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2019 COMPENSATION REVIEW

Brantford Energy Group
of Companies

February 2020



KORN FERRY®

About Korn Ferry: We are a global leader in work and rewards

We take a holistic approach to solving challenges with our end-to-end organizational and talent capabilities.

Rewards have been a core business for 75 years.

Our rewards experts draw on ground-breaking empirical studies of best-in-class performance, to identify rewards interventions that make the difference.



We understand what motivates people at work.

We've dedicated the last 75 years to understanding what drives people to excel at work.

So, we're ideally placed to develop rewards strategies to attract and retain top talent.



Our insights are grounded in world-class data.

We have the most comprehensive people databases in the world including data on rewards, employee perceptions, talent assessments, organization structure and benchmark jobs.

We are the market leaders in talent and reward data analytics.



Ours is the leading job evaluation methodology.

We know more about work and how to organize it than any other organization.

Our job evaluation methodology is the most widely used in the world.



We have global reach and local knowledge.

We can scale to meet your global needs quickly. We have reward experts in 114 locations in 53 countries.

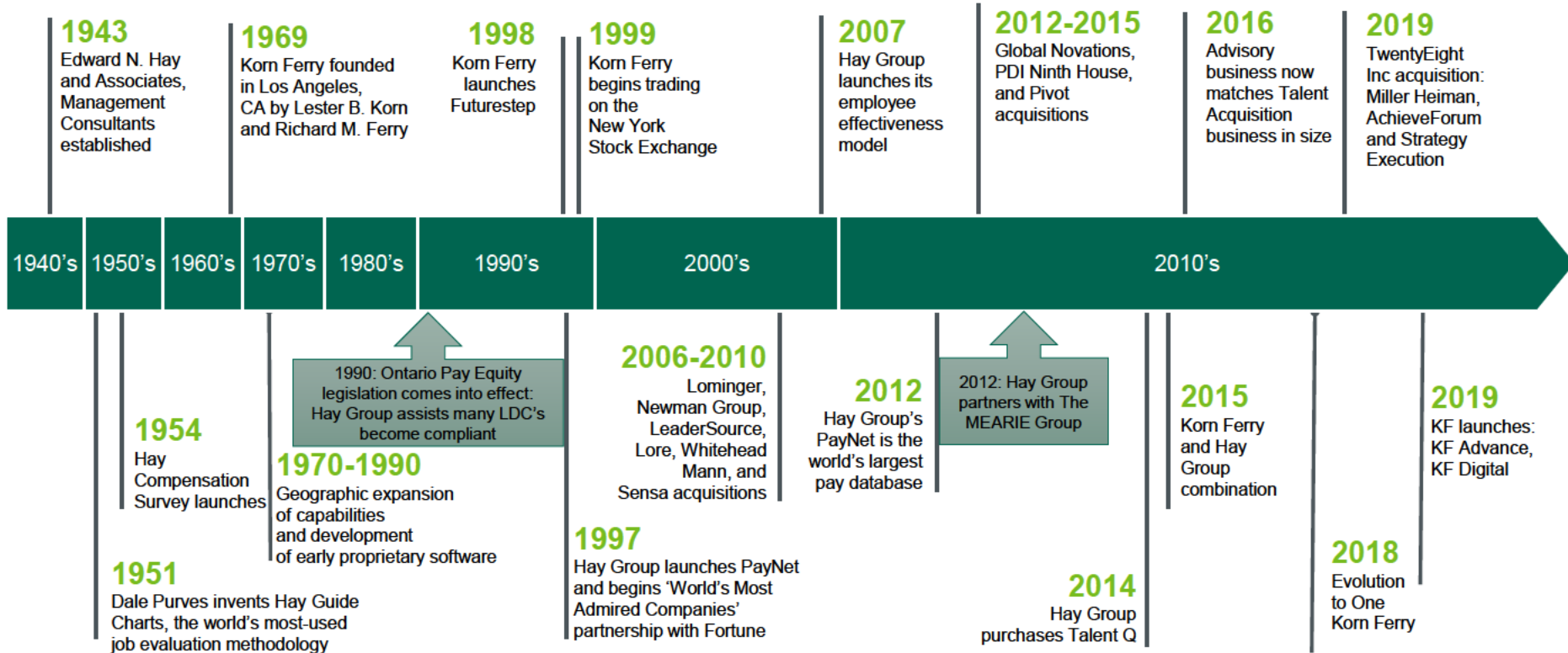


We partner with the world's leading organizations.

We work with 96% of FORTUNE'S Most Admired Companies.
33% of the top twelve U.S. business schools use Korn Ferry tools in the classroom.



Significant milestones



2019 / 2020 Compensation Review

- 0 Executive Summary
- 1 Overview of the Project
 - a) BPI History
 - b) Project Overview
 - c) Overview of job evaluation factors
- 2 Internal Equity / Jobs Refresh
 - a) Documentation / Job Analysis Update
 - b) Evaluation Review & Grading
- 3 Compensation Analysis
 - a) Market Formation
 - b) BPI Market Position
 - c) Implementation Cost
- 4 Pay Equity
- 5 Questions?



Executive Summary

- BPI completed a compensation review in 2014; market practice is typically 2 - 3 year review in addition to annual inflationary adjustments
- Though: BPI has implemented changes and a STVP for all staff in the last 5 years
- The 2019 review is consistent with the Board direction in 2014
- All jobs and resultant evaluations were reviewed. The banding/structure continues to fit.
- Conclusion:
 - 5 roles have lost pace with the market, and 3 roles which have grown or are added to the organization, require adjustments
 - All other incumbents fall within range and do not require immediate adjustment.
 - Ranges and STVP have been adjusted to align market values. Ultimately the STVP payouts will increase overall (as long as targets are achieved)
- No Executive roles require adjustment as a result of the review.

