

EXECUTIVE COMPENSATION PLAN (ECP)

Background

Scarborough and Rouge Hospital (SRH) is a new organization, formed on December 1, 2016, as a result of the merger of The Scarborough Hospital with the Centenary Campus of Rouge Valley Health System. This merger was mandated by the Minister of Health and Long-Term Care. The new President and Chief Executive Officer of SRH was in place on July 17, 2017.

SRH's executive team is responsible and accountable for the results and overall direction of the organization in a complex, dynamic and rapidly changing healthcare environment. This includes strategic planning and the development of short and long-term goals, objectives, and operating plans for the organization. As a new organization, SRH's executive team faces the added complexity of successfully integrating the staff, services, systems, finances, assets, policies and practices of its two legacy organizations, in a fiscally responsible and patient-focused manner. SRH is in the process of creating a new strategic plan, mission, vision and values that will set the stage for its future direction.

With over 5000 employees, 1000 physicians and 1500 volunteers, SRH is one of the largest community acute care organizations in Ontario, situated in one of the most diverse regions of the province. SRH operates within three full hospital sites and eight satellite sites, with emergency departments at all hospital sites. SRH is home to a number of regional programs serving the central east Greater Toronto Area and beyond, including nephrology, cardiac care, vascular surgery, and vision care, and is recognized as a centre of excellence in orthopaedic surgery, cancer care, and mental health.

On September 6, 2016, the Government of Ontario filed Regulation 304/16 (Executive Compensation Framework) ("Regulation") under the *Broader Public Sector Executive Compensation Act, 2014* (BPSECA). This regulation and subsequent government directives require all Broader Public Sector organizations, including SRH, to develop an Executive Compensation Plan (ECP) based on prescribed parameters, and seek approval by the Minister of Health. The process also involves the conducting of public consultations by posting the draft Plan for at least 30 days on an organization's public-facing website.

This ECP has been developed in compliance with the requirements as outlined under BPSECA, and in line with SRH's commitment to ensure it can attract and retain a highly qualified and engaged workforce to meet its goals and objectives, and continue to provide quality and safe patient care.

Maureen Adamson
Chair, Board of Directors

Elizabeth Buller
President and CEO

Dr. Naresh Mohan
Interim Chair, Medical Advisory Committee

A. Compensation Philosophy

SRH aims to provide a competitive compensation package for its executives designed to contribute to the attraction and retention of high quality talent for roles that are charged with providing strategic direction to its leaders and other stakeholders, and to those who influence its success externally. SRH's Compensation Philosophy is based on the following principles:

- **Accountability**

To ensure that individual and team performance supports SRH's mission, vision, values, strategic and operational plans in order to drive high quality patient and family centred care.

- **Alignment**

To align job rates that ensures external equity and competitiveness with comparator hospitals as well as internal equity.

- **Engagement**

To contribute to the development of short-term and long-term engagement of talent through competitive compensation and benefits programs.

- **Fairness**

To maintain a compensation policy based on business need, industry practice and government directives.

- **Objectivity**

To enable SRH's role as a leading organization, yet aware of our own accountability to the organization and the stakeholders we service.

- **Transparency**

To ensure clarity, completeness, simplicity and brevity in communicating our compensation philosophy, and proactively disclose compensation decisions based on objective evidence and achievement of our goals and objectives.

SRH's executive compensation package includes base salary and pay for performance. The performance pay component is designed to reward the achievement of objectives, metrics and targets established on an annual basis.

B. Designated Executive Positions

SRH has five (5) executive classes: The ECP covers all current Executives and all future Executives recruited into any of these executive classes.

Executive Position	Executive Class
President and Chief Executive Officer	Exec-A
Chief of Staff	Exec-B
Executive Vice President	Exec-C
Vice President	Exec-D
Executive Director, Corporate Communications & Government Relations	Exec-E

C. Comparator Selection

SRH engaged Korn Ferry / Hay Group, an external consultant, to conduct an extensive analysis to arrive at a comparator group of eight (8) organizations. The chosen comparators were selected based on the following Framework factors:

- **Types of operations:**

All of the selected comparator organizations are hospitals and Ontario Broader Public Sector organizations. In addition, all offer similar services to that of SRH. Five of the eight are large acute care community hospitals similar to SRH. The remaining three of the comparator hospitals are academic and are included in the comparator group because they are similar in size and scope to SRH.

- **Size and scope:**

To determine similar-sized hospitals, SRH analyzed the operating budget, staff head count, and number of distinct hospital sites, as detailed in the chart below. The 50th percentile of the Annual Operating Expenditure of the comparator group is virtually identical to that of SRH. Four of the comparator hospitals operate the same number of sites as SRH, with one operating a lesser number and three operating a greater number.

- **Location:**

All comparator hospitals are located in the Toronto / Greater Toronto Area region, similar to SRH.

- **Scope of responsibilities of the organization's executives:**

Each of the comparator organizations have similar executive roles with respect to the required knowledge, skills and abilities of the respective executives. They also have similar relative role complexity and levels of accountability.

