareholder returns as a reward metric is gaining traction among energy producers, moving away from past focuses on growth.

ABOUT US

Southlea Group is a national independent compensation consulting firm that provides global perspectives as a GECN Group company working with over 150 compensation professionals in fifteen countries. We are headquartered in Toronto with offices in Montreal and Vancouver and clients across Canada, representing all industries and organization structures. Our team of advisors is 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.

We would be pleased to address any questions and/or explore how we can support your challenging compensation needs. Please email us at hello@southlea.com and we will follow up to set-up a time to discuss further.