The 2014 compensation project established BPI's own total rewards program that was separate and distinct from the City of Brantford. This included:

- Compensation philosophy (Peer Group)
- Compensation Strategy (P50)
- Compensation structure and administration: Base Pay Ranges and Short-Term Variable Pay Opportunity, based upon performance
- Job Evaluation
- Pay Equity Plan establishment



1

Overview of Project



BPI – Compensation Project History with Korn Ferry (Hay Group)

- Through 2013 and 2014, BPI completed the initial compensation project which included:
 - Training for employees on the completion of job description questionnaires and then staff completing the documentation
 - Korn Ferry (then Hay Group) evaluating all roles within the organization; some in association with a BPI Job Evaluation committee that was provided with training in the evaluation methodology
 - Compensation Principles were established (i.e. comparator group guidance, market positioning, grade structure, range spread, progression through range, variable pay potential)
 - Compensation analysis was completed, and implementation plan was developed to move BPI to a new compensation framework
 - Pay Equity analysis and plan was completed to enable pay equity compliance.
- In late 2014, BPI established Short Term Variable Pay for staff
 - In late 2014 the first variable pay calculator and payout methodology was approved by the Board for the executive group. Since then, we have assisted Brantford Power to review the scorecard and provide our insight to the calculations, and, resultant payouts.
 - In 2016 - 2017, Korn Ferry assisted BPI in adjusting the eligibility from the executive group to all employees and modelling cost
 - In 2018, BPI completed the “rollout” of the STVP plan to all employees (for 2019 payouts)



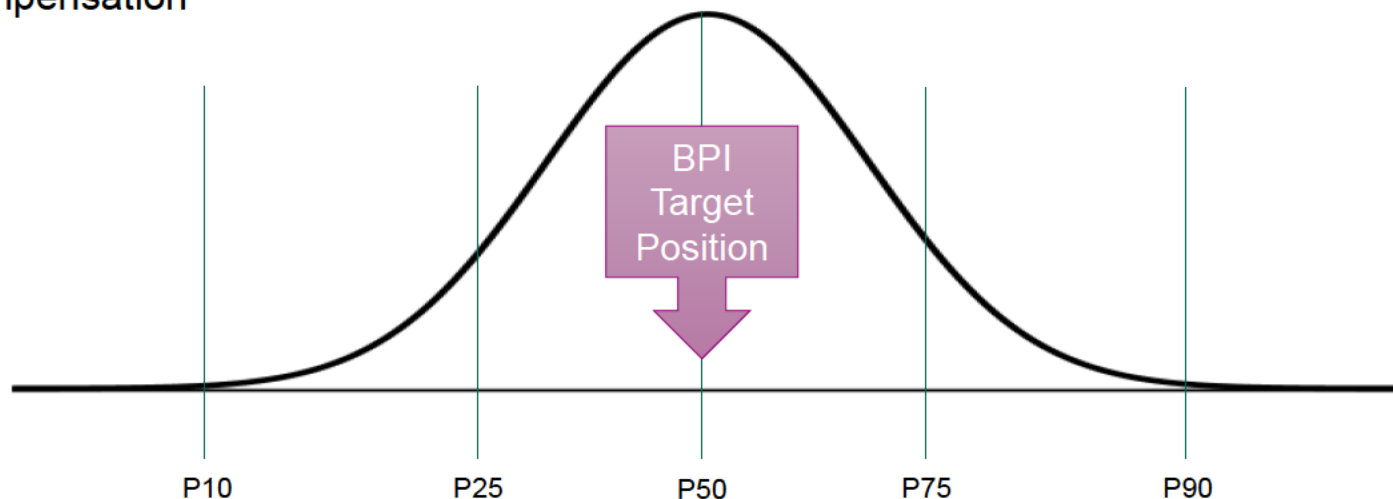
2019 Compensation Project

- Having completed the implementation and STVP rollout, it's a best practice to review and refresh compensation plans at a regular interval to ensure maintenance of market position.
 - The typical time for this is every 2-3 years.
- The 2019 Compensation Project is a major update to the work completed in 2013/2014. The key activities included:
 - Internal Review:
 - Job documentation update – interviews & position questionnaires updated
 - Evaluation refresh / confirm banding of roles.
 - *Note:* Appendix A provides additional information with respect to Job Evaluation factors.
 - External Review:
 - Market formation; considering principles established in 2014
 - Alignment:
 - Compensation analysis – for base compensation and short-term variable
 - *Note:* Appendix B provides illustration of peer group / compensation strategy
 - Pay equity maintenance review



Market Alignment

- Korn Ferry currently maintains a database with over 660 employers and over 700,000 incumbents. From this database, we selected a relevant market data set that would be reasonable for BPI to benchmark to.
- These organizations are generally: the GridSmartCity partners (all are included), and, other LDC organizations that would compete from a talent acquisition perspective due to geographical proximity and/or utility size.
- Ultimately, we determined a group of 18 organizations (in 2013/2014 16 were used) and we benchmark to target the median, or 50th percentile, of the market.
- The market is defined as total cash – which is base salary plus short-term variable compensation



2019 Peer Group (n = 18) vs 2014 (n = 16)

Organization	GridSmartCity Partner	2014 Peer Group
Alectra Inc.*		
Burlington Power	✓	✓
Energy+ Inc.	✓	✓
Entegrus Inc.	✓	
EnWin Utilities Ltd.	✓	
Essex Power Corporation	✓	✓
Festival Hydro Inc.		✓
Halton Hills Hydro Inc.	✓	✓
Kitchener-Wilmot Hydro Inc.	✓	✓
London Hydro		
Milton Hydro Distribution Inc.	✓	
Niagara Peninsula Energy Inc.	✓	
Oakville Enterprises Corporation	✓	✓
Orangeville Hydro Limited		✓
Oshawa PUC Networks Inc.		✓
Utilities Kingston	✓	✓
Waterloo North Hydro	✓	✓
Welland Hydro-Electric System Corp.	✓	

