



## EARLY 2026 COMPENSATION TRENDS – CEO PAY INCREASES BY 20%

April 2026

The following summarizes market trends among a sample of "early filers" including eighteen S&P/TSX 60 companies (who filed by March 30, 2026) to highlight expected trends through this year's proxy season. As illustrated in Figure 1, Canadian companies experienced exceptionally strong market performance in 2025. The S&P/TSX Composite surged approximately 29% on a total return basis. Canada's heavy weighting toward financials, materials, and energy proved favorable, with the materials sector leading the way, as metals prices reached record highs. Despite U.S. tariff volatility early in the year, markets powered through uncertainty, and strong corporate earnings translated into meaningfully higher incentive payouts.

Figure 1: S&P/TSX Performance Summary

Metric	Median 2025-over-2024 Growth					2024-over-2023
	Total	Energy	Financial Services	Materials	Information Technology	Total
Revenue	7%	4%	10%	42%	14%	6%
Operating Income	8%	-3%	14%	82%	31%	9%
Total Shareholder Return (TSR)	29%	25%	35%	147%	0%	14%

### KEY TAKEAWAYS

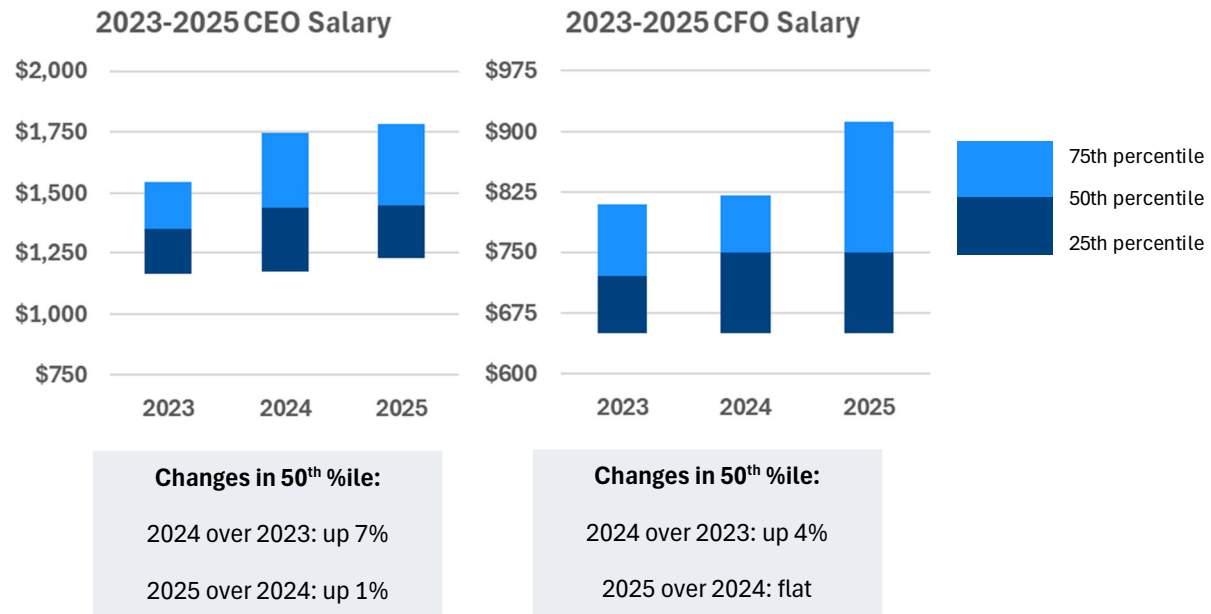
- **Exceptional market performance in 2025:** 2025 TSR for the median S&P/TSX Composite company was 29%, well above the 14% total return in 2024. The materials sector led gains, followed by financials and energy.
- **Salaries remain relatively flat:** The median CEO salary was essentially flat between 2024 and 2025 at approximately \$1.45M (+0.7%), following a 7% increase from 2023 to 2024. The 75th percentile rose modestly (+2%). CFO median salary was flat at \$750K, though the 75th percentile jumped 11% from 2024 to 2025.
- **Corporate performance factors surging, PSU payouts declining:** The median corporate performance score increased 14 points between 2024 and 2025 to 1.16x target, aligned with the strong financial and market performance observed across the TSX. PSU payout factors, however, continued to decline, from 1.15x in 2023 to 1.04x in 2024 and now 1.00x at median in 2025. The range of payout factors continued to be substantial.
- **Actual total cash rising sharply:** CEO actual total cash at median increased 13% between 2024 and 2025 (to \$4.5M), driven by elevated corporate performance scores translating into higher bonus payouts. CFO actual total cash increased 22% at median to \$1.85M.
- **Meaningful increases to actual total direct compensation:** ATDC (salary + actual bonus + long-term incentives) increased 19% at median between 2024 and 2025 for CEOs (to \$16.03M) and 13% for CFOs (to \$4.65M). The CEO 75th percentile also rose 17% to \$22.3M. The widening range between the 50th and 75th percentiles observed in prior years continues, consistent with growing competitive pressure from North American talent markets and the effect of a weaker CAD:USD exchange rate.
- **Consistent pay mix, modest shift toward LTIP:** Overall pay mix and LTI vehicle mix remain largely stable year-over-year. LTI continues to comprise approximately 72% of CEO pay and 60% of CFO pay. Within LTI, PSUs remain the dominant vehicle at approximately 67% for CEOs and 61% for CFOs. A slight increase in RSU weighting is emerging (15% for CEOs, up from 11% in 2023; 16% for CFOs, up from 14%), which may reflect boards seeking to provide more stable long-term value retention in uncertain environments.



