

2026 Executive Compensation Trends

Energy Sector

SOUTHLEA

A GECN GROUP COMPANY

EXECUTIVE SUMMARY

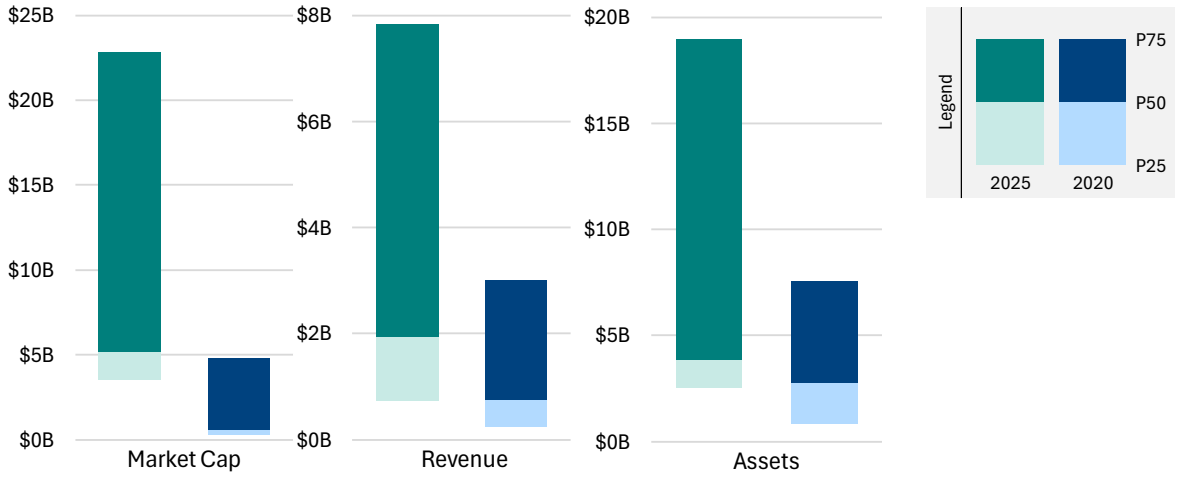
Total direct compensation (TDC)	• Actual median TDC increased by approximately 9% annually for CEOs and 11% for other NEOs between 2020 and 2025 • In 2025, actual median CEO TDC declined by 2%, while median TDC for other NEOs increased by 16% • CEO compensation has fluctuated since 2022, while other NEO compensation has followed a more consistent upward trend
Drivers of compensation growth	• CEO compensation has become more weighted towards incentives since 2020, with both STI and LTI representing a larger share of total pay • Over the five-year period, median CEO STI increased by approximately 16% annually, compared with 6% for LTI and 4% for salary. For other NEOs, median STI and LTI increased at similar rates, approximately 15% and 14% annually, respectively, compared with 6% for salary
Company size and pay	• Median TDC rises with company revenue for both CEOs and other NEOs, reinforcing the importance of size-appropriate peer comparisons • The larger-company results reflect smaller samples and should be interpreted with care
Pay mix evolution	• The incentive share of CEO compensation increased from approximately 72% in 2020 to 84% in 2025 • LTI remains the largest component of CEO pay, representing approximately 58% of TDC in 2025, compared with 52% in 2020 • Other NEOs show a similar shift towards incentives, although salary continues to represent a larger share of their pay than for CEOs
LTI vehicles	• CEO option-grant prevalence declined from approximately 51% in 2020 to 35% in 2025, with a similar decline among other NEOs and was unchanged from 2024 • From 2020 to 2025, both performance-based and restricted share awards became more common for CEOs and NEOs, with a larger increase in the use of performance-based awards

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INTRODUCTION

Southlea's latest research reviews executive compensation trends in the Canadian energy sector, drawing on compensation disclosures for energy companies within the S&P/TSX Composite Index. The accompanying company-profile analysis includes 36 companies for 2025, as provided by ESGAUGE (a compensation data analytics firm), and are presented in Canadian dollars. The analysis focuses on CEOs and other Named Executive Officers (NEOs) and reviews the sector in aggregate. Over the past five years, the sector has seen significant growth and increasing variability in company size. Chart 1 compares market capitalization, revenue and assets in 2020 and 2025.

Chart 1: Samples by Market Capitalization (MC), Revenue and Assets



Methodology

Compensation data reflect 2020 to 2025 fiscal-year compensation disclosed in 2021 to 2026 proxy circulars. Historical results compare annual sector samples and should not be interpreted as changes for a constant group of companies or executives. Changes in sample composition, executive appointments and company size may affect the results.