- The 2019 peer group now focuses on GridSmartCity partners and local area/similar size LDCs.
- Removals from the 2014 peer group are located outside the BPI marketplace (Peterborough, Newmarket, ELK), or they have changed corporate structure (i.e. Guelph now part of Alectra, Woodstock now part of Hydro One).
- Note: in 2014 Energy+ was known as Cambridge and North Dumfries Hydro
- * For Alectra, we selected specific jobs only that are based west of Toronto as each incumbent in our database is linked to their job postal code location (i.e. legacy Powerstream based jobs are not included however legacy Horizon, Enersource, Guelph, and Hydro One Brampton jobs would be)

2

Internal Equity / Jobs Refresh



Jobs Refresh

- Job Documentation – Refresh Process:
 - In order to properly review all revised or new roles at either BPI or BHI, Korn Ferry (KF) needed to ensure understanding of the roles
 - To ensure fair treatment across all incumbents, all were invited to sit with a KF consultant and provide information about their job. KF utilizes a standard questionnaire to capture job content. This removed the burden to employees of having to complete job documents on their own behalf.
 - KF then completed job documents on the employees behalf in MS word / editable copy; employees and their supervisors then edited the document to mutual satisfaction and provided KF with final copies
 - Generally, while many edits were made to the documents for specificity or wording, or addition of some task based items, 95%+ of the job content was captured and our evaluation opinions were unchanged with the edits made
- Korn Ferry evaluated all roles using the KF Hay methodology – the evaluations consider the executive job profiles as a ceiling, and, in comparison to outside firms. The non-executive evaluations consider internal reporting structure and global benchmarks for non-executive roles.
- No employees were provided with training in the methodology at this time, but this can be completed at BPI's request (either customized training, via MEARIE if a course is offered, or, by our public seminar training offered 4x annually in Toronto). Additional detail regarding the methodology is provided in Appendix A.
- BEC executives (i.e. CEO, CFO) reviewed KF evaluations and any changes were reviewed and mutually agreed upon



Grading

- Generally, organizations will group jobs together if similar size (i.e. similar internal worth) such that they will have the same pay opportunity. This eliminates unique pricing points for all jobs / individual administration.
- The banding was formed in 2014 for BPI and still “fits” the distribution of jobs within the organization.
- Some jobs (2) have increased their accountabilities and as a result have moved up in the organization structure. Other jobs (3) are new and have been evaluated for the first time.
- As additional consideration, KF provided some insight on typical job names within the market and some titles have been adjusted.



Grading - Results

- The banding was formed in 2014 for BPI and still “fits” the distribution of jobs within the organization. The outcome of the evaluation review is as follows:

14
13
12
10 / 11

9

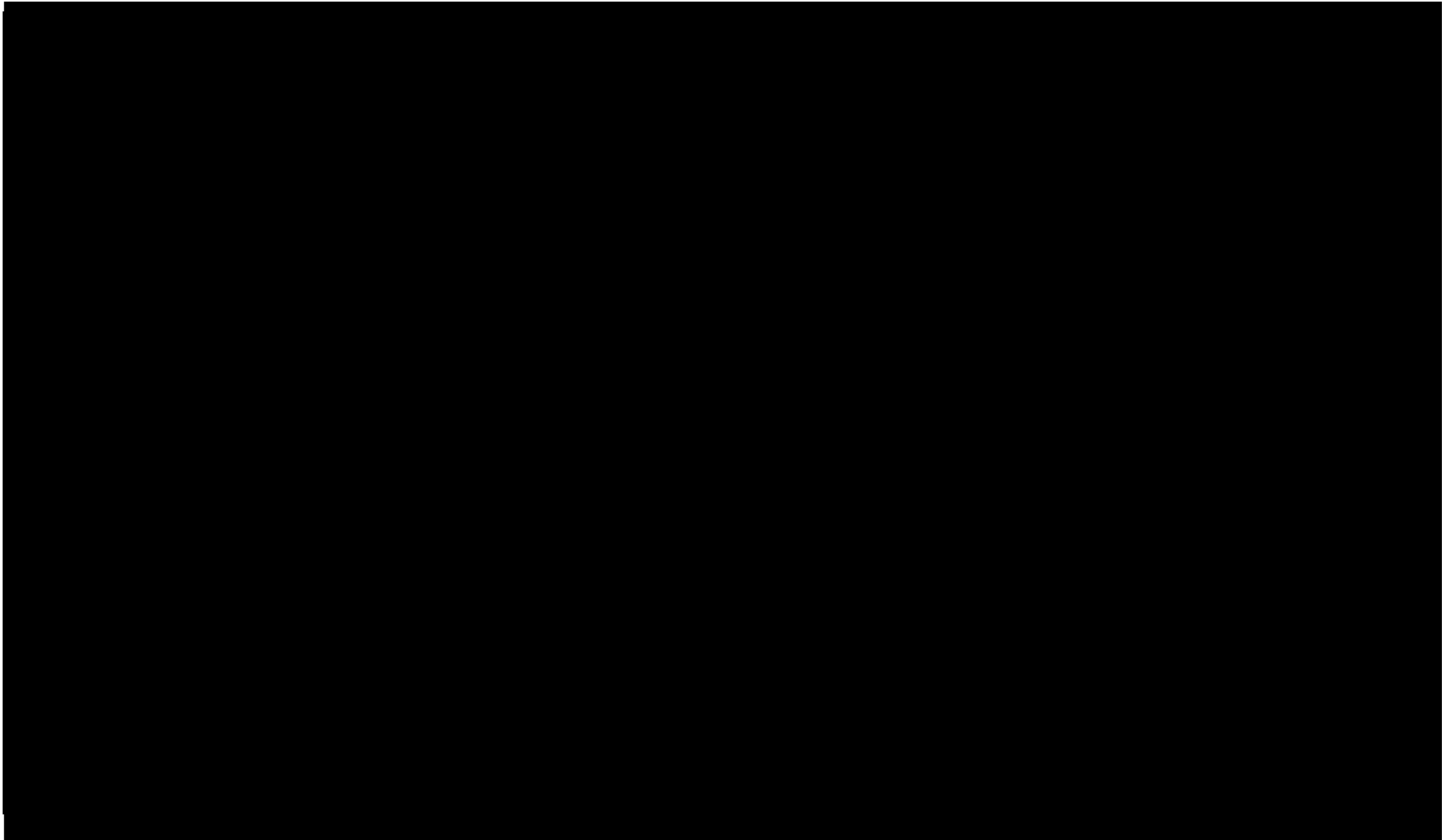
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7