## MARKET COMPENSATION TRENDS

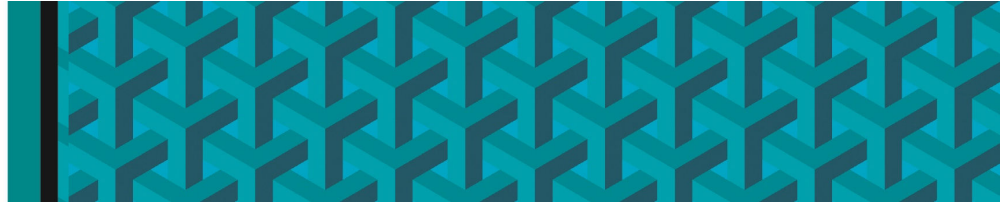
The following trends are based on the same incumbent in fiscal years 2023, 2024, and 2025, and represent actual compensation disclosed over the past three years, including salaries, actual bonuses, and grant values of long-term incentives (all dollar values are reported in CAD<sup>1</sup>).

**Figure 2: Salaries (CAD\$000s)**

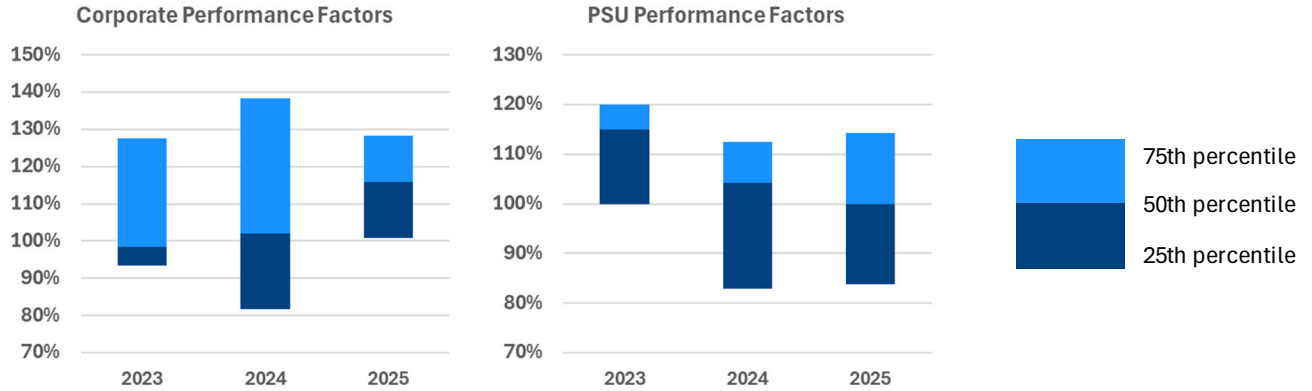


As illustrated in Figure 2, CEO salaries at median were essentially flat between 2024 and 2025 at approximately \$1.45M, following a 7% increase between 2023 and 2024. The 75th percentile increased modestly at 2% (following a 13% increase the prior year). CFO salaries at median remained flat at \$750K between 2024 and 2025, but the 75th percentile rose 11% to \$912K (notable from the 1% increase the prior year).

<sup>1</sup> Where values are disclosed in USD, amounts have been converted to CAD using the Bank of Canada average exchange rate for each year (2023: USD/CAD 1.3497; 2024: 1.3698; 2025: 1.3978)