Total direct compensation (TDC) is defined as base salary plus actual short-term incentives (STI) plus the grant date value of long-term incentives (LTI) and excludes pension, benefits, and all other compensation.

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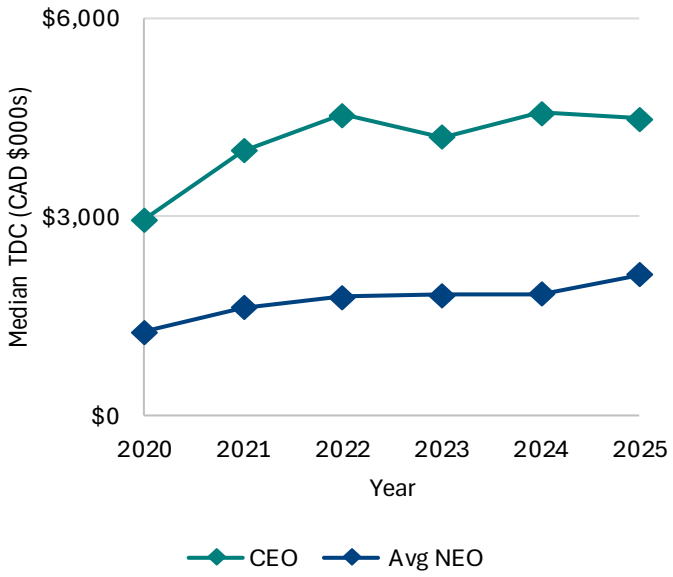
TOTAL DIRECT COMPENSATION

Median CEO total direct compensation increased from approximately $3 million in 2020 to $4.5 million in 2025, representing compound annual growth of approximately 9%. The increase was not uniform: CEO TDC rose sharply in 2021 and 2022 before fluctuating over the following three years. In 2025, median CEO TDC declined by 2% from $4.4 million in 2024. Other NEOs followed a more consistent upward trend, with median TDC increasing from $1.3 million in 2020 to $2.1 million in 2025, or approximately 11% annually. The latest year's increase was 16%.

The different CEO and NEO trends highlight the importance of looking beyond a single headline pay figure. These results describe changes in sector medians, not individual executives' compensation increases. Company size, sample composition and incentive outcomes should be considered when interpreting the trends or applying them to a specific company.

Chart 2 below compares median total direct compensation for CEOs and other NEOs from 2020 to 2025.

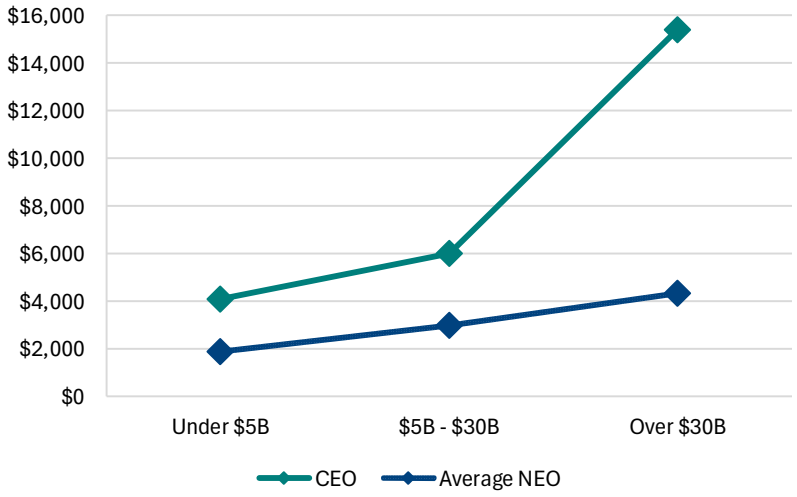
Chart 2: Median Total Direct Compensation



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As illustrated by Chart 3 below, company size remains an important consideration when assessing executive compensation. In the energy sample, median CEO TDC was $4.1 million for companies with revenue below $5 billion, $6.0 million for those with revenue between $5 billion and $30 billion, and $15.4 million for those above $30 billion. Corresponding median TDC for other NEOs was $1.9 million, $3.0 million and $4.3 million. These results support using size-appropriate peers rather than the overall sector median. The CEO revenue bands contain 25, six and five observations, respectively, so the larger-company results should be interpreted with care.