6
5

4

3
1 / 2

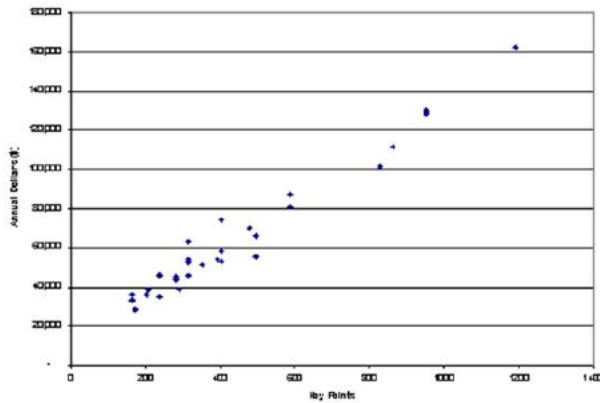


3 Compensation Analysis

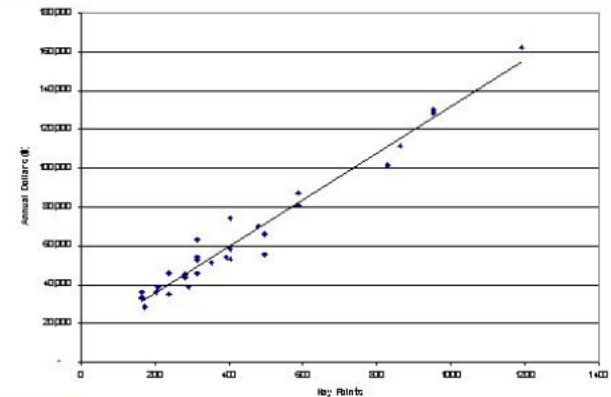


Data illustration: Market 50th percentile formation from job sizing

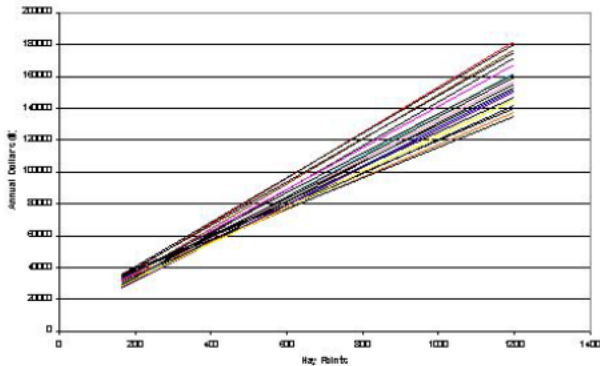
1 Company Observations



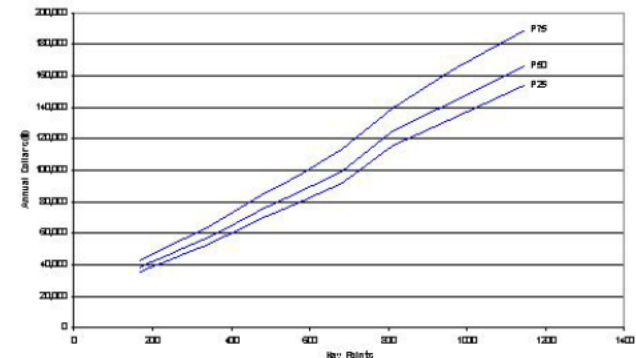
2 Company Line



3 Multiple Company Lines



4 Multiple Market Levels



Compensation Analysis

- The following slides depict the compensation analysis in the following order:
 - Market data by grades
 - Incumbent based analysis, with any immediate cost impact
- Generally, the findings are that:
 - Most organizations in the peer group do have a STVP, but some organizations do not for either all jobs or all levels of the organization (i.e., senior leadership is eligible only).
 - BPI has adjusted compensation minimally for bands grades 1 – 9, however, *has not been adjusting bands 10+ (executive bands)*. This has led to BPI lagging the market, and, having an inversion circumstance potentially occur (if incumbent in a band 9 role reported to an incumbent in a band 10 role)
 - Generally utilities organizations are adjusting ranges over 2% annually in the last 5 years and BPI has adjusted 5.6% overall in the past 5 years, hence the slow erosion of market position year over year (Index provided below)
 - The implementation and rollout of the STVP has helped to offset the market shortage, but on average, BPI is 9% behind the market median for total cash (excluding CEO which tracks closer to market).

