

Special Communiqué

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About Us

Morneau Sobeco Income Fund is the largest Canadian-owned firm providing human resource consulting and outsourcing services.

Through Morneau Sobeco and Shepell•fgi, its two operating entities, the firm delivers solutions to assist employers in managing the financial security, health and productivity of their employees.

With over 2,200 employees in offices across North America, Morneau Sobeco Income Fund offers its services to organizations that are situated in Canada, in the United States and around the globe.



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Compensation Market Indicators for Senior Executives based on S&P/TSX 60 Proxy Circulars

This special communiqué presents compensation market indicators for companies that make up the S&P/TSX 60. Our analysis is based on some 350 observations extracted from proxy circulars published last spring.

For the first time this year, these circulars had to comply with the executive compensation disclosure rules amended by the Canadian Securities Administrators in 2008.

These rules now force public companies to disclose the total compensation value of all their compensation programs for each named executive officer, including:

- > the annual liquid compensation (base salary and annual incentive awards);
- > the value of pension benefits;
- > the value of long-term incentive plans (LTIPs); and
- > any other compensation offered.

We analyzed the compensation of presidents and chief executive officers, chief financial officers and other named executive officers that were disclosed in the proxy circulars.

Compensation Market Indicators

Compensation programs by position	25 th percentile	Median	75 th percentile	Average	Weighting with respect to total compensation
(In thousands of dollars)					
Presidents and chief executive officers					
> Liquid compensation	1,277.9	2,149.7	3,147.1	2,472.4	38%
> LTIP	1,149.5	2,443.6	4,783.4	3,676.5	56%
> Pension	0.0	30.1	616.6	360.3	6%
> Total compensation	3,496.0	5,303.1	8,315.3	6,509.2	
Chief financial officers					
> Liquid compensation	580.9	704.6	1,181.0	935.8	40%
> LTIP	412.4	892.9	1,536.6	1,237.3	53%
> Pension	0.0	79.5	234.0	182.8	7%
> Total compensation	1,196.0	1,945.6	2,797.9	2,355.9	
Other benchmark positions					
> Liquid compensation	488.1	756.6	1,193.4	1,057.0	40%
> LTIP	393.9	924.4	1,639.6	1,453.1	55%
> Pension	0.0	54.3	197.5	123.4	5%
> Total compensation	1,236.8	1,919.0	3,184.4	2,633.5	

Data reported as “other compensation” was excluded when establishing the compensation market indicators above. Regardless of benchmark position, LTIPs represent approximately 55% of Canadian senior executives’ total compensation.

Total Compensation: Variation by Sector

The total compensation of companies listed on the S&P/TSX 60 varies substantially from sector to sector. The average total compensation of presidents in the information and cultural industries is thus three times higher than in the retail trade sector. Information and cultural industries are top-ranked in all benchmark positions with respect to average total compensation, followed closely by the finance and insurance sector. The retail trade sector offers the lowest average total compensation to presidents and chief executive officers. The manufacturing sectors are among the least generous to chief financial officers. The professional, scientific and technical services sector is least generous with respect to the other benchmark positions.

Relative Weighting of Compensation Programs

The weighting of various programs with respect to average total compensation also varies substantially from one sector to another. For example, as mentioned above, LTIPs form the largest component of total compensation for companies included in the S&P/TSX 60. However, the weighting of LTIPs is about 34% of the average total compensation for presidents and chief executive officers in the retail trade sector compared to 78% in the finance and insurance sector. Finance and insurance is also top-ranked in the weighting observed for LTIPs in other employment categories.

Pensions

The above table shows that pension programs represent about 6% of the average total compensation of presidents and chief executive officers, which corresponds to 33% of base salary. However, 13 out of 60 benchmark companies do not seem to offer a pension plan to their

president and chief executive officer. Among the 47 companies that offer a pension plan, the majority, or 34 companies, offer a defined benefit plan, while 23 offer a defined contribution plan. If we exclude the 13 companies that do not offer a pension plan to their president and chief executive officer, the value of pension programs increases on average from 33% to 41% of base salary. It should also be pointed out that 10 companies offer both a defined benefit plan and a defined contribution plan.

Conclusion

Our analysis shows that the total compensation of named executive officers of companies listed on the S&P/TSX 60 depends more on the company's sector of activity than on its revenues.

For more information, please feel free to contact your Morneau Sobeco consultant.