**Figure 3: Performance Factors (as a % of target)**



Corporate performance factors represent a significant portion of short-term incentives awarded to named executive officers, making the corporate performance factor a large driver of actual bonus paid and resulting total cash.

As illustrated in Figure 3, the median corporate performance score increased 14 points between 2024 and 2025 (from 1.02x to 1.16x), reflecting the exceptionally strong market and financial performance observed across the Canadian market. This is a notable jump from the approximately 4 percentage point increase between 2023 and 2024. At the 75th percentile, the corporate score reached 1.28x in 2025, compared to 1.38x in 2024, suggesting that while median performance improved significantly, the range narrowed somewhat.

PSU payout factors continued to decline, reaching 1.00x at median in 2025 (from 1.04x in 2024 and 1.15x in 2023).

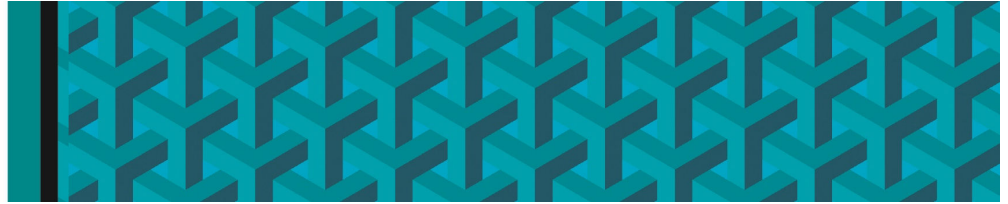
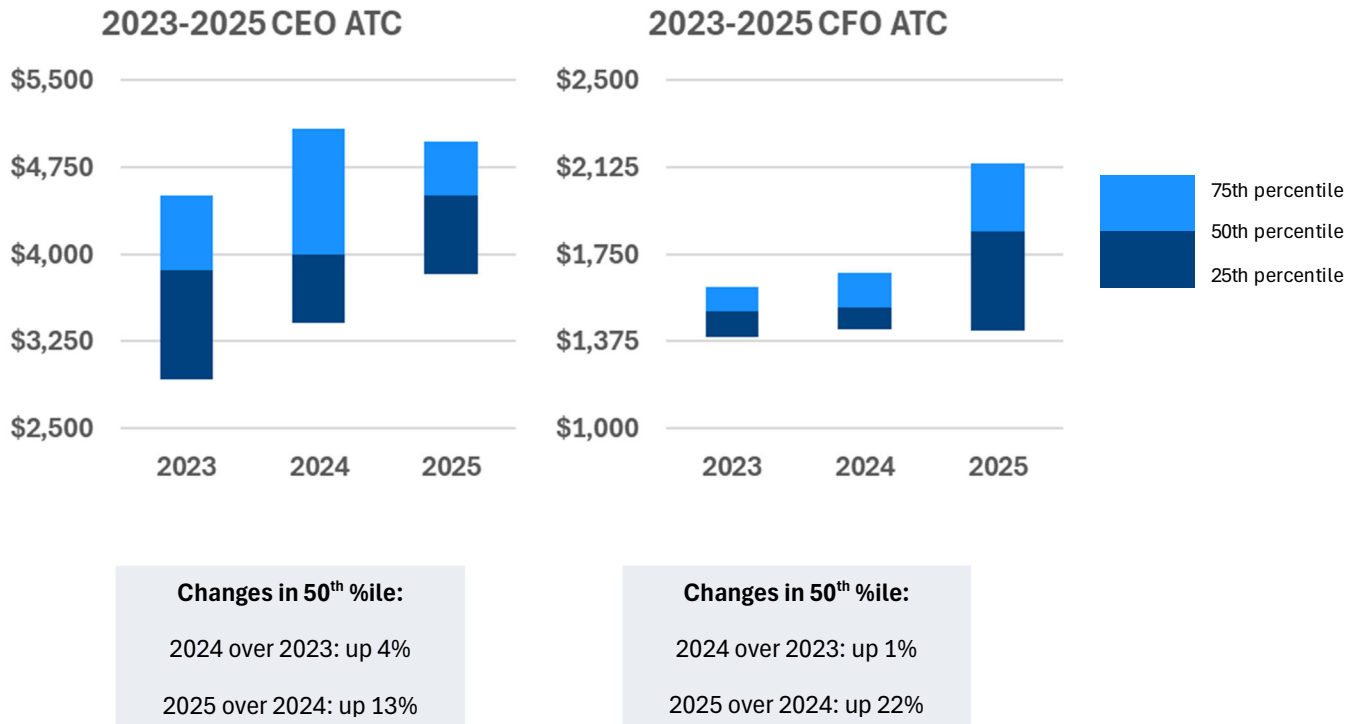


