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To:	Mullaley, Julia; Hussey, Cindy
Subject:	KM"s Nalcor
Date:	Thursday, August 11, 2016 9:05:15 PM
Attachments:	Key Messages - Mr. Marshall - Employment Contract - V4.docx

Key Messages
Stan Marshall – Executive Employment Contract

- At a Nalcor Board meeting held Tuesday August 9, 2016 the Executive Employment Agreement between Mr. Marshall and the Board of Directors was approved and signed. Nalcor has made this Contract publically available via its website.
- High quality leadership, such as that of Mr. Marshall, is critical to harnessing our Province's energy assets and associated revenue for the Province. Nalcor must remain competitive to retain our leadership and recruit for key positions.
- Nalcor Energy's executive compensation is based on market research of comparable companies in the energy industry in Canada and is designed to attract and retain experienced and qualified leadership.
- Mr. Marshall's Executive Employment Agreement outlines the terms of his employment including his remuneration, expenses and benefits, pension, termination and conflict of interest clauses among other things.

Questions & Answers:

Q1. It was previously stated that Mr. Marshall's employment contract would not include severance – is this still the case?
Mr. Marshall's Executive Employment Contract does not include severance.

Q2. If Mr. Marshall is terminated prior to the end of this contract, is he entitled to a pay out of any sorts?
The only payments that Mr. Marshall would be entitled to are payments already earned under his contract, such as short and long term incentives and RRSP contributions prorated for his time served.

Q3. How long is Mr. Marshall's contract in place?
The Executive Employment Contract between Mr. Marshall and Nalcor is effective from April 21, 2016 until April 20, 2020.

Q4. How much is Mr. Marshall's total cash compensation – is he entitled to anything above and beyond his base salary?
Mr. Marshall's total annual cash compensation is $682,500. This figure includes an annual base salary of $525,000, a short term annual incentive of thirty percent of his base salary or $157,500 for the term of his contract.

In addition, Mr. Marshall is entitled to long term incentive pay commencing upon completion of three years of service; the payout is thirty percent of the annual base salary, for each year of service (prorated for partial years), and the first such payment will be made to Mr. Marshall on April 21, 2019, for an amount equal to $157,500, with subsequent annual payments being made in April 2020, April 2021 and April 2022.

Q5. Why is Mr. Marshall being paid an annual short term benefit on top of his annual base salary?
High quality leadership, such as that demonstrated by Mr. Marshall, is critical to harnessing our Province's energy. It is important for Nalcor remain competitive to retain our leadership.

Q6. Is Mr. Marshall entitled to pension benefits?
Mr. Marshall is entitled to an annual RRSP matching contribution of up to 9% of his salary.

Q7. Is Mr. Marshall entitled to a supplemental executive retirement plan (SERP), like Mr. Martin was?
No, Mr. Marshall's under his Executive Employment Agreement is not entitled to a supplemental executive retirement plan.

Q8. Is Mr. Marshall entitled to any other compensation, salary or benefits above his base salary?
In addition to his annual salary of $525,000 and a short term annual incentive of $157,500, Mr. Marshall is also entitled to an annual car allowance of $12,470 for the term of his contract.

Mr. Marshall is entitled to long term incentive pay commencing upon completion of three years of service; the payout is 30% of the annual base salary, for each year of service (prorated for partial years), and the first such payment will be made to Mr. Marshall on April 21, 2019, for an amount equal to $157,500, with subsequent annual payments being made in April 2020, April 2021 and April 2022.

In respect to pensions and benefits, Mr. Marshall is entitled to an annual RRSP matching contribution of up to 9% of his salary, group medical insurance benefits as other executives at Nalcor, and fifty (50) days of annual leave entitlement each year.

Q9. It is well known that Mr. Marshall has shares in Fortis Inc., is this considered a conflict of interest?
Mr. Marshall holding shares in Fortis Inc. is not considered a conflict of interest. Under the terms of his employment contract, Mr. Marshall is permitted to own five percent or less of the shares in a publically traded company and he owns substantially less than 1% of the shares of Fortis.

Q10. It is my understanding that Mr. Marshall is currently a Board Member of a company called Enerflex Ltd. and energy company specializing in natural gas – is this not considered a conflict of interest?
Mr. Marshall's has been very forthcoming about his Board involvement with Enerflex Ltd. He disclosed this upon taking the position with Nalcor. That company's business does not compete with the operations of Nalcor, NLH or any of its subsidiaries. In the event that Board conversations take place that could be perceived as a conflict of interest, Mr. Marshall would excuse himself from the meeting, any decisions and/or Board resolutions pertaining to the matter.

Q11. Given the fiscal uncertainty of the Province, how can you justify paying Mr. Marshall hundreds of thousands of dollars a year?
Mr. Marshall brings a wealth of experience and knowledge. His accomplishments in developing Fortis into Canada's largest gas and electrical distribution utility are well known and celebrated. His leadership and expertise will help develop Nalcor, including the Muskrat Falls Project, for the benefit of the people of the province and he is being compensated at a level to do just that.

Nalcor's executive compensation is based on market research of comparable companies in the utility/energy industry in Canada and is designed to attract and retain experienced and qualified leadership. Market data consistently demonstrates that Nalcor Energy's executive compensation lags behind the industry average for similar Canadian utilities and energy companies such as Emera, Fortis, Newfoundland Power and others.

Q12. Why did it take so long for a Contract to be signed between Mr. Marshall and Nalcor?
Typically for senior executives such as a CEO, employment contracts are documented and agreed to before the actual hire date. Given that Mr. Marshall was appointed to Nalcor and started work immediately, the employment contract process was ongoing after the start of employment. With that said, Mr. Marshall's salary was agreed to prior to being hired while other terms of the contract were finalized thereafter.