Hamilton Health Sciences
Board of Directors

Policy Type: CEO
Policy Title: **CEO – Variable Compensation**
Policy Number: 2.4

Introduction

According to the terms of compensation prescribed in the contract of employment between the CEO and HHSC, the CEO is eligible to earn variable compensation of up to 20%, or such other percentage as agreed upon by the CEO and the Board or pursuant to the Corporation's Executive Compensation Plan, of his/her annual base salary as compensation "at-risk". Such remuneration is earned subject to the achievement of mutually agreed performance goals approved annually by the Board of Directors. The implementation of the *Excellent Care for All Act*, 2010 introduced a new dimension of quality measurement and at-risk compensation for designated executives and the CEO. Performance goals will be divided into five categories:

i. Consolidated Financial Performance
ii. Fund 1 Financial Performance
iii. Annual Corporate Objectives
iv. Personal Objectives
v. Quality Improvement Plan

Process

Payment of the variable compensation will be based on the following performance factors and weightings:

	% of Base Salary	Consolidated Financial Performance	Fund 1 Financial Performance	Annual Corporate Objectives	Personal Objectives	Quality Improvement Plan**
CEO	**20%**	2.5%	7.5%	3%	2%	5%

**Quality Improvement Plan Distribution Formula Determined Annually in Accordance with Board Approved Plan

The operating year shall be the Corporation's fiscal year, April 1st through to March 31st. The corporate budget, portfolio budget, annual corporate objectives and personal portfolio objectives will be developed and approved prior to April 1st annually, or as soon as practicable thereafter.

A performance review will be completed annually to assess overall performance in addition to eligibility for variable compensation. Such performance review will be completed before the end of June each year.

Any payment of variable compensation is subject to the achieved level of performance in each predetermined factor on the following conditions:

A. **Consolidated Financial Performance** will be assessed using only Audited Financial Statements:
   i. For a balanced Consolidated Statement of Operations or one showing an excess of revenues over expenditures, the CEO will receive 100% of the variable compensation available;
   ii. For a Consolidated Statement of Operations showing a deficit of revenues against expenditures, the CEO will receive 0% of the variable compensation available.

B. **Fund 1 Financial Performance** will be assessed using the HSAA Accountability Agreement for Hospital Operations:
   i. A statement showing a surplus of revenues against expenditures of more than $2.5 million, the CEO will receive 100% of the variable compensation available;
   ii. For a statement showing a surplus of revenues against expenditures of more than $0 but less than or equal to $2.5 million, the CEO will receive 75% of the variable compensation available;
   iii. For a statement showing a deficit of revenues against expenditures of less than $2.5 million but greater than or equal to $0, the CEO will receive 50% of the variable compensation available;
   iv. For a statement showing a deficit of revenues against expenditures of less than $5 million but greater than or equal to $2.5 million, the CEO will receive 25% of the variable compensation available.

C. **Annual Corporate Objectives** will be assessed using the Annual Measures of Success as reported to the Board. The Annual Corporate Objectives have equal weighting unless otherwise agreed between the Board and the CEO.

D. **Personal Objectives** will be assessed at the end of the fiscal year against the predetermined measure of success as agreed between the Board and the CEO. Personal Objectives have equal weighting unless otherwise agreed between the Board and the CEO.

E. **Quality Improvement Plan**

i. Each year, the Quality Committee of the Board will recommend to the Board for approval, the Annual Quality Improvement Plan (QIP).
ii. The Compensation Subcommittee will recommend to the Board for approval the weighted distribution against stated goals.
iii. At least 25% of the CEO's variable compensation shall be determined by the level of achievement related to the QIP related goals.

The Compensation Subcommittee and the Board of Directors may use discretion when assessing performance against these performance factors, in accordance with Policy 2.2, Evaluation, and also to ensure there is no double counting of factors.

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Reviewed /Revised	Annually - September 2003 - 2015
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