

Board of Directors' Meeting of June 25, 2010 Website Summary

Executive Compensation Annual Review Process and 2010 Peer Group

Decision

The annual review process was approved by the Board of Directors.

Rationale

In June 2007, the Institute of Corporate Directors, Blue Ribbon Commission on the Governance of Executive Compensation in Canada, released its final report. This report outlined the need for organizations to provide transparency and independence regarding executive compensation. In response, the WCB-Alberta undertook an extensive review of its executive compensation philosophy and process to ensure alignment with governance best practice.

Following this review, the WCB added a statement to its terms of reference for the Board of Directors' Human Resource and Compensation (HR&C) Committee to approve the appointment of an independent executive compensation consultant. After an extensive request for proposal process, Towers Watson (formerly Towers Perrin) was confirmed as the independent consultant.

The [executive compensation process](#) was developed as part of this review and has been followed since 2007. This process has been reviewed by Towers Watson and provides for full transparency and understanding of what occurs on an annual basis.

In addition, the [peer group for the 2010 executive compensation](#) review has been reconfirmed for appropriateness by Towers Watson, approved by the HR&C committee and provided to the Board of Directors as information.

Compensation, Rewards and Recognition Philosophy

Decision

The revised Compensation, Rewards and Recognition Philosophy was approved by the Board of Directors.

Rationale

The Compensation, Rewards and Recognition Philosophy is reviewed annually by the Human Resource and Compensation Committee.

This philosophy was first developed in 1999 to serve as a framework for the design of total rewards programs to ensure the WCB-Alberta could attract and retain the human resource skills required to carry out the mission, vision and business objectives of the WCB.

The philosophy was built on three key concepts:

- to position the WCB to be competitive in the marketplace;
- to recognize pay for performance to encourage and reward a culture of achieving excellence; and,
- to focus all employees on achieving the corporate goals and objectives.

The philosophy applied to all non-unionized staff, including the executive, and the marketplace was defined as the general Alberta market place, both public and private sectors, with data obtained from the HayGroup database. Additional national market data was obtained from Mercer Human Resources Consulting, KPMG and Towers Watson (formerly Towers Perrin) for use in determining executive salary ranges.

To date, while the [Compensation, Rewards and Recognition Philosophy](#) has taken a comprehensive look at all the total rewards programs, the focus has been on base compensation.

With this review of the Compensation, Rewards and Recognition Philosophy, and to align with the recommendations of the Auditor General, WCB-Alberta has created the [Principles of Pay for Performance](#). These principles, which previously were loosely captured in the Compensation, Rewards and Recognition Philosophy, have now been formally set out to provide guidance and a foundation for the pay for performance program.