The following table provides details of the comparator organizations and their similarity to SRH:

Comparator Hospitals	Operating Expenditure	Location	# of FTEs	# of Sites
Humber Regional Hospital	\$582,000,000	Toronto	3300	3
Lakeridge Health Corporation	\$615,000,000	GTA	4037	5
Sinai Health System	\$373,000,000	Toronto	5728	4
Southlake Regional Health Centre	\$550,000,000	GTA	2984	3
St Joseph's Healthcare, Hamilton	\$672,000,000	Hamilton	7896	6
St Michael's Hospital	\$438,000,000	Toronto	6066	1
Trillium Health Partners	\$1,016,000,000	GTA	8000	3
William Osler Health Centre	\$665,000,000	GTA	5205	3
Market 50th Percentile	\$598,500,000			
Scarborough and Rouge Hospital	\$606,000,000	Toronto	5134	3

D. Comparative Analysis Details

Using the eight (8) comparator hospitals identified above, SRH engaged Korn Ferry / Hay Group to conduct separate Chief Executive Officer and Chief of Staff compensation reviews. SRH also collected market data using the 2016-17 Ontario Hospital Association Executive Compensation Survey and/or through disclosure by individual hospitals. SRH's executive positions were benchmarked against the following comparable positions at the comparator organizations, using the Ontario Hospital Association's job capsule information. Roles with similar or equivalent titles, job descriptions and scope of responsibilities, were identified using the standard Ontario Hospital Association Job Capsule information for executive positions. Given the variation in Vice President roles amongst all comparator hospitals, SRH based its analyses on an average of all Vice President rates. This makes sense for SRH since it expects that its Vice Presidents have the flexibility to be accountable for multiple areas, including a mix of clinical and non-clinical portfolios.

- Top Executive Officer
- Top Finance Executive
- Top Human Resources Executive
- Top Clinical Executive
- Top Nursing Executive
- Top Support Services Executive
- Top Strategy & Planning Executive
- Top Medical Executive
- Top Public Relations Executive

The following table provides details of comparative analyses conducted in order to arrive at SRH's structure.

Executive Classes: Exec-A , Exec-B, Exec-C and Exec-D:

Comparator Hospitals	President & Chief Executive Officer (Exec-A)			Chief of Staff / Executive Vice President (Exec-B and Exec-C)			Comparable Vice Presidents (Exec-D)		
	Base Salary	Perf. Pay	Total Comp.	Base Salary	Perf. Pay	Total Comp.	Base Salary	Perf. Pay	Total Comp.
Humber Regional Hospital	\$493,884	10%	\$543,272	\$325,000	0%	\$325,000	\$254,590	0%	\$254,590
Lakeridge Health Corporation	\$490,000	0%	\$490,000	\$311,500	0%	\$311,500	\$225,417	0%	\$225,417
Sinai Health System	\$570,000	20%	\$684,000	\$310,000	20%	\$372,000	\$300,916	20%	\$361,100
Southlake Regional Health Centre	\$412,000	10%	\$453,200	\$350,000	10%	\$385,000	\$230,667	10%	\$253,733
St Joseph's Healthcare, Hamilton	\$635,000	0%	\$635,000	NA	NA	NA	\$297,534	0%	\$297,534
St Michael's Hospital	\$675,000	5%	\$708,750	\$335,000	15%	\$385,250	\$312,235	5%	\$323,902
Trillium Health Partners	\$525,000	30%	\$682,500	\$553,144	5%	\$580,801	\$296,690	18%	\$349,884
William Osler Health Centre	\$445,000	9%	\$485,050	\$276,600	6%	\$293,196	\$269,667	6%	\$285,847
Market 50th Percentile (rounded)	\$509,400	10%	\$589,100	\$362,979	8%	\$391,199	\$275,000	6%	\$291,500

For Executive Class B, it should be noted that this executive class requires a physician in the role and is part-time in nature. Market data was collected by the Korn Ferry / Hay Group based on the 2016-17 Ontario Hospital Association Executive Compensation Survey and/or through disclosure by individual organizations. A custom survey was also conducted by the consultants to confirm and augment the information used in their report. Because of the nature of this role, the analyses focused on maximum annual total compensation as well as normalized compensation based on a one-day per week worked.

Market Findings	50th Percentile of comparator group
Number of days worked per week	3.5 days
Maximum Annual Available Total Cash Compensation	\$393,500
Normalized Maximum Annual Available Total Cash Compensation based on 1 day per week	\$109,725
Performance Pay (included in above maximum compensation)	6%

Executive Class: Exec-E:

This class is unique for SRH with insufficient like comparators across the comparator hospitals identified in Section C. A separate group of comparators which have similar positions was therefore used for this position. The chosen comparators were selected based on the following Framework factors:

- All of the selected comparator organizations are hospitals and Ontario Broader Public Sector organizations
- All are located in the Toronto/Greater Toronto Area Region, similar to SRH
- The size and scope of all the comparator hospitals are similar to SRH

At SRH, this role reports to the President & Chief Executive Officer and is a member of the Senior Leadership Team. Its depth and breadth of job scope and accountability, however, is at a lower level than that of SRH's Vice-Presidents. SRH has therefore set the compensation value for this class at a level that will allow for reasonable compression between the job classifications above and below this class.

