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Thornton gets \$9.5-million as Barrick revamps pay compensation methods

By RACHELLE YOUNGLAI

Gold producer looks to please shareholders after rough year of cost cutting, project suspensions

Barrick Gold Corp.'s incoming chairman John Thornton will receive a \$9.5-million pay package, the company said on Monday, as it unveiled new compensation methods aimed at appeasing shareholders angry about excessive rewards at the world's biggest gold producer.

Investors had demanded change to Barrick's corporate governance and executive compensation plans after the company paid Mr. Thornton a total of \$17-million, including a \$11.9-million signing bonus in the previous year. Mr. Thornton will use \$5-million of his current compensation to buy Barrick stock, which is what he did with his controversial bonus.

But it comes after Barrick had a difficult year. Even though the company cut costs and improved its balance sheet, the miner wrote down billions of dollars in assets and had to suspend one of its key gold projects.

"Investors are going to wonder, 'Is Thornton worth the price?'" said **Pawel Rajszel**, analyst with **Veritas Investment Research**.

Barrick's founder and outgoing chairman Peter Munk earned a total of \$3.9-million for 2013, according to the information circular Barrick filed on Monday. The board has not made a decision on whether to award Mr. Munk a retirement bonus.

It is unclear whether shareholders will support the current levels of compensation. They overwhelmingly rejected Mr. Thornton's pay at Barrick's last shareholder meeting in 2013. (Their vote was non-binding.)

But Barrick's lead independent director Brett Harvey told reporters the company's institutional investors liked the new executive pay methods, which were developed after months of consultations with major shareholders.

"We heard shareholders loud and clear," said Mr. Harvey, who chairs Barrick's compensation committee.

The new plan, which Barrick described as unprecedented in the mining industry, will pay the bulk of an executive's compensation in common shares that cannot be sold until the manager retires from the company.

It goes into effect this year and will score executives on a series of short-term and long-term performance metrics, including free cash flow, shareholder dividends, return on invested capital and project costs.

Detailed scorecards are included in Barrick's circular and will apply to the company's top executives. Mr. Thornton will be evaluated on a different set of metrics.

Although Mr. Thornton's total compensation package for 2013 was less than the previous year's amount, it is higher than Barrick's chief executive Jamie Sokalsky total compensation of \$7.7-million.

Mr. Thornton was rewarded in part for trying to develop a partnership with the Chinese, identifying growth opportunities and liaising with governments in Saudi Arabia, the United States and Zambia, where some of Barrick's mines are located, according to Barrick's filing.

"We've made a good choice and good talent costs money," said Mr. Harvey.

Mr. Munk used his final letter to shareholders to praise Mr. Thornton and reiterated that he had a network of global contacts indispensable for Barrick.

It is difficult to compare Mr. Thornton's pay to his peers as the former Goldman Sachs banker will be assuming the role of executive chairman of Barrick and has been deeply involved in the day-to-day operations of the company.

The median pay package for a non-executive chairman in Canada was \$350,000, according to consultancy firm Spencer Stuart.

The highest paid chairman in Canada is the head of one of Barrick's rivals Goldcorp Inc., where Ian Telfer earned a total of \$1.13-million, according to a survey by the firm.

Mr. Thornton's bonus unleashed a wave of shareholder anger over how Barrick was governed.

The company has since overhauled its board, nominating four new independent directors and announcing the retirement of Mr. Munk and two of Barrick's longest-serving directors.

Mr. Harvey said the board will probably add two more directors after Barrick holds its annual meeting of shareholders at the end of April. Those will likely replace the two independent directors who resigned suddenly after working with Barrick shareholders in 2013.

Barrick will have a 12-person board that includes eight independent directors if there are no further changes before the annual general meeting.

In some of his parting words, Mr. Munk said it has been "excruciatingly painful" to see so much value eroded in such a short period, but that he was "totally confident about Barrick's future" and its ability to restore the company's full value.