Chart 3: 2025 Median Total Direct Compensation by Revenue



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DRIVERS OF INCREASES TO TOTAL DIRECT COMPENSATION

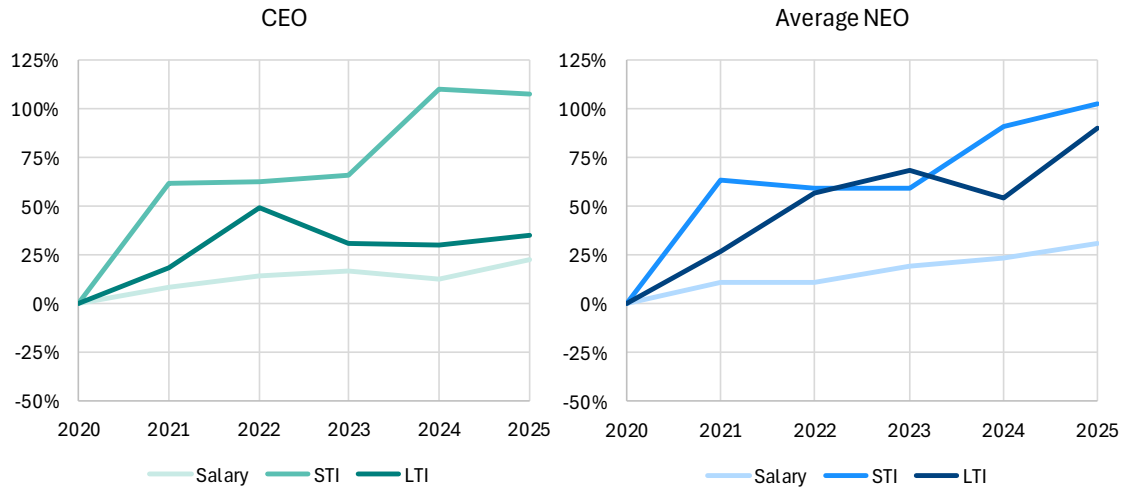
Incentives account for most executive compensation in the energy sector. The CEO pay mix shifted from approximately 72% incentives in 2020 to 84% in 2025, with both STI and LTI representing a larger share of total pay. The pay-element table below looks at each pay element in isolation, independently arrayed for each year. Year-over-year changes reflect changes in the reported medians, rather than pay increases received by individual executives.

Table 1: Total Direct Compensation by Pay Element

Pay Element	50th Percentile						
	2020	2021	2022	2023	2024	2025	5-yr Δ (CAGR)
CEO							
Salary	$532	$575	$608	$619	$600	$650	**4%**
STI	$600	$970	$975	$994	$1,260	$1,242	**16%**
LTI	$1,998	$2,361	$2,974	$2,615	$2,591	$2,696	**6%**
Average NEO							
Salary	$324	$359	$360	$386	$400	$425	**6%**
STI	$253	$413	$403	$402	$482	$512	**15%**
LTI	$570	$721	$895	$959	$879	$1,084	**14%**

Chart 4 below tracks the cumulative percentage change in median salary, STI and LTI for CEOs and other NEOs, using 2020 as the baseline.

Chart 4: Cumulative % Change in Compensation by Pay Element



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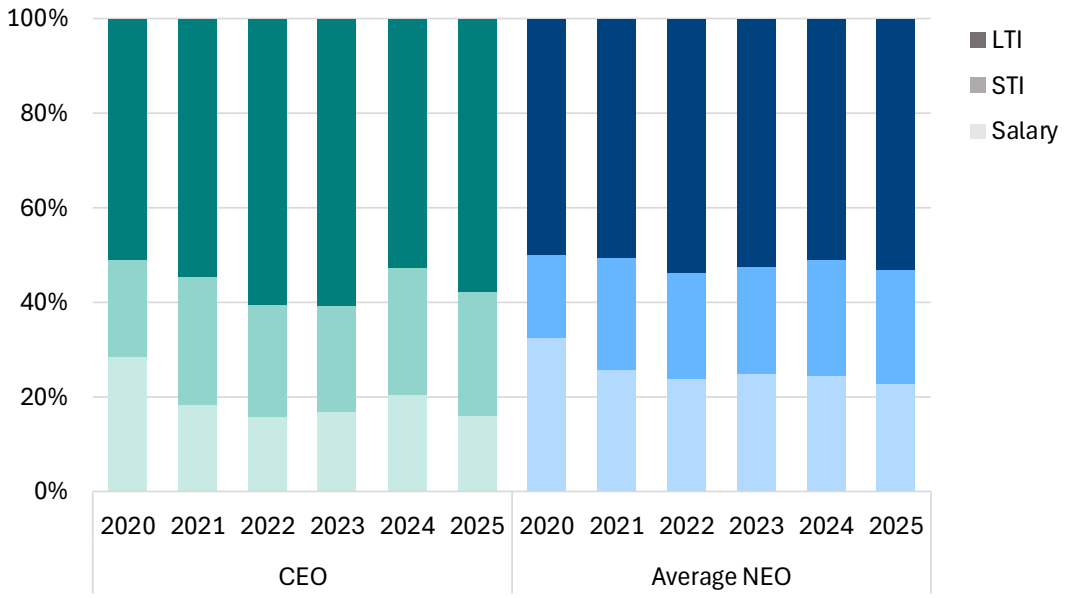
PAY MIX EVOLUTION