Time	Year 1	Year 2	Year 3	Year 4	Year 5
BPI (Bands 1 – 9)	100		→		105.6
Market	100	+2% 102	+2% 104.04	+2% 106.12	+2% 108.24



Market Median – Grades Analysis

							BPI Current Salary Structure						
Grade	Start	Range Min \$	Market Job Rate	Range Max \$	Market STVP % where eligible	Market Total at Target	Range Min \$	BPI Job Rate	Range Max \$	STVP%	BPI total cash design	Mkt Variance (i.e. % to go up to market - Base)	Mkt Variance (i.e. % to go up to market - Total Cash)
14	1151	\$170,700	\$189,700	\$208,700	20%	\$222,100	\$170,010	\$188,900	\$207,790	20%	\$ 226,680	0%	-2%
13	950	\$149,200	\$165,800	\$182,400	17%	\$188,600	\$131,580	\$146,200	\$160,820	15%	\$ 168,130	13%	12%
12	784	\$132,300	\$147,000	\$161,700	16%	\$161,200	\$115,740	\$128,600	\$141,460	15%	\$ 147,890	14%	9%
11	655	\$117,500	\$130,500	\$143,600	12%	\$139,400	\$104,130	\$115,700	\$127,270	10%	\$ 127,270	13%	10%
10	552	\$105,800	\$117,600	\$129,400	7%	\$121,800	\$92,970	\$103,300	\$113,630	5%	\$ 108,465	14%	12%
9	472	\$98,800	\$109,800	\$120,800	7%	\$112,200	\$94,442	\$104,935	\$115,429	4%	\$ 109,132	5%	3%
8	404	\$94,100	\$104,500	\$115,000	7%	\$107,600	\$89,690	\$99,656	\$109,622	4%	\$ 103,642	5%	4%
7	346	\$86,200	\$95,800	\$105,400	6%	\$99,500	\$80,188	\$89,098	\$98,008	4%	\$ 92,662	8%	7%
6	297	\$78,100	\$86,800	\$95,500	6%	\$89,600	\$71,558	\$79,509	\$87,460	2%	\$ 81,099	9%	10%
5	256	\$73,400	\$81,600	\$89,800	5%	\$83,100	\$67,098	\$74,553	\$82,008	2%	\$ 76,044	9%	9%
4	221	\$70,100	\$77,900	\$85,700	5%	\$79,700	\$60,699	\$67,443	\$74,187	2%	\$ 68,792	16%	16%
3	191		*		*	*	\$56,723	\$63,026	\$69,329	2%	\$ 64,287	N/A	N/A
2	165		*		*	*	\$53,135	\$59,039	\$64,943	2%	\$ 60,220	N/A	N/A
1	143		*		*	*	\$50,033	\$55,592	\$61,151	2%	\$ 56,704	N/A	N/A

Notes:

- Data for bands 3 and below is not available (i.e. less than 4 organizations had jobs at this level – there is a high probability jobs at this level are within the bargaining units and not in the KF database).
- All data are effective May 1, 2019
- Ultimately, from the analysis KF recommends an increase in (1) the STVP % target and (2) the BPI compensation ranges

Salary Ranges – Administration

- The following structure was implemented in 2014 and we consider it to still be in alignment with market practice
- The 100% rate will be set considering (1) market median values for base salary (2) market median values for total cash consideration and STVP % provided

Band	90 % - 95 %	95 % - 100 %	101 % - 110 %
Zone Descriptor	<p>Developing Zone</p> <p><u>Typical descriptors:</u></p> <ul style="list-style-type: none"> • New hire • Employee in Training • Developmental • Does not meet expectations 	<p>Competent Job Rate</p> <p><u>Typical descriptors:</u></p> <ul style="list-style-type: none"> • Fully competent or solid performer • Meets most, meets all, or exceeds some expectations <p>Target: Market P50</p>	<p>High Performer <i>Conditional Maximum</i></p> <p><u>Typical descriptors:</u></p> <ul style="list-style-type: none"> • High performer • Outstanding employee; goes beyond own job duties • Exceeds expectations continually

