

Q. Please provide a copy of all reports provided to Management in respect of employee benefits/compensation for 2007 to present.

A. Attachment A contains Hay Group Limited's annual salary policy recommendations relative to Newfoundland Power's executive for the period 2007 through 2012.

Attachment B contains Hay Group Limited's annual reports respecting salary policy levels relative to Newfoundland Power's Managers for the period 2007 through 2012.

Attachment C contains Hay Group Limited reviews of Newfoundland Power's executive compensation practices dated January 2007, September 2009 and October 2010.

Attachment D contains a Hay Group Limited letter dated October 14, 2011 respecting Newfoundland Power's short-term incentive (STI) targets.

Attachment E contains the report *Aon Consulting Benefit Trends Survey, 2009*.

Hay Group Limited's Annual Salary Policy Recommendations

January 18, 2007

Ms. Lisa Hutchens
Vice-President, Customer Relations
& Corporate Services
Newfoundland Power
55 Kenmount Road
P. O. Box 8910
St. John's, Newfoundland A1B 3P6

Lisa,

Re: Executive Compensation – 2007 Salary Policy

You have asked us to recommend salary policy levels in 2007 for members of the executive group. Our views are based upon compensation information in the Hay database accumulated from the Commercial Industrial executive market effective May 1st, 2006. Out of 255 Commercial Industrial organizations in the Hay database, 191 of them did submit data for their executives. The list is attached.

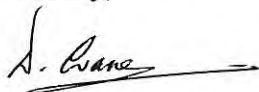
Table 1 illustrates the recommended salary policy based on May 2006 median actual commercial industrial salary data adjusted upwards by 3.5%. This percentage is itself based upon expected industrial 2007 executive salary adjustments revealed by our September 2006 survey of 388 industrial companies.

Table 1 – Recommended 2007 Executive Compensation Policy

Position	Newfoundland Power	
	2006 Policy	Recommended 2007 Policy
President & CEO - Smith	315,000	321,700
VP, Engineering & Operations - Delaney	218,000	225,000
VP, Finance & CFO - Perry	192,000	201,500
VP, Customer Relations & Corporate Services - Hutchens	182,000	193,300
VP, Regulatory Affairs & General Counsel - Alteen	182,000	193,300

Please call me if you need to discuss any aspect of this letter in more detail.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Crane", followed by a horizontal line.

David Crane
National Practice Leader,
Executive Compensation

Commercial Industrials – Executive Market (N=191)

- A&W Food Services of Canada Inc.
- AT Plastics Inc.
- Abitibi Consolidated Inc.
- AgraPoint International, Inc.
- Ainsworth Engineered Canada L. P.
- Aker Kvaerner Chemetics
- Alberta-Pacific Forest Industries Inc.
- Alcan Inc.
- Alcatel Canada Inc. - Transport Automation
- Algoma Steel Inc.
- AltaSteel Ltd.
- Arkema Canada Inc.
- AstraZeneca Canada Inc.
- Atlantic Minerals Limited
- Atlantic Packaging Products Ltd.
- Atotech Canada Ltd.
- BHP Billiton Ekati Diamond Mines
- BHP Billiton World Exploration Inc.
- Babcock & Wilcox Canada
- Barrick Gold Corporation
- Barry Callebaut Canada Inc.
- The Bay
- Bayer Inc.
- The Beer Store
- Bericap North America Inc.
- Blount Canada Ltd.
- Boehringer Ingelheim (Canada) Ltd.
- Bruce Power
- CHEP Canada
- CKF Inc.
- Cambior Inc.
- Canadelle Inc.
- Canadian Forest Products Ltd.
- Canadian National Railway Company
- Canadian Pacific Railway
- Canexus Limited
- Canpotex Limited
- Catalyst Paper Corporation
- Centerra Gold Inc.
- Christie Digital Systems Inc.
- Ciba Specialty Chemicals Canada Inc.
- Co-op Atlantic
- Coca-Cola Ltd.
- Coleman Management Services
- La Compagnie minière Québec Cartier
- Cooper Industries (Canada) Inc.
- Country Ribbon Inc.
- Daishowa-Marubeni International Ltd.
- De Beers Canada Inc., Corporate Division
- De Beers Canada Inc., Exploration Division
- Dofasco Automotive Group
- Dofasco Inc.
- Dofasco Tubular Products Corporation
- Duke Energy Gas Transmission
- E.I. du Pont Canada Company
- EWOS Canada Ltd.
- Effem Inc.
- Emera Inc.
- Enbridge Gas Distribution Inc.
- Falconbridge Limited
- Finning (Canada)
- Finning International Inc.
- Fishery Products International Limited
- FundSERV Inc.
- Gates Canada Inc.
- General Kinetics Engineering Corporation
- Gerdau Ameristeel
- Goodyear Canada Incorporated
- Grand & Toy
- Griffith Laboratories Limited
- HDS Retail North America
- H.J. Heinz Company of Canada Ltd.
- Hanson Brick Limited
- Hoffmann-La Roche Ltd.
- Home Hardware Stores Limited
- Hudson's Bay Company
- Hybrid Turkeys
- INVISTA (Canada) Company
- ITW Construction Products
- ITW Foils
- ITW Unipac
- Inco Limited
- Ingersoll-Rand Canada Inc.
- International Forest Products Limited

- JTI-Macdonald Corp.
- James Richardson International Limited
- John Deere Limited Canada
- KPMG MSLP
- Kellogg Canada Inc.
- Kimberly-Clark Corporation
- Kinross Gold Corporation
- Kruger Inc.
- Kuehne + Nagel Ltd.
- LANXESS Inc.
- Labatt Breweries of Canada
- Lantic Sugar Limited
- Lego Systems, Inc.
- Levi Strauss & Co. (Canada) Inc.
- Lilydale Inc.
- Luscar Ltd.
- MDA
- MIP Inc.
- Mainstream Canada Ltd.
- Manitoba Telecom Services Inc.
- Mattamy Homes Limited
- Maxim Power Corp.
- McCormick Canada Co.
- McElhanney Consulting Services Ltd.
- The McElhanney Group Ltd.
- McElhanney Land Surveys Ltd.
- Merck Frosst Canada & Co.
- Meridian Technologies Inc.
- Minas Basin Pulp & Power Co. Ltd.
- Mitsubishi Canada Limited
- Mittal Canada Inc.
- The Mosaic Company
- NOVA Chemicals Corporation
- Neenah Paper, Inc. - Pictou Mill
- Neo Material Technologies Inc.
- Neopost Canada
- Nestlé Canada Inc.
- Newmont Mining Corporation of Canada Limited
- NorTerra Inc.
- North American Palladium Ltd.
- Nova Scotia Power Inc.
- Novartis Pharma Canada Inc.
- Nunavut Investment Group Inc.
- Oakrun Farm Bakery Ltd.
- Organon Canada
- Osler, Hoskin & Harcourt, LLP
- P & H MinePro Services
- PPG Canada Inc.
- PPG Canada Inc. - Automotive Glass Division
- PPG Canada Inc. - Fine Chemicals Division
- PPG Canada Inc. - Flat Glass Division
- PPG Canada Inc. - Industrial Coatings Division
- Pan American Silver Corporation
- Patheon Inc.
- Pepsi-QTG Canada Inc.
- Petro-Canada
- PolyCello
- Potash Corporation of Saskatchewan Inc.
- Praxair Canada Inc. - Industrial Gas Division
- Praxair Canada Inc. - Packaged Gas Division
- QIT-Fer et Titane Inc.
- Qualico Homes
- Rhodia Canada Inc.
- Robeez Footwear Ltd.
- Roche Diagnostics Canada
- Rogers Sugar Ltd.
- Rohm and Haas Canada Inc.
- Russel Metals Inc.
- St Marys Cement Inc.
- Sandvik Materials Technology Canada
- sanofi-aventis
- sanofi pasteur
- Saskatchewan Wheat Pool
- Saskferco Products Inc.
- Scotia Investments Ltd.
- Scott Paper Limited
- Siemens Power Generation, A Division of Siemens Canada Ltd.
- Skretting
- Société PCI Chimie Canada
- Stelco Inc.
- Stork Bronswerk Inc.
- Sutherland-Schultz Inc.
- Syncrude Canada Ltd.
- Tate & Lyle Canada Ltd.
- Teck Cominco Limited
- Teknion Corporation

- Tembec Inc.
- Thrifty Foods Inc.
- TimberWest Forest Corp.
- Tolko Industries Ltd.
- TransAlta Corporation
- TransCanada Corporation
- Transwest Mining Systems
- Tree Island Industries Ltd.
- Ultramar Ltée
- Union Gas Ltd.
- uniPHARM Wholesale Drugs Ltd.
- Vanguard Plastics Ltd.
- W.E.T. Automotive Systems Ltd.
- Wal-Mart Canada Inc.
- West Fraser Timber Co. Ltd.
- Western Oil Sands Inc.
- Weyerhaeuser Company Ltd.
- Winners Merchants International L.P.
- Wyeth Pharmaceuticals
- Zellers
- Zellstoff Celgar Partnership Limited

October 31, 2007

Mr. Earl Ludlow
President and Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL A1B 3P6

Mr. Earl Ludlow,

Re: Executive Compensation – 2008 Salary Policy

We have been asked to recommend salary policy levels in 2008 for members of your executive group.

Our views are based upon the current evaluation of the roles using the Hay methodology and compensation information in the Hay database accumulated from the Commercial Industrial executive market effective May 1st, 2007. The companies included in this sample are listed in Appendix A.

Table 1, following, illustrates the recommended 2008 salary policy for Newfoundland Power. This is based on median 2007 market salary data adjusted upwards by 3.5% to estimate market practice at January 1, 2008.

Table 1 – Recommended Newfoundland Power 2008 Executive Salary Policy

Position	2007 Policy	Current Salary	Recommended 2008 Policy
President & CEO - E. A. Ludlow	\$321,678	\$315,000	\$332,900
VP Operations – P. Delaney	\$225,009	\$225,000	\$235,300
VP Finance & CFO – J. Perry	\$201,515	\$185,000	\$210,200
VP Cust. & Corporate Svcs. – L. Hutchens	\$193,338	\$193,300	\$200,600
Corp. Counsel & Sec. P. S. Alteen	\$193,338	\$202,000	\$200,600

I will be happy to answer any questions that may arise.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Crane", with a long horizontal flourish extending to the right.

David Crane
Senior Consultant - Executive Compensation

Appendix A – List of Organizations

- A&W Food Services of Canada Inc.
- Abitibi Consolidated Inc.
- ACA Co-operative Limited
- AgraPoint International, Inc.
- Ainsworth Engineered Canada L. P.
- Aker Kvaerner Chemetics
- Alberta-Pacific Forest Industries Inc.
- Alcan Inc.
- Alcon Canada Inc.
- Algoma Steel Inc.
- Allergan Canada Inc.
- Altana Pharma Inc.
- AltaSteel Ltd.
- AMSTED Canada Inc.
- Andrew Peller Limited
- Arkema Canada Inc.
- Ashland Distribution
- Ashland Water Technologies
- AstraZeneca Canada Inc.
- Atlantic Packaging Products Ltd.
- Atotech Canada Ltd.
- Barrick Gold Corporation
- Barry Callebaut Canada Inc.
- Bayer Inc.
- Bericap North America Inc.
- BHP Billiton Ekati Diamond Mines
- Biovail Corporation
- Blount Canada Ltd.
- Boehringer Ingelheim (Canada) Ltd.
- Bronswerk Marine Inc.
- Bruce Power
- Campbell Company of Canada
- Canadelle Inc.
- Canadian Forest Products Ltd.
- Canadian National Railway Company
- Canexus Limited
- Canfor Pulp Limited Partnership
- Canpotex Limited
- Catalyst Paper Corporation
- Centerra Gold Inc.
- CHEP Canada
- Christie Digital Systems Inc.
- Ciba Specialty Chemicals Canada Inc.
- CKF Inc.
- CMA Holdings Inc.
- Continental Tire Canada, Inc.
- Co-op Atlantic
- Cooper Lighting
- Cott Corporation
- Country Ribbon Inc.
- CVRD Inco Limited
- Daishowa-Marubeni International Ltd.
- De Beers Canada Inc., Corporate Division
- De Beers Canada Inc., Exploration Division
- De Beers Canada Inc., Mining Division
- Deeley Harley-Davidson Canada
- Dofasco Automotive Group
- Dofasco Inc.
- Dofasco Tubular Products Corporation - Corporate
- Dyno Nobel Limited
- E.I. du Pont Canada Company

- Eli Lilly Canada Inc.
- Enbridge Gas Distribution Inc.
- ERCO Worldwide
- EWOS Canada Ltd.
- Exopack Canada
- Finning (Canada)
- Finning International Inc.
- Fishery Products International Limited
- FundSERV Inc.
- Gates Canada Inc.
- General Kinetics Engineering Corporation
- Gerdau Ameristeel
- Goldcorp
- Grand & Toy
- Hallmark Tubulars Ltd.
- Hanson Building Materials America
- Harvard Developments Inc.
- HDS Retail North America
- Hilti (Canada) Ltd.
- Hoffmann-La Roche Ltd.
- Home Hardware Stores Limited
- Hudson's Bay Company
- Hybrid Turkeys
- IAMGOLD
- INVISTA (Canada) Company
- ITW Construction Products
- ITW Unipac
- James Richardson International Limited
- John Deere Limited Canada
- JTI-Macdonald Corp.
- Kellogg Canada Inc.
- Kimberly-Clark Corporation
- Kinross Gold Corporation
- KPMG MSLP
- Kruger Inc.
- Kruger Products
- Kuehne + Nagel Ltd.
- Labatt Breweries of Canada
- Lafarge Canada Inc.
- Lantic Sugar Limited
- LANXESS Inc.
- Lego Systems, Inc.
- Levi Strauss & Co. (Canada) Inc.
- LifeScan Canada Ltd.
- Lilydale Inc.
- Mainstream Canada Ltd.
- Major Drilling Group International Inc.
- Manitoba Telecom Services Inc.
- Maple Leaf Sports & Entertainment Ltd.
- McCormick Canada Co.
- McElhanney Consulting Services Ltd.
- McElhanney Land Surveys Ltd.
- MDA
- Merck Frosst Canada & Co.
- Meridian Technologies Inc.
- Minas Basin Pulp & Power Co. Ltd.
- Mitsubishi Canada Limited
- Mother Parker's Tea & Coffee Inc.
- Neenah Paper, Inc. - Pictou Mill
- Neopost Canada
- Nestlé Canada Inc.
- Newmont Mining Corporation of Canada Limited
- NexInnovations Inc.
- Norbord Inc.
- North Atlantic Refining
- NOVA Chemicals Corporation

- Nova Scotia Power Inc.
- NovaGold Resources Inc.
- Novartis Pharma Canada Inc.
- Novo Nordisk Canada
- Nunavut Investment Group Inc.
- Oakrun Farm Bakery Ltd.
- Osler, Hoskin & Harcourt, LLP
- P & H MinePro Services
- Pan American Silver Corporation
- Parkland Industries
- Patheon Inc.
- Pepsi-QTG Canada Inc.
- Petro-Canada
- Pfizer Canada Inc.
- Phantom Mfg. (Int'l) Ltd.
- Potash Corporation of Saskatchewan Inc.
- PPG Canada Inc.
- PPG Canada Inc. - Automotive Glass Division
- PPG Canada Inc. - Fine Chemicals Division
- PPG Canada Inc. - Flat Glass Division
- PPG Canada Inc. - Industrial Coatings Division
- Prairie Mines & Royalty Ltd.
- Praxair Canada Inc.
- Pristine Power Inc.
- QIT-Fer et Titane Inc.
- Quest Air Technologies Inc.
- Rhodia Canada Inc.
- Robeez Footwear Ltd.
- Rogers Sugar Ltd.
- Rohm and Haas Canada Inc.
- Russel Metals Inc.
- Sandvik Materials Technology Canada
- sanofi-aventis
- Saskatchewan Wheat Pool
- Saskferco Products Inc.
- Siemens Power Generation, A Division of Siemens Canada Ltd.
- Skretting
- St Marys Cement Inc.
- Teekay Shipping (Canada) Ltd.
- Tembec Inc.
- Thales Rail Signalling Solutions
- The Bay
- The Beer Store
- The Loyalty Group
- The McElhanney Group Ltd.
- The Shaw Group Limited
- Tolko Industries Ltd.
- Tracer Industries Canada Limited
- Transwest Mining Systems
- Tree Island Industries Ltd.
- Ultramar Ltée
- uniPHARM Wholesale Drugs Ltd.
- Valeant Canada Limited
- Vanguard Plastics Ltd.
- W.E.T. Automotive Systems Ltd.
- Wal-Mart Canada Inc.
- West Fraser Timber Co. Ltd.
- Winners Merchants International L.P.
- Xstrata Zinc Canada
- Zellers

November 11, 2008

Mr. Earl Ludlow
President and Chief Executive Officer
Newfoundland Power
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www.haygroup.com/ca

Mr. Ludlow,

Re: Executive Compensation – 2009 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2009 for members of your executive group.

Our views are based upon the current evaluation of the roles using the Hay methodology and compensation information in the Hay database accumulated from the Commercial Industrial executive market effective May 1st, 2008. The companies included in this sample are listed in Appendix A.

Table 1, following, illustrates the estimated 2009 market actual salary medians for Newfoundland Power. This is based on median 2008 market salary data adjusted upwards by 3.5%, based on data collected in October 2008, to estimate 2009 market practice.

Table 1 – Estimated Newfoundland Power 2009 Executive Market Actual Salary Medians

Position	Current Evaluation	Estimated 2008 Market Actual Salary Median (in 2007)	2008 Actual Base Salary	Estimated 2009 Market Actual Salary Median
President & CEO - E.A. Ludlow	2448	\$332,900	\$335,000	\$371,600
VP Finance & CFO - J. Perry	1500	\$210,200	\$202,000	\$220,900
VP Engineering & Operations - G. Smith ¹	1708	\$235,300	\$236,000	\$250,400
VP Cust. & Corporate Svcs. - L. Hutchens	1418	\$200,600	\$200,600	\$209,300
VP Reg. Affairs & Gen. Counsel - P.S. Alteen	1418	\$200,600	\$215,000	\$209,300

Notes:

(1) New incumbent for 2009. 2008 estimate is based on last year's incumbent.

I will be happy to answer any questions that may arise.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Chen", with a stylized flourish at the end.

Christopher A. Chen, LLB
Senior Consultant

Appendix A – Commercial Industrial Comparator Group (N = 192)

A&W Food Services of Canada Inc.	CHEP Canada
ACA Co-operative Limited	CKF Inc.
Abacus Private Equity	CMA Holdings Inc.
Abbott Laboratories, Limited	CSG Security Inc.
Agnico-Eagle Mines Limited	Campbell Company of Canada
Ainsworth Engineered Canada L. P.	Canadelle Inc.
Aker Chemetics	Canadian Forest Products Ltd.
Alberta-Pacific Forest Industries Inc.	Canexus Limited
Alcon Canada Inc.	Canfor Pulp Limited Partnership
Andrew Peller Limited	Canpotex Limited
Anglo American Exploration (Canada) Ltd.	Centerra Gold Inc.
ArcelorMittal Dofasco Inc.	Christie Digital Systems Inc.
ArcelorMittal Tubular Products - Automotive Division	Ciba Canada Ltd.
Arkema Canada Inc.	Co-op Atlantic
Ashland Distribution	Coca-Cola Bottling Company
Ashland Water Technologies	Cognis Canada Corporation
AstraZeneca Canada Inc.	Commercial Solutions Inc.
Atlantic Packaging Products Ltd.	Compass Group Canada
Atotech Canada Ltd.	Country Ribbon Inc.
Axcan Pharma Inc.	Daishowa-Marubeni International Ltd.
BHP Billiton Ekati Diamond Mines	De Beers Canada Inc., Corporate Division
Babcock & Wilcox Canada	De Beers Canada Inc., Exploration Division
BakeMark Ingredients Canada Ltd.	Deeley Harley-Davidson Canada
Barrick Gold Corporation	Dundee Precious Metals
Barry Callebaut Canada Inc.	Dyno Nobel Canada Inc.
Baxter Corporation	E.I. du Pont Canada Company
The Bay	EMD Serono Canada Inc.
Bayer Inc.	ERCO Worldwide
The Beer Store	EWOS Canada Ltd.
Boehringer Ingelheim (Canada) Ltd.	Eli Lilly Canada Inc.
Bronswerk Marine Inc.	Elkem Métal Canada Inc.
Bruce Power	Enbridge Gas Distribution Inc.

Appendix A – Commercial Industrial Comparator Group (N = 192) (cont'd.)

Essar Steel Algoma Inc.	LANXESS Inc.
Finning (Canada)	Lantic Sugar Limited
Finning International Inc.	Lego Systems, Inc.
FundSERV Inc.	Lehigh Hanson
Gates Canada Inc.	Levi Strauss & Co. (Canada) Inc.
General Kinetics Engineering Corporation	Lilydale Inc.
GlaxoSmithKline Inc.	The Loyalty Group
Goldcorp Inc.	Lundin Mining Corporation
Grand & Toy	Mainstream Canada Ltd.
Group SEB Canada Inc.	Mark Anthony Group
HDS Retail North America	Mattamy Homes Limited
H. H. Angus & Associates Limited	McCormick Canada Co.
Hallmark Tubulars Ltd.	McElhanney Consulting Services Ltd.
Harvard Developments Inc.	The McElhanney Group Ltd.
Hilti (Canada) Ltd.	McElhanney Land Surveys Ltd.
Hitachi Canadian Industries Ltd.	Meridian Technologies Inc.
Hobart Food Equipment Services Canada	Minas Basin Pulp & Power Co. Ltd.
Hoffmann-La Roche Ltd.	Mitsubishi Canada Limited
Hudson's Bay Company	Mittal Canada Contrecoeur-Ouest Inc.
IAMGOLD Corporation	Mittal Canada Inc.
INVISTA (Canada) Company	The Mosaic Company
ITW Foils	NOVA Chemicals Corporation
J. Ennis Fabrics Ltd.	Navtech Systems Support Inc.
JTI-Macdonald Corp.	Neenah Paper, Inc. - Pictou Mill
Johnson Matthey Ltd.	Neopost Canada
KPMG MSLP	Nestlé Canada Inc.
Katz Group Canada Ltd.	North Atlantic Refining
Kellogg Canada Inc.	Nova Scotia Power Inc.
Kinross Gold Corporation	NovaGold Resources Inc.
Kruger Inc.	Novartis Pharma Canada Inc.
Kruger Products	Novo Nordisk Canada
Kuehne + Nagel Ltd.	Nutreco Canada Inc.

Appendix A – Commercial Industrial Comparator Group (N = 192) (cont'd.)

Nycomed Canada Inc.	Sheritt Coal
OMYA (Canada) Inc.	Sico Inc.
Olin Chlor-Alkali Products	Siemens Canada Limited
Osler, Hoskin & Harcourt, LLP	Skretting
Overwaitea Food Group LP	Société en Commandite Tafisa Canada Inc.
P & H MinePro Services	TVI Pacific
PPG Canada Inc. - Automotive Glass Division	Taro Pharmaceuticals Inc.
PPG Canada Inc. - Fine Chemicals Division	Teck Cominco Limited
PPG Canada Inc. - Industrial Coatings Division	Teck Cominco Limited - Highland Valley Copper
PPG Canada Inc. - Performance Glazing Division	Teck Cominco Limited - Trail Operation
Pan American Silver Corporation	Teekay Corporation
Parkland Income Fund	Teknion Corporation
Patheon Inc.	Tembec Inc.
Pepsi-QTG Canada	Thales Rail Signalling Solutions
Petro-Canada	TimberWest Forest Corp.
Pfizer Canada Inc.	Timminco Limited
Phantom Mfg. (Int'l) Ltd.	Tolko Industries Ltd.
Potash Corporation of Saskatchewan	Toromont CAT, A Division of Toromont Industries Ltd.
Praxair Canada Inc.	Ultramar Ltée
QIT-Fer et Titane Inc.	Vale Inco Limited
Qualico Developments West Ltd.	Valeant Canada Limited
Randstad Canada	Vanguard Plastics Ltd.
Rhodia Canada Inc.	W.E.T. Automotive Systems Ltd.
Rio Tinto Alcan	Wal-Mart Canada Corp.
Rogers Sugar Ltd.	Western Oil Sands Inc.
Rohm and Haas Canada Inc.	Winners Merchants International L.P.
Russel Metals Inc.	Wyeth Pharmaceuticals
SMS Construction and Mining Systems Inc.	Xstrata Copper Canada
SMS Equipment Inc.	Xstrata Nickel Canada
Sandoz Canada Inc.	Xstrata Zinc Canada
Sandvik Materials Technology Canada	Yves Rocher
The Shaw Group Limited	Zellers



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January 13, 2010

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Mr. Ludlow,

Re: Executive Compensation – 2010 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2010 for members of your executive group, based on the recent re-organization at the executive level. Current Hay Point evaluations are to be reviewed at a later date.

Our views are based upon the current evaluation of the roles using the Hay methodology and compensation information in the Hay database accumulated from the Commercial Industrial executive market effective May 1st, 2009. The companies included in this sample are listed in Appendix A.

Table 1, following, illustrates the estimated 2010 market actual salary medians for Newfoundland Power. This is based on median 2009 market salary data adjusted upwards by 1.0%, based on data collected in September 2009, to estimate 2010 market practice.

Table 1 – Estimated Newfoundland Power 2010 Executive Market Actual Salary Medians

Position	Current Evaluation	Estimated 2009 Market Actual Salary Median (in 2008)	Newfoundland Power 2009 Actual Base Salary	2009 Market Actual Salary Median	Estimated 2010 Market Actual Salary Median
President & CEO - E.A. Ludlow	2448	\$371,600	\$370,000	\$356,100	\$359,700
VP Finance & CFO - J. Perry	1500	\$220,900	\$220,000	\$216,100	\$218,300
VP Customer Operations & Engineering - G. Smith	1708	\$250,400	\$250,000	\$244,300	\$246,700
VP Regulation & Planning - P.S. Alteen	1418	\$209,300	\$225,000	\$204,700	\$206,700

I will be happy to answer any questions that may arise.

Sincerely,

Hay Group Limited



Christopher A. Chen, LLB
Senior Consultant
Executive Compensation

cc: Suzanne Cunningham, Hay Group Limited

Appendix A – Commercial Industrial Comparator Group (N = 284)

A&W Food Services of Canada Inc.
ACA Co-operative Limited
ATCO I-Tek
AV Nackawic Inc.
Abbott Laboratories, Limited
Agfa Healthcare Canada
Agfa Inc.
Agnico-Eagle Mines Limited
Ainsworth Engineered Canada L. P.
Air Products Canada Ltd.
Aker Chemetics
Alberta-Pacific Forest Industries Inc.
Alcon Canada Inc.
Allergan Canada Inc.
AltaSteel Ltd.
Aluminerie Alouette Inc.
Amgen Canada Inc.
Andrew Peller Limited
Apotex Inc.
ArcelorMittal Dofasco Inc.
ArcelorMittal P&T
ArcelorMittal Tubular Products - Automotive Division
ArcelorMittal Tubular Products Corporation
Arkema Canada Inc.
Arrow Transportation Systems Inc.
Ashland Distribution
Ashland Global Chemicals
Ashland Performance Materials
Ashland Water Technologies
Astellas Pharma Canada Inc.
AstraZeneca Canada Inc.
Atlantic Packaging Products Ltd.
Atotech Canada Ltd.
Axcan Pharma Inc.
BASF Canada Inc.
BHP Billiton - Ekati Diamond Mines

Babcock & Wilcox Canada
BakeMark Ingredients Canada Ltd.
Barrick Gold Corporation
Barry Callebaut Canada Inc.
Baxter Corporation
The Bay
Bayer Inc.
The Beer Store
Beiersdorf Canada Inc.
Bekaert Canada
Belden CDT (Canada) Inc.
Biovail Corporation
Boehringer Ingelheim (Canada) Ltd.
Bonduelle North America Inc.
Bronswerk Marine Inc.
Bruce Power
Bunge North America
CHEP Canada
CKF Inc.
CMA Holdings Inc.
CNH America, LLC.
Cabot Canada Ltd.
Cadbury North America
Campbell Company of Canada
Canadelle Inc.
Canadian Forest Products Ltd.
Canadian Freightways Limited
Canadian National Railway Company
Canadian Pacific Railway
Canexus Limited
Canfor Pulp Limited Partnership
Canon Canada Inc.
Canpotex Limited
Cargill Limited
Caterpillar of Canada Corporation
Centerra Gold Inc.

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Chemtura Canada Co Cie
Ciba Canada Ltd.
Co-op Atlantic
Cognis Canada Corporation
Compass Group Canada
Cooper B-Line
Cooper Bussmann
Cooper Crouse Hinds
Cooper Lighting
Cooper Power Systems
Cooper Power Tools
Cooper Wiring Devices
Corby Distilleries Limited
Country Ribbon Inc.
Covance (Canada) Inc.
Cytec Canada Inc.
DSM Nutritional Products Canada Inc.
Daishowa-Marubeni International Ltd.
Danfoss Inc.
De Beers Canada Inc., Corporate Division
De Beers Canada Inc., Exploration Division
De Beers Canada Inc., Mining Division
Deeley Harley-Davidson Canada
Diavik Diamond Mines Inc.
Dow Chemical Canada Inc.
Dr. Oetker Ltd.
Dundee Precious Metals
Dyno Nobel Canada Inc.
EFW Radiology
E.I. du Pont Canada Company
ERCO Worldwide
EWOS Canada Ltd.
Eaton Corporation
Eli Lilly Canada Inc.
Elkem Métal Canada Inc.
Enbridge Gas Distribution Inc.

Essar Steel Algoma Inc.
Evonik Degussa Canada Inc.
FANUC AMERICA Corporation
FNX Mining Company Inc.
Fedex Kinko's Canada Limited
Ferrero Canada Limited Commercial Division
Finning (Canada)
Finning International Inc.
Fraser Papers Inc.
FundSERV Inc.
G4S Cash Services (Canada) Ltd.
Gates Canada Inc.
General Kinetics Engineering Corporation
GlaxoSmithKline Inc.
Goldcorp Inc.
Goodrich Aerospace Canada Ltd.
Grand & Toy
Griffith Laboratories Limited
HDS Retail North America
H.J. Heinz Company of Canada Ltd.
Hecla Mining Company
Hilti (Canada) Ltd.
Hitachi Canadian Industries Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
Hudson's Bay Company
HumanWare
Hydro Technologies (Canada) Inc.
IAMGOLD Corporation
INEOS Canada Partnership
INVISTA (Canada) Company
Ingersoll-Rand Canada Inc.
Innophos Canada Inc.
Interquisa Canada
Intrawest ULC
Iovate Health Sciences Services Inc.

