

Unrecognized stock-based compensation expense at December 31, 2013 related to stock-option plans was \$11 million (2012 – \$11 million), and will be recorded in net income over the next four years as the options vest.

Restricted Share Units

RSU Plan

The RSU plan allows employees, officers and directors to participate in the growth and development of Rogers. Under the terms of the plan, RSUs are issued to the participant and the units issued cliff vest over a period of up to three years from the grant date.

On the vesting date, we will redeem all of the participants' RSUs in cash or by issuing one Class B Non-Voting share for each RSU. We have reserved 4,000,000 Class B Non-Voting shares for issue under this plan. We granted 871,988 RSUs in 2013 (2012 – 721,005).

Performance RSUs

We granted 232,220 performance-based RSUs in 2013 (2012 – 172,779) to certain key executives. The number of units that vest and will be paid three years from the grant date will be within 50% to 150% of the initial number granted based upon the achievement of certain annual and cumulative three-year non-market targets.

Summary of RSUs

The table below is a summary of the RSUs outstanding, including performance RSUs.

	2013	2012
	Number of units	
Outstanding, beginning of year	2,255,158	1,988,955
Granted	1,104,208	893,784
Exercised	(681,652)	(159,843)
Forfeited	(205,324)	(467,738)
Outstanding, end of year	2,472,390	2,255,158

Unrecognized stock-based compensation expense at December 31, 2013 related to these RSUs was \$42 million (2012 – \$37 million) and will be recorded in net income over the next three years as the RSUs vest.

Deferred Share Unit Plan

The DSU plan allows directors and certain key executives to elect to receive certain types of compensation in DSUs, which are classified as a liability on the consolidated statements of financial position.

We granted 103,990 DSUs in 2013 (2012 – 115,964). At December 31, 2013, 700,912 DSUs (2012 – 741,423) were outstanding. Unrecognized stock-based compensation expense at December 31, 2013, related to these DSUs was \$2 million (2012 – nil) and will be recorded in net income over the next three years as the executive DSUs vest. All other DSUs are fully vested.

Employee Share Accumulation Plan

Participation in the plan is voluntary. Employees can contribute up to 10% of their regular earnings through payroll deductions (up to an annual maximum of \$25,000). The plan administrator purchases our Class B Non-Voting shares on a monthly basis on the open market on behalf of the employee. At the end of each month, we make a contribution of 25% to 50% of the employee's contribution that month, and the plan administrator uses this amount to purchase additional shares on behalf of the employee. We record our contributions made as a compensation expense.

Compensation expense related to the employee share accumulation plan was \$30 million in 2013 (2012 – \$26 million), which we included in employee salaries and benefits.

Hedging of Stock-Based Compensation

We entered into Equity Derivatives to hedge a portion of our stock-based compensation expense in 2013 (see note 20) and recognized a \$8 million loss in stock-based compensation expense for these derivatives.

Assumptions

Significant management estimates are used to determine the fair value of stock options, RSUs and DSUs. The table below shows the weighted-average fair value of stock options granted during the years ended December 31, 2013 and 2012, and the principal assumptions used in applying the Black-Scholes model for non performance-based options and trinomial option pricing models for performance-based options to determine their fair value at grant date:

	2013	2012
Weighted average fair value	\$ 9.68	\$ 7.51
Risk-free interest rate	1.2%	1.6%
Dividend yield	3.4%	4.0%
Volatility of Class B Non-Voting shares	26.2%	28.1%
Weighted average expected life	n/a	5.4 years
Weighted average time to vest	2.4 years	2.4 years
Weighted average time to expiry	9.9 years	6.9 years
Employee exit rate	3.3%	3.9%
Suboptimal exercise factor	1.5	2.6
Lattice steps	50	50

Volatility has been estimated based on the actual trading statistics of our Class B Non-Voting shares.

NOTE 25: RELATED PARTY TRANSACTIONS

Controlling Shareholder

Our ultimate controlling shareholder is the Rogers Control Trust (the Trust) which holds voting control of Rogers. The beneficiaries of the Trust are members of the Rogers family. Certain directors, senior executives and corporate officers of Rogers represent the Rogers family.

We entered into certain transactions with the ultimate controlling shareholder and private Rogers' family holding companies controlled by the Trust. These transactions, as summarized below, were recorded at the amount agreed to by the related parties and are subject to the terms and conditions of formal agreements approved by the Audit Committee.

Transactions with Key Management Personnel

Key management personnel include the directors and our most senior corporate officers who are primarily responsible for planning, directing and controlling our business activities.

Compensation

The compensation expense for key management for employee services was included in employee salaries and benefits as follows:

	2013	2012
Salaries, pension and other short-term employee benefits	\$ 11	\$ 10
Stock-based compensation expense	27	35
	\$ 38	\$ 45