BPI: Market Decisions

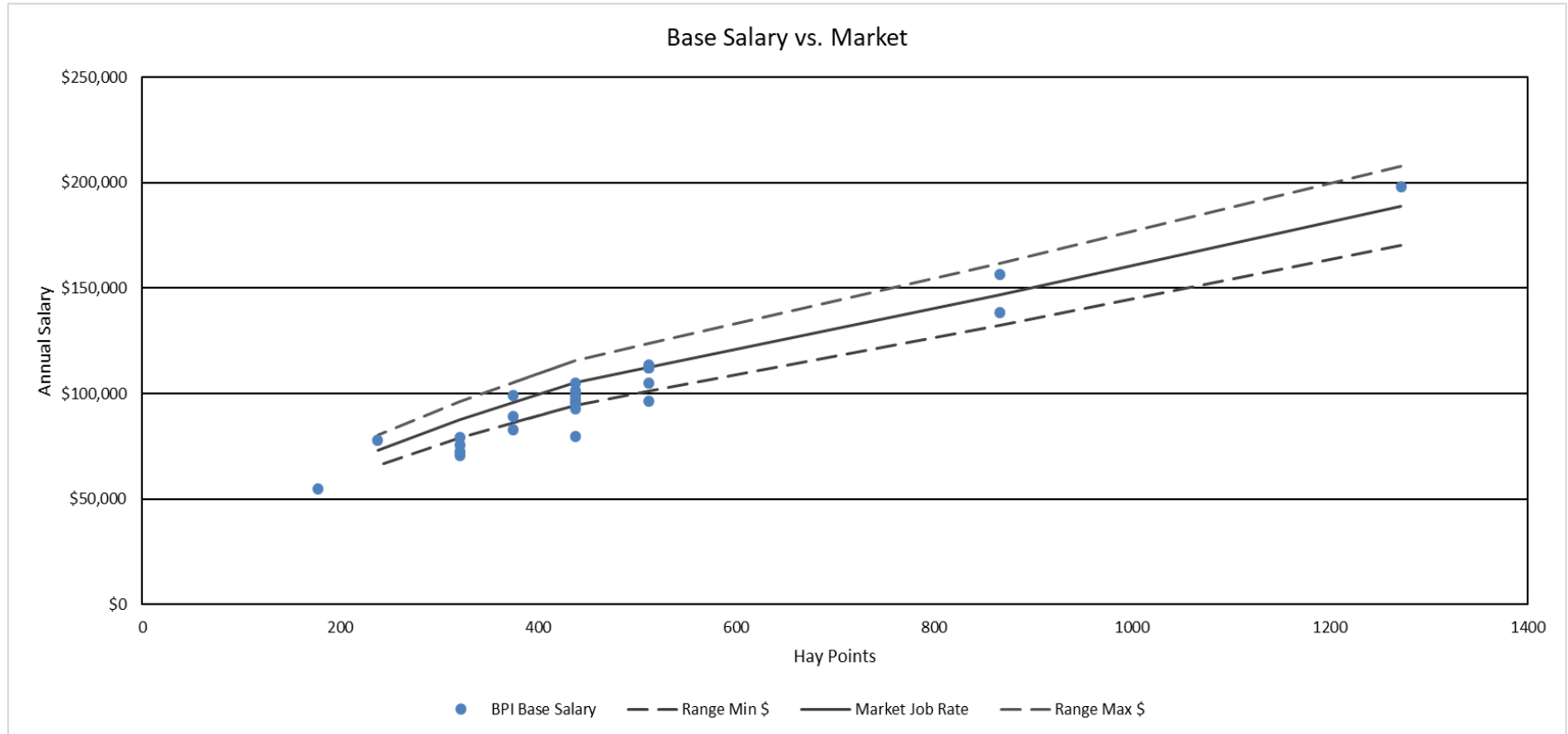
BPI will:

- Aspire to be competitive with the 50th percentile (median) of their more relevant peer group (Note: market data for Grade 1 – 3 are assumed)
- Adjust base salary ranges
- Adopt a higher STVP % to align with organizations that provide STVP

Grade	Range Min \$	Market Job Rate	Range Max \$	Market STVP % where eligible	Market Total at Target	New STVP %	STVP Change	Band Change	BPI Target Total	Market Total at Target
1	\$50,000	\$55,600	\$61,200	5%	\$58,101	5.0%	3%	0%	\$ 58,380	\$58,101
2	\$53,100	\$59,000	\$64,900	5%	\$64,557	5.0%	3%	0%	\$ 61,950	\$64,557
3	\$59,900	\$66,500	\$73,200	5%	\$71,730	5.0%	3%	6%	\$ 69,825	\$71,730
4	\$65,700	\$73,000	\$80,300	5%	\$79,700	5.0%	3%	8%	\$ 76,650	\$79,700
5	\$73,400	\$81,600	\$89,800	5%	\$83,100	5.0%	3%	9%	\$ 85,680	\$83,100
6	\$78,800	\$87,500	\$96,300	6%	\$89,600	5.0%	3%	10%	\$ 91,875	\$89,600
7	\$86,000	\$95,500	\$105,100	6%	\$99,500	7.5%	4%	7%	\$ 102,663	\$99,500
8	\$94,500	\$105,000	\$115,500	7%	\$107,600	7.5%	4%	5%	\$ 112,875	\$107,600
9	\$101,300	\$112,500	\$123,800	7%	\$112,200	7.5%	4%	7%	\$ 120,938	\$112,200
10	\$108,000	\$120,000	\$132,000	7%	\$121,800	7.5%	3%	16%	\$ 129,000	\$121,800
11	\$117,000	\$130,000	\$143,000	12%	\$139,400	10%	0%	12%	\$ 143,000	\$139,400
12	\$132,300	\$147,000	\$161,700	16%	\$161,200	15%	0%	14%	\$ 169,050	\$161,200
13	\$148,500	\$165,000	\$181,500	17%	\$188,600	15%	0%	13%	\$ 189,750	\$188,600
14	\$170,100	\$189,000	\$207,900	20%	\$222,100	20%	0%	0%	\$ 226,800	\$222,100



Chart - BPI: Market Position & Impact



Implementation – Impact Analysis

If BPI adopts the market-based structure and adjusts all bands, and implements the suggested STVP targets, which align the organization with the 50th percentile of the market, BPI will need to consider:

- Compensation for 5 incumbents (“green circled”) due to market adjustments. Cost: \$19,042
- Compensation for 3 incumbents due to their roles being adjusted up in the organization (i.e. job has increased in scope of responsibility) or the job is new to the organization. Cost: \$27,128
- Note: No executive compensation requires adjustment as a result of this review
- Allocate an additional \$72,000 estimated for the STVP payout (only to be paid if all performance metrics achieved, and, each incumbent eligible for payout has achieved individual performance rating required)



4

Pay Equity



Pay Equity: Overview

- Pay equity is an all-inclusive principal – pay equity laws have a narrow focus and were passed to redress the gap that exists between women's and men's wages and any systematic discrimination of the value of work
- Ontario's pay equity Act was passed in 1987 and applies to all employers with 10 or more employees in Ontario that are provincially regulated
- Compliance with the act is accomplished via employer self management, but the Pay Equity Commission is empowered to investigate complaints and audits organizations in Ontario on a regular basis