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Iron Ore Company of Canada	Mittal Canada Contrecoeur-Ouest Inc.
J. Ennis Fabrics Ltd.	Mittal Canada Hamilton Inc.
JTI-Macdonald Corp.	Mittal Canada Inc.
John Deere Limited Canada	Mittal Canada Lachine Inc.
K.I. Pembroke	Mittal Canada Saint-Patrick Inc.
KPMG MSLP	Montship Inc.
KPSS Canada Ltd.	The Mosaic Company
Karl Storz Endoscopy Canada Ltd.	Mother Parker's Tea & Coffee Inc.
Kasian Architecture Interior Design and Planning Ltd.	Mustang Survival Corp.
Katz Group Canada Ltd.	NOVA Chemicals Corporation
Kellogg Canada Inc.	Navtech Systems Support Inc.
Kemira Chemicals Canada Inc.	Neopost Canada
Kennametal Ltd.	Nestlé Canada Inc.
Kinross Gold Corporation	New Horizon System Solutions LP
Kruger Products	Newmont Mining Corporation of Canada Limited
Kuehne + Nagel Ltd.	North Atlantic Refining
LANXESS Inc.	Northern Pulp Nova Scotia Corp.
Labatt Breweries of Canada	Nova Scotia Power Inc.
Lake Shore Gold Corp.	NovaGold Resources Inc.
Lantic Sugar Limited	Novartis Pharmaceuticals Canada Inc.
Lehigh Hanson	Novo Nordisk Canada
Levi Strauss & Co. (Canada) Inc.	Nycomed Canada Inc.
Lilydale Inc.	OZ Minerals Canada Resources Inc.
Linde Canada Limited	Oakrun Farm Bakery Ltd.
LoyaltyOne Inc.	L'Oréal Canada Inc.
MDA	Osler, Hoskin & Harcourt, LLP
Mainstream Canada Ltd.	PPG Canada Inc.
Mark Anthony Group	PPG Canada Inc. - Automotive Glass Division
McCormick Canada Co.	PPG Canada Inc. - Fine Chemicals Division
McElhanney Consulting Services Ltd.	PPG Canada Inc. - Industrial Coatings Division
The McElhanney Group Ltd.	PPG Canada Inc. - Performance Glazing Division
McElhanney Land Surveys Ltd.	Pan American Silver Corporation
Merck Frosst Canada & Co.	Patheon Inc.
Meridian Technologies Inc.	Peak Potentials Training
Minas Basin Pulp & Power Co. Ltd.	Penske Truck Leasing
Mitsubishi Canada Limited	Pepsi-QTG Canada

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Petro-Canada
Pfizer Canada Inc.
Phantom Mfg. (Int'l) Ltd.
Philips Electronics Ltd.
Pioneer Hi-Bred Limited
Potash Corporation of Saskatchewan Inc.
Praxair Canada Inc.
Puratos Canada Inc.
QIT-Fer et Titane Inc.
Resolve Corporation
Rhodia Canada Inc.
Rio Tinto Alcan
Rio Tinto Copper Projects
Ritchie Bros. Auctioneers (Canada) Ltd.
Rogers Sugar Ltd.
Rohm and Haas Canada Inc.
Rothmans Benson & Hedges Inc.
Russel Metals Inc.
SABIC Innovative Plastics Canada Incorporated
SMS Construction and Mining Systems Inc.
SMS Equipment Inc.
Saint-Gobain Abrasives Canada Inc.
Saint-Gobain Advanced Ceramics Hamilton
Sandoz Canada Inc.
sanofi-aventis
Schneider Electric
Securit Group of Companies
The Shaw Group Limited
Sherritt Coal
Sherritt International Corporation
Sico Inc.
Sidel Canada Inc.
Siemens Canada Limited
Skretting
Solvay Pharma Inc.
Sonoco Canada Corporation

Sultran Ltd.
Taro Pharmaceuticals Inc.
Teck Resources Limited
Teck Resources Limited - Highland Valley Copper
Teck Resources Limited - Trail Operation
Teekay Corporation
Telvent Canada Ltd.
Tembec Inc.
Thales Rail Signalling Solutions
Thompson Creek Metals Company
Thrifty Foods Inc.
TimberWest Forest Corp.
Tolko Industries Ltd.
Toromont CAT, A Division of Toromont Industries Ltd.
Ultramar Ltée
uniPHARM Wholesale Drugs Ltd.
Vale Inco Limited
Valeant Canada Limited
Valvoline
Vanguard Plastics Ltd.
Vicwest Income Fund
Viterra Inc.
W.E.T. Automotive Systems Ltd.
Wal-Mart Canada Corp.
Winners Merchants International L.P.
Wyeth Pharmaceuticals
Xstrata Copper Canada
Xstrata Nickel Canada
Xstrata Zinc Canada
Yves Rocher
Zellers
Zellstoff Celgar Partnership Limited



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November 2, 2010

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Mr. Ludlow,

Re: Executive Compensation – 2011 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2011 for members of your executive group.

Our views are based upon the current evaluation of the roles using the Hay Group job evaluation methodology and compensation information in the Hay Group database accumulated from the Commercial Industrial market effective May 1, 2010. The companies included in this sample are listed in Appendix A.

Table 1, on the following page, illustrates the estimated 2011 market actual salary medians (Column 6) for Newfoundland Power. This is based on 2010 market actual salary data (Column 5) adjusted upwards by 2.2%, based on data collected between July and September 2010, to estimate 2011 market practice.

Mr. Ludlow
November 2, 2010

Table 1 – Estimated Newfoundland Power 2011 Executive Market Actual Salary Medians

Position [1]	Current Evaluation [2]	Estimated 2010 Market Actual Salary Median (in 2009) [3]	Fortis 2010 Actual Base Salary [4]	2010 Market Actual Salary Median [5]	Estimated 2011 Market Actual Salary Median [6]
President & CEO - E.A. Ludlow	2448	\$359,700	\$370,000	\$360,000	\$367,900
VP Finance & CFO - J. Perry	1560	\$218,300 *	\$220,000	\$225,800	\$230,800
VP Customer Operations & Engineering - G. Smith	1708	\$246,700	\$250,000	\$245,600	\$251,000
VP Regulation & Planning - P.S. Alteen	1418	\$206,700	\$225,000	\$207,400	\$212,000

* Reflects previous year's evaluation of 1500.

I will be happy to answer any questions that may arise.

Sincerely,
Hay Group Limited



Christopher A. Chen, LLB
National Director
Executive Compensation

cc: Barry Perry, Fortis Inc.

Appendix A – Commercial Industrial Comparator Group (N = 295)

A&W Food Services of Canada Inc.	Axcan Pharma Inc.
ACA Co-operative Limited	BASF Canada Inc.
AV Nackawic Inc.	BHP Billiton - Ekati Diamond Mines
Abbott Laboratories, Limited	BIC Graphic Canada
Abbott Products Inc.	Babcock & Wilcox Canada Ltd.
Agfa Healthcare Canada	BakeMark Ingredients Canada Ltd.
Agfa Inc.	Barrick Gold Corporation
Agnico-Eagle Mines Limited	Baxter Corporation
Ainsworth Engineered Canada L. P.	The Bay
Air New Zealand	Bayer Inc.
Air Products Canada Ltd.	The Beer Store
Aker Chemetics	Beiersdorf Canada Inc.
Akzo Nobel Canada Inc.	Bekaert Canada
Alberta-Pacific Forest Industries Inc.	Belden CDT (Canada) Inc.
Alcon Canada Inc.	Bericap North America Inc.
Allergan Canada Inc.	bioMérieux Canada Inc.
ALS Laboratory Group	Biovail Corporation
AltaSteel Ltd.	Boehringer Ingelheim (Canada) Ltd.
Aluminerie Alouette Inc.	Bombardier Transportation Canada Inc.
Amcor Limited	Brink's Canada Limited
Amgen Canada Inc.	Bristol-Myers Squibb Canada Co.
Amway Canada Corporation	Bronswerk Group
Andrew Peller Limited	Bruce Power
Anglo American Exploration (Canada) Ltd.	CHEP Canada
Apotex Inc.	CKF Inc.
ArcelorMittal Canada	CNH America, LLC.
ArcelorMittal Canada Contrecoeur-Ouest Inc.	Cabot Canada Ltd.
ArcelorMittal Canada Hamilton	Cadbury North America
ArcelorMittal Canada Lachine	Campbell Company of Canada
ArcelorMittal Canada Saint-Patrick	Canada Safeway Limited
ArcelorMittal Dofasco Inc.	Canadelle Inc.
ArcelorMittal Mines Canada	Canadian Forest Products Ltd.
ArcelorMittal P&T	Canadian National Railway Company
ArcelorMittal Tubular Products - Automotive Division	Canadian Pacific Railway
Arkema Canada Inc.	Canexus Limited
Arrow Transportation Systems Inc.	Canfor Pulp Limited Partnership
Ashland Distribution	Canpotex Limited
Ashland Global Chemicals	Cargill Limited
Ashland Performance Materials	Caterpillar of Canada Corporation
Ashland Water Technologies	Centerra Gold Inc.
Astellas Pharma Canada Inc.	Chubb Edwards
AstraZeneca Canada Inc.	The Churchill Corporation
Atlantic Packaging Products Ltd.	Co-op Atlantic
Atotech Canada Ltd.	Coca-Cola Bottling Company

Cognis Canada Corporation
Compass Group Canada
Cooper B-Line
Cooper Busmann
Cooper Crouse Hinds
Cooper Hand Tools
Cooper Industries (Canada) Inc.
Cooper Lighting
Cooper Power Systems
Cooper Power Tools
Cooper Wiring Devices
Corby Distilleries Limited
Country Ribbon Inc.
Covance (Canada) Inc.
Cytec Canada Inc.
DENSO Manufacturing Canada, Inc.
DSM Nutritional Products Canada Inc.
Daishowa-Marubeni International Ltd.
Danfoss Inc.
Danone Canada Inc.
Davis + Henderson
De Beers Canada Inc., Corporate Division
De Beers Canada Inc., Exploration Division
De Beers Canada Inc., Mining Division
Deeley Harley-Davidson Canada
Dow Chemical Canada Inc.
Dow Corning Canada Inc.
Dr Pepper Snapple Group
Dundee Precious Metals
EFW Radiology
E.I. du Pont Canada Company
EWOS Canada Ltd.
Eaton Corporation
Eli Lilly Canada Inc.
Elkem Métal Canada Inc.
Enbridge Gas Distribution Inc.
Essar Steel Algoma Inc.
Evonik Degussa Canada Inc.
FANUC CNC AMERICA Corporation
FMC of Canada, Ltd.
Ferrero Canada Limited Commercial Division
Ferrero Canada Limited Industrial Division
Finning (Canada)
Finning International Inc.
Fisher & Paykel Healthcare Inc.
FundSERV Inc.
G4S Cash Services (Canada) Ltd.

GDF SUEZ Energy North America, Inc.
Galderma Canada Inc.
Gates Canada Inc.
General Kinetics Engineering Corporation
GlaxoSmithKline Inc.
Goldcorp Inc.
Graceway Pharmaceuticals
Grand & Toy
Griffith Laboratories Limited
Group SEB Canada Inc.
Gulf Chemical Canada
HDS Retail North America
H. H. Angus & Associates Limited
H.J. Heinz Company of Canada Ltd.
Hecla Mining Company
Henkel Canada Corporation
Hilti (Canada) Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
Hudson's Bay Company
HumanWare
Huntsman Polyurethane
IAMGOLD Corporation
INEOS Canada Partnership
INVISTA (Canada) Company
Ingersoll-Rand Canada Inc.
Innophos Canada Inc.
Interquisa Canada
J. Ennis Fabrics Ltd.
J. H. Ryder Machinery Limited
JTI-Macdonald Corp.
JYSK CANADA
John Deere Limited Canada
Johnson Matthey Ltd.
Katz Group Canada Ltd.
Kellogg Canada Inc.
Kennametal Ltd.
Kinross Gold Corporation
Kongsberg Automotive
Kruger Products
LANXESS Inc.
Labatt Breweries of Canada
Lake Shore Gold Corp.
Lantic Inc.
Lehigh Hanson
Levi Strauss & Co. (Canada) Inc.
Lilydale Inc.

MDA	Praxair Canada Inc.
MDS Nordion	Puratos Canada Inc.
MMG Resources Inc.	QIT-Fer et Titane Inc.
Mainstream Canada Ltd.	Randstad Canada
McCormick Canada Co.	Reflex Instrument North America
McElhanney Consulting Services Ltd.	Richemont Canada Inc.
The McElhanney Group Ltd.	Rio Tinto - Diavik Diamond Mines
McElhanney Land Surveys Ltd.	Rio Tinto Iron Ore
Meridian Lightweight Technologies Inc.	Ritchie Bros. Auctioneers (Canada) Ltd.
Methanex Corporation	Rogers Communications Inc.
Michelin North America (Canada) Inc.	Rothmans, Benson & Hedges Inc.
Mitsubishi Canada Limited	Royal Group, Inc.
Montship Inc.	Russel Metals Inc.
The Mosaic Company	SMS Equipment Inc.
Mother Parkers Tea & Coffee Inc.	Saint-Gobain Abrasives Canada Inc.
Mustang Survival Corp.	Saint-Gobain Ceramic Materials Canada/Abrasive Materials
Mylan Pharmaceuticals ULC	sanofi-aventis
NOVA Chemicals Corporation	Sapphire Technologies
Neopost Canada	Saskatchewan Roughrider Football Club
Nestlé Canada Inc.	Schlumberger Oilfield Services
New Horizon System Solutions LP	Schneider Electric
Newmont Mining Corporation of Canada Limited	The Shaw Group Limited
Northern Pulp Nova Scotia Corp.	Sherritt Coal
Nova Scotia Power Inc.	Sherritt International Corporation
Novartis Pharmaceuticals Canada Inc.	Shore Gold Inc.
Novo Nordisk Canada	Sidel Canada Inc.
Nycomed Canada Inc.	Siemens Canada Limited
Oakrun Farm Bakery Ltd.	Sonoco Canada Corporation
Octapharma Canada Inc.	Sultran Ltd.
Olin Chlor-Alkali Products	Suncor Energy Inc.
L'Oréal Canada Inc.	Takeda Pharmaceuticals North America, Inc.
Osler, Hoskin & Harcourt, LLP	Taro Pharmaceuticals Inc.
PPG Canada Inc.	Teck Resources Limited
PPG Canada Inc. - Fine Chemicals Division	Teck Resources Limited - Highland Valley Copper
PPG Canada Inc. - Industrial Coatings Division	Teck Resources Limited - Trail Operation
PPG Canada Inc. - Performance Glazing Division	Teekay Corporation
Pan American Silver Corporation	Tembec Inc.
Patheon Inc.	Teranet Inc.
Penske Truck Leasing	Thales Rail Signalling Solutions
PepsiCo Canada	Thompson Creek Metals Company
PERI Formwork Systems, Inc. Canada	Thrifty Foods Inc.
Pfizer Canada Inc.	TimberWest Forest Corp.
Phantom Mfg. (Int'l) Ltd.	Timminco Limited
Philips Electronics Ltd.	Tolko Industries Ltd.
Pioneer Hi-Bred Limited	TomTom International
Poly-Drill Drilling Systems Ltd.	Toromont CAT, A Division of Toromont Industries Ltd.
Potash Corporation of Saskatchewan Inc.	Total E&P Canada

Mr. Ludlow
November 2, 2010



Twin Rivers Paper Company
Ultramar Ltée
uniPHARM Wholesale Drugs Ltd.
Vale Inco Limited
Valeant Canada Limited
Valvoline
Vanguard Plastics Ltd.
Vicwest Income Fund
Viterra Inc.
Votorantim Cement North America

Wal-Mart Canada Corp.
Wescast Industries Inc.
West Fraser Timber Co. Ltd.
Winners Merchants International L.P.
Xstrata Copper Canada
Xstrata Nickel Canada
Xstrata Zinc Canada
Zellers
Zellstoff Celgar Partnership Limited



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October 14, 2011

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Mr. Ludlow,

Re: Executive Compensation – 2012 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2012 for members of your executive group.

Our views are based upon the current evaluation of the roles using the Hay Group job evaluation methodology and compensation information in the Hay Group database accumulated from the Commercial Industrial market effective May 1, 2011. The companies included in this sample are listed in Appendix A.

Table 1, on the following page, illustrates the estimated 2012 market actual salary medians (Column 6) for Newfoundland Power. This is based on 2011 market actual salary data (Column 5) adjusted upwards by 2.9%, based on data collected between July and August 2011, to estimate 2012 market practice.

Mr. Ludlow
October 14, 2011

Table 1 – Estimated Newfoundland Power 2012 Executive Market Actual Salary Medians

Position [1]	Current Evaluation [2]	Estimated 2011 Market Actual Salary Median (in 2010) [3]	Newfoundland Power 2011 Actual Base Salary [4]	2011 Market Actual Salary Median [5]	Estimated 2012 Market Actual Salary Median [6]
President & CEO - E.A. Ludlow	2448	\$367,900	\$385,000	\$363,600	\$374,100
VP Customer Operations & Engineering - G. Smith	1708	\$251,000	\$256,000	\$248,700	\$255,900
VP Finance & CFO - J. Perry	1560	\$230,800	\$230,000	\$227,900	\$234,500
VP Regulatory Affair & General Counsel - P.S. Alteen	1560	\$212,000*	\$230,000	\$227,900	\$234,500

*Reflects previous evaluation of 1418

I will be happy to answer any questions that may arise.

Sincerely,
Hay Group Limited



Christopher A. Chen, LLB
National Director
Executive Compensation

cc: Barry Perry, Fortis Inc.

Appendix A – Commercial Industrial Comparator Group (N = 268)

3M Canada Company	Janssen Inc.
A&W Food Services of Canada Inc.	John Deere Limited Canada
ABB Inc.	Jubilant Life Sciences Limited - Draximage
ACA Co-operative Limited	Jubilant Life Sciences Limited - Draxis Pharma
ATCO I-Tek	Katz Group Canada Ltd.
AV Nackawic Inc.	Kellogg Canada Inc.
Abbott Laboratories, Limited	Kennametal Ltd.
Agfa Healthcare Canada	Kimberly-Clark Corporation
Agfa Inc.	Kinross Gold Corporation
Air New Zealand	Kruger Products
Air Products Canada Ltd.	Kuehne + Nagel Ltd.
Aker Chemetics	LANXESS Inc.
Akzo Nobel Canada Inc.	LS Travel Retail North America
Alamos Gold Inc.	Labatt Breweries of Canada
Alberta-Pacific Forest Industries Inc.	Lake Shore Gold Corp.
Alcon Canada Inc.	Lantic Inc.
Allergan Canada Inc.	Lego Systems, Inc.
Aluminerie Alouette Inc.	Lehigh Hanson
Amcor Limited	Linde Canada Limited
Amgen Canada Inc.	Lotus Bakeries
Amway Canada Corporation	Lowe's Companies, Inc.
Andrew Peller Limited	MDA
ArcelorMittal Dofasco Inc.	Mainstream Canada Ltd.
ArcelorMittal Mines Canada	Mark Anthony Group
ArcelorMittal Tubular Products - Automotive Division	McCormick Canada Co.
Arrow Transportation Systems Inc.	McElhanney Consulting Services Ltd.
Ashland Inc.	The McElhanney Group Ltd.
Ashland Inc. - Global Chemicals	McElhanney Land Surveys Ltd.
Ashland Inc. - Performance Materials	Meridian Lightweight Technologies Inc.
Ashland Inc. - Valvoline	Methanex Corporation
Ashland Inc. - Water Technologies	Michelin North America (Canada) Inc.
Astellas Pharma Canada Inc.	Minas Basin Pulp & Power Co. Ltd.
AstraZeneca Canada Inc.	Mitsubishi Canada Limited
Atlantic Packaging Products Ltd.	Montship Inc.
Atotech Canada Ltd.	Morneau Sobeco Income Fund
Autopro Automation Consultants Ltd.	The Mosaic Company

BASF Canada Inc.
BHP Billiton - Ekati Diamond Mines
BHP Billiton Canada Inc.
Babcock & Wilcox Canada Ltd.
BakeMark Ingredients Canada Ltd.
Barkerville Gold Mines Ltd.
Barrick Gold Corporation
Basell Canada Inc.
Baxter Corporation
The Bay
Bayer Inc.
The Beer Store
Black Cat Blades Ltd.
Blue Mountain Resorts Limited
Boehringer Ingelheim (Canada) Ltd.
Bombardier Transportation Canada Inc.
Brink's Canada Limited
Bristol-Myers Squibb Canada Co.
Britco Structures Inc.
Broan-NuTone Canada Inc.
Bruce Power
Bunge North America
CHEP Canada
CKF Inc.
CNH America, LLC.
Cabot Canada Ltd.
Campbell Company of Canada
Canada Safeway Limited
Canadelle Inc.
Canadian Forest Products Ltd.
Canadian National Railway Company
Canadian Pacific Railway
Canexus Limited
Canfor Pulp Limited Partnership
Canon Canada Inc.
Canpotex Limited
Cargill Limited
Catalyst Paper Corporation

Mustang Survival Corp.
Mylan Pharmaceuticals ULC
NOVA Chemicals Corporation
Navtech Systems Support Inc.
Neopost Canada
Newmont Mining Corporation of Canada Limited
MDS Nordion
North Atlantic Refining
Northern Pulp Nova Scotia Corp.
Nova Scotia Power Inc.
Novartis Pharmaceuticals Canada Inc.
Novo Nordisk Canada
Nycomed Canada Inc.
Oakrun Farm Bakery Ltd.
Omicron
L'Oréal Canada Inc.
P & H MinePro Services
PPG Canada Inc.
PPG Canada Inc. - Fine Chemicals Division
PPG Canada Inc. - Industrial Coatings Division
PPG Canada Inc. - Performance Glazing Division
Pan American Silver Corporation
Penske Truck Leasing
PepsiCo Canada
Phantom Mfg. (Int'l) Ltd.
Pharmascience Inc.
Philips Electronics Ltd.
Pioneer Hi-Bred Limited
Potash Corporation of Saskatchewan Inc.
Praxair Canada Inc.
Procter & Gamble Inc.
Puratos Canada Inc.
Richemont Canada Inc.
Rio Tinto - Diavik Diamond Mines
Rio Tinto - Fer et Titane Inc.
Rio Tinto Iron Ore
Ritchie Bros. Auctioneers (Canada) Ltd.
Rogers Communications Inc.

Caterpillar of Canada Corporation
Centerra Gold Inc.
Christie Digital Systems Inc.
The Churchill Corporation
Co-op Atlantic
Cognis Canada Corporation
Compass Group Canada
Country Ribbon Inc.
Cytec Canada Inc.
DENSO Manufacturing Canada, Inc.
DSM Nutritional Products Canada Inc.
Daishowa-Marubeni International Ltd.
Danone Canada Inc.
De Beers Canada Inc., Corporate Division
De Beers Canada Inc., Exploration Division
De Beers Canada Inc., Mining Division
Deeley Harley-Davidson Canada
Direct Energy Marketing Ltd.
Dow Chemical Canada Inc.
Dow Corning Canada Inc.
Dr Pepper Snapple Group
Dr. Oetker Ltd.
Dundee Precious Metals
Dyno Nobel Canada Inc.
EFW Radiology
E.I. du Pont Canada Company
EMD Serono Canada Inc.
ERCO Worldwide
EWOS Canada Ltd.
Eli Lilly Canada Inc.
Elkem Métal Canada Inc.
Essar Steel Algoma Inc.
Ferrero Canada Limited Commercial Division
Ferrero Canada Limited Industrial Division
Finning International Inc.
Fisher & Paykel Healthcare Inc.
Forbo Linoleum Inc.
Gates Canada Inc.

Rothmans, Benson & Hedges Inc.
Russel Metals Inc.
SABIC Innovative Plastics Canada Incorporated
SEMAFO inc.
SMS Equipment Inc.
Saint-Gobain Abrasives Canada Inc.
Saint-Gobain Ceramic Materials Canada/Abrasive Materials
sanofi-aventis
Schneider Electric
Sears Canada Inc.
The Shaw Group Limited
Sherritt International Corporation
Shire BioChem inc.
Shiseido (Canada) Inc.
Shoppers Drug Mart Corporation
Shore Gold Inc.
Siegwerk Canada Inc.
Siemens Canada Limited
Silver Standard Resources Inc.
Sleeman Breweries Ltd.
Société en Commandite Tafisa Canada Inc.
Sofina Foods Inc.
Sonoco Canada Corporation
Sultran Ltd.
TELUS Communications Inc.
TVI Pacific, Inc.
Tait Electronics Ltd.
Takeda Pharmaceuticals North America, Inc.
Taro Pharmaceuticals Inc.
Tech Data Canada Corporation
Teck Resources Limited
Teck Resources Limited - Highland Valley Copper
Teck Resources Limited - Trail Operation
Teekay Corporation
Tembec Inc.
Thales Rail Signalling Solutions
Thompson Creek Metals Company
Thrifty Foods Inc.

Mr. Ludlow
October 14, 2011



General Kinetics Engineering Corporation
Gerdau Ameristeel
GlaxoSmithKline Inc.
Graceway Pharmaceuticals
Graham & Brown
Grand & Toy
Griffith Laboratories Limited
Group SEB Canada Inc.
Henkel Canada Corporation
Hilti (Canada) Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
The Home Depot Canada
Hudson's Bay Company
HumanWare
Hunter Dickinson Inc.
Huntsman Polyurethane
INVISTA (Canada) Company
ITW Construction Products
Ingersoll-Rand Canada Inc.
Innophos Canada Inc.
J. H. Ryder Machinery Limited

TimberWest Forest Corp.
Timminco Limited
Tolko Industries Ltd.
Toromont CAT, A Division of Toromont Industries Ltd.
Trane Canada Co.
Twin Rivers Paper Company
Ultramar Ltée
uniPHARM Wholesale Drugs Ltd.
Uranium One Inc.
Vale Inco Limited
Vicwest Income Fund
Viterra Inc.
Votorantim Cement North America
VPL Enterprises Ltd.
Wal-Mart Canada Corp.
Wescast Industries Inc.
West Fraser Timber Co. Ltd.
Winners Merchants International L.P.
Xstrata Copper Canada
Yara Belle Plaine Inc.
Zellers
Zellstoff Celgar Partnership Limited

Hay Group Limited's Annual Reports Respecting Salary Policy Levels

HayGroup

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www.haygroup.com/ca

January 18, 2007

Ms. Lisa Hutchens
VP Customer Relations &
Corporate Services
Newfoundland Power
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Lisa,

Re: Manager Compensation – 2007 Salary Policy

You have asked us to recommend salary policy levels in 2007 for the management group immediately below the executive level.

These recommendations are based upon actual compensation information in the Hay database accumulated from the Commercial Industrial market with an effective data of May 2006. The list of 255 companies is attached, up from 208 last year.

Our September survey of 388 industrial organizations suggests that salary range adjustments in 2007 will average 3.0%. 2006 salary policies have been increased by 3% and rounded up to the nearest \$100, illustrated in Table 1 on the following page.

Table 1 – Recommended 2007 Manager Compensation Policy

Position	Newfoundland Power	
	2006 Policy	2007 Policy
Regional Manager, Western	\$142,200	\$146,500
Regional Manager, Eastern	\$142,200	\$146,500
Manager Corp Comm & HR Services	\$135,000	\$139,100
Manager Information Services	\$124,700	\$128,500
Manager Engineering	\$124,700	\$128,500
Manager Customer Relations	\$124,700	\$128,500
Manager Finance	\$121,600	\$125,300
Manager Corporate Planning	\$119,500	\$123,100
Treasurer	\$119,500	\$123,100

Sincerely,



David Crane
National Practice Leader,
Executive Compensation

Commercial Industrials (N=255)

- A&W Food Services of Canada Inc.
- Abitibi Consolidated Inc.
- AgraPoint International, Inc.
- Agricore United
- Ainsworth Engineered Canada L. P.
- Air Products Canada Ltd.
- Aker Kvaerner Chemetics
- Alberta-Pacific Forest Industries Inc.
- Alcan Inc.
- Alcatel Canada Inc. - Transport Automation
- Algoma Steel Inc.
- AltaSteel Ltd.
- Aluminerie Alouette Inc.
- AMGEN Canada Inc.
- Arkema Canada Inc.
- Armtec Limited Partnership
- AstraZeneca Canada Inc.
- AT Plastics Inc.
- ATCO I-Tek
- Atlantic Minerals Limited
- Atlantic Packaging Products Ltd.
- Atotech Canada Ltd.
- Babcock & Wilcox Canada
- Barrick Gold Corporation
- Barry Callebaut Canada Inc.
- Basell Canada Inc.
- BAX Global (Canada) Ltd.
- Bayer Inc.
- Bekaert Canada
- Belden CDT (Canada) Inc.
- Bell Canada
- Bericap North America Inc.
- BHP Billiton Ekati Diamond Mines
- BHP Billiton World Exploration Inc.
- Biovail Corporation
- Blount Canada Ltd.
- BOC Canada Limited
- Boehringer Ingelheim (Canada) Ltd.
- Bruce Power
- Cambior Inc.
- Canadelle Inc.
- Canadian Forest Products Ltd.
- Canadian National Railway Company
- Canadian Pacific Railway
- Canexus Limited
- Canpotex Limited
- Cargill Limited
- Catalyst Paper Corporation
- Centerra Gold Inc.
- CHEP Canada
- Christie Digital Systems Inc.
- Ciba Specialty Chemicals Canada Inc.
- CKF Inc.
- CNH America, LLC.
- Coca-Cola Ltd.
- Coleman Management Services
- Co-op Atlantic
- Cooper Industries (Canada) Inc.
- Country Ribbon Inc.
- CYRO Canada Inc.
- Daishowa-Marubeni International Ltd.
- De Beers Canada Inc., Corporate Division
- De Beers Canada Inc., Exploration Division
- De Beers Canada Inc., Mining Division
- DENSO Manufacturing Canada, Inc.
- Dofasco Automotive Group
- Dofasco Inc.
- Dofasco Tubular Products Corporation
- Dow Chemical Canada Inc.
- Duke Energy Gas Transmission
- Dynacast Canada Inc.
- E.I. du Pont Canada Company
- Effem Inc.
- Emera Inc.
- Enbridge Gas Distribution Inc.
- ERCO Worldwide
- EWOS Canada Ltd.
- Falconbridge Limited
- FANUC AMERICA Corporation
- Finning (Canada)
- Finning International Inc.
- Fishery Products International Limited
- FundSERV Inc.
- Gates Canada Inc.

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- General Kinetics Engineering Corporation
- Gerdau Ameristeel
- Goodrich Aerospace Canada Ltd.
- Goodyear Canada Incorporated
- Grand & Toy
- Grant Forest Products Inc.
- Griffith Laboratories Limited
- H.J. Heinz Company of Canada Ltd.
- Hanson Brick Limited
- Hanson Building Materials America
- Harvard Developments Inc.
- HDS Retail North America
- Hilti (Canada) Ltd.
- Hoffmann-La Roche Ltd.
- Home Hardware Stores Limited
- Hudson's Bay Company
- Hybrid Turkeys
- ICI Canada Inc.
- Inco Limited
- Ingersoll-Rand Canada Inc.
- InterContinental Hotels Group
- International Forest Products Limited
- Invacare Canada L.P.
- Inventure Solutions Inc.
- INVISTA (Canada) Company
- ITW Construction Products
- ITW Foils
- ITW Unipac
- J. H. Ryder Machinery Limited
- James Richardson International Limited
- John Deere Limited Canada
- Johnson Matthey Ltd.
- JTI-Macdonald Corp.
- K. I. Pembroke
- Kellogg Canada Inc.
- Kemira Chemicals Canada Inc.
- Kennametal Ltd.
- Kimberly-Clark Corporation
- Kinross Gold Corporation
- KPMG MSLP
- Kruger Inc.
- Kuehne + Nagel Ltd.
- La Compagnie minière Québec Cartier
- Labatt Breweries of Canada
- Lantic Sugar Limited
- LANXESS Inc.
- Lego Systems, Inc.
- Levi Strauss & Co. (Canada) Inc.
- Lilydale Inc.
- L'Oréal Canada Inc.
- Luscar Ltd.
- MacDonald, Dettwiler and Associates Ltd.
- Mainstream Canada Ltd.
- Manitoba Telecom Services Inc.
- Mattamy Homes Limited
- Maxim Power Corp.
- McCormick Canada Co.
- McElhanney Consulting Services Ltd.
- McElhanney Land Surveys Ltd.
- MDA
- Merck Frosst Canada & Co.
- Meridian Technologies Inc.
- Michelin North America (Canada) Inc.
- Minas Basin Pulp & Power Co. Ltd.
- MIP Inc.
- Mitsubishi Canada Limited
- Mittal Canada Inc.
- Montship Inc.
- Mustang Survival Corp.
- Neenah Paper, Inc. - Pictou Mill
- Neo Material Technologies Inc.
- Neopost Canada
- Nestlé Canada Inc.
- Newmont Mining Corporation of Canada Limited
- NorTerra Inc.
- North American Palladium Ltd.
- NOVA Chemicals Corporation
- Nova Scotia Power Inc.
- Novartis Pharma Canada Inc.
- Nunavut Investment Group Inc.
- Oakrun Farm Bakery Ltd.
- Optimira Energy, Ltd.
- Organon Canada
- Osler, Hoskin & Harcourt, LLP
- Overwaitea Food Group
- P & H MinePro Services
- Pan American Silver Corporation

HayGroup

- Patheon Inc.
- Penske Truck Leasing
- Pepsi-QTG Canada Inc.
- Petro-Canada
- PolyCello
- Potash Corporation of Saskatchewan Inc.
- PPG Canada Inc.
- PPG Canada Inc. - Automotive Glass Division
- PPG Canada Inc. - Fine Chemicals Division
- PPG Canada Inc. - Flat Glass Division
- PPG Canada Inc. - Industrial Coatings Division
- Praxair Canada Inc. - Industrial Gas Division
- Praxair Canada Inc. - Packaged Gas Division
- Purolator Courier Ltd.
- QIT-Fer et Titane Inc.
- Qualico Homes
- Quinn Contracting Ltd.
- Rhodia Canada Inc.
- Robeez Footwear Ltd.
- Roche Diagnostics Canada
- Rogers Sugar Ltd.
- Rohm and Haas Canada Inc.
- Russel Metals Inc.
- Saint-Gobain Abrasives Canada Inc.
- Sandvik Materials Technology Canada
- sanofi pasteur
- sanofi-aventis
- Saskatchewan Wheat Pool
- Saskferco Products Inc.
- Schneider Electric
- Scotia Investments Ltd.
- Scotsburn Co-operative Services Limited
- Scott Paper Limited
- Shred-it Canada Corporation
- Siemens Canada Limited
- Siemens Power Generation, A Division of Siemens Canada Ltd.
- Skretting
- Société en Commandite Tafisa Canada Inc.
- Société PCI Chimie Canada
- St Marys Cement Inc.
- Stelco Inc.
- Stork Bronswerk Inc.
- Sutherland-Schultz Inc.
- Syncrude Canada Ltd.
- Tait Electronics Ltd.
- Tate & Lyle Canada Ltd.
- Teck Cominco - Highland Valley Copper
- Teck Cominco Limited
- Teekay Shipping (Canada) Ltd.
- Teknion Corporation
- TELUS Communication Company
- Telvent Canada Ltd
- Tembec Inc.
- Terasen Gas
- The Bay
- The Beer Store
- The Loyalty Group
- The McElhanney Group Ltd.
- The Mosaic Company
- Thrifty Foods Inc.
- TimberWest Forest Corp.
- Tolko Industries Ltd.
- Toromont CAT, A Division of Toromont Industries Ltd.
- TransAlta Corporation
- TransCanada Corporation
- Transwest Mining Systems
- Tree Island Industries Ltd.
- TSi Auto Solutions
- Ultramar Ltée
- Union Gas Ltd.
- uniPHARM Wholesale Drugs Ltd.
- Vanguard Plastics Ltd.
- Vetco Gray Canada Inc.
- Voith Fabrics Canada Inc.
- W.E.T. Automotive Systems Ltd.
- Wal-Mart Canada Inc.
- West Fraser Timber Co. Ltd.
- Western Oil Sands Inc.
- Weyerhaeuser Company Ltd.
- Winners Merchants International L.P.
- Wyeth Pharmaceuticals
- Yves Rocher
- Zellers
- Zellstoff Celgar Partnership Limited

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January 16, 2008

Ms. Lisa Hutchens
VP Customer Relations &
Corporate Services
Newfoundland Power
55 Kenmount Road
St. John's, NL A1B 3P6

Dear Lisa,

Re: Manager Compensation – 2008 Salary Policy

You have asked us to recommend salary policy levels in 2008 for the management group immediately below the executive level.

