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Meridian Client Update



Holiday Greetings and Best Wishes for a Happy New Year!

From all of us at Meridian Compensation Partners, we wish you a safe holiday season filled with peace and joy! May 2012 bring you and your family health and prosperity.

Canadian Companies Pay Directors Significantly Less than U.S. Counterparts

Meridian Compensation Partners recently completed a study that compared the outside director compensation practices at the S&P/TSX 60 index companies and at 322 U.S. public companies with comparable revenue. We found that:

- U.S. companies pay their directors median total compensation of USD 207,625, 22% more than Canadian companies where median total compensation is CAD 170,795.
- The gap is narrower for cross-listed Canadian companies, with U.S. companies paying only 13% more total compensation at the median.
- U.S. companies pay a greater portion of total compensation (57%) in equity, compared with 39% in equity at Canadian companies.
- More U.S. companies pay an annual retainer with no per-meeting fees; 58% of U.S. companies pay annual retainers only, compared with 27% of Canadian companies.
- Interestingly, Canadian companies pay non-executive chairs and lead directors significantly higher premiums for board leadership roles than their U.S. counterparts. The median *additional* compensation for the Canadian non-executive chair is CAD 210,000, almost double the median *additional* U.S. compensation of USD 125,000. The median *additional* compensation for a Canadian lead director of CAD 40,000 is twice the median *additional* U.S. compensation of USD 20,000.
- Audit and Compensation committee chair retainers are also higher for Canadian companies. The median retainer for Canadian Audit Committee chairs is CAD 23,125 compared with USD 18,000 for U.S. Audit Committee chairs. Canadian Compensation Committee chairs are paid a median retainer of CAD 14,679 compared with USD 12,000 at U.S. companies.

Meridian Comment

The significant disparity in total director pay at U.S. and Canadian companies may make it more difficult for Canadian companies to attract highly qualified U.S. directors. While the somewhat less litigious Canadian system may support some pay differential, it does not explain the gap between U.S. and Canadian cross-listed company pay practices. The gap may encourage some Canadian companies to consider increasing total director pay to remain competitive on a North American scale.

Study Parameters

Meridian's findings were based on data from current proxy statements filed in 2011. The study compares the compensation programs at the S&P/TSX 60 index companies to the compensation programs at a custom cut of 322 U.S.-based general industry companies from Meridian's U.S. Outside Directors Compensation Study. The U.S. companies analyzed in the study had a revenue scope of USD 791M to USD 37,243M, compared to a revenue range for the S&P/TSX 60 of CAD 792M to CAD 36,629M. The revenue ranges, median and average revenue of the U.S. companies are very similar to the S&P/TSX 60, although the market capitalization of the S&P/TSX 60 index companies is somewhat larger than the U.S. companies used in the study. For the study, total outside director compensation included annual retainer (cash and/or equity), board meeting fees, committee fees (including additional retainers and meeting fees), and non-retainer equity. For simplicity, no foreign exchange adjustments have been made.

Please contact us for a copy of the survey summary.

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