Figure 4: Actual Total Cash (ATC) (CAD\$000s)



Strong corporate performance resulted in meaningful increases to actual total cash year-over-year. As illustrated in Figure 4, CEO actual total cash increased 13% at median between 2024 and 2025 (to \$4.50M), a sharp acceleration from the 4% increase observed the prior year. The increase was driven primarily by elevated corporate performance scores, which amplified bonus payouts. CFO actual total cash increased 22% at median to \$1.85M, a substantial jump from the 1% increase between 2023 and 2024.

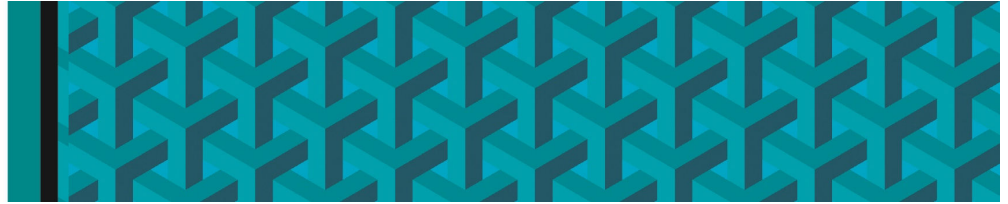
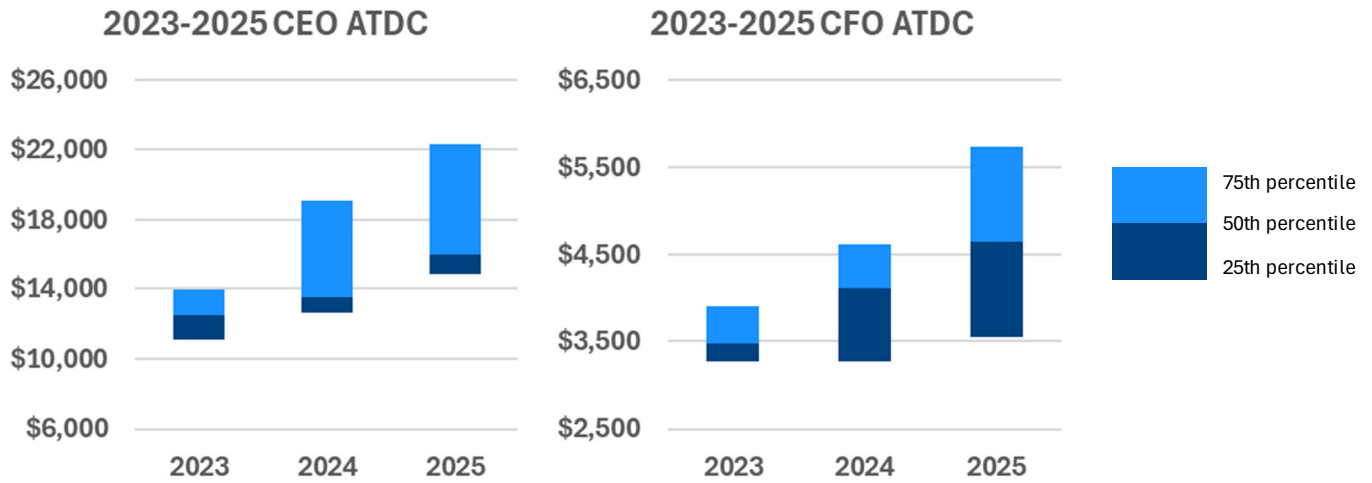