At January 2007 salary ranges in effect in 2006 were increased by an estimated 3.0% in anticipation of changes to market practice at that date. However, data collected from Commercial Industrial companies (list attached) suggests that market movement was between 0.5% and 1.0% less than this estimate.

Our September 2007 expected salary survey of 372 industrial organizations (including non-commercial companies) suggests that salary range adjustments in 2008 will average 3.2%. Table 1, following, recommends salary ranges based on Commercial Industrial non-executive market data in the Hay Group database effective data of May 2007 incremented by 3.2% and rounded to the nearest \$100.

You will note that the proposed 2008 salary ranges are somewhat less than 3.2% higher than the 2007 ranges. This is caused by the modest over-estimate of changes to market practice in 2007, discussed above.

Table 1 – Recommended 2008 Manager Compensation Policy

Position	Newfoundland Power	
	2007 Policy	2008 Policy
Regional Manager, Western	\$146,500	\$150,000
Regional Manager, Eastern	\$146,500	\$150,000
Manager Corp Comm & HR Services	\$139,100	\$142,300
Manager Information Services	\$128,500	\$131,300
Manager Engineering	\$128,500	\$131,300
Manager Customer Relations	\$128,500	\$131,300
Treasurer	\$125,300	\$128,300
Manager Corporate Planning	\$123,100	\$125,700

Sincerely,



David Crane
Senior Consultant,
Executive Compensation

Commercial Industrials (N=262)

- A&W Food Services of Canada Inc.
- ACA Co-operative Limited
- AMGEN Canada Inc.
- AMSTED Canada Inc.
- Abbott Laboratories, Limited
- AgraPoint International, Inc.
- Agricore United
- Ainsworth Engineered Canada L. P.
- Air Products Canada Ltd.
- Aker Kvaerner Chemetics
- Alberta-Pacific Forest Industries Inc.
- Alcan Inc.
- Alcon Canada Inc.
- Algoma Steel Inc.
- Allergan Canada Inc.
- AltaSteel Ltd.
- Aluminerie Alouette Inc.
- Andrew Peller Limited
- ArcelorMittal Tubular Products Corporation
- Arkema Canada Inc.
- Armtec Limited Partnership
- Ashland Distribution
- Ashland Performance Materials
- Ashland Water Technologies
- Associated Materials
- AstraZeneca Canada Inc.
- Atlantic Packaging Products Ltd.
- Atotech Canada Ltd.
- BHP Billiton Ekati Diamond Mines
- BOC Canada Limited
- Barrick Gold Corporation
- Barry Callebaut Canada Inc.
- Basell Canada Inc.
- The Bay
- Bayer Inc.
- The Beer Store
- Bekaert Canada
- Bell Canada
- Bericap North America Inc.
- Biovail Corporation
- Blount Canada Ltd.
- Boehringer Ingelheim (Canada) Ltd.
- Bronswerk Marine Inc.
- Bruce Power
- CHEP Canada
- CKF Inc.
- CMA Holdings Inc.
- CNH America, LLC.
- CVRD Inco Limited
- Cabot Canada Ltd.
- Cadbury Schweppes
- Campbell Company of Canada
- Canadelle Inc.
- Canadian Forest Products Ltd.
- Canadian National Railway Company
- Canexus Limited
- Canfor Pulp Limited Partnership
- Canpotex Limited
- Cargill Limited
- Catalyst Paper Corporation
- Centerra Gold Inc.
- Christie Digital Systems Inc.
- Ciba Specialty Chemicals Canada Inc.
- Co-op Atlantic
- La Compagnie minière Québec Cartier
- Continental Tire Canada, Inc.
- Cooper B-Line
- Cooper Bussmann
- Cooper Crouse Hinds
- Cooper Lighting
- Cooper Power Tools
- Cooper Wiring Devices
- Corby Distilleries Limited
- Cott Corporation
- Country Ribbon Inc.
- Cox Enterprises
- Daishowa-Marubeni International Ltd.
- De Beers Canada Inc., Corporate Division
- De Beers Canada Inc., Exploration Division
- De Beers Canada Inc., Mining Division
- Deeley Harley-Davidson Canada
- DENSO Manufacturing Canada, Inc.

- Dofasco Automotive Group
- Dofasco Inc.
- Dow Chemical Canada Inc.
- DSM Nutritional Products Canada Inc.
- Dynacast Canada Inc.
- Dyno Nobel Canada Inc.
- E.I. du Pont Canada Company
- ERCO Worldwide
- EWOS Canada Ltd.
- Eli Lilly Canada Inc.
- Enbridge Gas Distribution Inc.
- Exopack Canada
- FANUC AMERICA Corporation
- Finning (Canada)
- Finning International Inc.
- FisherCast Global Corporation
- Fishery Products International Limited
- Fortis Ontario Inc.
- Fortis Properties
- FundSERV Inc.
- Galderma Canada Inc.
- Gates Canada Inc.
- General Kinetics Engineering Corporation
- Gerdau Ameristeel
- GLV Inc.
- Goldcorp Inc.
- Grand & Toy
- Griffith Laboratories Limited
- Group SEB Canada Inc.
- HDS Retail North America
- Hallmark Tubulars Ltd.
- Hanson Building Materials America
- Harvard Developments Inc.
- Hilti (Canada) Ltd.
- Hoffmann-La Roche Ltd.
- Home Hardware Stores Limited
- Hudson's Bay Company
- Hybrid Turkeys
- IAMGOLD Corporation
- INVISTA (Canada) Company
- ITW Construction Products
- ITW Unipac
- Imperial Tobacco Canada Limited
- Ingersoll-Rand Canada Inc.
- Invacare Canada L.P.
- Inventure Solutions Inc.
- J. H. Ryder Machinery Limited
- JTI-Macdonald Corp.
- James Richardson International Limited
- John Deere Limited Canada
- Johnson Matthey Ltd.
- K. I. Pembroke
- KPMG MSLP
- Keilhauer
- Kellogg Canada Inc.
- Kemira Chemicals Canada Inc.
- Kimberly-Clark Corporation
- Kinross Gold Corporation
- Kruger Inc.
- Kruger Products
- Kuehne + Nagel Ltd.
- LANXESS Inc.
- Labatt Breweries of Canada
- Lafarge Canada Inc.
- Lantic Sugar Limited
- Lego Systems, Inc.
- Levi Strauss & Co. (Canada) Inc.
- LifeScan Canada Ltd.
- Lilydale Inc.
- Louis Vuitton Malletier
- The Loyalty Group
- MDA
- Mainstream Canada Ltd.
- Manitoba Telecom Services Inc.
- Maple Leaf Sports & Entertainment Ltd.
- Maritime Electric Company
- McCormick Canada Co.
- McElhanney Consulting Services Ltd.
- The McElhanney Group Ltd.
- McElhanney Land Surveys Ltd.
- Merck Frosst Canada & Co.
- Meridian Technologies Inc.
- Michelin North America (Canada) Inc.
- Miller Thomson LLP
- Minas Basin Pulp & Power Co. Ltd.
- Mitsubishi Canada Limited
- Montship Inc.
- Mustang Survival Corp.

- NOVA Chemicals Corporation
- Neenah Paper, Inc. - Pictou Mill
- Neopost Canada
- Nestlé Canada Inc.
- Newfoundland Power Inc.
- Newmont Mining Corporation of Canada Limited
- NexInnovations Inc.
- Norbord Inc.
- North Atlantic Refining
- Nova Scotia Power Inc.
- NovaGold Resources Inc.
- Novartis Pharma Canada Inc.
- Novo Nordisk Canada
- Nunavut Investment Group Inc.
- Nycomed Canada Inc.
- Oakrun Farm Bakery Ltd.
- Optimira Energy, Ltd.
- L'Oréal Canada Inc.
- Osler, Hoskin & Harcourt, LLP
- Overwaitea Food Group
- P & H MinePro Services
- PPG Canada Inc.
- PPG Canada Inc. - Automotive Glass Division
- PPG Canada Inc. - Fine Chemicals Division
- PPG Canada Inc. - Flat Glass Division
- PPG Canada Inc. - Industrial Coatings Division
- Pan American Silver Corporation
- Parkland Income Fund
- Patheon Inc.
- Penske Truck Leasing
- Pepsi-QTG Canada Inc.
- Petro-Canada
- Pfizer Canada Inc.
- Phantom Mfg. (Int'l) Ltd.
- Potash Corporation of Saskatchewan
- Prairie Mines & Royalty Ltd.
- Praxair Canada Inc.
- Pristine Power Inc.
- Puratos Canada Inc.
- Purolator Courier Ltd.
- QIT-Fer et Titane Inc.
- Rhodia Canada Inc.
- Robeez Footwear Ltd.
- Rogers Sugar Ltd.
- Rohm and Haas Canada Inc.
- Russel Metals Inc.
- St. Marys Cement Inc.
- Saint-Gobain Abrasives Canada Inc.
- Saint-Gobain Advanced Ceramics Hamilton
- Saint-Gobain Ceramic Materials Canada/Abrasives Materials
- Sandvik Materials Technology Canada
- sanofi-aventis
- Saskatchewan Wheat Pool
- Saskferco Products Inc.
- Schenker of Canada Limited
- Schneider Electric
- Securit Group of Companies
- The Shaw Group Limited
- Siemens Power Generation, A Division of Siemens Canada Ltd.
- Skretting
- Société en Commandite Tafisa Canada Inc.
- Stantec
- Stone Transport
- Tait Electronics Ltd.
- Teekay Shipping (Canada) Ltd.
- Telvent Canada Ltd.
- Tembec Inc.
- Terasen Gas
- Thales Rail Signalling Solutions
- Thrifty Foods Inc.
- Tolko Industries Ltd.
- Toromont CAT, A Division of Toromont Industries Ltd.
- Tracer Industries Canada Limited
- Transwest Mining Systems
- Tree Island Industries Ltd.
- Triton Data Inc.
- Ultramar Ltée
- uniPHARM Wholesale Drugs Ltd.
- Valeant Canada Limited
- Valvoline
- Vanguard Plastics Ltd.
- Vetco Gray Canada Inc.

- Voith Fabrics Canada Inc.
- W.E.T. Automotive Systems Ltd.
- Wal-Mart Canada Inc.
- West Fraser Timber Co. Ltd.
- Winners Merchants International L.P.
- Xstrata Zinc Canada
- Yum! Restaurants International (Canada) LP
- Yves Rocher
- Zellers
- Zellstoff Celgar Partnership Limited

November 21, 2008

Ms. Jocelyn Perry
VP, Finance & Chief Financial Officer
Newfoundland Power
55 Kenmount Road
St. John's, NL A1B 3P6

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Suite 700
Toronto, ON M5H 3X7
Canada

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fax +1.416.868.6871

www.haygroup.com/ca

Dear Jocelyn,

Re: Manager Compensation – 2009 Salary Policy – Draft

We have been asked to provide salary policy levels in 2009 for the management group immediately below the executive level.

Our views are based upon the current evaluation of the roles using the Hay methodology and compensation information in the Hay database accumulated from the Commercial Industrial non-executive market effective May 1st, 2008. The companies included in this sample are listed in Appendix A.

Table 1, on the following page, illustrates the 2009 salary policy levels for Newfoundland Power managers. These are based on median 2008 market salary data adjusted upwards by 3.2%, based on data collected in October 2008, to estimate 2009 market practice.

Table 1 – Recommended 2009 Manager Salary Policy

Position	2008 Policy ¹	2009 Policy ²
Manager, Regional	\$150,000	\$154,700
Manager, Regional	\$150,000	\$154,700
Manager, Corporate Relations ³	\$142,300	\$147,000
Manager Corporate Affairs ⁴	*	\$135,700
Manager, Civil Engineering ⁴	*	\$135,700
Manager, Engineering	\$131,300	\$135,700
Manager, Customer Relations & Information Services ⁵	\$131,300	\$135,700
Manager, Finance ³	\$126,800	\$130,000
Manager, Rates & Regulation ⁴	*	\$130,000

* 2008 policy data unavailable

Notes:

- (1) Reflects 2008 policy recommended in January 2008.
- (2) Reflects Actual 2008 Base Salary market median, adjusted upwards by 3.2% to estimate 2009 salary levels.
- (3) Different job title than last year.
- (4) New position added for 2009.
- (5) Position has been combined from 2 separate jobs last year. 2009 policy is based on the same Hay Points as last year until a new job evaluation is performed.

Sincerely,



Christopher A. Chen, LLB
Senior Consultant

Appendix A – Commercial Industrial Comparator Group (N = 261)

A&W Food Services of Canada Inc.	Campbell Company of Canada
Abacus Private Equity	Canadelle Inc.
Abbott Laboratories, Limited	Canadian Autoparts Toyota Inc.
ACA Co-operative Limited	Canadian Forest Products Ltd.
Agfa Inc.	Canexus Limited
Ainsworth Engineered Canada L. P.	Canfor Pulp Limited Partnership
Air Products Canada Ltd.	Canon Canada Inc.
Aker Chemetics	Canpotex Limited
Alberta-Pacific Forest Industries Inc.	Cargill Limited
Alcon Canada Inc.	Caterpillar of Canada Corporation
Aluminerie Alouette Inc.	Centerra Gold Inc.
Amgen Canada Inc.	CHEP Canada
Andrew Peller Limited	Christie Digital Systems Inc.
Anglo American Exploration (Canada) Ltd.	Ciba Canada Ltd.
ArcelorMittal Dofasco Inc.	CKF Inc.
ArcelorMittal Mines Canada	CMA Holdings Inc.
ArcelorMittal P&T	CNH America, LLC.
ArcelorMittal Tubular Products - Automotive Division	Cognis Canada Corporation
Arkema Canada Inc.	Co-op Atlantic
Arrow Transportation Systems Inc.	Corby Distilleries Limited
Ashland Distribution	Country Ribbon Inc.
Ashland Global Chemicals	Cox Enterprises
Ashland Performance Materials	CSG Security Inc.
Ashland Water Technologies	Daishowa-Marubeni International Ltd.
AstraZeneca Canada Inc.	De Beers Canada Inc., Corporate Division
ATCO I-Tek	De Beers Canada Inc., Exploration Division
Atlantic Packaging Products Ltd.	De Beers Canada Inc., Mining Division
Atotech Canada Ltd.	Deeley Harley-Davidson Canada
Axcan Pharma Inc.	DENSO Manufacturing Canada, Inc.
BakeMark Ingredients Canada Ltd.	Diamond Trading Company
Barrick Gold Corporation	Dow Chemical Canada Inc.
Barry Callebaut Canada Inc.	DSM Nutritional Products Canada Inc.
Baxter Corporation	Dundee Precious Metals
Bayer Inc.	Dynacast Canada Inc.
Beiersdorf Canada Inc.	Dyno Nobel Canada Inc.
Bekaert Canada	E.I. du Pont Canada Company
Bell Canada	Eaton Corporation
BHP Billiton Ekati Diamond Mines	Eli Lilly Canada Inc.
Boehringer Ingelheim (Canada) Ltd.	Elkem Métal Canada Inc.
Bombardier Transport	EMD Serono Canada Inc.
Bonduelle North America Inc.	Enbridge Gas Distribution Inc.
Bronswerk Marine Inc.	ERCO Worldwide
Bruce Power	Essar Steel Algoma Inc.
Cabot Canada Ltd.	Evonik Degussa Canada Inc.

Appendix A – Commercial Industrial Comparator Group (N = 261) (cont'd.)

EWOS Canada Ltd.
FANUC AMERICA Corporation
Fedex Kinko's Canada Limited
Ferrero Canada Limited Commercial Division
Ferrero Canada Limited Industrial Division
Finning (Canada)
Finning International Inc.
FisherCast Global Corporation
FundSERV Inc.
Galderma Canada Inc.
Gates Canada Inc.
General Kinetics Engineering Corporation
GlaxoSmithKline Inc.
GLV Inc.
Goldcorp Inc.
Goodrich Aerospace Canada Ltd.
Grand & Toy
Griffith Laboratories Limited
Group SEB Canada Inc.
H. H. Angus & Associates Limited
H.J. Heinz Company of Canada Ltd.
Hallmark Tubulars Ltd.
Harvard Developments Inc.
HDS Retail North America
Henkel Canada Corporation
Hilti (Canada) Ltd.
Hitachi Canadian Industries Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
Hudson's Bay Company
IAMGOLD Corporation
Ingersoll-Rand Canada Inc.
INTERQUISA CANADA
Intrawest ULC
INVISTA (Canada) Company
ITW Foils
J. Ennis Fabrics Ltd.
J. H. Ryder Machinery Limited
John Deere Limited Canada
Johnson Matthey Ltd.
JTI-Macdonald Corp.
K.I. Pembroke
Kellogg Canada Inc.
Kemira Chemicals Canada Inc.

Kennametal Ltd.
KPMG MSLP
Kruger Inc.
Kruger Products
Kuehne + Nagel Ltd.
Lantic Sugar Limited
LANXESS Inc.
Lego Systems, Inc.
Lehigh Hanson
Levi Strauss & Co. (Canada) Inc.
Lilydale Inc.
Linde Canada Limited
L'Oréal Canada Inc.
Mainstream Canada Ltd.
Mark Anthony Group
Mattamy Homes Limited
McCormick Canada Co.
McElhanney Consulting Services Ltd.
McElhanney Land Surveys Ltd.
Meridian Technologies Inc.
Michelin North America (Canada) Inc.
Minas Basin Pulp & Power Co. Ltd.
Mitsubishi Canada Limited
Mittal Canada Contrecoeur-Ouest Inc.
Mittal Canada Hamilton Inc.
Mittal Canada Inc.
Mittal Canada Lachine Inc.
Mittal Canada Saint-Patrick Inc.
Montship Inc.
Mustang Survival Corp.
Navtech Systems Support Inc.
Neenah Paper, Inc. - Pictou Mill
Neopost Canada
Nestlé Canada Inc.
North Atlantic Refining
NOVA Chemicals Corporation
Nova Scotia Power Inc.
NovaGold Resources - Galore Creek
NovaGold Resources Inc.
Novartis Pharma Canada Inc.
Novo Nordisk Canada
Nycomed Canada Inc.
Olin Chlor-Alkali Products
OMYA (Canada) Inc.

Appendix A – Commercial Industrial Comparator Group (N = 261) (cont'd.)

Osler, Hoskin & Harcourt, LLP	Stantec
Overwaitea Food Group	Taro Pharmaceuticals Inc.
P & H MinePro Services	Teck Cominco Limited
Pan American Silver Corporation	Teck Cominco Limited - Highland Valley Copper
Parkland Income Fund	Teck Cominco Limited - Trail Operation
Patheon Inc.	Teekay Corporation
Penske Truck Leasing	Teknion Corporation
Pepsi-QTG Canada	Telvent Canada Ltd.
Petro-Canada	Tembec Inc.
Pfizer Canada Inc.	Thales Rail Signalling Solutions
Phantom Mfg. (Int'l) Ltd.	The Bay
Potash Corporation of Saskatchewan	The Beer Store
PPG Canada Inc.	The Loyalty Group
PPG Canada Inc. - Automotive Glass Division	The McElhanney Group Ltd.
PPG Canada Inc. - Fine Chemicals Division	The Mosaic Company
PPG Canada Inc. - Industrial Coatings Division	The Shaw Group Limited
PPG Canada Inc. - Performance Glazing Division	Thrifty Foods Inc.
Praxair Canada Inc.	TimberWest Forest Corp.
Puratos Canada Inc.	Timminco Limited
QIT-Fer et Titane Inc.	Tolko Industries Ltd.
Qualico Developments West Ltd.	Toromont CAT, A Division of Toromont Industries Ltd.
Rhodia Canada Inc.	Triton Data Inc.
Richemont Canada Inc.	Ultramar Ltée
Rio Tinto Alcan	uniPHARM Wholesale Drugs Ltd.
Ritchie Bros. Auctioneers (Canada) Ltd.	Vale Inco Limited
Rogers Sugar Ltd.	Valeant Canada Limited
Rohm and Haas Canada Inc.	Valvoline
Russel Metals Inc.	Vanguard Plastics Ltd.
Saint-Gobain Abrasives Canada Inc.	Viterra Inc.
Saint-Gobain Advanced Ceramics Hamilton	Voith Fabrics Canada Inc.
Saint-Gobain Ceramic Materials Canada/Abrasive Materials	W.E.T. Automotive Systems Ltd.
Sandoz Canada Inc.	Wal-Mart Canada Corp.
Sandvik Materials Technology Canada	Western Oil Sands Inc.
Schneider Electric	Winners Merchants International L.P.
Securit Group of Companies	Wyeth Pharmaceuticals
Sherritt Coal	Xstrata Copper Canada
Sico Inc.	Xstrata Nickel Canada
SIDEL Canada Inc.	Xstrata Zinc Canada
Siemens Canada Limited	Yves Rocher
Signature Aluminium Canada Inc.	Zellers
Skretting	Zellstoff Celgar Partnership Limited
SMS Construction and Mining Systems Inc.	
SMS Equipment Inc.	
Société en Commandite Tafisa Canada Inc.	



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November 24, 2009

Ms. Jocelyn Perry
VP, Finance & Chief Financial Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Ms. Perry,

Re: Manager Compensation – 2010 Estimated Market Actual Salary Median (Draft)

We have been asked to provide estimated market actual salary levels in 2010 for the management group immediately below the executive level.

Our views are based upon the current evaluation of the roles using the Hay methodology and compensation information in the Hay database accumulated from the Commercial Industrial market effective May 1st, 2009. The companies included in this sample are listed in Appendix A.

Table 1, on the following page, illustrates the 2010 market actual salary medians for Newfoundland Power managers. These are based on median 2009 market salary data adjusted upwards by 1.0%, based on data collected in September 2009, to estimate 2010 market practice.

Table 1 – Estimated Newfoundland Power 2010 Market Actual Salary Medians

Position	Estimated 2009 Market Actual Salary Median (in 2008) ¹	Estimated 2010 Market Actual Salary Median ²
Manager, Regional	\$154,700	\$168,400
Manager, Regional	\$154,700	\$168,400
Manager, Corporate Relations	\$147,000	\$160,500
Manager Corporate Affairs	\$135,700	\$148,500
Manager, Civil Engineering	\$135,700	\$148,500
Manager, Engineering	\$135,700	\$148,500
Manager, Customer Relations & Information Services	\$135,700	\$148,500
Manager, Finance	\$130,000	\$140,200
Manager, Rates & Regulation	\$130,000	\$140,200

Notes:

(1) Reflects estimated 2009 market salary median in November 2008.

(2) Reflects Actual 2009 Base Salary market median, adjusted upwards by 1.0% to estimate 2010 salary levels.

Sincerely,

Hay Group Limited



Suzanne Cunningham
Manager Consulting Services, Atlantic Canada

Appendix A – Commercial Industrial Comparator Group (N = 284)

A&W Food Services of Canada Inc.
ACA Co-operative Limited
ATCO I-Tek
AV Nackawic Inc.
Abbott Laboratories, Limited
Agfa Healthcare Canada
Agfa Inc.
Agnico-Eagle Mines Limited
Ainsworth Engineered Canada L. P.
Air Products Canada Ltd.
Aker Chemetics
Alberta-Pacific Forest Industries Inc.
Alcon Canada Inc.
Allergan Canada Inc.
AltaSteel Ltd.
Aluminerie Alouette Inc.
Amgen Canada Inc.
Andrew Peller Limited
Apotex Inc.
ArcelorMittal Dofasco Inc.
ArcelorMittal P&T
ArcelorMittal Tubular Products - Automotive Division
ArcelorMittal Tubular Products Corporation
Arkema Canada Inc.
Arrow Transportation Systems Inc.
Ashland Distribution
Ashland Global Chemicals
Ashland Performance Materials
Ashland Water Technologies
Astellas Pharma Canada Inc.
AstraZeneca Canada Inc.
Atlantic Packaging Products Ltd.
Atotech Canada Ltd.
Axcen Pharma Inc.
BASF Canada Inc.
BHP Billiton - Ekati Diamond Mines

Babcock & Wilcox Canada
BakeMark Ingredients Canada Ltd.
Barrick Gold Corporation
Barry Callebaut Canada Inc.
Baxter Corporation
The Bay
Bayer Inc.
The Beer Store
Beiersdorf Canada Inc.
Bekaert Canada
Belden CDT (Canada) Inc.
Biovail Corporation
Boehringer Ingelheim (Canada) Ltd.
Bonduelle North America Inc.
Bronswerk Marine Inc.
Bruce Power
Bunge North America
CHEP Canada
CKF Inc.
CMA Holdings Inc.
CNH America, LLC.
Cabot Canada Ltd.
Cadbury North America
Campbell Company of Canada
Canadelle Inc.
Canadian Forest Products Ltd.
Canadian Freightways Limited
Canadian National Railway Company
Canadian Pacific Railway
Canexus Limited
Canfor Pulp Limited Partnership
Canon Canada Inc.
Canpotex Limited
Cargill Limited
Caterpillar of Canada Corporation
Centerra Gold Inc.

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Chemtura Canada Co Cie
Ciba Canada Ltd.
Co-op Atlantic
Cognis Canada Corporation
Compass Group Canada
Cooper B-Line
Cooper Bussmann
Cooper Crouse Hinds
Cooper Lighting
Cooper Power Systems
Cooper Power Tools
Cooper Wiring Devices
Corby Distilleries Limited
Country Ribbon Inc.
Covance (Canada) Inc.
Cytec Canada Inc.
DSM Nutritional Products Canada Inc.
Daishowa-Marubeni International Ltd.
Danfoss Inc.
De Beers Canada Inc., Corporate Division
De Beers Canada Inc., Exploration Division
De Beers Canada Inc., Mining Division
Deeley Harley-Davidson Canada
Diavik Diamond Mines Inc.
Dow Chemical Canada Inc.
Dr. Oetker Ltd.
Dundee Precious Metals
Dyno Nobel Canada Inc.
EFW Radiology
E.I. du Pont Canada Company
ERCO Worldwide
EWOS Canada Ltd.
Eaton Corporation
Eli Lilly Canada Inc.
Elkem Métal Canada Inc.
Enbridge Gas Distribution Inc.

Essar Steel Algoma Inc.
Evonik Degussa Canada Inc.
FANUC AMERICA Corporation
FNX Mining Company Inc.
Fedex Kinko's Canada Limited
Ferrero Canada Limited Commercial Division
Finning (Canada)
Finning International Inc.
Fraser Papers Inc.
FundSERV Inc.
G4S Cash Services (Canada) Ltd.
Gates Canada Inc.
General Kinetics Engineering Corporation
GlaxoSmithKline Inc.
Goldcorp Inc.
Goodrich Aerospace Canada Ltd.
Grand & Toy
Griffith Laboratories Limited
HDS Retail North America
H.J. Heinz Company of Canada Ltd.
Hecla Mining Company
Hilti (Canada) Ltd.
Hitachi Canadian Industries Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
Hudson's Bay Company
HumanWare
Hydro Technologies (Canada) Inc.
IAMGOLD Corporation
INEOS Canada Partnership
INVISTA (Canada) Company
Ingersoll-Rand Canada Inc.
Innophos Canada Inc.
Interquisa Canada
Intrawest ULC
Iovate Health Sciences Services Inc.

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Iron Ore Company of Canada
J. Ennis Fabrics Ltd.
JTI-Macdonald Corp.
John Deere Limited Canada
K.I. Pembroke
KPMG MSLP
KPSS Canada Ltd.
Karl Storz Endoscopy Canada Ltd.
Kasian Architecture Interior Design and Planning Ltd.
Katz Group Canada Ltd.
Kellogg Canada Inc.
Kemira Chemicals Canada Inc.
Kennametal Ltd.
Kinross Gold Corporation
Kruger Products
Kuehne + Nagel Ltd.
LANXESS Inc.
Labatt Breweries of Canada
Lake Shore Gold Corp.
Lantic Sugar Limited
Lehigh Hanson
Levi Strauss & Co. (Canada) Inc.
Lilydale Inc.
Linde Canada Limited
LoyaltyOne Inc.
MDA
Mainstream Canada Ltd.
Mark Anthony Group
McCormick Canada Co.
McElhanney Consulting Services Ltd.
The McElhanney Group Ltd.
McElhanney Land Surveys Ltd.
Merck Frosst Canada & Co.
Meridian Technologies Inc.
Minas Basin Pulp & Power Co. Ltd.
Mitsubishi Canada Limited

Mittal Canada Contrecoeur-Ouest Inc.
Mittal Canada Hamilton Inc.
Mittal Canada Inc.
Mittal Canada Lachine Inc.
Mittal Canada Saint-Patrick Inc.
Montship Inc.
The Mosaic Company
Mother Parker's Tea & Coffee Inc.
Mustang Survival Corp.
NOVA Chemicals Corporation
Navtech Systems Support Inc.
Neopost Canada
Nestlé Canada Inc.
New Horizon System Solutions LP
Newmont Mining Corporation of Canada Limited
North Atlantic Refining
Northern Pulp Nova Scotia Corp.
Nova Scotia Power Inc.
NovaGold Resources Inc.
Novartis Pharmaceuticals Canada Inc.
Novo Nordisk Canada
Nycomed Canada Inc.
OZ Minerals Canada Resources Inc.
Oakrun Farm Bakery Ltd.
L'Oréal Canada Inc.
Osler, Hoskin & Harcourt, LLP
PPG Canada Inc.
PPG Canada Inc. - Automotive Glass Division
PPG Canada Inc. - Fine Chemicals Division
PPG Canada Inc. - Industrial Coatings Division
PPG Canada Inc. - Performance Glazing Division
Pan American Silver Corporation
Patheon Inc.
Peak Potentials Training
Penske Truck Leasing
Pepsi-QTG Canada

Appendix A – Commercial Industrial Comparator Group (N = 284) (cont'd.)

Petro-Canada
Pfizer Canada Inc.
Phantom Mfg. (Int'l) Ltd.
Philips Electronics Ltd.
Pioneer Hi-Bred Limited
Potash Corporation of Saskatchewan Inc.
Praxair Canada Inc.
Puratos Canada Inc.
QIT-Fer et Titane Inc.
Resolve Corporation
Rhodia Canada Inc.
Rio Tinto Alcan
Rio Tinto Copper Projects
Ritchie Bros. Auctioneers (Canada) Ltd.
Rogers Sugar Ltd.
Rohm and Haas Canada Inc.
Rothmans Benson & Hedges Inc.
Russel Metals Inc.
SABIC Innovative Plastics Canada Incorporated
SMS Construction and Mining Systems Inc.
SMS Equipment Inc.
Saint-Gobain Abrasives Canada Inc.
Saint-Gobain Advanced Ceramics Hamilton
Sandoz Canada Inc.
sanofi-aventis
Schneider Electric
Securit Group of Companies
The Shaw Group Limited
Sherritt Coal
Sherritt International Corporation
Sico Inc.
Sidel Canada Inc.
Siemens Canada Limited
Skretting
Solvay Pharma Inc.
Sonoco Canada Corporation

Sultran Ltd.
Taro Pharmaceuticals Inc.
Teck Resources Limited
Teck Resources Limited - Highland Valley Copper
Teck Resources Limited - Trail Operation
Teekay Corporation
Telvent Canada Ltd.
Tembec Inc.
Thales Rail Signalling Solutions
Thompson Creek Metals Company
Thrifty Foods Inc.
TimberWest Forest Corp.
Tolko Industries Ltd.
Toromont CAT, A Division of Toromont Industries Ltd.
Ultramar Ltée
uniPHARM Wholesale Drugs Ltd.
Vale Inco Limited
Valeant Canada Limited
Valvoline
Vanguard Plastics Ltd.
Vicwest Income Fund
Viterra Inc.
W.E.T. Automotive Systems Ltd.
Wal-Mart Canada Corp.
Winners Merchants International L.P.
Wyeth Pharmaceuticals
Xstrata Copper Canada
Xstrata Nickel Canada
Xstrata Zinc Canada
Yves Rocher
Zellers
Zellstoff Celgar Partnership Limited



December 10, 2010

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Mr. Ludlow,

Re: Manager Compensation – 2011 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2011 for the management group immediately below the executive level.