Additional Information Available at: www.payequity.gov.on.ca



Pay Equity: Steps to compliance and BPI's journey

Step	BPI Status
1. Determine Job classes, including gender and job rate of job classes	Complete – was determined by BPI by each job to be evaluated in 2014. Update occurred in 2019.
2. Determine the value of job classes based on factor of skill, effort, responsibility and working conditions using a gender neutral comparison system	Complete – determined by each job's evaluation
3. Identify the job rate for each job class	Complete – determined by the market decisions made as per this review
4. Conduct comparisons for all female job classes using job to job or proportional value (using the order as prescribed in the Act of how to conduct the comparison	Complete - determined by reviewing current incumbency for gender predominance and using market rates to be implemented.
5. Adjusted Wages (if required)	Complete (no adjustments required)
6. Post Plan / Maintain Plan	<p>Korn Ferry will provide copy of analysis / notes to pay equity maintenance such that there is evidence (if ever required) that an exercise was completed to maintain compliance.</p> <p>BPI has maintained pay equity and is advised to keep compensation within the structure for all staff.</p>



BPI going forward

- Annually: Review MEARIE annual management survey and other compensation forecasts to adjust *all* ranges inline with market (i.e. considering market data and internal pressures with collective bargaining agreements)
- Annually: Continue to set STVP scorecard based upon objectives and complete annual calculation to determine STVP payouts in a fair and equitable manner for all incumbents
- Periodically (2 – 3 years): Complete a market review exercise to ensure BPI is keeping pace with the market. Earlier if there are identified challenges with attraction, recruitment and retention and later if there is a sense of 'steady state' positioning.

Ongoing Maintenance:

- Administration of individuals within their role's pay band; utilizing the full width of the range as needed for developing/solid/high performers
- Continuation of usage of job evaluation methodology to determine what Band roles are in
- Continue to document roles as roles change or new jobs are introduced
- Maintain Pay Equity Plan



Further Questions?



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Appendix A

Job Evaluation



Job Evaluation



Why do it?

Job Evaluation is required to enable internal equity and provide the required basis for compliance with Ontario's Pay Equity Act.

With Korn Ferry, job evaluation is also linked to our compensation database which provides market data for over 600 employers across Ontario.

Reviewing each job, organizational analysis is also made possible and clearer career paths can be formed.

Generally: What is job evaluation?

Job evaluation is

- A measuring stick: a way to compare the relative contribution of a job to the organization against a standard set of criteria
- A process for measuring the intrinsic value of work in the organization
- Focused on the job as it is currently designed
- A method to facilitate pay comparisons to the external labour market and develop pay structures and programs
- A good tool for: clarifying job accountabilities, organizational structure and identifying career paths through / across job families and assist with succession planning, enabling compliance with legislation

Job evaluation is NOT

- The process of determining pay for a position only or specific incumbent
- An assessment of the person in the job (or their credential, or their performance)
- An absolute and scientific measure of job value
- A process that takes place in isolation – context is important
- A speculation of what a job “should be” – jobs are evaluated as they exist currently