Figure 5: Actual Total Direct Compensation (ATDC) (CAD\$000)



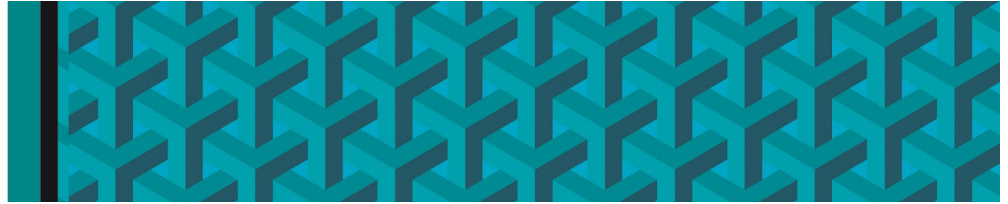
**Changes in 50<sup>th</sup> %ile:**

2024 over 2023: up 8%  
2025 over 2024: up 19%

**Changes in 50<sup>th</sup> %ile:**

2024 over 2023: up 19%  
2025 over 2024: up 13%

Actual total direct compensation (ATDC = ATC + long-term incentives) also increased meaningfully between 2024 and 2025, as shown in Figure 5. Among CEOs, ATDC increased 19% at median to \$16.03M and 17% at the 75th percentile to \$22.3M. The widening range between the 50th and 75th percentiles observed in prior years continued, as the 75th percentile has increased 62% from 2023 to 2025 (from \$13.9M to \$22.3M) — consistent with increasing competitive pressure for senior executives in North American talent markets and the impact of the CAD:USD exchange rate on compensation benchmarking. These phenomena are discussed further in Southlea's recently published article: [Tackling Currency Challenges in Canadian Executive Compensation](#). CFO ATDC at median increased 13% to \$4.65M, with the 75th percentile rising 24% to \$5.73M.