Our views are based upon the current evaluation of the roles using the Hay Group job evaluation methodology and compensation information in the Hay Group database accumulated from the Commercial Industrial non-executive market effective May 1st, 2010. The companies included in this sample are listed in Appendix A. Consistent with last year's salary letter; additional market information for the Manager, Regional role is included in Appendix B.

Table 1, on the following page, illustrates the estimated 2011 market actual salary medians for Newfoundland Power managers. This is based on 2010 market actual salary data adjusted upwards by 2.2%, based on data collected between July and September 2010, to estimate 2011 market practice.

Table 1 – Estimated Newfoundland Power 2011 Market Actual Salary Medians

Position	Current Evaluation	Estimated 2010 Market Actual Salary Median (in 2009) ¹	2010 Market Actual Salary Median	Estimated 2011 Market Actual Salary Median ²
Manager, Regional	1124	\$149,000	\$156,400	\$159,800
Manager, Regional	1124	\$149,000	\$156,400	\$159,800
Manager Corporate Relations	1056	\$142,700	\$149,700	\$153,000
Manager, Human Resources & Corporate Affairs	954	\$136,100	\$139,600	\$142,700
Manager, Engineering ³	954	\$136,100	\$139,600	\$142,700
Manager, Operations ³	954	\$136,100	\$139,600	\$142,700
Manager Customer Relations & Information Services	954	\$136,100	\$139,600	\$142,700
Manager, Finance	890	\$130,500	\$133,200	\$136,100
Manager, Rates & Regulation	890	\$130,500	\$133,200	\$136,100

Notes:

- (1) Reflects estimated 2010 market salary median in 2009.
- (2) Reflects Actual 2010 Base Salary market median, adjusted upwards by 2.2% to estimate 2011 salary levels.
- (3) Position titles have changed from last year.

I will be happy to answer any questions that may arise.

Sincerely,

Hay Group Limited



Christopher A. Chen, LLB
National Director
Executive Compensation

Appendix A – Commercial Industrial Comparator Group (N = 295)

A&W Food Services of Canada Inc.	Arkema Canada Inc.
ACA Co-operative Limited	Arrow Transportation Systems Inc.
AV Nackawic Inc.	Ashland Distribution
Abbott Laboratories, Limited	Ashland Global Chemicals
Abbott Products Inc.	Ashland Performance Materials
Agfa Healthcare Canada	Ashland Water Technologies
Agfa Inc.	Astellas Pharma Canada Inc.
Agnico-Eagle Mines Limited	AstraZeneca Canada Inc.
Ainsworth Engineered Canada L. P.	Atlantic Packaging Products Ltd.
Air New Zealand	Atotech Canada Ltd.
Air Products Canada Ltd.	Axcan Pharma Inc.
Aker Chemetics	BASF Canada Inc.
Akzo Nobel Canada Inc.	BHP Billiton - Ekati Diamond Mines
Alberta-Pacific Forest Industries Inc.	BIC Graphic Canada
Alcon Canada Inc.	Babcock & Wilcox Canada Ltd.
Allergan Canada Inc.	BakeMark Ingredients Canada Ltd.
ALS Laboratory Group	Barrick Gold Corporation
AltaSteel Ltd.	Baxter Corporation
Aluminerie Alouette Inc.	The Bay
Amcor Limited	Bayer Inc.
Amgen Canada Inc.	The Beer Store
Amway Canada Corporation	Beiersdorf Canada Inc.
Andrew Peller Limited	Bekaert Canada
Anglo American Exploration (Canada) Ltd.	Belden CDT (Canada) Inc.
Apotex Inc.	Bericap North America Inc.
ArcelorMittal Canada	bioMérieux Canada Inc.
ArcelorMittal Canada Contrecoeur-Ouest Inc.	Biovail Corporation
ArcelorMittal Canada Hamilton	Boehringer Ingelheim (Canada) Ltd.
ArcelorMittal Canada Lachine	Bombardier Transportation Canada Inc.
ArcelorMittal Canada Saint-Patrick	Brink's Canada Limited
ArcelorMittal Dofasco Inc.	Bristol-Myers Squibb Canada Co.
ArcelorMittal Mines Canada	Bronswerk Group
ArcelorMittal P&T	Bruce Power
ArcelorMittal Tubular Products - Automotive Division	CHEP Canada

CKF Inc.
 CNH America, LLC.
 Cabot Canada Ltd.
 Cadbury North America
 Campbell Company of Canada
 Canada Safeway Limited
 Canadelle Inc.
 Canadian Forest Products Ltd.
 Canadian National Railway Company
 Canadian Pacific Railway
 Canexus Limited
 Canfor Pulp Limited Partnership
 Canpotex Limited
 Cargill Limited
 Caterpillar of Canada Corporation
 Centerra Gold Inc.
 Chubb Edwards
 The Churchill Corporation
 Co-op Atlantic
 Coca-Cola Bottling Company
 Cognis Canada Corporation
 Compass Group Canada
 Cooper B-Line
 Cooper Bussmann
 Cooper Crouse Hinds
 Cooper Hand Tools
 Cooper Industries (Canada) Inc.
 Cooper Lighting
 Cooper Power Systems
 Cooper Power Tools
 Cooper Wiring Devices
 Corby Distilleries Limited
 Country Ribbon Inc.
 Covance (Canada) Inc.
 Cytec Canada Inc.
 DENSO Manufacturing Canada, Inc.
 DSM Nutritional Products Canada Inc.
 Daishowa-Marubeni International Ltd.

Danfoss Inc.
 Danone Canada Inc.
 Davis + Henderson
 De Beers Canada Inc., Corporate Division
 De Beers Canada Inc., Exploration Division
 De Beers Canada Inc., Mining Division
 Deeley Harley-Davidson Canada
 Dow Chemical Canada Inc.
 Dow Corning Canada Inc.
 Dr Pepper Snapple Group
 Dundee Precious Metals
 EFW Radiology
 E.I. du Pont Canada Company
 EWOS Canada Ltd.
 Eaton Corporation
 Eli Lilly Canada Inc.
 Elkem Métal Canada Inc.
 Enbridge Gas Distribution Inc.
 Essar Steel Algoma Inc.
 Evonik Degussa Canada Inc.
 FANUC CNC AMERICA Corporation
 FMC of Canada, Ltd.
 Ferrero Canada Limited Commercial Division
 Ferrero Canada Limited Industrial Division
 Finning (Canada)
 Finning International Inc.
 Fisher & Paykel Healthcare Inc.
 FundSERV Inc.
 G4S Cash Services (Canada) Ltd.
 GDF SUEZ Energy North America, Inc.
 Galderma Canada Inc.
 Gates Canada Inc.
 General Kinetics Engineering Corporation
 GlaxoSmithKline Inc.
 Goldcorp Inc.
 Graceway Pharmaceuticals
 Grand & Toy
 Griffith Laboratories Limited

Group SEB Canada Inc.
 Gulf Chemical Canada
 HDS Retail North America
 H. H. Angus & Associates Limited
 H.J. Heinz Company of Canada Ltd.
 Hecla Mining Company
 Henkel Canada Corporation
 Hilti (Canada) Ltd.
 Hobart Food Equipment Services Canada
 Hoffmann-La Roche Ltd.
 Hudson's Bay Company
 HumanWare
 Huntsman Polyurethane
 IAMGOLD Corporation
 INEOS Canada Partnership
 INVISTA (Canada) Company
 Ingersoll-Rand Canada Inc.
 Innophos Canada Inc.
 Interquisa Canada
 J. Ennis Fabrics Ltd.
 J. H. Ryder Machinery Limited
 JTI-Macdonald Corp.
 JYSK CANADA
 John Deere Limited Canada
 Johnson Matthey Ltd.
 Katz Group Canada Ltd.
 Kellogg Canada Inc.
 Kennametal Ltd.
 Kinross Gold Corporation
 Kongsberg Automotive
 Kruger Products
 LANXESS Inc.
 Labatt Breweries of Canada
 Lake Shore Gold Corp.
 Lantic Inc.
 Lehigh Hanson
 Levi Strauss & Co. (Canada) Inc.
 Lilydale Inc.

MDA
 MDS Nordion
 MMG Resources Inc.
 Mainstream Canada Ltd.
 McCormick Canada Co.
 McElhanney Consulting Services Ltd.
 The McElhanney Group Ltd.
 McElhanney Land Surveys Ltd.
 Meridian Lightweight Technologies Inc.
 Methanex Corporation
 Michelin North America (Canada) Inc.
 Mitsubishi Canada Limited
 Montship Inc.
 The Mosaic Company
 Mother Parkers Tea & Coffee Inc.
 Mustang Survival Corp.
 Mylan Pharmaceuticals ULC
 NOVA Chemicals Corporation
 Neopost Canada
 Nestlé Canada Inc.
 New Horizon System Solutions LP
 Newmont Mining Corporation of Canada Limited
 Northern Pulp Nova Scotia Corp.
 Nova Scotia Power Inc.
 Novartis Pharmaceuticals Canada Inc.
 Novo Nordisk Canada
 Nycomed Canada Inc.
 Oakrun Farm Bakery Ltd.
 Octapharma Canada Inc.
 Olin Chlor-Alkali Products
 L'Oréal Canada Inc.
 Osler, Hoskin & Harcourt, LLP
 PPG Canada Inc.
 PPG Canada Inc. - Fine Chemicals Division
 PPG Canada Inc. - Industrial Coatings Division
 PPG Canada Inc. - Performance Glazing Division
 Pan American Silver Corporation
 Patheon Inc.

Penske Truck Leasing
 PepsiCo Canada
 PERI Formwork Systems, Inc. Canada
 Pfizer Canada Inc.
 Phantom Mfg. (Int'l) Ltd.
 Philips Electronics Ltd.
 Pioneer Hi-Bred Limited
 Poly-Drill Drilling Systems Ltd.
 Potash Corporation of Saskatchewan Inc.
 Praxair Canada Inc.
 Puratos Canada Inc.
 QIT-Fer et Titane Inc.
 Randstad Canada
 Reflex Instrument North America
 Richemont Canada Inc.
 Rio Tinto - Diavik Diamond Mines
 Rio Tinto Iron Ore
 Ritchie Bros. Auctioneers (Canada) Ltd.
 Rogers Communications Inc.
 Rothmans, Benson & Hedges Inc.
 Royal Group, Inc.
 Russel Metals Inc.
 SMS Equipment Inc.
 Saint-Gobain Abrasives Canada Inc.
 Saint-Gobain Ceramic Materials Canada/Abrasive Materials
 sanofi-aventis
 Sapphire Technologies
 Saskatchewan Roughrider Football Club
 Schlumberger Oilfield Services
 Schneider Electric
 The Shaw Group Limited
 Sherritt Coal
 Sherritt International Corporation
 Shore Gold Inc.
 Sidel Canada Inc.
 Siemens Canada Limited
 Sonoco Canada Corporation
 Sultran Ltd.
 Suncor Energy Inc.
 Takeda Pharmaceuticals North America, Inc.
 Taro Pharmaceuticals Inc.
 Teck Resources Limited
 Teck Resources Limited - Highland Valley Copper
 Teck Resources Limited - Trail Operation
 Teekay Corporation
 Tembec Inc.
 Teranet Inc.
 Thales Rail Signalling Solutions
 Thompson Creek Metals Company
 Thrifty Foods Inc.
 TimberWest Forest Corp.
 Timminco Limited
 Tolko Industries Ltd.
 TomTom International
 Toromont CAT, A Division of Toromont Industries Ltd.
 Total E&P Canada
 Twin Rivers Paper Company
 Ultramar Ltée
 uniPHARM Wholesale Drugs Ltd.
 Vale Inco Limited
 Valeant Canada Limited
 Valvoline
 Vanguard Plastics Ltd.
 Vicwest Income Fund
 Viterro Inc.
 Votorantim Cement North America
 Wal-Mart Canada Corp.
 Westcast Industries Inc.
 West Fraser Timber Co. Ltd.
 Winners Merchants International L.P.
 Xstrata Copper Canada
 Xstrata Nickel Canada
 Xstrata Zinc Canada
 Zellers
 Zellstoff Celgar Partnership Limited

Appendix B – Manager, Regional Market Comparison

Market	Commercial Industrial (Non-Exec)	Commercial Industrial (Exec & Non-Exec)	Atlantic Canada Industrial (Exec & Non-Exec) ¹
2010 Market Actual Salary Median	\$156,400	\$170,300	\$125,500
Estimated 2011 Market Actual Salary Median	\$159,800	\$174,000	\$128,300

Notes:

1. For a list of industrial organizations with jobs above 1000 Hay Points in Atlantic Canada, please see Appendix C.

Appendix C – Atlantic Canada Industrial Comparator Group

(Industrial Organizations with jobs above 1000 Hay Points in Atlantic Canada)

(N = 27)

ACA Co-operative Limited
AgraPoint International, Inc.
AV Nackawic Inc.
Brink's Canada Limited
Canadian National Railway Company
CKF Inc.
Co-op Atlantic
Country Ribbon Inc.
Fraser Papers Inc.
Fundy Linen Service Inc.
Halifax Port Authority
Halifax Regional Water Commission
Halifax-Dartmouth Bridge Commission
Hudson's Bay Company
Labatt Breweries of Canada
Lantic Inc.
Marine Atlantic Inc.
Nestlé Canada Inc.
Nova Scotia Power Inc.
Rio Tinto Iron Ore
Russel Metals Inc.
Suncor Energy Inc.
The Bay
The Shaw Group Limited
Toromont CAT, A Division of Toromont Industries Ltd.
Vale Inco Limited
Xstrata Zinc Canada



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January 6, 2012

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Mr. Ludlow,

Re: Manager Compensation – 2012 Estimated Market Actual Salary Median

We have been asked to provide estimated market actual salary levels in 2012 for the management group immediately below the executive level.

Our views are based upon the current evaluation of the roles using the Hay Group job evaluation methodology and compensation information in the Hay Group database accumulated from the Commercial Industrial non-executive market effective May 1st, 2011. The companies included in this sample are listed in Appendix B. We continue to observe some market data volatility at the level of your Manager, Regional. As with previous years, additional market information for the Manager, Regional role has been included in Appendix A.

Table 1, on the following page, illustrates the estimated 2012 market actual salary medians (Column 5) for your managers. This is based on 2011 market actual salary data (Column 4) adjusted upwards by 2.9%, based on data collected between July and August 2011, to estimate 2012 market practice.

Table 1 – Estimated Newfoundland Power 2012 Market Actual Salary Medians

Position [1]	Current Evaluation [2]	Estimated 2011 Market Actual Salary Median (in 2010) [3]	2011 Market Actual Salary Median [4]	Estimated 2012 Market Actual Salary Median [5]
Manager, Regional	1124	\$159,800	\$156,300	\$160,800
Manager, Regional	1124	\$159,800	\$156,300	\$160,800
Manager, Corporate Services	1056	\$153,000	\$149,200	\$153,500
Manager, Human Resources & Corporate Affairs	954	\$142,700	\$138,900	\$142,900
Manager, Engineering	954	\$142,700	\$138,900	\$142,900
Manager, Operations	954	\$142,700	\$138,900	\$142,900
Manager, Customer Relations & Information Services	954	\$142,700	\$138,900	\$142,900
Manager, Finance	890	\$136,100	\$134,300	\$138,200
Manager, Rates & Regulation	890	\$136,100	\$134,300	\$138,200

I will be happy to answer any questions that may arise.

Sincerely,
Hay Group Limited



Christopher A. Chen, LLB
National Director
Executive Compensation

cc: Barry Perry, Fortis Inc.

Appendix A: Manager, Regional Market Comparison

Market	Commercial Industrial (Non-Exec Only)	Commercial Industrial (Exec & Non-Exec)	Atlantic Canada Industrial ¹ (Exec & Non-Exec)
2011 Market Actual Salary Median	\$156,300	\$172,000	\$135,600
Estimated 2012 Market Salary Median	\$160,800	\$177,000	\$139,500

Notes:

1. For a list of industrial organizations with jobs in Atlantic Canada, please see Appendix C.

Appendix B – Commercial Industrial Comparator Group
– Non-Executive (N = 258)

3M Canada Company
A&W Food Services of Canada Inc.
ABB Inc.
ACA Co-operative Limited
ATCO I-Tek
AV Nackawic Inc.
Abbott Laboratories, Limited
Agfa Healthcare Canada
Agfa Inc.
Air New Zealand
Air Products Canada Ltd.
Aker Chemetics
Akzo Nobel Canada Inc.
Alamos Gold Inc.
Alberta-Pacific Forest Industries Inc.
Alcon Canada Inc.
Allergan Canada Inc.
Aluminerie Alouette Inc.
Ampcor Limited
Amgen Canada Inc.
Amway Canada Corporation
Andrew Peller Limited
ArcelorMittal Dofasco Inc.
ArcelorMittal Mines Canada
ArcelorMittal Tubular Products - Automotive Division
Arrow Transportation Systems Inc.
Ashland Inc.
Ashland Inc. - Global Chemicals
Ashland Inc. - Performance Materials
Ashland Inc. - Valvoline
Ashland Inc. - Water Technologies
Astellas Pharma Canada Inc.
AstraZeneca Canada Inc.
Atlantic Packaging Products Ltd.
Atotech Canada Ltd.
Autopro Automation Consultants Ltd.
BASF Canada Inc.
BHP Billiton - Ekati Diamond Mines
BHP Billiton Canada Inc.
Babcock & Wilcox Canada Ltd.
BakeMark Ingredients Canada Ltd.
Barrick Gold Corporation
Basell Canada Inc.
Baxter Corporation
The Bay

Bayer Inc.
The Beer Store
Boehringer Ingelheim (Canada) Ltd.
Bombardier Transportation Canada Inc.
Brink's Canada Limited
Bristol-Myers Squibb Canada Co.
Britco Structures Inc.
Broan-NuTone Canada Inc.
Bruce Power
Bunge North America
CHEP Canada
CKF Inc.
CNH America, LLC.
Cabot Canada Ltd.
Campbell Company of Canada
Canada Safeway Limited
Canadelle Inc.
Canadian Forest Products Ltd.
Canadian National Railway Company
Canadian Pacific Railway
Canexus Limited
Canfor Pulp Limited Partnership
Canon Canada Inc.
Canpotex Limited
Cargill Limited
Catalyst Paper Corporation
Caterpillar of Canada Corporation
Centerra Gold Inc.
Christie Digital Systems Inc.
The Churchill Corporation
Co-op Atlantic
Cognis Canada Corporation
Compass Group Canada
Country Ribbon Inc.
Cytec Canada Inc.
DENSO Manufacturing Canada, Inc.
DSM Nutritional Products Canada Inc.
Daishowa-Marubeni International Ltd.
Danone Canada Inc.
De Beers Canada Inc., Corporate Division
De Beers Canada Inc., Exploration Division
De Beers Canada Inc., Mining Division
Deeley Harley-Davidson Canada
Direct Energy Marketing Ltd.
Dow Chemical Canada Inc.

Mr. Earl Ludlow
January 6, 2012



Dow Corning Canada Inc.
Dr Pepper Snapple Group
Dr. Oetker Ltd.
Dundee Precious Metals
Dyno Nobel Canada Inc.
EFW Radiology
E.I. du Pont Canada Company
EMD Serono Canada Inc.
ERCO Worldwide
EWOS Canada Ltd.
Eli Lilly Canada Inc.
Elkem Métal Canada Inc.
Essar Steel Algoma Inc.
Ferrero Canada Limited Commercial Division
Ferrero Canada Limited Industrial Division
Finning International Inc.
Fisher & Paykel Healthcare Inc.
Forbo Linoleum Inc.
Gates Canada Inc.
General Kinetics Engineering Corporation
Gerdau Ameristeel
GlaxoSmithKline Inc.
Graceway Pharmaceuticals
Graham & Brown
Grand & Toy
Griffith Laboratories Limited
Group SEB Canada Inc.
Henkel Canada Corporation
Hilti (Canada) Ltd.
Hobart Food Equipment Services Canada
Hoffmann-La Roche Ltd.
Hudson's Bay Company
HumanWare
Hunter Dickinson Inc.
Huntsman Polyurethane
INVISTA (Canada) Company
ITW Construction Products
Ingersoll-Rand Canada Inc.
Innophos Canada Inc.
J. H. Ryder Machinery Limited
Janssen Inc.
John Deere Limited Canada
Jubilant Life Sciences Limited - Draximage
Jubilant Life Sciences Limited - Draxis Pharma
Kellogg Canada Inc.
Kennametal Ltd.
Kimberly-Clark Corporation
Kinross Gold Corporation

Kruger Products
Kuehne + Nagel Ltd.
LANXESS Inc.
LS Travel Retail North America
Labatt Breweries of Canada
Lake Shore Gold Corp.
Lantic Inc.
Lego Systems, Inc.
Lehigh Hanson
Linde Canada Limited
Lotus Bakeries
Lowe's Companies, Inc.
MDA
Mainstream Canada Ltd.
Mark Anthony Group
McCormick Canada Co.
McElhanney Consulting Services Ltd.
The McElhanney Group Ltd.
McElhanney Land Surveys Ltd.
Meridian Lightweight Technologies Inc.
Methanex Corporation
Michelin North America (Canada) Inc.
Minas Basin Pulp & Power Co. Ltd.
Mitsubishi Canada Limited
Montship Inc.
The Mosaic Company
Mustang Survival Corp.
Mylan Pharmaceuticals ULC
NOVA Chemicals Corporation
Navtech Systems Support Inc.
Neopost Canada
Newmont Mining Corporation of Canada Limited
Nordion
North Atlantic Refining
Northern Pulp Nova Scotia Corp.
Nova Scotia Power Inc.
Novartis Pharmaceuticals Canada Inc.
Novo Nordisk Canada
Nycomed Canada Inc.
Oakrun Farm Bakery Ltd.
Omicron
L'Oréal Canada Inc.
P & H MinePro Services
PPG Canada Inc.
PPG Canada Inc. - Fine Chemicals Division
PPG Canada Inc. - Industrial Coatings Division
PPG Canada Inc. - Performance Glazing Division
Pan American Silver Corporation

Mr. Earl Ludlow
January 6, 2012



Penske Truck Leasing
PepsiCo Canada
Phantom Mfg. (Int'l) Ltd.
Pharmascience Inc.
Pioneer Hi-Bred Limited
Potash Corporation of Saskatchewan Inc.
Praxair Canada Inc.
Procter & Gamble Inc.
Puratos Canada Inc.
Richemont Canada Inc.
Rio Tinto - Diavik Diamond Mines
Rio Tinto - Fer et Titane Inc.
Rio Tinto Iron Ore
Ritchie Bros. Auctioneers (Canada) Ltd.
Rogers Communications Inc.
Rothmans, Benson & Hedges Inc.
Russel Metals Inc.
SABIC Innovative Plastics Canada Incorporated
SEMAFO inc.
SMS Equipment Inc.
Saint-Gobain Abrasives Canada Inc.
Saint-Gobain Ceramic Materials Canada/Abrasive Materials
sanofi-aventis
Schneider Electric
Sears Canada Inc.
The Shaw Group Limited
Sherritt International Corporation
Shire BioChem inc.
Shiseido (Canada) Inc.
Shoppers Drug Mart Corporation
Shore Gold Inc.
Siegwerk Canada Inc.
Siemens Canada Limited
Silver Standard Resources Inc.
Sleeman Breweries Ltd.
Société en Commandite Tafisa Canada Inc.

Sofina Foods Inc.
Sonoco Canada Corporation
TELUS Communications Inc.
Tait Electronics Ltd.
Takeda Pharmaceuticals North America, Inc.
Taro Pharmaceuticals Inc.
Tech Data Canada Corporation
Teck Resources Limited
Teck Resources Limited - Highland Valley Copper
Teck Resources Limited - Trail Operation
Teekay Corporation
Tembec Inc.
Thales Rail Signalling Solutions
Thompson Creek Metals Company
Thrifty Foods Inc.
Timminco Limited
Tolko Industries Ltd.
Toromont CAT, A Division of Toromont Industries Ltd.
Trane Canada Co.
Twin Rivers Paper Company
Ultramar Ltée
uniPHARM Wholesale Drugs Ltd.
Uranium One Inc.
Vale Inco Limited
Vicwest Income Fund
Viterra Inc.
Votorantim Cement North America
VPL Enterprises Ltd.
Wal-Mart Canada Corp.
Wescast Industries Inc.
West Fraser Timber Co. Ltd.
Winners Merchants International L.P.
Xstrata Copper Canada
Yara Belle Plaine Inc.
Zellers
Zellstoff Celgar Partnership Limited

Appendix C – Atlantic Canada Industrial Comparator Group
– Industrial Organizations with jobs in Atlantic Canada (N = 73)

3M Canada Company
A&W Food Services of Canada Inc.
ACA Co-operative Limited
AV Nackawic Inc.
Agfa Healthcare Canada
Akzo Nobel Canada Inc.
Amcort Limited
Andrew Peller Limited
Ashland Inc.
Ashland Inc. - Valvoline
Ashland Inc. - Water Technologies
Babcock & Wilcox Canada Ltd.
The Bay
Brink's Canada Limited
CHEP Canada
CKF Inc.
CNH America, LLC.
Canada Post Corporation
Canadian National Railway Company
Canon Canada Inc.
Cargill Limited
Co-op Atlantic
Country Ribbon Inc.
Danone Canada Inc.
Direct Energy Marketing Ltd.
E.I. du Pont Canada Company
Gates Canada Inc.
Grand & Toy
Halifax Port Authority
Halifax Regional Water Commission
Hilti (Canada) Ltd.
Ingersoll-Rand Canada Inc.
Kruger Products
Kuehne + Nagel Ltd.
LS Travel Retail North America
Labatt Breweries of Canada
Lantic Inc.

Linde Canada Limited
McElhanney Land Surveys Ltd.
Michelin North America (Canada) Inc.
Minas Basin Pulp & Power Co. Ltd.
Montship Inc.
NB Power Holding Corporation
North Atlantic Refining
Northern Pulp Nova Scotia Corp.
Nova Scotia Power Inc.
P & H MinePro Services
PPG Canada Inc. - Industrial Coatings Division
PPG Canada Inc. - Performance Glazing Division
Penske Truck Leasing
Potash Corporation of Saskatchewan Inc.
Praxair Canada Inc.
Rio Tinto Iron Ore
Ritchie Bros. Auctioneers (Canada) Ltd.
Rogers Communications Inc.
Russel Metals Inc.
SABIC Innovative Plastics Canada Incorporated
Sears Canada Inc.
The Shaw Group Limited
Shoppers Drug Mart Corporation
Sleeman Breweries Ltd.
Sonoco Canada Corporation
TELUS Communications Inc.
Tech Data Canada Corporation
Toromont CAT, A Division of Toromont Industries Ltd.
Trane Canada Co.
Twin Rivers Paper Company
Ultramar Ltée
Vale Inco Limited
Vicwest Income Fund
Wal-Mart Canada Corp.
Winners Merchants International L.P.
Zellers

**Hay Group Limited's Review of
Newfoundland Power's Executive Compensation Practices**

Report

HayGroup®

Newfoundland Power Inc.

Analysis of Executive Compensation

Prepared By: David Crane

Date: January 2007

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I. Introduction

Hay Group has recently completed a review of current competitive compensation practices and has recommended appropriate changes to executive compensation practice of Newfoundland Power. The following specific areas have been examined by the consultant:

- How executive roles at Newfoundland Power are ranked relative to one another using the Hay evaluation method;
- The competitive reference market against which executive compensation is to be compared; and
- Existing practices of the components of executive compensation.

II. Market

1. Market

Newfoundland Power has historically compared executive salaries to a broad selection of commercial industrial companies that provide compensation data to the Hay Group. It is recommended that Newfoundland Power should continue to compare executive compensation to this reference group.

2. Market Reference

The “median” of market practice is that point where half the observations are greater and half are smaller; it is the 50th percentile. Executive salary policy at Newfoundland Power is currently based upon the median of actual salary practice within the reference group.

It is recommended that Newfoundland Power should continue to set salary range midpoints at the median of actual salary practice in the market. The market data provided in Appendix A accordingly reflects median market actual salaries.

It is further recommended that the aggregate value of all elements of compensation (i.e. including incentives, pensions, employment perquisites, etc.) should also approximate market median.

3. Evaluation

Hay Group was asked to review the ranking of all executive positions at Newfoundland Power using the Hay Job Evaluation Method to ensure that consistent compensation comparisons to the market continue to be provided.

Our understanding of the accountabilities of each position was prepared in 2004, illustrated in Appendix B. In 2006, Hay reviewed the content of each role with the President & CEO of Newfoundland Power who confirmed that the scope of each executive position had not changed. The evaluations used in this analysis are accordingly unchanged from previous years.

4. Eligibility

Only individuals whose role has been evaluated at or above 1400 Hay points are considered to be executives for this review.

5. *Salary Range Maximum*

The current practice specifies that actual salary may not exceed 110% of the salary range midpoint. The vast majority of commercial industrial allow salaries to exceed the midpoint by up to 20% (more in some cases). The existing practice of limiting salaries to 110% of the range midpoint is accordingly conservative.

Some additional flexibility is desirable, such as when “high potential” individuals are transferred into a development role with a lower salary range. It is right to pay more than the job rate in the interests of succession planning while the high-potential employee remains in the role.

Similarly, where specific skills are in high demand in the market place, exceeding the job rate for as long as the market conditions persist may well be appropriate.

Reasonable flexibility also facilitates common sense salary administration practices that preserve both individual motivation and overall equity.

It is recommended that actual executive salaries continue to be allowed to exceed 110% of the salary range midpoint only under special circumstances recommended by the President & CEO and approved by the Board of Directors.

6. *Annual Short Term Incentive Targets*

The CEO has been eligible for a target bonus of 35% of salary.

Following a review of market practice, the following recommendation is made based on market median. No changes are proposed for Vice Presidents.

Table 1 – Proposed Target Short Term Incentive as a % of Salary

Position	Proposed Short Term Incentive	
	Target	Maximum*
President	40%	60%
Vice Presidents	30%	45%

* The maximum is 150% of target. An additional 50% of target is available at the discretion of the Board of Directors.

7. Stock Option Grants

Based on a review of 2006 market practice, it is proposed that the maximum stock option grant for the President and CEO be increased from 250% to 300% of salary. No change is recommended for Vice Presidents.

8. Minimum Executive Ownership

Starting January 1, 2009, where an executive has been granted options for five or more prior years, the maximum number of shares for which options will be granted in any calendar year will not exceed the minimum of shares held by the executive since the beginning of the previous calendar year.

Appendix A – Ranking of Executive Positions

2006 Hay Evaluations & Salary Comparisons

Position	Incumbent	Hay 2006 Evaluation	Only Commercial Industrials		
			Base Salary Actual 2006	2006 Market Median (rounded to \$000)	Actual Salary as % of 2006 Market Median
President & CEO	K. Smith	2448	315,000	311,000	101%
VP Engineering & Operations	P. Delaney	1708	207,000	217,000	95%
VP Finance & CFO	J. Perry	1500	170,000	195,000	87%
VP Customer Relations & Corporate Services	L. Hutchens	1418	188,000	187,000	101%
VP Regulatory Affairs & General Counsel	P. Alteen	1418	190,000	187,000	102%

Appendix B – Summary/Accountabilities of Executive Roles at Newfoundland Power

NEWFOUNDLAND POWER

Functions	President & CEO	VP Engineering & Operations	VP Finance & CFO	VP Customer Relations & Corporate Services	VP Regulatory Affairs & General Counsel
	All Business Functions	Transmission/Distribution Operations Power Generation Planning & Engineering Fleet/Transportation Stores/Warehousing Third Party & Provisioning Services	Financial and Regulatory Planning Budgetary Oversight and Control Financial and Corporate Reporting Corporate Governance and Management Control Corporate Development	Customer Service Information Technology Human Resources Corporate Communications Purchasing & Procurement Environment/Safety	Regulatory Policy Legal Regulatory Hearings & Compliance Corporate Secretary
Unique Accountabilities Of This Role	<ul style="list-style-type: none"> Determine strategic direction Ensure safe, cost effective provision of all aspects of customer service in a fully regulated environment Provincial energy policy and direction / public policy oversight Nature of business requires leadership in external communication 	<ul style="list-style-type: none"> Breadth of function - Operations and Engineering Most challenging weather conditions in North America Meeting urban/rural service expectations Public and employee safety 	<ul style="list-style-type: none"> Financial planning key component of customer rate stability Public capital markets: financing and disclosure Government Relations Corporate Governance Business Continuity & Risk 	<ul style="list-style-type: none"> Customer service is leading differentiating factor in monopoly environment Multifaceted call centre operation Environmental oversight inclusive of ISO 14001 / environmentally challenging environment Changing technological environment 	<ul style="list-style-type: none"> Complex, dynamic, public and challenging regulatory environment Strategic development Evolving securities law and governance standards

Newfoundland Power Inc.

