

1 **(Reference Executive Compensation Report by Korn-Ferry)**
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3 **Q. It is stated (page 4) “As a policy, NFP sets its salary range in +/-15% of the market**
4 **median.”**

5 **a) Has Korn-Ferry assessed whether such a policy is appropriate or did its analysis**
6 **accept that policy as a given?**

7 **b) Considering the market conditions in which Newfoundland Power operates, (i.e.,**
8 **a regulated monopoly market that is stable and low risk) should the appropriate**
9 **compensation be in a range much less than the median of the comparator group,**
10 **a group that includes firms that face much higher risks of volatile revenue and**
11 **even bankruptcy?**
12

13 **A. a) Based on our consulting experience, it is a common market practice for organizations**
14 **to set salary policy at the market median or P50 level of their comparator group. As**
15 **noted in the Korn Ferry Report, the private sector market tends to either set the salary**
16 **range at +/- 20% of the market median or does not set any salary range at the**
17 **executive level. Korn Ferry has not been engaged by Newfoundland Power to**
18 **develop its executive salary job rate / salary range.**
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20 **b) The above market conditions have all been considered during our job evaluation**
21 **process. The resultant Korn Ferry Hay Points have been validated against Korn**
22 **Ferry’s global standards and other benchmark evaluations in our database, including**
23 **both private sector and broader public sector organizations for consistency.**