**Figure 6: CEO and CFO Pay Mix**

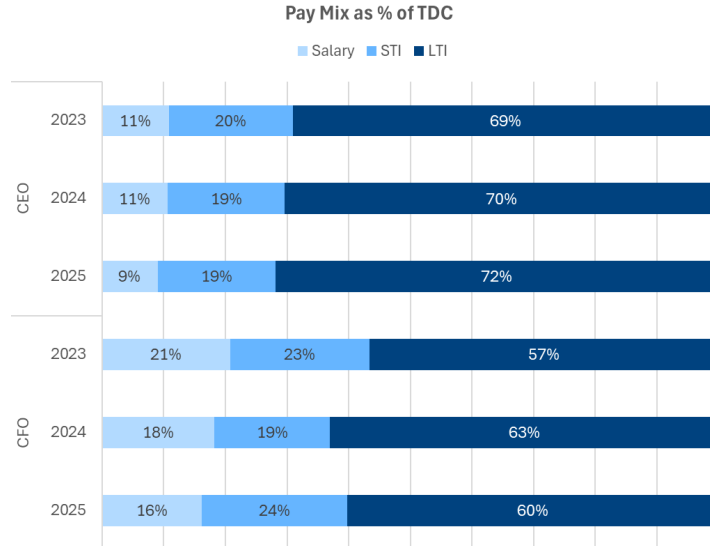
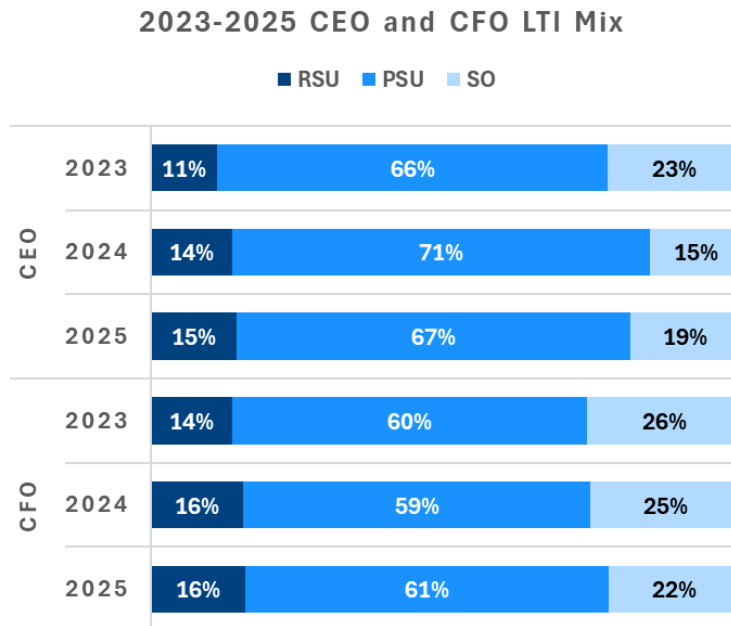


Figure 6 summarizes the overall pay mix for CEOs and CFOs at the 50th percentile. Long-term incentives (LTI) remain the most heavily weighted component at approximately 72% of pay mix for CEOs and 60% for CFOs, respectively. Short-term incentives (STI) comprise 19% for CEOs and 24% for CFOs. The weights are largely consistent year-over-year, with a slight shift for CFOs toward LTI (from 57% in 2023 to 60% in 2025) driven by increasing LTI grant values.

**Figure 7: CEO and CFO LTI Mix**



As summarized in Figure 7, the average mix of long-term incentives over time is broadly consistent. LTI is mainly delivered in performance share units (PSUs), with more mixed use of restricted share units (RSUs) and stock options (SOs). Notable emerging trends include a gradual increase in RSU allocation for both CEOs (from 11% in 2023 to 15% in 2025) and CFOs (from 14% in 2023 to 16% in 2025), with corresponding decreases in stock option weighting. This is consistent with boards seeking to balance performance alignment with retention incentives in an environment of elevated market uncertainty.



## 2026 EXPECTATIONS

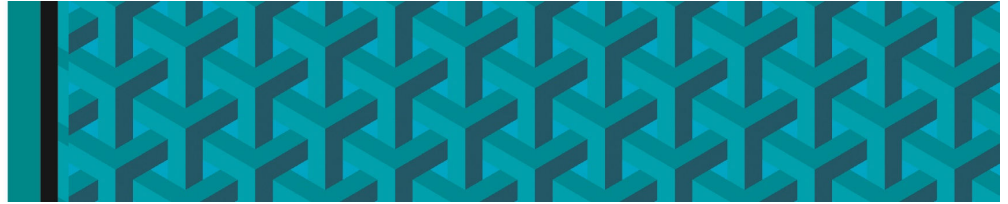
Southlea's top five predictions for 2026 include customized executive compensation packages, individual investors becoming more influential, distinct compensation for technology roles, more emphasis on entry and exit pay, and debates continuing over one-time awards.

Aligned with these predictions, we expect these preliminary results to apply across the broader market, resulting in continued increases to pay levels, particularly in LTIP. As Canadian companies increasingly compete for executive talent on a North American basis, we expect the adoption of higher LTIP grants to continue to accelerate. Higher weight on LTIP also creates pay-for-performance alignment and adheres to shareholder preferences and proxy advisor guidance.