Executive Compensation Review

September 21, 2009

Prepared by: Karl Aboud

Project Scope

Newfoundland Power Inc. (NF Power) requested that Hay Group provide a reasonableness review of NF Power's compensation structure for its five senior executive positions being the President & CEO, the VP Engineering & Operations, the VP Finance & CFO, the VP Customer & Corporate Services, and the VP Regulatory Affairs & General Counsel.

The project mandate included that Hay Group would compare:

- NF Power executive jobs to others in the market place on the basis of similar job content (i.e., evaluation points), as has been one of NF Power's compensation principles for many years;
- NF Power compensation values to those of a broad selection of Canadian commercial industrial organizations (i.e., the comparator group), as has been one of NF Power's compensation principles for many years;
- NF Power pay values to the median level (i.e., 50th percentile) of the defined comparator group, as has been one of NF Power's compensation principles for many years; and
- NF Power's compensation package against all elements of compensation, which includes Annual Base Salary, Target Total Cash (i.e., base salary plus target bonus), Target Total Direct (i.e., total cash plus mid/long term incentive), and Target Total Remuneration (i.e., total direct plus benefits, pension, perquisites and time off).

This review has been prepared by Mr. Karl Aboud, Director of the Hay Group Canada Reward Practice. For reference please see Karl's resume in Appendix A.

Summary

In summary, Hay Group believes that:

- It is reasonable for NF Power to use comparative executive jobs within the broad Canadian Commercial Industrial market place as its comparator group;
- It is reasonable for NF Power to use the Median / 50th Percentile levels of comparator group compensation values as the basis by which to establish its own executive pay standards; and
- The NF Power incumbent-specific executive pay values are within the normal range of variance to its market pay standards that Hay Group typically experiences in these types of reviews.

Job Content / Job Evaluation

Every organization has unique attributes with respect to business lines, size, diversity, ownership, and corporate structure. Furthermore, the jobs within each organization are unique relative to factors such as mandates and reporting relationships. These attributes should be normalized when one compares themselves to the market place.

Hay Group uses its job evaluation methodology to “point score” positions. Job evaluation allows the skills, efforts, and responsibilities of a job to be quantified, such that the resulting points may be used as a comparison proxy that adjusts for the differences between the various comparator organizations and their unique job mandates. An organization’s jobs are compared to others in the market place on the basis of similar job content or job evaluation points. Highlights of the Hay Group Method of Job Evaluation are provided in Appendix B.

Each of the five NF Power executive jobs in question has been evaluated, and their Total Point evaluations are illustrated in Table 1, below. For example, the NF Power CEO role will be compared to the pay values of executive jobs in the market place that are represented by 2448 Total Points of job content.

Table 1 – NF Power Job Evaluations

NF Power Jobs	Total Job Evaluation Points
President & CEO	2448
VP Engineering & Operations	1708
VP Finance & CFO	1500
VP Customer & Corporate Services	1418
VP Regulatory Affairs & General Counsel	1418

It should be noted that the evaluation process only concerns itself with the skills, efforts and responsibilities required for competent performance. The evaluation points do not reflect incumbent-specific characteristics such as performance.

Comparative Markets

The most current Hay Group compensation database is effective as of May 2009, and has 532 participating organizations. NF Power pay principles suggest that its jobs be compared to the Commercial Industrial subset of the database, which is comprised of 292 organizations, and for which the list is illustrated in Appendix C.

Hay Group believes that it is reasonable for NF Power to compare itself to the list of organizations of Appendix C because:

- Jobs are compared on a “point adjusted” basis which means they are compared to those of overall equal skill, effort and responsibility, and not on the basis of “same title”;
- The organizations are all “private sector / investor owned”; and
- NF Power competes for its executive resources with organizations across the breadth and depth of business sectors across Canada.

Percentile Levels

This review will present comparative values at three percentile levels, being:

- The 25th percentile, which represents the compensation values at which twenty-five percent of the database observations pay less and seventy-five percent pay more;
- The 50th percentile (i.e., median), which represents the compensation values at which fifty percent of the database observations pay less and fifty percent pay more; and
- The 75th percentile, which represents the compensation values at which seventy-five percent of the database observations pay less and twenty-five percent pay more.

NF Power sets its pay standards relative to market Medians, which Hay Group believes is reasonable because:

- As a utility it is appropriate to compare to an average of a broad market place as opposed to only the higher paying sectors (e.g., gold mining) or only to the lower paying sectors (e.g., retail); and
- NF Power incorporates performance considerations in its determination of incumbent-specific salary and bonus values, such that higher performers will be appropriately paid above market standard (i.e., above P50), while those who have not yet proven themselves may not be paid to market standards.

Compensation Elements

The review will consider the compensation elements as listed and defined below.

Actual Base Salary	The actual annual salary paid to the comparable database observations.
Target Total Cash	Actual base salary plus an annual bonus value that represents the targeted bonus award assuming that all bonus provisions are accomplished exactly to business plan.
Target Total Direct	Target total cash plus a mid/long term incentive value that represents the annualized present value of the targeted number of mid/long term incentive grants. The NF Power LTI program is defined by the specifications of the Fortis Inc. stock option program. NF Power advises that the cost of the LTI program is a non-regulated expense.
Target Total Remuneration	<p>Target total direct plus a noncash value that is the sum of the employer paid costs of the organization's benefit, perquisite, pay-for-time not worked, and retirement programs.</p> <p>Further explanation of the calculation of the employer's cost of the noncash items is found in Appendix D.</p>

Compensation Analysis

Table 2, below, illustrates compensation values for each NF Power executive as well as for the comparable market place, and compares the NF Power values to the median values of the market.

Table 2 – Compensation Values

Title	Statistic	Actual Base Salary (\$)	Target Total Cash (\$)	LTI Value* (\$)	Target Total Direct (\$)	Target Total Remuneration (\$)
President & CEO		370,000	518,000	227,300	745,300	881,400
	P75	423,800	636,300	389,000	1,025,300	1,165,900
	P50	356,100	540,300	198,500	738,800	882,200
	P25	313,300	458,700	95,000	553,700	650,500
	NP vs. P50	3.9%	-4.1%	14.5%	0.9%	-0.1%
VP, Engineering & Operations		250,000	325,000	76,800	401,800	493,300
	P75	300,200	435,300	149,400	584,700	671,400
	P50	244,300	347,500	76,800	424,300	492,800
	P25	210,200	286,000	40,600	326,600	388,200
	NP vs. P50	2.3%	-6.5%	0.0%	-5.3%	0.1%
VP, Finance & CFO		220,000	286,000	67,600	353,600	435,900
	P75	255,300	362,800	105,900	468,700	546,200
	P50	216,100	295,500	48,800	344,300	404,600
	P25	189,200	248,500	23,100	271,600	325,100
	NP vs. P50	1.8%	-3.2%	38.5%	2.7%	7.7%
VP, Customer & Corporate Services		210,000	273,000	64,500	337,500	416,500
	P75	236,800	331,000	92,100	423,100	497,600
	P50	204,700	273,400	41,000	314,400	371,000
	P25	181,600	233,900	17,200	251,100	303,400
	NP vs. P50	2.6%	-0.1%	57.3%	7.3%	12.3%
VP, Regulatory Affairs & General Counsel		225,000	292,500	69,100	361,600	454,000
	P75	236,800	331,000	92,100	423,100	497,600
	P50	204,700	273,400	41,000	314,400	371,000
	P25	181,600	233,900	17,200	251,100	303,400
	NP vs. P50	9.9%	7.0%	68.5%	15.0%	22.4%

* For Newfoundland Power, this represents the annualized present value of the target option grants of the Fortis Stock Option plan.

For the market, this represents the annualized present value of long term incentives required to maintain the respective percentile levels.

Karl Aboud

Toronto, Canada



Overview



Karl Aboud is the National Director of Hay Group Canada's Reward Consulting Practice.

The Reward Consulting Practice includes executive compensation, job measurement, incentive design, market pricing, performance management, and salary structure.

Karl joined Hay Group in 1990, and is based in the Toronto office.

Client Sectors

The Reward Practice provides its service offerings to a wide variety of industries, including financial services, manufacturing, utilities, transportation, pharmaceutical, retail/wholesale and the public sector, and is active across all provinces of Canada.

Karl's Education and Affiliations

Karl earned his Bachelor of Business Administration from Bishop's University in 1976, and his Masters Business Administration from The University of Western Ontario in 1982.

Karl is a frequent speaker & presenter at many Human Resource affiliations across Canada, has published many compensation oriented journal articles, and was one of the co-authors of a Hay Group text entitled *The Manager's Guide to Rewards*.

Prior to joining Hay Group, Karl was Manager Investment Banking, RBC Financial, and was also Director of Compensation for Moore Corporation Limited.

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Appendix B – Hay Group Method of Job Evaluation

To date, the Hay Group Method has been used to evaluate hundreds of thousands of clerical, blue collar, technical, professional, sales and managerial jobs within a wide variety of private and public sector organizations.

The focus of the job evaluation process using the Hay Group Method is on the nature and requirements of the job itself, not on the capabilities, background, personal characteristics, or the current salary of the job holder.

The Hay Group Method is based on the premise that jobs can be grouped in terms of the **knowledge** required to do the job, the **thinking** needed to solve the problems commonly faced, and the **responsibilities** assigned to the jobs.

The Hay Group Method is reflected in Guide Charts used to define each factor and provide quantitative measures that form the basis for evaluation.

By focusing on the important aspects of the content of each job and the end results which each is expected to achieve, the Hay Group Method provides a vehicle for systematically assessing the relationships among various positions and their relative value to the organization.

Additional safeguards are built-in to ensure that the final evaluations are free of bias. The Hay Group Method provides a rational, disciplined approach to job evaluation.

With 7 offices in Canada, 18 in the U.S.A. and 7,000 clients serviced from 64 offices in 28 countries worldwide, Hay Group Limited is the largest Human Resources consulting firm in the world.

In Canada, Hay Group has worked with over 1,500 organizations in both public and private sectors. In the private sector, a list of our clients utilizing the Hay Group Guide Chart Method includes almost one half of Fortune's 500 companies and over 80% of the Financial Post's Top 100 companies in Canada and 50% of the Top 1,000 companies in Canada.

The Hay Group Guide Chart factors are listed as follows.

➤ **Know-How**

- Practical, technical, or specialized knowledge and skill (depth and/or breadth)
- Planning, Organizing & Integrating Knowledge
- Communicating & Influencing Skills

➤ **Problem Solving**

- Thinking Environment – Freedom to Think
- Thinking Challenge

➤ **Accountability**

- Freedom to Act
- Nature of Impact
- Magnitude of Impact

Appendix C – 2009 Canadian Commercial Industrial Market

A&W Food Services of Canada Inc.	Belden CDT (Canada) Inc.
ACA Co-operative Limited	Biovail Corporation
ATCO I-Tek	Boehringer Ingelheim (Canada) Ltd.
AV Nackawic Inc.	Bonduelle North America Inc.
Abbott Laboratories, Limited	Bronswerk Marine Inc.
Agfa Healthcare Canada	Bruce Power
Agfa Inc.	Bunge North America
Agnico-Eagle Mines Limited	CHEP Canada
Ainsworth Engineered Canada L. P.	CKF Inc.
Air Products Canada Ltd.	CMA Holdings Inc.
Aker Chemetics	CNH America, LLC.
Alberta-Pacific Forest Industries Inc.	Cabot Canada Ltd.
Alcon Canada Inc.	Cadbury North America
Allergan Canada Inc.	Campbell Company of Canada
AltaSteel Ltd.	Canadelle Inc.
Aluminerie Alouette Inc.	Canadian Forest Products Ltd.
Amgen Canada Inc.	Canadian Freightways Limited
Andrew Peller Limited	Canadian National Railway Company
Apotex Inc.	Canadian Pacific Railway
ArcelorMittal Dofasco Inc.	Canexus Limited
ArcelorMittal P&T	Canfor Pulp Limited Partnership
ArcelorMittal Tubular Products - Automotive Division	Canon Canada Inc.
ArcelorMittal Tubular Products Corporation	Canpotex Limited
Arkema Canada Inc.	Cargill Limited
Arrow Transportation Systems Inc.	Caterpillar of Canada Corporation
Ashland Distribution	Centerra Gold Inc.
Ashland Global Chemicals	Chemtura Canada Co Cie
Ashland Performance Materials	Ciba Canada Ltd.
Ashland Water Technologies	Cognis Canada Corporation
Astellas Pharma Canada Inc.	Compass Group Canada
AstraZeneca Canada Inc.	Co-op Atlantic
Atlantic Packaging Products Ltd.	Cooper B-Line
Atotech Canada Ltd.	Cooper Bussmann
Axcan Pharma Inc.	Cooper Crouse Hinds
BASF Canada Inc.	Cooper Lighting
BHP Billiton - Ekati Diamond Mines	Cooper Power Systems
Babcock & Wilcox Canada	Cooper Power Tools
BakeMark Ingredients Canada Ltd.	Cooper Wiring Devices
Barrick Gold Corporation	Corby Distilleries Limited
Barry Callebaut Canada Inc.	Country Ribbon Inc.
Baxter Corporation	Covance (Canada) Inc.
The Bay	Cytec Canada Inc.
Bayer Inc.	DSM Nutritional Products Canada Inc.
The Beer Store	Daishowa-Marubeni International Ltd.
Beiersdorf Canada Inc.	Danfoss Inc.
Bekaert Canada	De Beers Canada Inc., Corporate Division
	De Beers Canada Inc., Exploration Division

De Beers Canada Inc., Mining Division
 Deeley Harley-Davidson Canada
 Diavik Diamond Mines Inc.
 Dow Chemical Canada Inc.
 Dr. Oetker Ltd.
 Dundee Precious Metals
 Dyno Nobel Canada Inc.
 EFW Radiology
 E.I. du Pont Canada Company
 ERCO Worldwide
 EWOS Canada Ltd.
 Eaton Corporation
 Eli Lilly Canada Inc.
 Elkem Métal Canada Inc.
 Enbridge Gas Distribution Inc.
 Essar Steel Algoma Inc.
 Evonik Degussa Canada Inc.
 FANUC AMERICA Corporation
 FNX Mining Company Inc.
 Fedex Kinko's Canada Limited
 Ferrero Canada Limited Commercial Division
 Finning (Canada)
 Finning International Inc.
 Fortis Inc.
 Fortis Ontario Inc.
 Fortis Properties
 FortisAlberta Inc.
 FortisBC Inc.
 Fraser Papers Inc.
 FundSERV Inc.
 G4S Cash Services (Canada) Ltd.
 Gates Canada Inc.
 General Kinetics Engineering Corporation
 GlaxoSmithKline Inc.
 Goldcorp Inc.
 Goodrich Aerospace Canada Ltd.
 Grand & Toy
 Griffith Laboratories Limited
 HDS Retail North America
 H.J. Heinz Company of Canada Ltd.
 Hecla Mining Company
 Hilti (Canada) Ltd.
 Hitachi Canadian Industries Ltd.
 Hobart Food Equipment Services Canada
 Hoffmann-La Roche Ltd.
 Hudson's Bay Company
 HumanWare
 Hydro Technologies (Canada) Inc.
 IAMGOLD Corporation
 INEOS Canada Partnership
 INVISTA (Canada) Company
 Ingersoll-Rand Canada Inc.

Innophos Canada Inc.
 Interquisa Canada
 Intrawest ULC
 Iovate Health Sciences Services Inc.
 Iron Ore Company of Canada
 J. Ennis Fabrics Ltd.
 JTI-Macdonald Corp.
 John Deere Limited Canada
 K.I. Pembroke
 KPMG MSLP
 KPSS Canada Ltd.
 Karl Storz Endoscopy Canada Ltd.
 Kasian Architecture Interior Design and Planning Ltd.
 Katz Group Canada Ltd.
 Kellogg Canada Inc.
 Kemira Chemicals Canada Inc.
 Kennametal Ltd.
 Kinross Gold Corporation
 Kruger Products
 Kuehne + Nagel Ltd.
 LANXESS Inc.
 Labatt Breweries of Canada
 Lake Shore Gold Corp.
 Lantic Sugar Limited
 Lehigh Hanson
 Levi Strauss & Co. (Canada) Inc.
 Lilydale Inc.
 Linde Canada Limited
 LoyaltyOne Inc.
 MDA
 Mainstream Canada Ltd.
 Maritime Electric Company
 Mark Anthony Group
 McCormick Canada Co.
 McElhanney Consulting Services Ltd.
 The McElhanney Group Ltd.
 McElhanney Land Surveys Ltd.
 Merck Frosst Canada & Co.
 Meridian Technologies Inc.
 Minas Basin Pulp & Power Co. Ltd.
 Mitsubishi Canada Limited
 Mittal Canada Contrecoeur-Ouest Inc.
 Mittal Canada Hamilton Inc.
 Mittal Canada Inc.
 Mittal Canada Lachine Inc.
 Mittal Canada Saint-Patrick Inc.
 Montship Inc.
 The Mosaic Company
 Mother Parker's Tea & Coffee Inc.
 Mustang Survival Corp.
 NOVA Chemicals Corporation

Navtech Systems Support Inc.	Saint-Gobain Advanced Ceramics Hamilton
Neopost Canada	Sandoz Canada Inc.
Nestlé Canada Inc.	sanofi-aventis
New Horizon System Solutions LP	Schneider Electric
Newfoundland Power Inc.	Securit Group of Companies
Newmont Mining Corporation of Canada Limited	The Shaw Group Limited
North Atlantic Refining	Sherritt Coal
Northern Pulp Nova Scotia Corp.	Sherritt International Corporation
Nova Scotia Power Inc.	Sico Inc.
NovaGold Resources Inc.	Sidel Canada Inc.
Novartis Pharmaceuticals Canada Inc.	Siemens Canada Limited
Novo Nordisk Canada	Skretting
Nycomed Canada Inc.	Solvay Pharma Inc.
OZ Minerals Canada Resources Inc.	Sonoco Canada Corporation
Oakrun Farm Bakery Ltd.	Sultran Ltd.
L'Oréal Canada Inc.	Taro Pharmaceuticals Inc.
Osler, Hoskin & Harcourt, LLP	Teck Resources Limited
PPG Canada Inc.	Teck Resources Limited - Highland Valley Copper
PPG Canada Inc. - Automotive Glass Division	Teck Resources Limited - Trail Operation
PPG Canada Inc. - Fine Chemicals Division	Teekay Corporation
PPG Canada Inc. - Industrial Coatings Division	Telvent Canada Ltd.
PPG Canada Inc. - Performance Glazing Division	Tembec Inc.
Pan American Silver Corporation	Terasen Gas
Patheon Inc.	Thales Rail Signalling Solutions
Peak Potentials Training	Thompson Creek Metals Company
Penske Truck Leasing	Thrifty Foods Inc.
Pepsi-QTG Canada	TimberWest Forest Corp.
Petro-Canada	Tolko Industries Ltd.
Pfizer Canada Inc.	Toromont CAT, A Division of Toromont Industries Ltd.
Phantom Mfg. (Int'l) Ltd.	Ultramar Ltée
Philips Electronics Ltd.	uniPHARM Wholesale Drugs Ltd.
Pioneer Hi-Bred Limited	Vale Inco Limited
Potash Corporation of Saskatchewan Inc.	Valeant Canada Limited
Praxair Canada Inc.	Valvoline
Puratos Canada Inc.	Vanguard Plastics Ltd.
QIT-Fer et Titane Inc.	Vicwest Income Fund
Resolve Corporation	Viterra Inc.
Rhodia Canada Inc.	W.E.T. Automotive Systems Ltd.
Rio Tinto Alcan	Wal-Mart Canada Corp.
Rio Tinto Copper Projects	Winners Merchants International L.P.
Ritchie Bros. Auctioneers (Canada) Ltd.	Wyeth Pharmaceuticals
Rogers Sugar Ltd.	Xstrata Copper Canada
Rohm and Haas Canada Inc.	Xstrata Nickel Canada
Rothmans Benson & Hedges Inc.	Xstrata Zinc Canada
Russel Metals Inc.	Yves Rocher
SABIC Innovative Plastics Canada Incorporated	Zellers
SMS Construction and Mining Systems Inc.	Zellstoff Celgar Partnership Limited
SMS Equipment Inc.	
Saint-Gobain Abrasives Canada Inc.	

Appendix D – Cash Equivalent Values

Noncash Compensation An organization's cost for a noncash program is subject to numerous variables, such as composition of the group, experience, funding method, skill of the buyer and a company's accounting practices. Thus, programs with identical formulae can have widely differing costs from organization to organization or even from unit to unit within an organization. However, the value of a noncash item to a particular employee is primarily dependent on the level of benefit, perquisite or time off provided, not on the average age of the employees in the organization or the method chosen by the employer to fund the program.

Therefore, standard cost assumptions were derived. For noncash items which are conditional on the occurrence of an event such as death, disability or continuous employment in an organization, the cash equivalent has been calculated on the basis of the probability of receiving such items, using appropriate actuarial assumptions. For noncash items such as cars, loans and subsidized meals, which have immediate value, the cash equivalent has been calculated on the basis of the most probable average current replacement cost.

Employee Contributions Noncash compensation includes only the employer-paid value. Employee contributions are subtracted from the total value to obtain the employer paid amount.

Newfoundland Power Inc.

Executive Compensation Review

October 2010

**Prepared by: Christopher A. Chen
Ryla Sandor**

Project Scope

Hay Group Limited (“Hay Group”) has been retained by Newfoundland Power Inc. (“NF Power”) to review and assess its existing compensation practices for its four senior executive positions being the President & CEO, the VP Customer Operations & Engineering, the VP Finance & CFO, and the VP Regulation & Planning.

The project mandate included that Hay Group would compare:

- NF Power executive jobs to others in the market place on the basis of similar job content (i.e., evaluation points), as has been one of NF Power’s compensation principles for many years;
- NF Power compensation values to those of a broad selection of Canadian commercial industrial organizations (i.e., the comparator group), as has been one of NF Power’s compensation principles for many years;
- NF Power total compensation to the median level (i.e., 50th percentile) of the defined comparator group, as has been one of NF Power’s compensation principles for many years; and
- NF Power’s compensation package against all elements of compensation, which includes Annual Base Salary, Target Total Cash (i.e., base salary plus target bonus), Target Total Direct (i.e., total cash plus mid/long term incentive), and Target Total Remuneration (i.e., total direct plus benefits, pension, and perquisites).

Summary

In summary, Hay Group believes that:

- It is reasonable for NF Power to use comparative executive jobs within the broad Canadian Commercial Industrial market place as its comparator group;
- It is reasonable for NF Power to use the Median / 50th Percentile levels of comparator group compensation values as the basis by which to establish its own executive pay standards; and
- The NF Power incumbent-specific executive pay levels are within the normal range of variance to its market pay standards that Hay Group typically experiences in these types of reviews.
- In terms of target total remuneration, the executives, with the exception of the VP, Regulation & Planning, are slightly below the median of the market

Newfoundland Power Position	Target Total Remuneration	
	Market Position	Variance from Median
President & CEO	P44	-6%
VP, Customer Operations & Engineering	P46	-4%
VP, Finance & CFO	P48	-2%
VP, Regulation and Planning	P64	18%

Due to the overall competitiveness of total remuneration for NF Power's executives, we do not recommend any changes to NF Power's compensation program at this time

Job Content / Job Evaluation

Every organization has unique attributes with respect to business lines, size, diversity, ownership, and corporate structure. Furthermore, the jobs within each organization are unique relative to factors such as mandates and reporting relationships. These attributes should be normalized when one compares themselves to the market place.

Hay Group uses its job evaluation methodology to “point score” positions. Job evaluation allows the skills, efforts, and responsibilities of a job to be quantified, such that the resulting points may be used as a comparison proxy that adjusts for the differences between the various comparator organizations and their unique job mandates. An organization’s jobs are compared to others in the market place on the basis of similar job content or job evaluation points. Highlights of the Hay Group Method of Job Evaluation are provided in Appendix A.

A job evaluation was completed on NF Power’s executives as displayed below based on discussion with the President & CEO and updated job summaries from NF Power. Please see Appendix B for the updated job summaries.

The VP, Finance & CFO role has been changed from 1500 points to 1560 points to reflect the added Human Resources responsibilities in this role. We have considered the added responsibilities for the other executive roles and their Hay Points have remained the same.

NF Power Job Evaluations

Title	Name	Hay Points
President & CEO	Earl Ludlow	2448
VP, Customer Operations & Engineering	Gary Smith	1708
VP, Finance & CFO	Jocelyn Perry	1560
VP, Regulation and Planning	Peter Alteen	1418

It should be noted that the evaluation process only concerns itself with the skills, efforts and responsibilities required for competent performance. The evaluation points do not reflect incumbent-specific characteristics such as performance.

Comparative Markets

The most current Hay Group compensation database is effective as of May 2010, and has 539 participating organizations. NF Power pay principles suggest that its jobs be compared to the Canadian Commercial Industrial subset of the database, which is comprised of 295 organizations, and for which the list is illustrated in Appendix C.

Hay Group believes that it is reasonable for NF Power to compare itself to the list of organizations of Appendix C because:

- Jobs are compared on a “point adjusted” basis which means they are compared to those of overall equal skill, effort and responsibility, and not on the basis of “same title”;
- The organizations are all “private sector / investor owned”; and
- NF Power competes for its executive resources with organizations across the breadth and depth of business sectors across Canada.

Percentile Levels

This review will present comparative values at three percentile levels, being:

- The 25th percentile, which represents the compensation values at which twenty-five percent of the database observations pay less and seventy-five percent pay more;
- The 50th percentile (i.e., median), which represents the compensation values at which fifty percent of the database observations pay less and fifty percent pay more; and
- The 75th percentile, which represents the compensation values at which seventy-five percent of the database observations pay less and twenty-five percent pay more.

NF Power sets its pay standards relative to market Medians, which Hay Group believes is reasonable because:

- As a utility it is appropriate to compare to an average of a broad market place as opposed to only the higher paying sectors (e.g., gold mining) or only to the lower paying sectors (e.g., retail); and

NF Power incorporates performance considerations in its determination of incumbent-specific salary and bonus values, such that higher performers will be appropriately paid above market standard (i.e., above P50).

Compensation Elements

The review will consider the compensation elements as listed and defined below.

Actual Base Salary	The actual annual salary paid to the comparable database observations.
Target Total Cash	Actual base salary plus an annual bonus value that represents the targeted bonus award assuming that all bonus provisions are accomplished exactly to business plan.
Target Total Direct	Target total cash plus a mid/long term incentive value that represents the annualized present value of the targeted number of mid/long term incentive grants. The NF Power LTI program is defined by the specifications of the Fortis Inc. stock option program. NF Power advises that the cost of the LTI program is a non-regulated expense.
Target Total Remuneration	<p>Target total direct plus a noncash value that is the sum of the employer paid costs of the organization's benefits, perquisites, and retirement programs.</p> <p>Further explanation of the calculation of the employer's cost of the noncash items is found in Appendix D.</p>

Compensation Analysis

The table below illustrates compensation values for each NF Power executive as well as for the comparable market place, and compares the NF Power values to the median values of the market.

Compensation Values

Title	Statistic	Actual Base Salary	Bonus %	Target Total Cash	LTI % ¹	Target Total Direct	Noncash Value ²	Target Total Remuneration
President & CEO		370,000	40%	518,000	60%	741,400	109,900	851,300
	P75	429,000	57%	684,000	131%	1,117,000	126,000	1,208,000
	P50	360,000	47%	549,000	80%	823,000	105,000	908,000
	P25	309,000	40%	447,000	51%	603,000	71,000	678,000
	NP vs. P50	3%		-6%		-10%	5%	-6%
VP, Customer Operations & Engineering		250,000	30%	325,000	30%	400,500	74,400	474,800
	P75	296,000	46%	440,000	96%	609,000	89,000	699,000
	P50	246,000	39%	348,000	61%	446,000	66,000	494,000
	P25	212,000	31%	284,000	26%	330,000	45,000	368,000
	NP vs. P50	2%		-7%		-10%	13%	-4%
VP, Finance & CFO		220,000	30%	286,000	30%	352,400	66,600	419,000
	P75	269,000	43%	387,000	84%	512,000	79,000	596,000
	P50	226,000	35%	312,000	52%	385,000	59,000	428,000
	P25	194,000	28%	258,000	22%	292,000	41,000	333,000
	NP vs. P50	-3%		-8%		-8%	13%	-2%
VP, Regulation and Planning		225,000	30%	292,500	30%	360,400	77,200³	437,700
	P75	245,000	41%	333,000	69%	417,000	67,000	487,000
	P50	207,000	31%	276,000	41%	329,000	52,000	371,000
	P25	176,000	26%	233,000	20%	250,000	37,000	292,000
	NP vs. P50	9%		6%		10%	48%	18%

Notes:

1. Newfoundland Power's LTI represents the annualized present value of the target option grants of the Fortis Stock Option plan as a percentage of base salary. The market's LTI represents the annualized present value of long term incentives as a percentage of base salary.
2. A change in Hay Group methodology has resulted in holidays & vacation no longer being included in the noncash value of market and Newfoundland Power data.
3. The VP, Regulation and Planning's noncash value is well positioned compared to the other Newfoundland Power executives due to the legacy Defined Benefit pension plan he is eligible for as part of his retirement benefits.

Appendix A – Hay Group Method of Job Evaluation

To date, the Hay Group Method has been used to evaluate hundreds of thousands of clerical, blue collar, technical, professional, sales and managerial jobs within a wide variety of private and public sector organizations.

The focus of the job evaluation process using the Hay Group Method is on the nature and requirements of the job itself, not on the capabilities, background, personal characteristics, or the current salary of the job holder.

The Hay Group Method is based on the premise that jobs can be grouped in terms of the **knowledge** required to do the job, the **thinking** needed to solve the problems commonly faced, and the **responsibilities** assigned to the jobs.

The Hay Group Method is reflected in Guide Charts used to define each factor and provide quantitative measures that form the basis for evaluation.

By focusing on the important aspects of the content of each job and the end results which each is expected to achieve, the Hay Group Method provides a vehicle for systematically assessing the relationships among various positions and their relative value to the organization.

Additional safeguards are built-in to ensure that the final evaluations are free of bias. The Hay Group Method provides a rational, disciplined approach to job evaluation.

With 7 offices in Canada, 18 in the U.S.A. and 7,000 clients serviced from 64 offices in 28 countries worldwide, Hay Group Limited is the largest Human Resources consulting firm in the world.

In Canada, Hay Group has worked with over 1,500 organizations in both public and private sectors. In the private sector, a list of our clients utilizing the Hay Group Guide Chart Method includes almost one half of Fortune's 500 companies and over 80% of the Financial Post's Top 100 companies in Canada and 50% of the Top 1,000 companies in Canada.

The Hay Group Guide Chart factors are listed as follows.