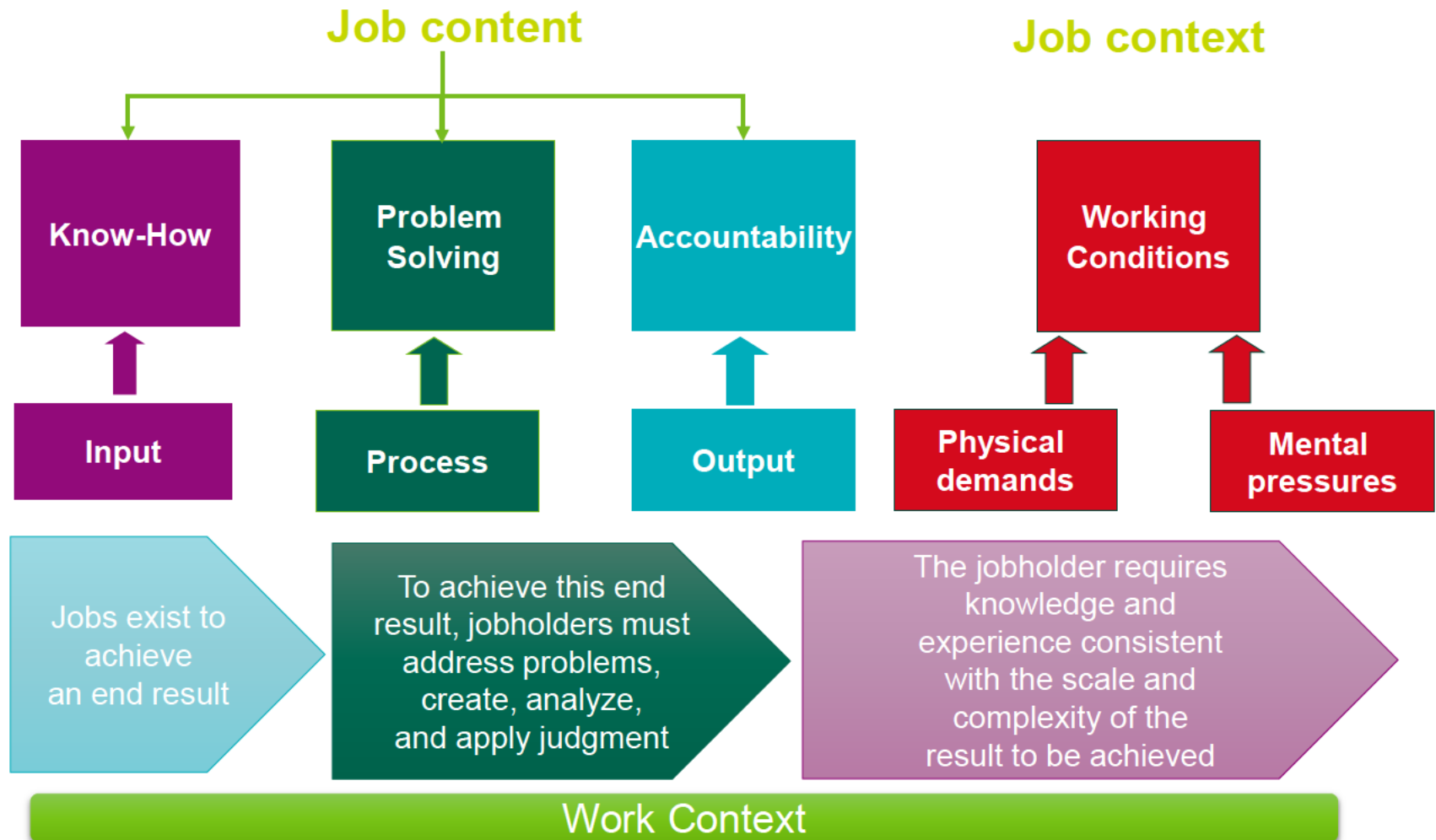


Korn Ferry Hay Guide Chart – Profile MethodSM

- The Korn Ferry Hay Guide Chart – Profile MethodSM is the most widely used process in the world for evaluating jobs
- It is currently used by more than 4,000 organizations in all industries, to evaluate any type of job
- Developed by Edward N. Hay and partners, working with clients in the early 1940's and 1950's and has been modified over the years to reflect the changing needs of organizations
- Because the Korn Ferry Hay Guide Chart - Profile MethodSM is conceptual, it can measure any kind of work or structure provided the evaluator understands the nature of the work and how the jobs relate to one another
- The primary focus is on achieving job and organization understanding; the evaluations simply reflect this understanding
- Weber's study – 15% is a “just noticeable difference” in job content



The basic factors



Know-How factor

- To achieve results, jobs require a certain depth and breadth of knowledge, skills, and type of experience
- Know-How is the factor we use to measure the sum of all knowledge and skill, however acquired, required to do the job competently
- Know-How has three dimensions:
 1. Practical, technical, and specialized knowledge and skill
 2. Planning, organizing, and integrating (managerial) knowledge
 3. Communicating and influencing skills

**The knowledge required to do
the job or 'input'**



Problem Solving factor

- In using Know-How to achieve results, jobs are designed to analyze and resolve problems
- Problem Solving is the factor we use to measure the nature and complexity of the problems and challenges that jobs must face
- Problem Solving is expressed as a percentage of Know-How because it measures the impact of what you do with what you know
- Problem Solving considers:
 - Availability of guidelines, precedents, other references and assistance from others
 - Intensity and complexity of the mental processes to identify, define, and resolve problems/issues

**The thinking, processing,
analysing or 'throughput' of a job**



Accountability

- All jobs exist to achieve results: accountability measures the output of the jobs and the importance of that output to the organization
- Accountability is concerned with the following:
 - Decision-making authority
 - The answerability for an action and for its consequences
 - The measured effect the position has on end results
- Assume expected outcomes – not 'worst case scenario' nor consequence of error

**The accountability or
'output' of a job**



Working Conditions: The “context” of the job

- Measures the following four factors:
 - Physical effort
 - Physical environment
 - Sensory attention
 - Mental stress
- Intensity, duration, and frequency are always taken into account
- A broad, general definition of each factor is given, followed by examples
- Other factors may be taken into account, provided they are applied in a consistent and gender-neutral fashion
- A reasonable match between the person and the job is assured, in all respects: intellectual, physical, emotional
- It is further assumed that all reasonable steps have been taken, by both the employer and the employee, to minimize undesirable working conditions, what remains is unavoidable

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Appendix B

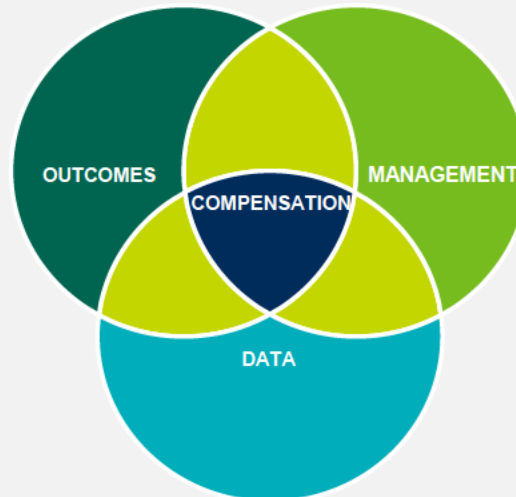
Peer Group



Peer Group Selection: What successful compensation programs look like

OUTCOME FOCUSED

- Compensation programs drive behaviors that support the organization's goals and desired culture.
- Compensation supports career pathing and personal development.
- Compensation supports talent attraction, engagement, and retention.



SUPPORTED BY MANAGEMENT

- Management actively manages individual pay expectations. There are no surprises. Management delivers on what they have promised.
- The pay system is stable/consistent. Employees come to know and trust their firm's pay systems.
- The compensation structure is easily understood.
- Compensation is easy to administer.

UNDERPINNED BY DATA

- Financial, operational, and people data are used to make the right compensation decisions to deliver the organizational strategy.
- Compensation considers employee preferences.
- Compensation align with market competitive pay: High-performing employees are well-paid.

Thank you

Deirdre Chong Smith, CHRL

Principal

Deirdre.chong@kornferry.com



Summary of redacted information on Page 14:

<u>Level</u>	<u>Graded Positions</u>
14	3*
13	
12	
11	
10	
9	5
8	8
7	3
6	6*
5	
4	
3	
2	
1	

**job bands with fewer than three jobs have been aggregated*