Long-term incentives remain the largest component of CEO compensation. In 2025, the reported CEO pay mix was approximately 16% salary, 26% STI and 58% LTI, compared with 28%, 20% and 52% in 2020. The mix has varied from year to year, including a lower LTI share in 2024, rather than moving steadily in one direction.

The same broad shift towards incentives is evident for other NEOs, although salary continues to represent a larger share of their compensation compared to CEOs. The key consideration is whether the balance of fixed and variable pay, and the design of each incentive component, support the company's strategy and provide an appropriate link to performance and shareholder outcomes. A higher incentive share does not, by itself, establish stronger performance alignment.

Chart 5 shows how the relative weightings of salary, STI and LTI changed for CEOs and other NEOs from 2020 to 2025.

Chart 5: Compensation Elements as a Proportion of Pay Mix



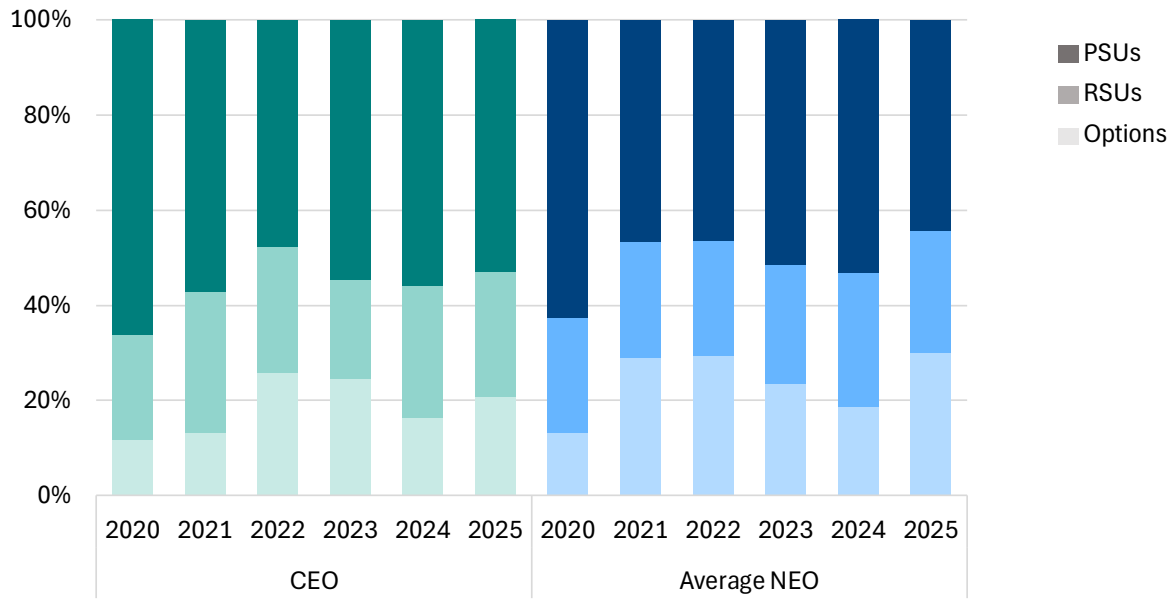
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LTI VEHICLES

Energy companies continue to use a combination of performance-based share awards, restricted share awards and stock options. The accompanying LTI exhibit shows the relative size of median award values for these vehicles, rather than average company-level allocation weights. Because the underlying award medians may reflect different groups of companies, the exhibit should not be interpreted as the typical company's LTI mix. Performance-based awards can link compensation to specified outcomes, while restricted share awards support retention and share-price alignment. Stock options provide leveraged exposure to share-price growth, although they generally do not include explicit operating performance measures.