➤ **Know-How**

- Practical, technical, or specialized knowledge and skill (depth and/or breadth)
- Planning, Organizing & Integrating Knowledge
- Communicating & Influencing Skills

➤ **Problem Solving**

- Thinking Environment – Freedom to Think
- Thinking Challenge

➤ **Accountability**

- Freedom to Act
- Nature of Impact
- Magnitude of Impact

Appendix B – Job Summaries for NF Power’s Executives

	President & CEO	VP Customer Operations & Engineering	VP Finance & CFO	VP Regulation & Planning (& General Counsel)
Functions	All Business Functions	<ul style="list-style-type: none"> - Safety - Transmission/Distribution Operations - Power Generation - Systems Planning & Engineering - Customer Service - Environment - Energy Efficiency - Transportation - Warehousing/Materials - Third Party & Provisioning Services - Capital Budget Planning 	<ul style="list-style-type: none"> - Financial Planning - Budgetary Oversight & Control - Financial & Corporate Reporting - Corporate Governance & Management Control - Corporate Development - Human Resources - Purchasing & Procurement 	<ul style="list-style-type: none"> - Corporate Secretary - Regulatory Planning - Regulatory Policy - Regulatory Hearings - Regulatory Compliance - Information Technology
Unique Accountabilities of this role	<ul style="list-style-type: none"> - Strategic leadership & direction - Ensure safe, cost effective provision of all aspects of customer service in a fully regulated environment - Government Relations - Provincial energy policy and direction/public policy oversight - Nature of business requires leadership in external communications & public relations 	<ul style="list-style-type: none"> - Systems Operation & Engineering focus to ensure safety & reliability - Accountable for operational cost management - Progressive in customer service excellence; a differentiating factor in a monopoly environment - Efficient operations through technology & deployment of resources - Multifaceted call centre operation - Responsible for safety (OHSAS 18001 standards) & environmental (ISO 14001 standards) compliance - Meeting urban/rural service expectations - Unique geography containing most challenging weather conditions in North America - Public & employee safety - Energy Efficiency (promoting energy conservation programs) 	<ul style="list-style-type: none"> - Financial planning key component of customer rate stability - Public capital markets: financing and disclosure - Evolving securities disclosures & reporting standards - Business Continuity - Risk Management - Human Resources (inclusive of Compensation & Benefits; Employee Development; Succession Planning; Workforce Planning; Knowledge Transfer) - Changing workforce demographics 	<ul style="list-style-type: none"> - Complex, dynamic, public and challenging regulatory environment - Strategic Planning & Development - Evolving securities law & governance standards - Rapidly changing technological environment

Appendix C – 2010 Canadian Commercial Industrial Market (N=295)

A&W Food Services of Canada Inc.	Axcan Pharma Inc.
ACA Co-operative Limited	BASF Canada Inc.
AV Nackawic Inc.	BHP Billiton - Ekati Diamond Mines
Abbott Laboratories, Limited	BIC Graphic Canada
Abbott Products Inc.	Babcock & Wilcox Canada Ltd.
Agfa Healthcare Canada	BakeMark Ingredients Canada Ltd.
Agfa Inc.	Barrick Gold Corporation
Agnico-Eagle Mines Limited	Baxter Corporation
Ainsworth Engineered Canada L. P.	The Bay
Air New Zealand	Bayer Inc.
Air Products Canada Ltd.	The Beer Store
Aker Chemetics	Beiersdorf Canada Inc.
Akzo Nobel Canada Inc.	Bekaert Canada
Alberta-Pacific Forest Industries Inc.	Belden CDT (Canada) Inc.
Alcon Canada Inc.	Bericap North America Inc.
Allergan Canada Inc.	bioMérieux Canada Inc.
ALS Laboratory Group	Biovail Corporation
AltaSteel Ltd.	Boehringer Ingelheim (Canada) Ltd.
Aluminerie Alouette Inc.	Bombardier Transportation Canada Inc.
Amcor Limited	Brink's Canada Limited
Amgen Canada Inc.	Bristol-Myers Squibb Canada Co.
Amway Canada Corporation	Bronswerk Group
Andrew Peller Limited	Bruce Power
Anglo American Exploration (Canada) Ltd.	CHEP Canada
Apotex Inc.	CKF Inc.
ArcelorMittal Canada	CNH America, LLC.
ArcelorMittal Canada Contrecoeur-Ouest Inc.	Cabot Canada Ltd.
ArcelorMittal Canada Hamilton	Cadbury North America
ArcelorMittal Canada Lachine	Campbell Company of Canada
ArcelorMittal Canada Saint-Patrick	Canada Safeway Limited
ArcelorMittal Dofasco Inc.	Canadelle Inc.
ArcelorMittal Mines Canada	Canadian Forest Products Ltd.
ArcelorMittal P&T	Canadian National Railway Company
ArcelorMittal Tubular Products - Automotive Division	Canadian Pacific Railway
Arkema Canada Inc.	Canexus Limited
Arrow Transportation Systems Inc.	Canfor Pulp Limited Partnership
Ashland Distribution	Canpotex Limited
Ashland Global Chemicals	Cargill Limited
Ashland Performance Materials	Caterpillar of Canada Corporation
Ashland Water Technologies	Centerra Gold Inc.
Astellas Pharma Canada Inc.	Chubb Edwards
AstraZeneca Canada Inc.	The Churchill Corporation
Atlantic Packaging Products Ltd.	Co-op Atlantic
Atotech Canada Ltd.	Coca-Cola Bottling Company

Cognis Canada Corporation
 Compass Group Canada
 Cooper B-Line
 Cooper Bussmann
 Cooper Crouse Hinds
 Cooper Hand Tools
 Cooper Industries (Canada) Inc.
 Cooper Lighting
 Cooper Power Systems
 Cooper Power Tools
 Cooper Wiring Devices
 Corby Distilleries Limited
 Country Ribbon Inc.
 Covance (Canada) Inc.
 Cytec Canada Inc.
 DENSO Manufacturing Canada, Inc.
 DSM Nutritional Products Canada Inc.
 Daishowa-Marubeni International Ltd.
 Danfoss Inc.
 Danone Canada Inc.
 Davis + Henderson
 De Beers Canada Inc., Corporate Division
 De Beers Canada Inc., Exploration Division
 De Beers Canada Inc., Mining Division
 Deeley Harley-Davidson Canada
 Dow Chemical Canada Inc.
 Dow Corning Canada Inc.
 Dr Pepper Snapple Group
 Dundee Precious Metals
 EFW Radiology
 E.I. du Pont Canada Company
 EWOS Canada Ltd.
 Eaton Corporation
 Eli Lilly Canada Inc.
 Elkem Métal Canada Inc.
 Enbridge Gas Distribution Inc.
 Essar Steel Algoma Inc.
 Evonik Degussa Canada Inc.
 FANUC CNC AMERICA Corporation
 FMC of Canada, Ltd.
 Ferrero Canada Limited Commercial Division
 Ferrero Canada Limited Industrial Division
 Finning (Canada)
 Finning International Inc.
 Fisher & Paykel Healthcare Inc.
 FundSERV Inc.
 G4S Cash Services (Canada) Ltd.
 GDF SUEZ Energy North America, Inc.

Galderma Canada Inc.
 Gates Canada Inc.
 General Kinetics Engineering Corporation
 GlaxoSmithKline Inc.
 Goldcorp Inc.
 Graceway Pharmaceuticals
 Grand & Toy
 Griffith Laboratories Limited
 Group SEB Canada Inc.
 Gulf Chemical Canada
 HDS Retail North America
 H. H. Angus & Associates Limited
 H.J. Heinz Company of Canada Ltd.
 Hecla Mining Company
 Henkel Canada Corporation
 Hilti (Canada) Ltd.
 Hobart Food Equipment Services Canada
 Hoffmann-La Roche Ltd.
 Hudson's Bay Company
 HumanWare
 Huntsman Polyurethane
 IAMGOLD Corporation
 INEOS Canada Partnership
 INVISTA (Canada) Company
 Ingersoll-Rand Canada Inc.
 Innophos Canada Inc.
 Interquisa Canada
 J. Ennis Fabrics Ltd.
 J. H. Ryder Machinery Limited
 JTI-Macdonald Corp.
 JYSK CANADA
 John Deere Limited Canada
 Johnson Matthey Ltd.
 Katz Group Canada Ltd.
 Kellogg Canada Inc.
 Kennametal Ltd.
 Kinross Gold Corporation
 Kongsberg Automotive
 Kruger Products
 LANXESS Inc.
 Labatt Breweries of Canada
 Lake Shore Gold Corp.
 Lantic Inc.
 Lehigh Hanson
 Levi Strauss & Co. (Canada) Inc.
 Lilydale Inc.
 MDA
 MDS Nordion

MMG Resources Inc.	Randstad Canada
Mainstream Canada Ltd.	Reflex Instrument North America
McCormick Canada Co.	Richemont Canada Inc.
McElhanney Consulting Services Ltd.	Rio Tinto - Diavik Diamond Mines
The McElhanney Group Ltd.	Rio Tinto Iron Ore
McElhanney Land Surveys Ltd.	Ritchie Bros. Auctioneers (Canada) Ltd.
Meridian Lightweight Technologies Inc.	Rogers Communications Inc.
Methanex Corporation	Rothmans, Benson & Hedges Inc.
Michelin North America (Canada) Inc.	Royal Group, Inc.
Mitsubishi Canada Limited	Russel Metals Inc.
Montship Inc.	SMS Equipment Inc.
The Mosaic Company	Saint-Gobain Abrasives Canada Inc.
Mother Parkers Tea & Coffee Inc.	Saint-Gobain Ceramic Materials Canada/Abrasive Materials
Mustang Survival Corp.	sanofi-aventis
Mylan Pharmaceuticals ULC	Sapphire Technologies
NOVA Chemicals Corporation	Saskatchewan Roughrider Football Club
Neopost Canada	Schlumberger Oilfield Services
Nestlé Canada Inc.	Schneider Electric
New Horizon System Solutions LP	The Shaw Group Limited
Newmont Mining Corporation of Canada Limited	Sherritt Coal
Northern Pulp Nova Scotia Corp.	Sherritt International Corporation
Nova Scotia Power Inc.	Shore Gold Inc.
Novartis Pharmaceuticals Canada Inc.	Sidel Canada Inc.
Novo Nordisk Canada	Siemens Canada Limited
Nycomed Canada Inc.	Sonoco Canada Corporation
Oakrun Farm Bakery Ltd.	Sultran Ltd.
Octapharma Canada Inc.	Suncor Energy Inc.
Olin Chlor-Alkali Products	Takeda Pharmaceuticals North America, Inc.
L'Oréal Canada Inc.	Taro Pharmaceuticals Inc.
Osler, Hoskin & Harcourt, LLP	Teck Resources Limited
PPG Canada Inc.	Teck Resources Limited - Highland Valley Copper
PPG Canada Inc. - Fine Chemicals Division	Teck Resources Limited - Trail Operation
PPG Canada Inc. - Industrial Coatings Division	Teekay Corporation
PPG Canada Inc. - Performance Glazing Division	Tembec Inc.
Pan American Silver Corporation	Teranet Inc.
Patheon Inc.	Thales Rail Signalling Solutions
Penske Truck Leasing	Thompson Creek Metals Company
PepsiCo Canada	Thrifty Foods Inc.
PERI Formwork Systems, Inc. Canada	TimberWest Forest Corp.
Pfizer Canada Inc.	Timminco Limited
Phantom Mfg. (Int'l) Ltd.	Tolko Industries Ltd.
Philips Electronics Ltd.	TomTom International
Pioneer Hi-Bred Limited	Toromont CAT, A Division of Toromont Industries Ltd.
Poly-Drill Drilling Systems Ltd.	Total E&P Canada
Potash Corporation of Saskatchewan Inc.	Twin Rivers Paper Company
Praxair Canada Inc.	Ultramar Ltée
Puratos Canada Inc.	uniPHARM Wholesale Drugs Ltd.
QIT-Fer et Titane Inc.	Vale Inco Limited

Valeant Canada Limited

Valvoline

Vanguard Plastics Ltd.

Vicwest Income Fund

Viterra Inc.

Votorantim Cement North America

Wal-Mart Canada Corp.

Wescast Industries Inc.

West Fraser Timber Co. Ltd.

Winners Merchants International L.P.

Xstrata Copper Canada

Xstrata Nickel Canada

Xstrata Zinc Canada

Zellers

Zellstoff Celgar Partnership Limited

*Please note, only 198 of these organizations provided executive level compensation data

Appendix D – Non-Cash Benefit Valuation

- Hay Group has derived standard assumptions of cash equivalent values, expressed in pre-tax cash equivalents. For non-cash items, which are conditional on the occurrence of an event such as disability, death or continuous employment in an organization, the cash equivalent has been calculated on the basis of the probability of receiving such items using appropriate actuarial assumptions. For non-cash items such as cars, which have an immediate value, the cash equivalent has been calculated on the basis of the most probable average replacement cost in Canada
- Since non-cash items (i.e., most employee benefits) are a function of earnings, their values vary directly with the earnings level of the positions being reviewed. Therefore, they have a significant impact on the economic or aggregate value of the benefits package.
- Universal employment costs are not included when calculating non-cash compensation using the Hay Group methodology. These costs include the average employer payroll taxes for the Canada/Quebec Pension Plan, Employment Insurance and provincial health care. Since these benefits by their very nature are legislated and eligibility is universal, Hay Group sees no need to include them in the mix.
- The following items have been considered for valuation purposes in this report. We understand that Newfoundland Power does not provide its executives with all of these benefits:

Major Benefit Area	Program
Health Care Benefits	<ul style="list-style-type: none"> • Healthcare Spending Account/Flex Credits • Extended Healthcare Coverage / Drug Expenses • Hospital Room & Board Coverage • Optical Coverage (Vision Care) • Dental Coverage
Income Replacement Benefits	<ul style="list-style-type: none"> • Short-Term Disability (Sick Leave/Salary Continuance) • Long-Term Disability Benefit
Survivor Benefits	<ul style="list-style-type: none"> • Basic / Optional Life Insurance • Basic / Optional Accidental Death & Dismemberment Insurance • Dependent Life /Accident Insurance
Retirement Benefits	<ul style="list-style-type: none"> • Defined Contribution Pension (Money Purchase) Plan • Defined Benefit Pension Plan • Supplemental Executive Retirement Program (Defined Benefit and/or Defined Contribution Plans) • Defined Contribution with a Defined Benefits Minimum Guarantee
Perquisites	<ul style="list-style-type: none"> • Company Car / Car Allowance • Parking • Fitness Facility • Club Memberships • Financial Counselling / Tax Preparation • Physical Examination • Flexible Perquisite Account • Loan Program

**Hay Group Limited's Letter Respecting Newfoundland Power's
Short-Term Incentive Targets**

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October 14, 2011

Mr. Earl Ludlow
President & Chief Executive Officer
Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL
A1B 3P6

Dear Mr. Ludlow,

Re: Short-term Incentive (STI) Targets

This letter sets out our observations and recommendations on a proposal to adjust the STI targets for the Newfoundland Power executives.

Changes to STI Targets and Market Positioning

The following table sets out the proposed changes to STI targets:

	STI Targets	
	Current	Proposed
President & CEO	40%	50%
VP Customer Operations & Engineering	30%	40%
VP Finance & CFO	30%	35%
VP Regulation and Planning & General Counsel	30%	35%

Based on a compensation review we prepared in February 2011, target total direct compensation (i.e., the sum of salary, target STI and LTI) for the Newfoundland Power executives is positioned at approximately the 40th percentile of the Hay Group Canadian Commercial Industrial database. The proposed STI target adjustments would position your executive team slightly below the target total direct market median.

	Current STI Targets		Proposed STI Targets	
	Target Total Cash	Target Total Direct	Target Total Cash	Target Total Direct
President & CEO	P42	P41	P51	P45
VP Customer Operations & Engineering	P41	P40	P51	P46
VP Finance & CFO	P38	P41	P43	P44
VP Regulation and Planning & General Counsel*	P41	P43	P46	P47

* Market data reflect the position's updated evaluation of 1560 Hay Points

Recommendations

The Hay Group Canadian Commercial Industrial group consists of over 250 publicly traded and privately owned companies, excluding financial organizations. In our opinion, this comparator group represents a broad spectrum of Canadian industrial organizations against whom Newfoundland Power competes for executive talent.

The proposed STI target adjustments will position Newfoundland Power closer to your policy of paying executives at approximately the median (50th percentile) of comparable Canadian commercial industrial companies.

Additional Recommendations

The energy environment in Newfoundland/Labrador has changed dramatically over the last few years and these changes are expected to continue well into the future. It is Hay Group's understanding that the role of Vice-President Regulation and Planning and General Counsel, through its current incumbent, has been assigned the responsibility to guide Newfoundland Power within this changing environment to secure the company's long term economic position. This responsibility is in addition to the role's current delivery of functional direction before the Regulator and other interested stakeholder parties. This role must do so in consideration of Newfoundland Power's interest and financial welfare, as well as its position with advocacy and stakeholder groups. Accordingly, it is our recommendation that this role's evaluation be amended as follows:

Know how	G III 3	700
Problem Solving	G 4 (57%)	400
Accountability	G 4 C	460
Total	1560 points	

Mr. Earl Ludow
Newfoundland Power

HayGroup®

I will be happy to answer any further questions that may arise.

Best Regards,

HAY GROUP LIMITED

A handwritten signature in black ink, appearing to read 'C. Chen', with a horizontal line extending from the end.

Christopher A. Chen, LLB
National Director
Executive Compensation

Aon Consulting Benefit Trends Survey, 2009



Aon Consulting | 2009 Benefit Trends Survey



As a Canadian leader in health and benefits consulting, Aon Canada has unparalleled access to the concerns, ideas and approaches to employee benefits of Canada's leading organizations. Aon Consulting's 2009 Canadian Benefits Trends Survey team collaborated with over 275 of these organizations to closely examine their top five areas of concern: group benefits, retirement plans, talent management, communications and outsourcing.

Employers are increasingly caught in a double bind in their efforts to attract and retain top talent. On the one hand, competition for top talent is increasingly fierce. On the other, staying ahead of the competition requires attractive, competitive benefits packages – while health-care costs continue to race upward.

This survey shines a bright light on how leading employers are addressing today's most pressing benefits and talent management issues. We are confident you will find the information in this report to be of value in shaping your future workplace.

Heading into 2009, the new economic climate only amplifies the talent challenge. Organizations who address this challenge armed with the latest research, tools and approaches will certainly reap the rewards.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Laura Mensch', is positioned above the printed name.

Laura Mensch

Senior Vice President

National Practice Leader, Health & Benefits

Aon Consulting Canada

Executive Summary

For the second time, Aon Consulting has surveyed leading employers across Canada to examine their benefits and talent management practices and challenges. In this report, we identify trends and offer insights to help Canadian business leaders develop successful strategies to shape their future workplace.

Survey respondents included 278 employers representing a wide variety of industries and nine Canadian provinces. Respondents were primarily HR or benefits managers.

The survey focused on five areas of prime importance to employers: health care, retirement, talent management, communication and outsourcing, with a view to balancing rising benefits costs against the growing need to attract and engage top talent. Below are some of the key findings:

Benefit cost prevention and flexible benefits partner with cost containment

- Employers continue their efforts to manage rising costs of health care. While classic containment methods continue – 40% of respondents intend to search for a more competitive insurer – more advanced methods are also gaining strength; 49% have implemented or plan to implement proactive claims management; 58% are implementing enhanced disability management strategies.
- Many of the benefits achievable through cost containment have now been realized; a growing number of employers are looking to cost prevention. Wellness programs are increasingly popular: 46% of employers have implemented flu shot programs; 46% plan to promote exercise/physical activity; 23% offer or plan to offer weight and lifestyle management programs.
- Flexible benefits plans are gaining momentum as a method of managing benefits costs, through paying only for what is chosen by each employee; 24% of employers intend to switch to flex plans; one-fifth intend to introduce health care spending accounts.

Defined contribution plans at a crossroads?

- The trend towards defined contribution (DC) plans that has occurred since 2000 now appears to be slowing, largely because of the recent extended period of historically low interest rates. The sharp decline in equity markets in late 2008 suggests few new defined contribution plans are likely to be introduced in the near future.
- Almost one-fifth (17%) of employers indicate that less than half of their eligible employees are enrolled in their Group RRSP or DC plan. Less than 10% of employers believe their employees have a strong understanding of how to invest their Group RRSP or DC plan assets. This suggests a need for enhanced communication, yet more than half of employers (51%) currently do not offer investment advice to plan members.

Talent management: Time for a keener focus?

- With the talent market becoming ever more competitive – 84% of employers reported that the shortage of talented resources would have the most significant impact over the next one to three years – employers must become more effective at attracting and retaining top workers. Valued group benefits and retirement programs are critical tools to this end. The challenge is offering these plans when health care costs continue to rise significantly.
- Employers recognize that the war for talent is intensifying. How confident they are at dealing with that

challenge is another matter. While 57% attach great importance to workforce planning, only 11% feel they are doing a highly effective job.

Communication: needs more work

- Employers have effectively addressed the media side of the communication equation. Most use a range of media, from traditional to new age, to meet the communications preferences of their diverse, intergenerational workforce.
- Yet in terms of message, employee communication remains rooted in the past, when employers made most benefits decisions and occasional messages were sufficient. While employers have shifted considerable responsibility for decision-making to their employees, they often fail to provide the information employees need to make informed decisions.
- Employers rank total compensation or rewards as one of the most important topics of communication with their employees, and 95% of respondents who issued these statements reported they helped to increase employee understanding and appreciation. Nonetheless, only 30% of employers do provide their employees with these statements.

Outsourcing: a win-win solution

- Over 50% of employers are outsourcing their benefits and/or pension administration. Over 30% are outsourcing absence management. Increasingly, employers are realizing that the best expertise and the greatest value-for-money in managing many HR initiatives lie with organizations dedicated to the management of human resources.

Conclusions

The shortage of qualified and skilled employees is expected to be the most impactful HR issue in the next three years. Given the economic environment and the rising costs of employee benefits, striking the balance between the competition for top talent and the associated costs will underpin virtually all talent and benefit decisions moving forward.

Organizations can consider a variety of measures to effectively manage this challenge. A more concerted commitment to workforce planning is critical to directing recruitment and retention efforts. Proactive recruitment strategies for key positions and creative retention strategies can act as clear points of differentiation from the competition.

Benefits programs remain an important component of total rewards and can provide a competitive advantage if organizations evolve to innovative, sustainable and comprehensive programs that respond to a diverse workforce and changing healthcare landscape.

It is critical that employees clearly understand the value of their benefits and feel equipped to manage their benefits choices through informed decisions. Enhanced communication tools and processes will be required to convey the organization's value proposition and, in turn, maximize employee satisfaction and retention – critical success factors in the context of an impending talent crunch.

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Participants

- 1 7-Eleven Canada Inc.
- 2 ABSA (The Pressure Equipment Safety Authority)
- 3 Acclaim Health
- 4 AFMQ
- 5 Agence métropolitaine de transport
- 6 AGF Management Ltd.
- 7 Agropur coopérative
- 8 Ainsworth
- 9 Air France
- 10 Air Liquide Canada
- 11 Aker Chemetix
- 12 Allan Breaux et Associés Inc.
- 13 Allegro Résidences
- 14 AlternaSolutions Inc.
- 15 Anonymous
- 16 Aon Canada
- 17 Apegga
- 18 Apotex Inc.
- 19 APTN (Aboriginal Peoples Television Network)
- 20 Arcturus Realty Corporation
- 21 Areva T&D
- 22 Association minière du Québec
- 23 AstraZeneca Canada Inc.
- 24 Ayiva Canada Inc.
- 25 AXA Canada
- 26 B. A. Robinson Co. Ltd.
- 27 Banque Nationale
- 28 Beckton Dickinson and Company
- 29 Bellwoods Centres For Community Living Inc.
- 30 Bentall Capital
- 31 Bibliothèque et archives nationales du Québec
- 32 Blockbuster Canada Co.
- 33 BNP Paribas (Canada)
- 34 Boehringer Ingelheim Canada Ltd.
- 35 Boutique Jacob
- 36 British Columbia Ferry Services Inc.
- 37 Business Development Bank of Canada
- 38 CAA Saskatchewan
- 39 CAAT Pension Plan
- 40 Cameco Corporation
- 41 Camoplast
- 42 Canada Mortgage and Housing Corporation
- 43 Canada Post Corporation
- 44 Canadian Baptist Ministries
- 45 Canadian Medical Association
- 46 Canadian Memorial Chiropractic College
- 47 Canadian Pacific
- 48 Central Heat
- 49 Centrale des syndicats démocratiques
- 50 City of Abbotsford
- 51 City of Burlington
- 52 City of Chilliwack
- 53 City of Edmonton
- 54 City of Nanaimo
- 55 City of Ottawa
- 56 City of Vancouver
- 57 CNB
- 58 COM DEV Ltd.
- 59 Commission de la construction du Québec
- 60 Commission scolaire des navigateurs
- 61 Connexix
- 62 Computer Sciences Canada Inc.
- 63 Connexus Credit Union
- 64 Construction DJL Inc.
- 65 Core-Mark International Inc.
- 66 Corporation d'hébergement du Québec
- 67 Cott Beverages
- 68 CPL (Contract Pharmaceuticals Ltd. Canada)
- 69 Croix Blanche du Québec
- 70 Custom House Ltd.
- 71 DALSA
- 72 Danier Leather Inc.
- 73 Davies Ward Phillips & Vineberg LLP
- 74 Dillon Consulting Ltd.
- 75 District of Squamish
- 76 Dover Industries Ltd.
- 77 Ducks Unlimited Canada
- 78 EB Games
- 79 Ébénisterie Norclair Inc.
- 80 Eli Lilly Canada Inc.
- 81 Emballages Jean Cartier
- 82 Emergis, a TELUS Company
- 83 Enerflex Systems Ltd.
- 84 Energy Resources Conservation Board
- 85 Fairmont Hotels & Resorts
- 86 Federated Coop
- 87 Fédération des caisses Desjardins du Québec
- 88 FedEx Trade Networks
- 89 Fillmore Riley LLP
- 90 Finning International
- 91 First Data Corp
- 92 Flint Energy Services Ltd.
- 93 Flynn Canada
- 94 FMSQ
- 95 Follett Corporation
- 96 Fondation CSN
- 97 Fondation Jules et Paul-Émile Léger
- 98 Forks North Portage
- 99 Fountain Tire Ltd.
- 100 Fournitures Funéraires Victoriaville Inc.
- 101 Franklin Templeton Investments
- 102 Fujifilm Canada Inc.
- 103 Gaz Métro
- 104 GBO Inc.
- 105 Gestion Universitas Inc.
- 106 Gilead Sciences Inc.
- 107 Goodwill Industries of Alberta
- 108 Government of the Northwest Territories
- 109 Cowling L'Allier Henderson
- 110 Graham Group Ltd.
- 111 Grande Prairie Regional College
- 112 Green Shield Canada
- 113 Creststone Managed Investments Inc.
- 114 Groupe Deschênes Inc.
- 115 Groupe Induspac
- 116 Groupe Michel Cadrin
- 117 Groupe Sogides Inc.
- 118 H. J. Heinz Company of Canada Ltd.
- 119 Harry Rosen Inc.
- 120 Harvard Developments Inc.
- 121 Hays Specialist Recruitment (Canada) Inc.
- 122 Holt Renfrew
- 123 HOOPP
- 124 Hydro-Québec
- 125 Hyndman & Co. Ltd.
- 126 I&D Management Services Ltd.
- 127 Ice River Springs
- 128 Industrial Alliance Pacific Life Insurance
- 129 Industrielle Alliance
- 130 ING Canada
- 131 Ingram Micro
- 132 Innovation Credit Union
- 133 International Financial Data Services (IFDS)
- 134 InterVISTAS
- 135 Intrali Inc.
- 136 Investissements PSP
- 137 Investors Group
- 138 JP Applications
- 139 Jacobs Canada Inc.
- 140 JELD-WEN
- 141 Kitchen Craft
- 142 Knoll North America Corp.
- 143 Kodak Canada Inc.
- 144 Kodak Graphic Communications Canada Company
- 145 Kontron Canada Inc.
- 146 Kraft Canada
- 147 L-3 Communications MAPP5
- 148 L-3 Wescam
- 149 La Coop fédérée
- 150 La Presse
- 151 Lac-Beauport
- 152 Lacro Hospitality Management
- 153 Law Society of British Columbia
- 154 Ledcor Industries Inc.
- 155 Legal Aid Alberta
- 156 LensCrafters Inc.
- 157 Lilydale Inc.
- 158 Loblaw Companies Ltd.
- 159 Loto-Québec
- 160 Lundbeck Canada
- 161 L'Union vie
- 162 M&M Meat Shops Ltd.
- 163 Maestria
- 164 Maestro Group
- 165 Mancon Holdings Ltd.
- 166 Manitoba Hydro
- 167 Manitoba Liquor Control Commission
- 168 MAPLE Inc.
- 169 Mariposa Cruises
- 170 Maritime Paper Products Ltd.
- 171 Matrimon Inc.
- 172 McCarthy Tétrault
- 173 McMichael Canada Art Collection
- 174 MDS Inc.
- 175 Metro Richelieu
- 176 Minden Gross Grafstein & Greenstein LLP
- 177 Multi-Markets
- 178 Nelson Education Ltd.
- 179 NCF Canada Ltd.
- 180 Northern Lights Health Region
- 181 NSB Group
- 182 Ogilvy Renault S.E.N.C.R.L., s.r.l. / LLP
- 183 Olympus Canada Inc.
- 184 Open Text Corporation
- 185 Oracle Canada
- 186 Oxford Properties Group
- 187 Pacific Regeneration Technologies Inc.
- 188 Paladin Labs Inc.
- 189 Papiers CCT
- 190 PCL Constructors
- 191 Penn West Energy Trust
- 192 Pentax Canada Inc.
- 193 Pharmaceutical Product Development Inc.
- 194 Piller Sausages
- 195 Plastibec
- 196 PLB International Inc.
- 197 PMC Sierra
- 198 Points International
- 199 POS Pilot Plant
- 200 Présentation de Marie
- 201 Quadro Engineering
- 202 Quebecor Media Inc.
- 203 Quincellerie Richelieu
- 204 Quiktar Canada Corporation
- 205 ratiopharm
- 206 Reebok-CCM
- 207 Régie de police Thérèse-De Blainville
- 208 Reifmans
- 209 Right To Play
- 210 Rimrock Resort Hotel
- 211 Rutherford Controls International Corp.
- 212 SAHO (Saskatchewan Association of Health Organizations)
- 213 Saskatoon Airport Authority
- 214 SaskEnergy Inc.
- 215 Sears Canada
- 216 Securit
- 217 Selectpath
- 218 Service Inspired Restaurants Corporation
- 219 S&K Pulp
- 220 SGU LTD Plan
- 221 SGI Canada
- 222 Shepherd Village
- 223 SHEPP
- 224 Sheritt International
- 225 SickKids Foundation
- 226 Sierra Systems
- 227 Sifton Properties Ltd.
- 228 Société de transport de Laval
- 229 Spinrite L.P.
- 230 SSQ Assurances générales Inc.
- 231 St Paul's Fire & Travelers Guarantee Company
- 232 STAS Inc.
- 233 Steinbach Credit Union
- 234 Stikemon Elliott LLP
- 235 Sybase Canada
- 236 TD Meloche Monnex
- 237 Teachers Retirement Allowances Fund
- 238 Teachers' Superannuation Commission
- 239 Teck Cominco Ltd.
- 240 Tecslut
- 241 Teknion
- 242 TFNPP
- 243 The DATA Group of Companies
- 244 The Dominion of Canada General Insurance Company
- 245 The McElhenny Group Ltd.
- 246 The Wawanesa Mutual Insurance Company
- 247 The Winnipeg Art Gallery
- 248 Thrifty Foods
- 249 Thunder Bay Port Authority
- 250 Tonsy LLP
- 251 Tourism Saskatchewan
- 252 Trudeau Corporation
- 253 Trylon TSE
- 254 USE Automotive
- 255 United Farmers of Alberta
- 256 United Way Windsor/Essex County
- 257 Université Sainte-Anne
- 258 University of British Columbia
- 259 Uranium One Inc.
- 260 Vancouver Port Authority
- 261 Veltri Canada Glencoe
- 262 Ventr Plastics Kitchener
- 263 Ville de Bale-Comeau
- 264 Ville de Bécancour
- 265 Ville de Boisbriand
- 266 Ville de Bromont
- 267 Ville de Chambly
- 268 Ville de Hampstead
- 269 Ville de Montréal
- 270 Ville de Rivière-du-Loup
- 271 Ville d'Ottawaburn Park
- 272 Viterro
- 273 Westminster Savings
- 274 Westmount City
- 275 Winners Merchants International
- 276 Winnipeg School Division
- 277 Workers' Compensation Board of Nova Scotia
- 278 Yamaha Motor Canada Ltd.

Participant Demographics

278 employers responded to Aon Consulting's 2009 Canadian Benefits Trends Survey. The following is a profile of the respondents:

- Respondents represented a variety of industry groups: manufacturing (12.6%), retail/wholesale/distribution (12.6%), finance/insurance/real estate (13%), public sector (12%), professional services (10.1%), health sciences (3.6%), media/information/technology (4.7%) and all other private sector (28%).
- Organizations from all provinces participated, except Prince Edward Island.
- Information was gathered about five employee groups: executives, salaried employees, hourly unionized workers, hourly non-unionized workers and retirees.
- The respondents were largely HR or benefits managers responsible for compensation and benefits for their organizations.

Sample Characteristics

Participating organization distribution by industry

Other	28.8%
Finance/Insurance/Real Estate	15.1%
Health Sciences	3.6%
Manufacturing	12.6%
Media/Information Technology	4.7%
Public Sector	11.9%
Retail/Wholesale/Distribution	12.6%
Professional Services	10.1%
Not reported	0.7%
	100%

Participant Profile

Organization headcount by province

	# Org's	Avg.*	Percentiles		
			25th	50th	75th
Atlantic provinces	75	293	7	49	126
Ontario	164	1296	51	262	786
Quebec	151	1406	49	245	550
Western provinces	161	1513	75	278	956
Territories	15	398	6	9	97
Total number of employees	272	2577	164	477	1523

* Please note the average in this section is being heavily weighted by multiple orgs.