In reviewing the disclosure for these early filers, we observe the following examples of changes to executive compensation for 2026:

<b>TD</b>	<ul style="list-style-type: none"> <li>• Adding return on equity as a PSU metric (previously only relative TSR)</li> <li>• Widening the PSU performance factor range from 75 – 125% to 50 – 150%</li> <li>• Introducing a “quantifiable zero-performance condition into the PSU performance factor calculation”</li> </ul>
<b>BCE</b>	<ul style="list-style-type: none"> <li>• Making a slight shift to STIP financial measure weightings (15% revenue, 25% adjusted EBITDA, 20% free cash flow, from 30% adjusted EBITDA and 15% free cash flow)</li> <li>• Adjusting the 2026 LTIP mix for EVPs to 50% PSUs, 25% RSUs, and 25% stock options, from 50% RSUs and 50% PSUs. The re-introduction of stock options is likely to emphasize focus on share price</li> </ul>
<b>CN</b>	<ul style="list-style-type: none"> <li>• Revising LTI vehicle weightings to introduce RSUs, with the previous mix of 70% PSUs and 30% stock options being replaced by a mix of 60% PSUs, 30% stock options, and 10% RSUs</li> </ul>
<b>Sun Life</b>	<ul style="list-style-type: none"> <li>• Expanding its rTSR peer group to include four new asset management and insurance peers and widening the rTSR performance range to +/-15 percentage points to recognize increasing volatility in the market</li> </ul>

From a governance perspective, we note the following two major changes to disclosure for 2026:



<p><b>Executive Share Ownership Guidelines (SOG) Shift from Salary to Target Direct Compensation (TDC)</b></p>	<ul style="list-style-type: none"> <li>• CCGG’s guidance recommends expressing share ownership guidelines as a ratio of TDC, rather than salary, requiring more than 75% of ownership via common shares, crediting only vested equity awards, and maintaining consistent valuation at market or acquisition price</li> <li>• Traditionally, executive SOGs used salary multiples and included unvested units. BMO and National Bank have adopted new SOGs tied to TDC, with both total and vested/direct requirements</li> <li>• Beginning in January 2026, BMO’s revised SOGs transitioned from salary to target TDC, and its vested share ownership requirement includes shares, vested DSUs, and vested PDSUs</li> <li>• Similarly, National Bank uses a multiple of three-year TDC average, and its direct requirement is met through common shares alone</li> <li>• Other banks have yet to follow, but these changes may signal future alignment with CCGG expectations</li> </ul>
<p><b>Addition of Relative Financial/Operational Performance Metric to Long-term Incentives (LTI)</b></p>	<ul style="list-style-type: none"> <li>• Starting in fiscal 2025, National Bank included relative adjusted ROE alongside relative TSR in PSU grants, with both metrics weighted equally</li> <li>• Other issuers, such as Agnico Eagle, Gildan Activewear, and Intact Financial, have also implemented relative operational metrics, such as relative multiple to NAV rank, relative revenue growth, relative RONA, and relative ROE</li> <li>• Glass Lewis’ policy guidelines encourage the use of multiple performance metrics under LTI, including at least one relative metric</li> <li>• Although it remains uncommon, issuers are considering de-emphasizing relative TSR and implementing alternative relative metrics to benchmark operational performance against peers.</li> </ul>

## ABOUT US

Southlea Group is a global compensation advisory firm offering independent, practical advice to boards and senior leaders at some of the world’s most complex organizations. Through the GECN Group, we have more than 150 professionals across offices on six continents.

Our Canadian headquarters are in Toronto, with additional offices in Vancouver, Calgary, Montreal, and Halifax. Working with Southlea gives you access to our entire team of advisors—partners, consultants, and analysts—who come from a range of backgrounds and specialties: business degrees (BBA, MBA), CFA credentials, mathematics, tax and corporate law, as well as expertise in talent strategies, compensation design and governance.

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](mailto:hello@southlea.com) and we will follow up to set-up a time to discuss further.