Chart 6 compares the relative size of median LTI award values for performance-based awards, restricted share awards and stock options for CEOs and other NEOs.

Chart 6: Relative Size of Median LTI Award Values by Vehicle

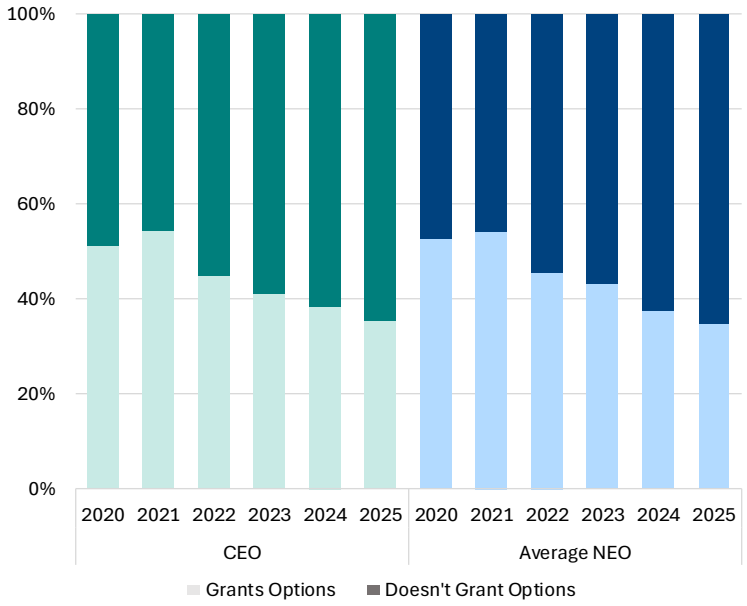


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Option-grant prevalence has declined over the longer term. Approximately 35% of companies granted options to CEOs in 2025, compared with 51% in 2020; prevalence was unchanged from 2024. For other NEOs, prevalence declined from approximately 53% to 35% over the same period. This does not necessarily mean that companies retaining options have reduced their grants. The latest data show that lower prevalence can coexist with higher median option award values among companies that continue to grant them. From 2020 to 2025, both performance-based and restricted share awards became more common for CEOs and NEOs, with a larger increase in the use of performance-based awards.

Chart 7 presents the percentage of energy companies granting stock options to CEOs and other NEOs from 2020 to 2025.

Chart 7: Option Prevalence



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WHAT THIS MEANS FOR THE ENERGY SECTOR

1. Energy executive pay is increasingly incentive-led. Incentives represented approximately 84% of CEO total direct compensation in 2025, up from 72% in 2020, with LTI accounting for 58% of total pay. For energy companies, the key question is how these awards are earned and whether the outcomes support company strategy and shareholder alignment—not simply whether the incentive weighting matches the market.

2. Company scale matters when benchmarking energy-sector pay. In 2025, median CEO TDC ranged from $4.1 million at companies with revenue below $5 billion to $6.0 million at those with revenue between $5 billion and $30 billion, and $15.4 million at those above $30 billion. This spread reinforces the importance of size-appropriate energy peers rather than a single sector-wide pay target.

3. Stock options are less prevalent, but remain relevant where used. Approximately 35% of energy companies granted options to CEOs in 2025, compared with 51% in 2020; other NEOs experienced a similar decline. Lower prevalence does not necessarily mean smaller grants among companies retaining options. Energy companies can assess the role of options alongside performance-based and restricted share awards against their performance measurement, retention and ownership objectives, rather than treating declining prevalence as a reason to eliminate them.

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SOUTHLEA

A GECN GROUP COMPANY

Amanda Voegeli, CFA
President and Managing Partner

416.901.4858
amanda@southlea.com

Ryan Resch, ICD.d
Senior Partner

416.456.0179
ryan@southlea.com

Alex Pattillo
Partner

647.278.2948
alex@southlea.com

Tara Armstrong, CFA
Partner

416.575.3261
tara@southlea.com

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hello@southlea.com
(647) 542-7959

TORONTO
1505 - 330 Bay Street
Toronto, ON M5H 2S8

MONTREAL
2200 - 1250 Rene-Levesque Blvd W.
Montreal, QC H3B 4W8

CALGARY
30th Floor - 421 7th Avenue S.W.
Calgary, AB T2P 4K9

VANCOUVER
555 Burrard Street
Vancouver, BC V7X 1MB

HALIFAX
1301 - 1959 Upper Water St.
Halifax, NS B3J 3N2