Annual revenue

More than \$5 billion	7.9%
At least \$1 billion, but less than \$5 billion	14.7%
At least \$500 million, but less than \$1 billion	9.0%
At least \$100 million, but less than \$500 million	22.3%
At least \$50 million, but less than \$100 million	8.6%
At least \$10 million, but less than \$50 million	17.6%
\$10 million or less	13.3%
Not reported	6.5%
	100%

Percentage of workforce that is part-time

100%	0.7%
75%-99%	2.2%
50%-74%	5.4%
25%-49%	9.4%
1%-24%	66.5%
0%	15.8%
Not reported	0.4%
	100%

Percentage of workforce that is union

100%	1.1%
75%-99%	18.7%
50%-74%	8.6%
25%-49%	9.2%
1%-24%	11.5%
0%	51.1%
Not reported	—
	100%



Trends in Health & Benefits and Absence Management

Managing the cost of benefits and absenteeism without compromising employee satisfaction

Determining the optimal way to manage benefits and absenteeism costs continues to be a challenge for employers. Benefits programs are a key component of total rewards and an important incentive used to attract talent. In an attempt to control the cost of these programs without reducing their competitive advantage, many employers are increasingly focusing on strategies to improve health and productivity rather than relying solely on cost shifting.

Managing benefits program costs

With benefits programs and their related costs reaching an annual average per capita cost for active employees of almost \$3,400 in 2008, employers are continuing to seek ways to better manage these costs. For example, nearly 40% of survey respondents intend to search for a more competitive insurer/claims administrator in 2008 and beyond. Almost half (49%) of respondents have either implemented or plan to implement proactive claims management, while 58% are implementing enhanced disability management strategies.

Other key approaches employers have taken to deal with their escalating benefits costs include:

- Increasing the employee contribution (28%) or fixing the employer contribution (28%)
- Controlling the usage of paramedical services by introducing a combined maximum for practitioners (28%) and per visit limits (25%)
- Changing from company-paid to employee-paid long-term disability coverage (22%)
- Reducing reimbursement levels (21%) and introducing or increasing plan deductibles (24%)
- Controlling prescription drug costs by introducing a dispensing fee cap (20%), a controlled formulary (23%), or a per prescription deductible (22%)

Aon perspective

Human Resources (HR) and Finance executives continue to be challenged by health care costs that are increasing much faster than the rate of general inflation. At the same time, employers understand that they need to offer competitive benefits programs that meet their employees' needs and expectations if they are to attract and retain hard-to-find talent. Short-term fixes to the design of traditional plans are not enough to contain future health costs. Employers recognize that they need to be innovative in developing and implementing sustainable, comprehensive health strategies and benefits programs that fit within and are reflective of their total compensation and HR strategy.

Employers continue reducing retirees' coverage

Over 40% of respondents offer coverage to their retirees (35% offer extended health care and 28% offer life insurance). Reducing the financial impact of retiree coverage, through cost shifting and/or cost avoidance, continues to be a benefit trend in 2008 and beyond. Respondents that offer retiree coverage will attempt to control the rising cost of retiree benefits by:

- Increasing the retiree contribution (32%)
- Reducing life insurance coverage (27%) and medical coverage (29%)
- Eliminating life insurance coverage (32%) and medical coverage (30%)

Aon perspective

Given the increasing concern about their growing post-retirement liability, it is not surprising that many respondents are considering reducing or eliminating coverage for retirees, or changing from a defined benefit to a defined contribution program. Furthermore, retiree benefits offer the least "payback" to the organization. While the cost of employee benefits may be balanced, at least in part, by the advantage the benefits program provides to the organization in attracting talent and building employee satisfaction and productivity, retiree benefits contribute minimal advantages in these areas, all of which suggests the trend towards reducing or eliminating coverage for retirees will continue. (Read more on defined benefit and defined contribution plans in the Retirement section of this report).

Maximizing choice: flexible benefit (Flex) plans

Today's employees, especially younger ones, tend not to feel the same long-term commitment to their employers as their predecessors did. However, employers must still invest in competitive benefits programs for their employees if they are to be able to attract talented workers. Furthermore, in today's multi-generational workforce (i.e. Generation X, Generation Y, etc.) employees have a wide range of benefits expectations; they are looking for benefits programs that are sufficiently flexible to adapt to their specific circumstances.

Given the diversity of these needs, coupled with the changing health care landscape (i.e. services being delisted by provincial health care plans) and the increasing cost of benefits, a growing number of employers either offer or plan to introduce flexible benefits plans (flex plans) in addition to offering employee-paid optional benefits. While just 12% of respondents have already implemented flex plans in place of traditional plans (i.e. plans that offer no options to employees), almost one-quarter (24%) of them intend to switch to flex plans in 2008 or later.

Another emerging trend to reduce current benefit costs is to offer a health care spending account, which provides employees with even greater levels of flexibility. One-fifth of respondents intend to introduce health care spending accounts in 2008 and later.

Employers focusing on employee health and wellness

The attention employers have paid to controlling their health care costs has led to a growing appreciation of the value that improved employee health has on reducing health, disability and absenteeism costs, as well as increasing workforce productivity. Forty-six percent of respondents have implemented flu shot programs, 35% promote exercise/physical activity and 29% have implemented smoking cessation programs. Looking forward, 52% of respondents intend to offer flu shot programs, 46% will promote exercise/physical activity and 35% will offer smoking cessation programs. In addition, almost one-quarter (23%) of respondents either offer or plan to offer weight management and online lifestyle management programs. Increasingly, employers are also looking to better understand and define the health risk profile of their employee population through integrated analyses that include drug, health, disability, absence and self-reported health data.

This emphasis on wellness programs suggests that employers are focused on more than just cost-cutting or cost shifting; they are also willing to invest in the development of a healthier and more productive workforce. Employers recognize that programs that focus on improved nutrition, fitness, stress management, work-life balance and healthier lifestyle choices can help minimize their direct and indirect costs.

Aon perspective

Increasingly, employers are improving cost control, enhancing employee satisfaction and better meeting employee needs by shifting from a traditional benefits plan to a flex plan.

Many employers continue to reduce coverage levels and shift additional portions of their program costs to their employees as their primary strategy for managing rising benefits costs. Some employers are also looking to control mid- and long-term costs through programs that help employees adopt better lifestyle habits (e.g., smoking cessation programs). Through health and wellness programs, organizations can determine employee health risk profiles. The goal is to minimize adverse changes in the health status of their employees, thus reducing the number of future costly chronic benefits users.

Employers continue to improve absence management practices

Four out of ten respondents report that their total direct cost of absenteeism is below 2.9% of payroll. The remaining 60% of respondents have absenteeism costs that are either in line with or higher than the Canadian average (3.5% of payroll, according to Statistics Canada, June 2008). Over 50% of respondents manage their non-occupational short-term disability absences internally; others use an insurer or disability management organization.

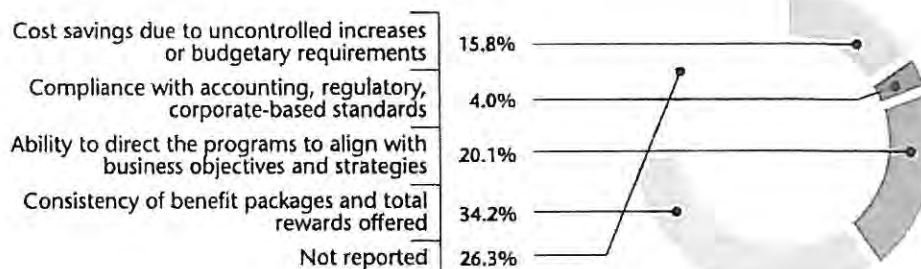
Currently, almost 70% of respondents track unscheduled absences and sick leave within their absence management data, though less than 15% of them actually follow up on the disability or absence costs related to employees' chronic conditions. By 2009, however, 60% of respondents plan to implement ways of tracking and evaluating incidental absences. About one-quarter (24%) of respondents plan to implement absence and disability performance indicators through a "dashboard" approach, which provides information on these indicators to management.

Aon perspective

Recent research confirms that a proactive approach to helping employees (especially those with mental health issues) in the return to work process can have a significant effect on these employees' return to pre-disability function and performance on the job. To contain costs and better manage scarce talent, many respondents (close to 60%) are seeking to improve their disability management. More than half of the respondents intend to implement formal return to work processes for occupational and non-occupational (disability) absences by 2009.

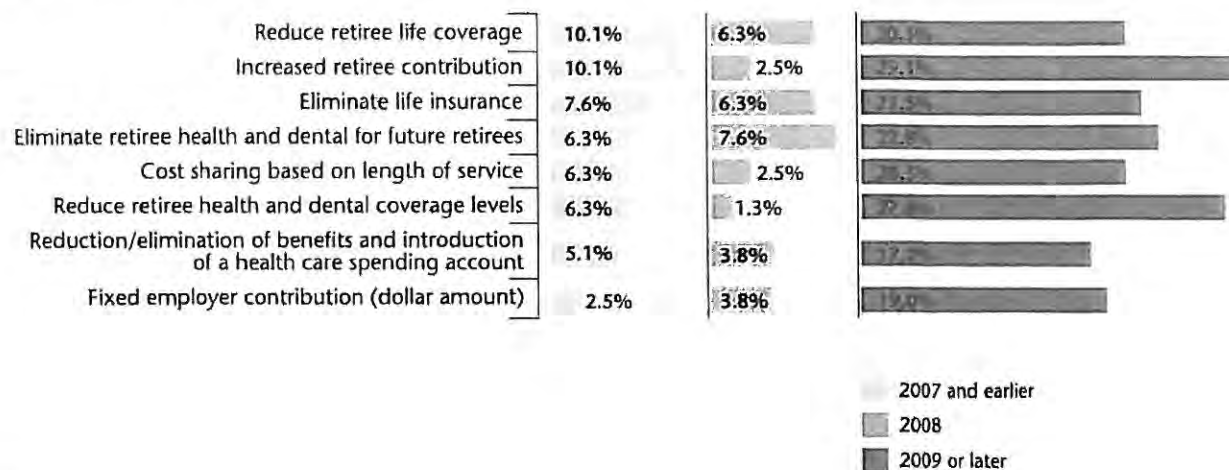
An area that is still yet to be widely developed is the management dashboard. Best practices for sustaining regular attendance and containing absence costs include providing the organization's top management with the factual metrics it needs to make informed decisions that support the relevant initiatives of the organization's HR and operational managers. Just 15% of respondents provide their senior management with performance indicators related to absence or disability issues.

If you have implemented a global strategy for your pension and benefit programs, what is your primary business objective?



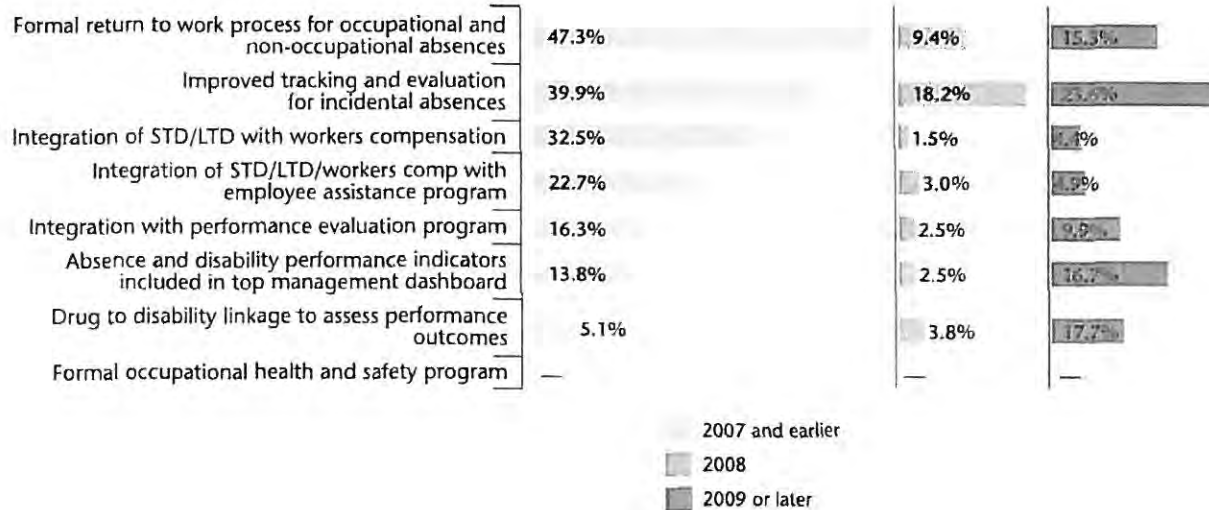
What changes have you implemented or are you looking to implement for your future retirees' coverage?

(Indicate all that apply)

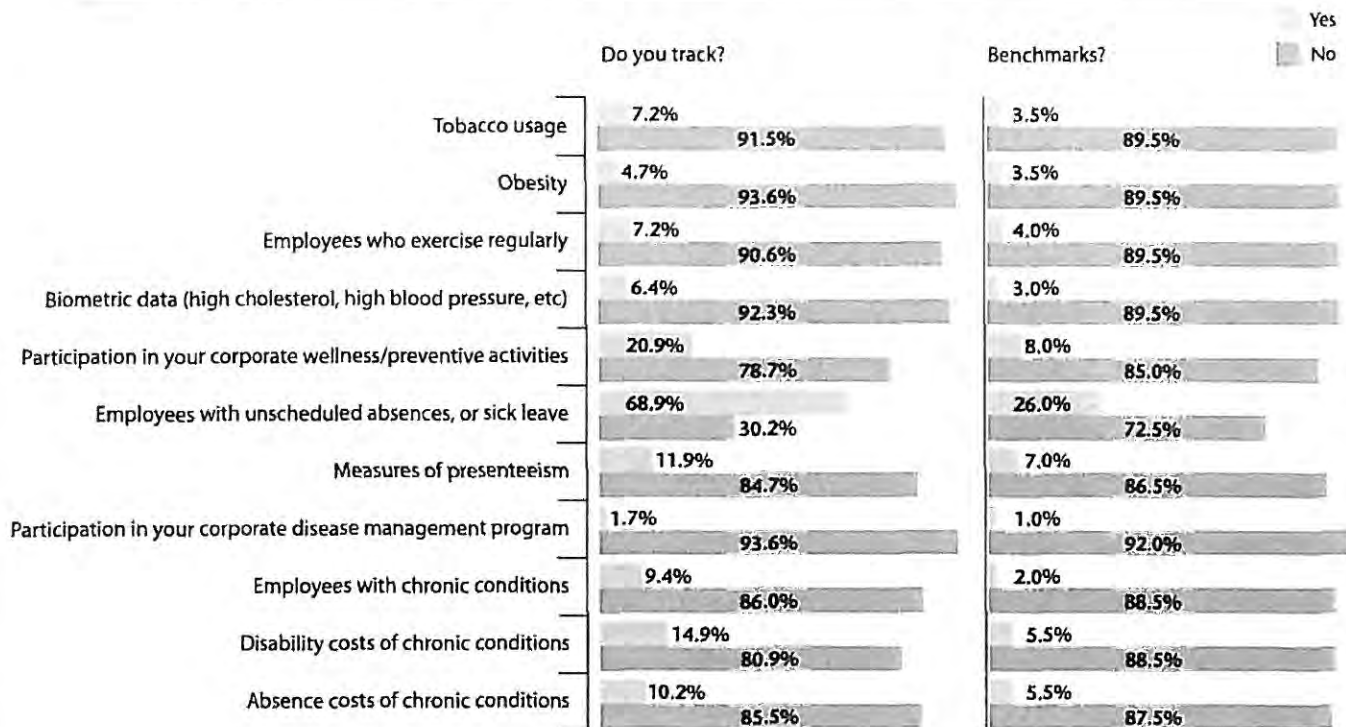


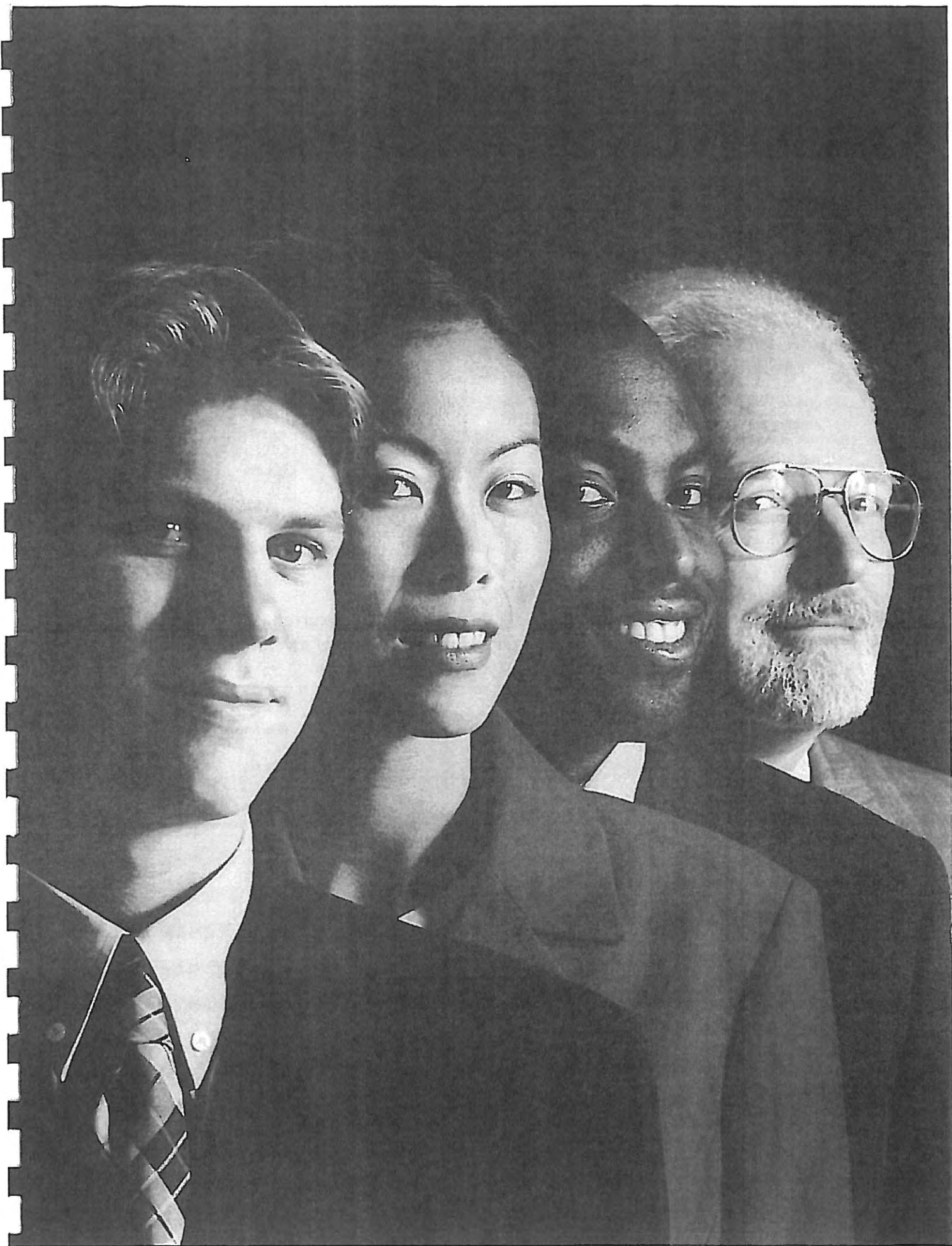
For your absence management programs, what practices have you implemented or do you intend to implement?

(Indicate all that apply)



For which of the following areas does your organization track current status/results and maintain specific benchmarks or targets through the use of a voluntary anonymous Health Risk Assessment Tool or Absence Management Data?





Trends In Retirement

Shift away from defined benefit pension plans slows

Despite the fact many organizations have moved away from defined benefit (DB) pension plans in recent years, DB plans are far from extinct in Canada. Today, 43% of survey respondents continue to offer DB pension plans, while 36% offer Defined Contribution (DC) pension plans. The most popular retirement plans are Group RRSPs, which are offered by 49% of respondents. Some respondents have more than one type of retirement plan in place, while one in ten respondents indicates they do not offer any type of retirement plan to their employees.

The trend away from DB plans appears to be abating. Over three-quarters (77%) of respondents with DB plans have made no significant changes to their plan in the past two years. Of those that have made changes, 15% have closed their plan to new entrants, 4% have reduced the level of benefits in the plan and 4% have frozen benefits. Looking ahead, 80% of respondents with DB plans do not expect to make significant changes to their plans in the next two years; 10% will maintain their DB plan but reduce the benefit level, 8% will close their plan to new entrants and just 2% intend to freeze benefits.

It is interesting to note that, while the popularity of DB plans has waned recently, most supplementary employee retirement plans (SERPs) still use a DB format. Almost three-quarters (73%) of respondents with SERPs have a DB SERP.

What type of retirement plans does your organization currently offer?

Indicate all that apply

Defined benefit plan	43.0%
Registered defined contribution plan	36.3%
Group registered retirement savings plan	49.0%
Deferred profit sharing plan	10.0%
Profit sharing plan	4.4%
Hybrid (DB and DC)	3.2%
Employee stock purchase plan	10.8%
Executive nonqualified benefit plans	15.9%
Tax deferred savings account (not a retirement plan)	12.7%
None	9.6%

Aon perspective

While there has been a transition away from DB plans to DC plans since 2000, it has largely taken the form of a DB freeze whereby the organization maintains its DB plan for employees' past service and puts a DC plan in place for employees' future service. A key reason why DB plans have not been eliminated altogether can be attributed to the current extended period of historically low interest rates. Plan sponsors are reluctant to lock in their returns at low rates by settling their DB liabilities.

Following the sharp decline in equity returns experienced in late 2008, even those organizations that have frozen their DB plans will be burdened with skyrocketing solvency amortization payments starting in 2009. While the coming year may not be the best time to settle remaining DB liabilities, it might be the right time for employers that have been waiting to eliminate DB plans entirely to develop a plan with an expected timeline for action.

Defined contribution plans

Defined contribution plans include pension plans, deferred profit-sharing plans and group registered retirement savings plans. While there has been a significant increase in the number of DC plans since 2000, most plans have a number of issues that need to be addressed if the plans are to meet the expectations of their sponsors and the employees enrolled in them. These issues include plan governance as well as employee communications about the plans and how to participate in them. It seems likely that DC plans, and the DC industry in general, are unlikely to fully "mature" for some time.

DC plan governance

Although the Guidelines for Capital Accumulation Plans (CAP Guidelines) were finalized in May 2004 and came into effect (albeit on a voluntary basis) after December 31, 2005, 51% of respondents indicate that they are either not compliant with the CAP Guidelines or do not know whether they are.

The most common governance function that survey respondents have put in place related to their DC plans is a formal committee to oversee investments (62% of respondents have such a committee), while just 14% of respondents undertake a full independent review of fees and expenses.

Employee communication and participation

Almost one-quarter (22%) of respondents indicate that less than half of their eligible employees are enrolled in their DC plan. The most common reason employees do not participate in the plan is that they cannot afford it. Other reasons include they are not aware of the plan, they do not understand how to enroll in the plan, or they do not know how to select investment options.

The low levels of employee awareness about DC plans suggest the existence of significant communication issues related to these plans. Indeed, more than four out of five respondents (81%) believe their employees have either little or very little understanding of how to invest their DC accounts. This low level of understanding may, in part, be reflective of the fact that most respondents (60%) do not offer investment advice to DC plan members. As a result, an employer's choice of a default fund for those employees who, for whatever reason, do not choose their own investment option becomes an important matter. In the past, a money market fund was typically the default

investment fund. Survey responses show the most common default fund today to be a balanced fund (41% of respondents) followed by a money market fund (29% of respondents).

Employer contributions to DC plans

Almost half of respondents (47%) compute employer contributions to their DC plan on the basis of matching the contributions of their employees, 23% make contributions unrelated to employee contributions and 25% make contributions based on some combination of the two. Of the employers that match their employees' contributions, 70% fully match their employees' contributions and almost half of respondents (49%) report that their maximum employer match results in an employer contribution of 6% or more of pay.

Most respondents indicate they will maintain their current contributions levels. Less than 1% of respondents intend to reduce their contribution levels, while 7% plan to increase contributions.

Aon perspective

DC plans do not appear to have evolved significantly. Since 2004, there has been an extensive push for improved plan governance, however, many pension committees continue to place their focus solely on investments. While investment performance is important, for some plans, the level of employee participation is a major issue which must be addressed if plan participants are to have any chance of a comfortable retirement. Furthermore, employer contributions alone are rarely high enough to meet most plan participants' expectations. Plan participants who do not understand that and do not add their own contributions will find it difficult to attain the level of retirement income they want.

Given plan participants' minimal understanding of investment concepts and low utilization of the common modeling tools available, it appears that many participants do not fully understand the way their DC plans work, including the contributions and investment choices they are expected to make.



Trends in Talent Management

The talent crunch is fast approaching

Ensuring that they have, and will continue to have, the qualified talent needed for success is a critical and increasingly difficult challenge facing most organizations. Almost all respondents (99%) identify an aging consumer and an aging workforce as their largest risk factors. Not surprisingly, in light of the shifting demographics and scarcity of talent, most respondents (57%) attach great importance to workforce planning, but just 11% of them feel they are doing a highly effective job at it.

Of the following major human capital challenges, which do you think are going to have the most significant impact on your organization in the next 1-3 years?

Indicate all that apply

Shortage of qualified and skilled resources	84.2%
Increasing cost of benefits	59.7%
Changing demographics	57.1%
Absenteeism and productivity	41.4%
Correct and full implementation of corporate guidelines	16.1%
Regional/geographic diversity	15.8%
Outsourcing/offshoring	9.9%

Most respondents (84%) say the shortage of qualified and skilled employees will be their most impactful HR issue over the next three years. More than four out of five respondents recognize the importance of meeting their talent/skill needs at senior leadership levels, at management levels and for key professional positions. Respondents are concerned about the impact a leadership shortage will have on their organization's ability to deliver desired customer service levels, meet revenue growth targets and profitability targets, and act innovatively.

Recruiting is a challenge...and reactive

Despite their concern about the risks of not having sufficient talent, many organizations remain in a reactive mode when it comes to talent recruitment and selection. Less than one-quarter (23%) of respondents continuously recruit for hard-to-fill positions or feel their organization is effective in meeting its talent/skill needs at management levels. Even fewer (12%) believe their organizations are effective in meeting talent/skill needs for key professional positions.

Organizations recognize their talent needs, but can they address them effectively?

Respondents identify a number of talent-related areas they consider of importance, many of which they expect to become even more significant in the future. Yet respondents are not highly confident in their organization's ability to address these issues effectively.

Talent recruitment and selection process: Most respondents (85%) rank their talent recruitment and selection process as being either very important or extremely important, and more than three-quarters (77%) anticipate an increase in their talent needs over the next three to five years. However, less than one-quarter (23%) of respondents believe they are doing an effective job in their recruiting and selection practices.

Talent retention: When it comes to ensuring that an organization has the talent it needs to succeed, retaining existing talent goes hand-in-hand with recruiting talent. Given that most respondents recognize the need to recruit talent as a priority, it is not surprising to see that most (81%) feel retention is either very important or extremely important. Most respondents (69%) also feel talent retention will become even more important in the future. Nevertheless, just 22% of respondents believe their retention strategies are effective.

Talent management and succession planning: Given the aging of the workforce, we see that almost 80% of respondents expect their talent management and succession planning needs to increase in the future. However, just over one-third (36%) of them feel their organizations are currently very effective in this area.

Innovation and creativity required to be competitive: Talented employees are important to an organization's ability to innovate and be creative in order to be competitive. Almost three-quarters (73%) of respondents believe they will need to increase their practices to promote innovation and creativity, but just 18% of them currently consider their organizations very effective in these practices.

Employee training and development: Training and development is important for developing the skills and abilities of current employees and is a key incentive for attracting talent. Recognizing that, most respondents (64%) expect their employee training and development needs will increase significantly, yet just 21% of them feel that their current practices in this area are very effective.

Aon's perspective

For the next few years, it will be critical for organizations to have the ability to attract and retain talent. Organizations recognize that having the talent they need to succeed is not only one of their top challenges, but will become an even more difficult one in the future. Yet few organizations believe they are currently very effective in meeting this challenge. The issue, therefore, is: will they be able to become more effective, and effective enough, in executing their talent strategies over the next few years?

Organizations seeking to distinguish themselves from the competition and win the war for talent will clearly need to adopt and execute highly effective, innovative and proactive strategies, especially when it comes to recruiting talent for key positions, and designing and implementing creative staff retention and succession planning initiatives. Employee training and development and the ties that employees maintain with their managers are two of the largest factors affecting retention. The more effective an organization is in addressing these and other retention factors, the more successful it will be in sustaining an ability to retain key talent. The key to that success is the ability to first attract and develop managers who will focus on developing employees, and mobilize and inspire their organization's workforce.



Trends Survey – Communication

Organizations use a range of media to communicate with employees

Traditional print media continues to be the most popular method of communicating benefits, HR and organizational information to employees. Two-thirds of respondents provide their employees with intranet access to this information. Seventeen percent offer communications through the internet which allows employees to access the information from home and share it with their spouses and partners. Many respondents (78%) also use face-to-face meetings for communicating such information.

How does your organization currently communicate benefits, HR and organizational information to employees?

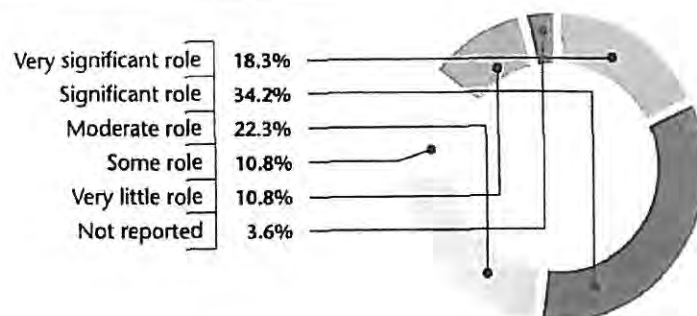
Indicate all that apply

Intranet	66.4%
Internet	17.2%
Print	82.8%
Employee meetings/town hall meetings	69.0%
Webcasts/DVDs	9.5%

Face-to-face communication not always well supported

More than two-thirds of respondents use employee meetings or town hall meetings to communicate organizational, HR and benefits information. Three-quarters of respondents feel managers have a moderate to very significant role in the communication process, but few organizations provide their managers with tools to support the communication effort. Just 18% of respondents provide their managers with talking points, presentations or other materials to help ensure messages are delivered consistently across the organization; about one-third (32%) only "sometimes" provide their managers with such tools.

What role do managers play in helping you communicate the value of your employer value proposition?



Communicating the employer value proposition

Over two-thirds of respondents use personal interaction (e.g. employee focus groups, small group meetings and one-on-one interviews) to gain employees' feedback about benefit and organizational issues.

Respondents rank total compensation or rewards as one of the most important topics of communication with employees. Over half (53%) rank it as being either very important or extremely important, second only to information about the company's mission, vision and values (60% rank that as very important or extremely important). Still, fewer than 30% of respondents provide employees with annual total compensation or rewards statements, though an additional 43% of respondents plan to provide such statements in the future.

Organizations that provide statements find them to be a valuable tool in helping to communicate total compensation. Over 95% of respondents report that the statements helped increase employee understanding and appreciation of the employer's financial contribution to their total compensation. Almost one-third (32%) said the statements contributed to higher levels of employee engagement and that they had a positive impact on employee retention (30%).

Please identify how important the topics listed below are for your organization to communicate.

	Extremely important	Very important	Important	Somewhat important	Not important
Company mission, vision and values	19.0%	41.3%	28.3%	8.6%	2.2%
Employer branding	11.5%	27.9%	33.8%	19.7%	4.8%
Total compensation or rewards	10.8%	42.4%	33.1%	9.3%	3.0%
Organizational change	8.9%	37.9%	30.9%	14.9%	4.8%
HR policies and programs	7.1%	34.6%	44.6%	11.5%	1.1%
Performance management	6.7%	43.1%	37.9%	10.4%	0.7%
Benefits programs	6.3%	36.1%	51.3%	5.2%	1.1%
Employer value proposition	6.3%	32.3%	39.0%	16.4%	3.0%
Health and wellness	5.2%	25.3%	46.8%	16.0%	5.2%
Career development and training	4.1%	32.0%	47.2%	13.8%	1.9%
Organizational development	4.1%	32.0%	40.5%	15.2%	4.1%
Executive benefit programs	2.6%	15.2%	37.9%	20.8%	17.8%
Financial and/or retirement planning	2.2%	16.7%	42.4%	24.5%	11.2%

Aon perspective

With today's diverse, intergenerational workforce, it is not surprising that organizations employ a wide range of media to match their employees' differing communication preferences. Given the increasing numbers of younger, highly technology-fluent workers, there is a growing use of web-based, self-service tools. Organizations are moving from static content web sites to integrated HR Portals that have increased transactional capabilities, personalized decision making tools, benefits and pension modelers and interactive wellness components.

