



# EXECUTIVE COMPENSATION

## Why We Engage

Long-term shareholder value is more likely to be created when management and investor interests are aligned. Clear and appropriate links between executive pay and company performance help align these interests.

## What We Seek

- > A clear link between executive pay and company performance that appropriately aligns management and investors
- > Appropriately structured executive compensation programs emphasizing long-term and sustainable growth of shareholder value
- > Full disclosure in corporate reporting of compensation information and clear rationales for compensation decisions

## Engagement

Executive compensation is an important factor in a company's creation of sustainable long-term value. Well-designed incentive plans shape management actions and the level of risk they are willing to assume. They also contribute to a company's ability to attract and retain talent. We exercise our ownership rights and advocate for companies to adopt good governance practices with respect to executive compensation. We focus not only on how much executives are paid, but more importantly, on how compensation plans align the interests of management with those of long-term investors.

### DIRECT ENGAGEMENT

Executive compensation is a key focus of our governance engagements. We directly engaged with more than 20 companies on executive compensation issues during the reporting period. This allowed companies to explain their rationale for key compensation decisions and let us provide feedback aimed at strengthening the link between pay and performance, encouraging an appropriate level of risk-taking and promoting long-term decision making.

### HERMES EOS ENGAGEMENTS

Hermes EOS, our global collaborative engagement platform, engages with company compensation committees and boards, regulatory authorities and industry bodies to promote compensation structures that align executives' interests with those of long-term investors.

### PROXY VOTING

Say on Pay gives shareholders the means to provide direct feedback on the board's compensation decisions. Depending on regulatory requirements or internal corporate policies, Say on Pay can be either a binding or non-binding vote. We believe Say on Pay encourages better investor-corporate dialogue on executive compensation, leading to improved disclosure and pay practices. A number of companies that received low support for Say on Pay in 2018 responded to feedback from CPPIB and other investors and implemented positive changes this year.