Comparator Hospitals	Top Public Relations Executive (Exec-E)		
	Base Salary	Perf. Pay	Total Comp.
Centre for Addiction & Mental Health	\$259,000	15%	\$297,850
Holland Bloorview Rehabilitation Hospital	\$170,000	10%	\$187,000
Mackenzie Health	\$213,808	15%	\$245,879
Markham Stouffville Hospital	\$160,000	0%	\$160,000
Providence Healthcare	\$156,060	0%	\$156,060
Sinai Health System	\$187,500	20%	\$225,000
Sunnybrook Health Science Centre	\$223,000	21%	\$269,830
William Osler Health Centre	\$256,600	6%	\$271,996
Market 50th Percentile (rounded)	\$200,654	13%	\$235,440

E. Pay Structure

In line with the Broader Public Sector Executive Compensation Act, 2014, and also based on the compensation philosophy of SRH, Base Salary pay bands have been established based on the 50th percentile of the market as detailed below. Annual movement along the pay band may occur, subject to satisfactory performance, with individual base salaries capped at the maximum job rate. On an annual basis, SRH conducts detailed compensation market review analyses of all non-union, management and executive jobs. Based on these analyses, SRH may make annual market adjustments in order to ensure that SRH's overall compensation program is competitive and true to its compensation philosophy.

SRH's pay structure that has been developed based on the detailed analyses outlined in sections B, C and D above, is as under:

Executive Class	Minimum	Midpoint	Maximum	Maximum Performance-Related Pay (% of Salary)	Total Maximum Compensation
Exec-A	\$486,200	\$529,100	\$572,000	3%	\$589,100
Exec-B / C	\$324,440	\$353,070	\$381,695	3%	\$393,500
Exec-D	\$240,550	\$261,775	\$283,000	3%	\$291,490
Exec-E	\$180,425	\$196,338	\$212,250	3%	\$218,620

As indicated above, SRH's Total Maximum Compensation is in line with the 50th percentile of its market comparators.

F. Salary and Performance-Related Pay Envelope

As a new organization, SRH has not yet completed its first pay year. Therefore, it is unable to use the sum of salary and performance-related pay for the most recently completed pay year, as its pay envelope. SRH is using the total amount of its current executives salary and performance-related pay, as its pay envelope, as reported below:

Sum of Salary and Performance-related Pay for existing executives as at October 31, 2017	Maximum Rate of Increase to Envelope (%)
\$3,405,086	5%

SRH has set its annual maximum rate of increase to the envelope at 5%. This means that in any given year, the envelope may increase by no more than 5%. This does not mean that all individual executives will receive a 5% pay increase, but rather that the total envelope could increase by up to 5%. In proposing this annual rate of increase, SRH considered the factors listed in the directive:

- The financial priorities and the compensation priorities of the Government of Ontario, as indicated in the Speech from the Throne, the Budget, the Economic Outlook and Fiscal Review, and the public documents of the Crown in right of Ontario, the Cabinet, the Treasury Board and the Management Board of Cabinet.
- Recent executive compensation trends in the part of the Canadian public sector and broader public sector that is in the industry within which SRH competes for executives.
- A comparison between the percentage of SRH's operating budget that is used for executive salary and performance-related pay, and the percentages of the operating budgets of SRH's comparator organizations that are used for executive salary and performance-related pay.

- The effect on attracting talent to SRH's executive positions, and retaining this talent, or the difference between the salary and performance-related pay range for those positions and the salary and performance-related pay ranges for the employees or office-holders who directly report to the holders of those positions. SRH believes that this flexibility is essential to allow it to be able to continue to attract and engage top talent in an extremely competitive market. Given the complexities of the healthcare environment that SRH operates within, it is critical that SRH's compensation program is robust and that its executives' pay levels do not lag the market. SRH believes that this is a modest rate of increase that is necessary to ensure appropriate gaps in pay levels and alleviate the potential for compression between executives and other management staff. It also takes into account the fact that the skills of its executives are highly sought after and transferable between industries
- Any significant expansion in the operations of SRH that is not the result of a significant organizational restructuring. SRH is a newly merged organization, and all its executives have taken on broader portfolios and/or increased responsibilities, with increased complexities, across a larger number of sites.

G. Other Elements of Compensation

SRH provides its executives with transport allowance for business travel using their own personal vehicles. The roles of the executives involve frequent travel to all three sites of SRH. As part of their roles, the executives are also required to represent SRH at regular and ad-hoc external meetings and events.

H. Supplementary Information

SRH engaged the Korn Ferry / Hay Group to conduct independent analyses and/or provide advice and guidance on this ECP. SRH also utilized data from the Results of the 2016 Chief Executive Officer Survey and the 2016 Designated Executive Survey, conducted by the Ontario Hospital Association, the Public Sector Salary Disclosure, 2016, and comparator hospital websites.