Despite the increase in new age media, the oldest form of communication, face-to-face communication, remains popular and is still the most direct and intimate form of communication. Organizations understand the value of direct interaction with employees, which provides immediate feedback and a forum of information exchange.

Despite this, organizations do not appear to fully appreciate or take full advantage of the power of face-to-face communication. Managers are often left on their own to structure and deliver key messages and technical information with little training or tools to help them. Without effective tools to support them, the value and benefit of live meetings will only be as good as the interpersonal, communication and technical skills of each individual manager.



Trends in Outsourcing

Outsourcing growing in popularity

Growing numbers of organizations are outsourcing their benefits administration and absence management functions. Just over one-quarter (27%) of respondents to Aon's Benefit Trends Survey in 2006 reported outsourcing benefits administration; today, more than half of respondents do so. Similarly, the number of organizations that outsource absence management has jumped to 29% of respondents from only 17% two years ago.

About two-thirds (65%) of respondents outsource some form of retirement plan administration (both DB and DC) and one-fifth have outsourced direct contact with their employees through a benefits call centre. These numbers are relatively unchanged from 2006.

The top reasons for outsourcing, unchanged since Aon's last survey, are: access to expertise, to improve service and quality, to allow the organization to focus on its core competencies, and to allow the organization to focus on strategic issues. In addition, respondents report other benefits gained by outsourcing one or more of their HR functions. These include improvements in service (cited by half of respondents), improved quality (40%), a better ability to focus on strategic activities (one-third) and reduced costs (26%).

Organizations that do not plan to outsource any of their HR functions in 2009 will not do so because outsourcing is not a management priority or because the organization has sufficient in-house expertise to handle its own needs. Organizations that are considering outsourcing some HR functions suggest that they are most likely to outsource absence management and recruitment activities.

Aon perspective

No matter how well designed an HR program may be, it will only succeed if it is supported by integrated, effective solutions. Organizations increasingly recognize that the best expertise in terms of efficiency, quality and cost-effectiveness for administering many of their HR programs lies with organizations that make HR administration a primary business activity. While some organizations have that capability in-house, a growing number are turning to outsourcing as their best choice for HR administration. As the complexity of HR administration issues increases (a reflection, for example, of the wider range of individual choices and options available to each employee), it would appear that fewer and fewer organizations will have the capability of effectively administering all their HR programs internally.

Which of the following reasons listed below were the most important leading to your outsourcing decision?

Indicate all that apply

Access to expertise	76.1%
Focus on core competencies	23.2%
Focus on strategic issues rather than transactional business	23.2%
HR process redesign reengineering	4.3%
Improve service and quality	33.3%
Access to leading edge technology platforms	21.7%
Lack of internal technology support	15.2%
Reduce costs	21.7%
Shift from fixed costs to variable costs	4.3%

Which outcomes has your organization achieved?

Indicate all that apply

Improved analytics	15.8%
Improved cost management	25.9%
Improved quality	40.3%
Improved service	49.6%
Increased ability to focus on strategic versus administrative functions	33.8%
None of the above	16.5%

Are you ready

to shape the future of your workplace
through benefits and talent management?



Talent Management

HUMAN CAPITAL RISK AND CHALLENGES

1. What do you perceive as the greatest human capital risks facing your organization? (Indicate all that apply.)

Aging consumers and workforce	98.5%
Healthcare and benefits costs	97.0%
Regulatory and compliance risks	92.9%
Industry consolidation/transition	91.4%
Emerging markets	89.8%

2. Of the following major human capital challenges, which do you think are going to have the most significant impact on your organization in the next 1-3 years? (Indicate all that apply)

Shortage of qualified and skilled resources	84.2%
Increasing cost of benefits	59.7%
Changing demographics	57.1%
Absenteeism and productivity	41.4%
Correct and full implementation of corporate guidelines	16.1%
Regional/geographic diversity	15.8%
Outsourcing/Offshoring	9.9%

LEADERSHIP AND TALENT MANAGEMENT

3. Using the scales provided, please rate both how important each item is to your organization and how effective your organization is at delivering each.

Important

	Rank*	Extremely Important	Very Important	Important	Somewhat Important	Not Important
Ability to meet talent/skill needs at senior leadership level	1	44.2%	40.4%	11.3%	1.9%	1.5%
Compliance with applicable policies, procedures, laws and ethics	2	39.6%	35.5%	21.5%	2.3%	0.4%
Talent retention	3	36.6%	44.2%	15.5%	3.0%	0.4%
Talent recruiting and selection process	-	34.7%	50.6%	12.5%	1.9%	—
Communication	-	34.7%	46.8%	14.7%	2.3%	0.4%
Employer branding (reputation in marketplace)	-	34.7%	37.7%	16.2%	6.0%	3.0%
Ability to meet talent/skill needs at management level	-	29.8%	54.0%	14.3%	1.5%	—
Employee engagement	-	26.8%	46.8%	23.0%	1.5%	1.5%
Ability to meet talent/skill needs for key professional positions	-	26.4%	55.8%	15.5%	1.5%	—
Total rewards system	-	23.0%	54.3%	18.1%	3.4%	0.8%
Innovation and creativity required to be competitive	-	23.0%	39.2%	22.6%	6.4%	7.2%
Talent management and succession planning	-	19.2%	47.2%	25.3%	5.3%	1.5%
Employee training & development	-	18.9%	49.4%	25.7%	5.3%	0%
Performance management	-	18.5%	49.4%	24.9%	4.5%	1.9%
High potential talent identification	-	17.4%	43.0%	30.2%	6.0%	1.5%
Workforce planning in light of demographic shifts & talent shortages	-	13.6%	43.0%	29.1%	10.6%	3.4%
New employee on-boarding	-	13.2%	46.4%	31.3%	6.4%	1.9%
Design of HR administrative processes	-	10.6%	31.3%	38.5%	15.8%	3.0%
Mergers and acquisitions facilitation	-	10.6%	12.5%	11.3%	15.1%	44.2%
Large-scale organizational change	-	9.4%	21.1%	26.4%	20.4%	17.7%
Ability to meet talent/skill needs at entry level	-	9.1%	34.3%	42.6%	11.7%	1.9%
HR cost reduction	-	3.8%	16.2%	37.0%	27.2%	14.0%
Outsourcing HR functions	-	0.8%	3.4%	11.7%	23.8%	57.7%

* Ranked by "Extremely Important"

Effectiveness

	Rank*	Extremely Effective	Very Effective	Effective	Somewhat Effective	Not Effective
Outsourcing HR functions	1	18.8%	39.5%	35.2%	4.6%	1.1%
Mergers and acquisitions facilitation	2	11.5%	28.4%	33.7%	18.0%	6.5%
Large-scale organizational change	3	8.4%	42.1%	38.3%	10.3%	—
Talent management and succession planning	-	6.9%	29.1%	44.1%	15.3%	3.4%
High potential talent identification	-	5.7%	26.4%	39.8%	23.4%	4.2%
Employer branding (reputation in marketplace)	-	4.2%	21.8%	39.8%	28.0%	5.7%
Employee engagement	-	4.2%	6.1%	34.9%	12.6%	29.1%
New employee on-boarding	-	3.8%	28.7%	41.4%	17.6%	4.6%
Performance management	-	3.1%	28.0%	51.3%	16.5%	1.1%
Talent retention	-	3.1%	18.8%	48.3%	23.8%	5.7%
Design of HR administrative processes	-	3.1%	18.4%	40.2%	27.6%	8.4%
Innovation and creativity required to be competitive	-	3.1%	14.6%	53.3%	21.1%	3.4%
Total rewards system	-	2.7%	34.5%	46.4%	14.6%	1.5%
Communication	-	2.7%	23.0%	43.7%	24.1%	4.6%
Employee training & development	-	2.7%	19.2%	48.7%	23.4%	5.4%
Ability to meet talent/skill needs at senior leadership level	-	2.3%	22.2%	44.1%	25.3%	5.7%
HR cost reduction	-	2.3%	15.7%	26.8%	17.6%	23.8%
Ability to meet talent/skill needs at entry level	-	1.5%	28.0%	45.2%	20.3%	4.6%
Compliance with applicable policies, procedures, laws and ethics	-	1.1%	24.9%	54.0%	18.8%	0.8%
Talent recruiting and selection process	-	1.1%	21.8%	55.6%	19.9%	0.8%
Ability to meet talent/skill needs at management level	-	0.8%	21.8%	44.1%	26.4%	5.7%
Ability to meet talent/skill needs for key professional positions	-	0.8%	11.1%	39.1%	26.8%	14.2%
Workforce planning in light of demographic shifts & talent shortages	-	0.4%	10.7%	36.8%	38.3%	11.9%

* Ranked by "Extremely Effective"

4. Consider the next 3-5 years. Using the scale provided, indicate if needs in each area will increase, decrease, or stay the same.

	Rank*	Increase Substantially	Increase	Stay the Same	Decrease	Decrease Substantially
Talent retention	1	14.3%	54.3%	27.2%	3.0%	0.4%
Talent management and succession planning	2	14.0%	65.3%	19.2%	0.4%	0.4%
Talent recruiting and selection process	3	13.6%	63.8%	20.8%	1.1%	0.4%
Communication	-	13.2%	61.1%	23.4%	—	0.4%
Workforce planning in light of demographic shifts & talent shortages	-	11.7%	58.9%	26.4%	1.1%	0.4%
Ability to meet talent/skill needs for key professional positions	-	11.3%	53.2%	31.3%	3.0%	0.4%
Employee engagement	-	10.9%	53.2%	33.6%	1.1%	0.4%
Ability to meet talent/skill needs at management level	-	10.2%	53.2%	32.8%	3.0%	0.4%
Employee training & development	-	9.8%	54.3%	34.0%	0.8%	0.4%
Innovation and creativity required to be competitive	-	9.4%	63.0%	24.2%	0.4%	—
Employer branding (reputation in marketplace)	-	9.4%	51.7%	36.2%	—	0.4%
Ability to meet talent/skill needs at senior leadership level	-	9.1%	43.0%	43.8%	3.0%	—
High potential talent identification	-	8.3%	53.6%	36.2%	0.4%	0.4%
Performance management	-	6.8%	52.1%	39.2%	—	0.4%
Ability to meet talent/skill needs at entry level	-	6.0%	35.8%	54.0%	3.8%	—
New employee on-boarding	-	4.9%	45.3%	48.3%	0.4%	0.4%
Total rewards system	-	4.2%	69.4%	24.9%	0.8%	0.4%
Large-scale organizational change	-	4.2%	26.0%	58.9%	5.3%	0.8%
Compliance with applicable policies, procedures, laws and ethics	-	3.8%	34.0%	61.1%	—	—
Design of HR administrative processes	-	3.4%	44.5%	48.7%	1.1%	0.4%
HR cost reduction	-	2.6%	18.9%	70.9%	4.2%	1.1%
Mergers and acquisitions facilitation	-	2.3%	15.1%	62.6%	5.3%	3.8%
Outsourcing HR functions	-	0.8%	8.3%	76.6%	7.5%	2.3%

* Ranked by "Increase Substantially"

5. Which one of the following potential results of a leadership shortage most concerns you?

Reduced ability to meet revenue growth goals	21.2%
Reduced ability to innovate	11.9%
Reduced ability to meet profitability targets	21.2%
Reduced ability to deliver desired customer service levels	30.6%
None of the above	8.6%
Not reported	6.5%
	100%

6. For hard-to-fill positions, which of the following best describes your recruiting approach?

Same as for other positions	12.6%
We recruit applicants for hard-to-fill positions when they become open	56.1%
We continuously recruit for hard-to-fill positions to establish a pool of candidates	23.0%
Does not apply; we do not have hard-to-fill positions	2.2%
Not reported	6.1%
	100%

7. Over the last two years, when you were not successful in hiring your top recruits, what was the main reason?

They go elsewhere for pay that they perceive is higher	34.9%
They go elsewhere for benefits that they perceive are better	1.8%
They go elsewhere for long term incentive/equity compensation they perceive is better	5.4%
They go elsewhere for career development opportunities they perceive are better	12.6%
They go elsewhere for perceived work/life advantages	6.8%
We hire the majority of our top recruits	31.3%
Not reported	7.2%
	100%

COMMUNICATIONS

8. How does your organization currently communicate benefits, HR and organizational information to employees? (Indicate all that apply)

Intranet	66.4%
Internet	17.2%
Print	82.8%
Employee meetings/town hall meetings	69.0%
Webcasts/DVDs	9.5%

9. What HR self-service communication do you offer employees? (Self-service is a website that provides information that reflects the employee's personal data such as salary, length of service)? (Indicate all that apply)

None	37.4%
Total Rewards Statement	13.6%
Performance Management	22.0%
Link to payroll information	20.5%
Benefits Booklets	53.8%
Retirement Calculator	23.8%
Retirement Planning Education	25.3%
Benefits Enrolment	29.3%
Training	28.6%
Career Development	16.8%

10. Please identify how important the topics listed below are for your organization to communicate.

	Rank*	Extremely Important	Very Important	Important	Somewhat Important	Not Important
Company mission, vision and values	1	19.0%	41.3%	28.3%	8.6%	2.2%
Employer branding	2	11.5%	27.9%	33.8%	19.7%	4.8%
Total compensation or rewards	3	10.8%	42.4%	33.1%	9.3%	3.0%
Organizational change	-	8.9%	37.9%	30.9%	14.9%	4.8%
HR policies and programs	-	7.1%	34.6%	44.6%	11.5%	1.1%
Performance management	-	6.7%	43.1%	37.9%	10.4%	0.7%
Benefits programs	-	6.3%	36.1%	51.3%	5.2%	1.1%
Employer Value Proposition	-	6.3%	32.3%	39.0%	16.4%	3.0%
Health and wellness	-	5.2%	25.3%	46.8%	16.0%	5.2%
Career development and training	-	4.1%	32.0%	47.2%	13.8%	1.9%
Organizational development	-	4.1%	32.0%	40.5%	15.2%	4.1%
Executive benefit programs	-	2.6%	15.2%	37.9%	20.8%	17.8%
Financial and/or retirement planning	-	2.2%	16.7%	42.4%	24.5%	11.2%

* Ranked by "Extremely Important"

11. How do you solicit employee feedback regarding benefit and organizational issues?
(Indicate all that apply)

Employee focus groups or small group meetings	41.0%
Employee surveys	58.7%
One-on-one interviews with managers	28.4%
We do not solicit feedback	23.6%

12. What role do managers play in helping you communicate the value of your employer value proposition?

Very significant role	18.3%
Significant role	34.2%
Moderate role	22.3%
Some role	10.8%
Very little role	10.8%
Not reported	3.6%
	100%

13. How frequently does your organization provide tools (talking points, presentations, email/letters) to help managers communicate your employer value proposition or value of your total rewards package?

Very often	1.8%
Often	15.8%
Sometimes	32.4%
Infrequently	33.5%
Not at all	13.3%
Not reported	3.2%
	100%

14. Does your organization provide employees with annual total compensation or total rewards statements?

Yes, online and print	5.0%
Yes, online only	3.2%
Yes, print only	20.1%
No, but we are considering it for the future	42.8%
No future plans to provide statements	26.6%
Not reported	2.2%
	100%

15. If you provide statements, which of the following outcomes are you able to measure?
(Indicate all that apply)

Positive impact on employee retention	30.4%
Higher levels of employee engagement	31.6%
Increased employee savings activity or participation	15.2%
Increased participation in voluntary plans	20.3%
Increased understanding and appreciation of the financial contribution made by your organization towards total compensation	96.2%

HR OUTSOURCING

16. Which of the following administration functions does your organization currently outsource?
 (Indicate all that apply)

Pension administration	65.2%
Benefits administration	52.5%
Absence management (Short Term Disability and/or Workers Compensation)	29.1%
Employee benefits call center	19.1%
Annual enrollment	9.9%
Profit sharing plan administration	5.7%
Recruitment selection and processing	19.1%

17. Which of the following reasons listed below were the most important leading to your outsourcing decision? (Indicate all that apply)

Access to expertise	76.1%
Focus on core competencies	23.2%
Focus on strategic issues rather than transactional business	23.2%
HR process redesign reengineering	4.3%
Improve service and quality	33.3%
Access to leading edge technology platforms	21.7%
Lack of internal technology support	15.2%
Reduce costs	21.7%
Shift from fixed costs to variable costs	4.3%

18. Which outcomes has your organization achieved? (Indicate all that apply)

Improved analytics	15.8%
Improved cost management	25.9%
Improved quality	40.3%
Improved service	49.6%
Increased ability to focus on strategic versus administrative functions	33.8%
None of the above	16.5%

19. Why are you not currently outsourcing any HR functions? (Indicate all that apply)

Not a priority at the moment	57.5%
Belief that savings will be limited	33.9%
Loss of operational control	37.8%
Loss of in-house expertise	36.2%
Excessive effort required	9.4%
HR activities are critical to your business success	36.2%
Can execute activities better than other vendors	29.9%
Your organization's HR needs are too unique for outsourcing	18.9%
Effect on employee morale and company culture	28.3%
Concerns over service disruption	21.3%

20. If you intend to outsource HR functions within the next 1-3 years, which of the following administration functions will your organization consider outsourcing? (Indicate all that apply)

Pension administration	7.2%
Benefits administration	4.5%
Absence management (Short Term Disability and Workers Compensation)	6.3%
Employee benefits call center	6.3%
Annual enrollment	0.9%
Profit sharing plan administration	0.9%
Recruitment selection and processing	9.0%
None of the above	77.5%

Benefits

21. If you have implemented a global strategy for your pension and benefit programs, what is your primary business objective?

Cost savings due to uncontrolled increases or budgetary requirements	15.8%
Compliance with accounting, regulatory, corporate-based standards	4.0%
Ability to direct the programs to align with business objectives and strategies	20.1%
Consistency of benefit packages and total rewards offered	34.2%
Not reported	26.3%
	100%

HEALTH & BENEFITS

22. What changes did you implement in 2007 or earlier; are implementing in 2008; or are planning to implement in the future to reduce costs or improve the quality of the coverages? (Indicate all that apply)

	2007 and earlier	2008	2009 or later
Flu shot program	44.0%	2.4%	5.2%
Introduction of Pay Direct or Differed Drug Card	41.6%	3.6%	8.4%
Search for more competitive insurer/claims administrator	38.4%	21.2%	18.0%
Introduction of or increases in Optional Life Insurance	32.4%	2.8%	4.8%
Promote exercise/physical activity	28.4%	6.8%	11.2%
Smoking cessation program	25.6%	3.6%	6.0%
Prescription drugs	24.4%	13.2%	12.0%
Claims management	24.4%	13.2%	11.6%
Disability management	22.8%	20.4%	14.8%
Eligibility – employees and dependents	20.4%	8.4%	10.8%
Convert from insured to self-insured	20.0%	2.4%	7.2%
Introduction of Voluntary AD&D Insurance	18.0%	0.8%	4.0%
Introduction of combined maximums for paramedical practitioners	17.6%	3.6%	6.4%
Increased employee contribution through plan design	16.8%	4.8%	14.4%
Introduction of per visit limits on paramedical practitioners	16.8%	1.6%	6.4%
Fixed employer contribution	15.6%	3.6%	8.4%
Introduction of mandatory generic substitution	14.8%	1.6%	10.4%
Change from Company paid to Employee paid LTD	14.4%	1.6%	6.0%

	2007 and earlier	2008	2009 or later
Reduction of benefits and introduction of a Health Care Spending Account	14.0%	4.0%	16.4%
Increased employee contribution through payroll deduction	12.4%	6.0%	10.0%
Introduction of a Critical Illness coverage	12.4%	2.8%	15.6%
Introduction of a fee and margin cap	12.0%	2.0%	6.4%
Introduction of controlled Formulary	12.0%	1.6%	9.2%
Moving from a traditional plan (no option) to a flexible plan	11.6%	3.6%	20.4%
On-site fitness centre	11.6%	0.8%	6.8%
Weight management/obesity program	10.4%	2.4%	10.0%
Introduction/increase in per prescription deductible	9.6%	2.0%	10.0%
Introduction of tiered reimbursement level	9.6%	1.2%	11.2%
Reduction of reimbursement levels	9.2%	2.8%	8.8%
Online lifestyle management programs	8.8%	3.6%	10.8%
Telephonic health care coaching	8.8%	1.2%	6.4%
Introduction of fixed/lagging dental fee guide	8.8%	0.4%	4.4%
Introduction/Increase plan deductibles	8.4%	2.8%	12.4%
Introduction of a Long-term Care coverage	8.4%	0.8%	8.4%
Introduction of Prior Authorization	8.4%	0.4%	6.0%
Health risk appraisals (HRAs)	7.6%	5.2%	12.8%
Biometric screening (e.g., cholesterol, blood sugar)	7.6%	2.0%	9.2%
Introduction of a lifetime maximum	7.2%	2.0%	6.8%
Change from Employee paid to Company paid LTD	7.2%	0.4%	7.2%
Decrease in amount of Company Paid Life Insurance	6.0%	2.4%	6.8%
Convert from self-insured to insured	4.8%	1.2%	4.0%
Offer incentives such as an increase in Health Care Spending Account for employees participating in company wellness initiatives	4.8%	2.0%	10.0%
Disease management (e.g., heart disease, diabetes, asthma, other)	4.0%	2.8%	12.0%
Measure program success/ROI (metrics)	4.0%	1.6%	10.0%
Reduction of benefit frequency maximums	3.6%	1.6%	0.8%

23. If you do not currently have an employee wellness program, which of the following factors has prevented your organization from implementing one?

Lack of documentation of the prevalence of lifestyle risk	2.5%
Competing business level priorities	25.2%
Lack of confidence that a wellness program will produce targeted savings	6.5%
Expected resistance from employees	0.4%
Lack of internal resources	25.5%
Not reported	39.6%
	100%

24. Please indicate the benefits you currently offer to retirees. (Indicate all that apply)

Group Life Insurance	28.0%
Paid Up Life Insurance	6.7%
Extended Health	35.0%
Dental	23.6%
Vision	17.3%
Health Care Spending Account	3.1%
None	58.7%

25. What changes have you implemented or are you looking to implement for your future retiree's coverage? (Indicate all that apply)

	2007 and earlier	2008	2009 or later
Reduce Retiree Life coverage	10.1%	6.3%	20.3%
Increased retiree contribution	10.1%	2.5%	29.1%
Eliminate Life insurance	7.6%	6.3%	21.5%
Eliminate retiree health and dental for future retirees	6.3%	7.6%	22.8%
Cost sharing based on Length of service	6.3%	2.5%	20.3%
Reduce retiree health and dental coverage levels	6.3%	1.3%	27.8%
Reduction/Elimination of benefits and introduction of a Health Care Spending Account	5.1%	3.8%	17.7%
Fixed employer contribution (dollar amount)	2.5%	3.8%	19.0%

26. What is your expected total annual per capita benefits cost by line of coverage? (Indicate all that apply)

	2007	Estimated 2008	What % is Company Paid
Basic Life and AD&D	\$282	\$281	86.7%
Dependent Life	\$26	\$27	85.6%
Short Term Disability (paid by Carrier)	\$460	\$514	92.9%
Long Term Disability	\$626	\$642	84.4%
Extended Health (including Drugs & Vision)	\$1 381	\$1 449	82.5%
Dental	\$796	\$826	82.6%
Health Spending Account	\$320	\$505	100.0%
Total per capita Cost Active Employees	\$3 245	\$3 391	76.1%
Retirees (All benefits combined)	\$1 966	\$2 084	88.9%

ABSENCE MANAGEMENT

27. As a percentage of payroll, what do you think the total direct cost of your absenteeism (excluding holidays) are for your organization?

1-2.9%	30.2%
3-4.9%	26.3%
5-6.9%	11.9%
7-8.9%	5.8%
>9%	4.7%
Not reported	21.6%
	100%

28. For your absence management programs, what practices have you implemented or intend to implement? (Indicate all that apply)

	2007 and earlier	2008	2009 or later
Formal return to work process for occupational and non-occupational absences	47.3	9.4	15.3
Improved tracking and evaluation for incidental absences	39.9	18.2	23.6
Integration of STD/LTD with Workers Compensation	32.5	1.5	4.4
Integration of STD/LTD/Workers Comp with Employee Assistance program	22.7	3.0	4.9
Integration with Performance Evaluation program	16.7	2.5	9.9
Absence and disability performance indicators included in Top management dashboard	13.8	2.5	16.7
Drug to Disability linkage to assess performance outcomes	5.9	3.9	10.3
Formal Occupational Health and Safety Program	—	—	—

29. For which of the following areas does your organization track current status/results and maintain specific benchmarks or targets through the use of a voluntary anonymous Health Risk Assessment Tool or Absence Management Data?

	Do you track?		Benchmarks?	
	Yes	No	Yes	Non
Employee Health Measures				
Tobacco usage	7.2%	91.5%	3.5%	89.5%
Obesity	4.7%	93.6%	3.5%	89.5%
Employees who exercise regularly	7.2%	90.6%	4.0%	89.5%
Biometric data (high cholesterol, high blood pressure, etc)	6.4%	92.3%	3.0%	89.5%
Participation in your corporate wellness/preventive activities	20.9%	78.7%	8.0%	85.0%
Employees with unscheduled absences, or sick leave	68.9%	30.2%	26.0%	72.5%
Measures of presenteeism	11.9%	84.7%	7.0%	86.5%
Participation in your corporate disease management program	1.7%	93.6%	1.0%	92.0%
Employees with chronic conditions	9.4%	86.0%	2.0%	88.5%
Disability costs of chronic conditions	14.9%	80.9%	5.5%	88.5%
Absence costs of chronic conditions	10.2%	85.5%	5.5%	87.5%

30. Who manages your Non-occupational Short Term Disability Absences?

Internal department	54.0%
Carrier who provides STD program	21.6%
Carrier that provides your LTD program	7.9%
Independent disability management firm	4.7%
Not reported	11.9%
	100%

31. How long do you extend Medical and Dental benefits to disabled employees in receipt of LTD payments?

Up to 2 years	26.3%
Up to 5 years	1.8%
To age 65	55.0%
No extension	4.7%
Not reported	11.9%
	100%

RETIREMENT

32. What type of retirement plans does your organization currently offer? (Indicate all that apply)

Defined benefit plan	43.0%
Registered Defined contribution plan	36.3%
Group Registered Retirement Savings Plan	49.0%
Deferred Profit Sharing Plan	10.0%
Profit Sharing Plan	4.4%
Hybrid (DB and DC)	3.2%
Employee stock purchase plan	10.8%
Executive nonqualified benefit plans	15.9%
Tax Deferred Savings Account (not a retirement plan)	12.7%
None	9.6%

33. If your organization offers a Group RRSP or DC plan, what percentage of eligible employees are enrolled in the plan?

75-100%	46.8%
50-74%	13.5%
25-49%	8.6%
Less than 25%	8.6%
Do not sponsor a Group RRSP Plan	13.1%
Not reported	9.5%
	100%

34. What reasons do you attribute to employees not participating? (Indicate all that apply)

Not aware of plan	14.7%
Can't afford it	61.2%
Don't understand how to enroll	15.5%
Don't know how to select investment options	28.4%
No company match	14.7%

35. What is the method of calculating your employer contribution?

Employer contribution for all employees	18.5%
Employer matching the contribution for employees who participate	37.4%
Combination of employer required and matching contribution	19.8%
No employer contribution	6.3%
Other	4.5%
Not reported	13.5%
	100%

36. If you have a matching contribution, indicate at which level the employer matches the employee contribution.

100%	48.2%
75%	2.7%
50%	11.7%
25%	2.3%
Less than 25%	4.5%
Not reported	30.6%
	100%

37. What is your maximum employer match?

<2%	7.2%
3%	16.2%
4%	7.2%
5%	20.7%
6%	8.6%
>6%	12.6%
Not reported	27.5%
	100%

38. Are you planning on increasing, decreasing or keeping the same amount of employer cost related to your DC retirement plans?

Increase the employer contribution level (DC Plans)	7.2%
Decrease the employer contribution level	1.8%
Keep the contributions the same but change other aspects of the plan	14.9%
N/A, we currently have no plans to change the benefits	56.3%
Not reported	19.8%
	100%

39. In your opinion, to what extent do employees in your organization understand how to invest their defined contribution or Group RRSP or DC plan assets?

Very great extent	1.4%
Great extent	10.4%
Some extent	50.5%
Little extent	12.6%
Very little extent	5.4%
Not reported	19.8%
	100%

40. Do you offer investment advice to plan members?

Yes	33.8%
No	50.9%
Not reported	15.3%
	100%

41. How many investment options does your plan offer?

1-9	27.0%
10-14	18.9%
15-18	9.5%
19 or above	19.8%
Not reported	24.8%
	100%

42. What is your default investment fund?

Asset allocation fund	7.7%
A target date retirement fund	5.9%
A fixed income fund	6.3%
A balanced fund	27.0%
Money Market fund	18.9%
Not reported	34.2%
	100%

43. Do you offer Target Date Funds?

Yes	13.5%
No	59.9%
Not reported	26.6%
	100%

44. Does your employer direct the investment of any contributions?

Yes	7.2%
No	71.6%
Not reported	21.2%
	100%

45. If you offer personalized web-based retirement planning tools, what percentage of your participants would you estimate used them in the past year?

Between 75% and 100%	0.9%
Between 50% and 74%	5.0%
Between 25% and 49%	16.2%
Less than 25%	27.9%
We do not offer personalized web-based retirement planning tools	27.0%
Not reported	23.0%
	100%

46. Rank the following factors that you consider important in the delivery of services to plan members.

Member decision-making tools	38.6%
Competitive fees	28.3%
Enhanced participant website and/or phone support	16.9%
Flexible approach to investment funds	10.2%

DEFINED BENEFIT PLANS

47. Would your organization consider offering a registered defined benefit pension plan if:

The cost of the program was predictable each year	1.1%
Senior management's benefit would not be limited by the regulatory limits	—
No, we would not consider it	2.5%
We already offer a defined benefit pension plan	33.5%
Not reported	62.9%
	100%

48. If you offer a defined benefit plan, what type of plan do you offer? (Indicate all that apply)

Traditional final average pay plan	75.0%
Traditional career average pay plan	17.2%
Traditional flat dollar plan	2.6%

49. If you have made significant changes to your defined benefit plan design in the past two years, what changes did you make? (Indicate all that apply)

Froze benefits	3.4%
No longer allow new entrants	13.8%
Decreased the level of benefits	2.6%
Changed from a final average pay plan to a career average plan	—
No significant changes in the past two years	68.1%

50. If you are considering a significant change to your defined benefit plan in the next two years, what is the primary reason?

Level of cost	8.6%
Volatility of cost	8.6%
Lack of employee appreciation	0.9%
Other reason	10.3%
Not reported	71.6%
	100%

51. If you are planning to make significant changes to your defined benefit plan in the future, what changes are you considering? (Indicate all that apply)

Freeze benefits	1.7%
No longer allow new entrants	6.0%
Provide the same type of plan, but decrease the level of benefits	6.0%
Change from a final average pay plan to a career average plan	0.9%
No, we will not make any significant changes	60.3%

INVESTMENT, GOVERNANCE AND SERP

52. What changes are you considering for your defined benefit plan's investments? (Indicate all that apply)

We are considering changes to address potential future volatility	8.3%
We have decided to change our equity concentration	4.9%
We have decided to change the duration of our bonds to more closely match our liabilities	6.3%
We have moved to an interest rate hedging strategy	1.0%
We have added new asset classes to increase diversification	5.8%
We continue to monitor our assets and liabilities	18.0%
We are not considering any changes to our investment strategy	32.5%
N/A, we do not offer a defined benefit plan	47.6%

53. What is your current bond investment benchmarked against?

A broad market index such as DEX Universe (Duration of 6yrs)	14.0%
A longer duration benchmark such as DEX Long (Duration of 12 yrs)	4.7%
Benchmarked to our actual pension liabilities	6.5%
Other	22.7%
Not reported	52.2%
	100%

54. Which of the following governance practices do you follow?

Formally appointed committee that oversees the investments regularly	36.0%
Full independent review of fees and expenses	7.9%
Clear separation of the plan Fiduciary and plan Sponsor functions	14.0%
Not reported	42.1%
	100%

55. Are you compliant with the CAP Guidelines in managing your DC or Group RRSP Plans?

Yes	43.2%
No	3.2%
Don't know	41.4%
Not reported	12.6%
	100%

56. What is the nature of any supplemental arrangement (SERP)?

Defined Benefit plan	20.5%
Defined contribution plan	5.4%
Other	2.2%
Not applicable	45.0%
Not reported	27.0%
	100%

57. How do you provide security of SERP benefits for members?

No security	15.5%
Full pre-funding	6.5%
Partial funding	3.6%
Letter of intent	3.6%
Other	12.2%
Not reported	58.6%
	100%



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