

EXECUTIVE COMPENSATION PLAN
BRITISH COLUMBIA FERRY SERVICES INC.
(SEPTEMBER 2019)



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1.0 PURPOSE

The *Coastal Ferry Act (British Columbia)* contemplates that B.C. Ferry Authority (“BCFA”) will approve and publish an executive compensation plan which will govern the remuneration for certain of executives of British Columbia Ferry Services Inc. (“BCFS” or the “Company”).

BCFS has approved this executive compensation plan with an effective date of September 1, 2019 (the “Plan”). This is the fourth executive compensation plan BCFA has approved and published since the *Coastal Ferry Act* was amended in 2010 to bring executive compensation under the purview of BCFA.

The Plan establishes the methodology by which remuneration for the executives of the Company is determined, including the organizations used as comparisons in determining the remuneration, and sets out the terms on which remuneration is to be paid.

The Plan is intended to:

- support the recruitment and retention of high performing executives,
- encourage high levels of performance,
- provide for internal equity,
- maintain relativity between levels/job complexities and avoid salary compression between levels,
- provide career development opportunities for executives to support career progression within the organization, and
- ensure regulatory compliance.

The Plan applies to the executives of the Company whose remuneration is set or changed on or after the effective date of the Plan, September 1, 2019. The executives include the Chief Executive Officer, Executive Vice Presidents and Vice Presidents, as well as anyone acting in a similar capacity or performing similar functions to these positions. It excludes anyone who held such a position (other than a Vice President) when the *Coastal Ferry Act* was amended in 2010, for such time as that executive remains in that executive position.

Prior to May 2019, the remuneration of Vice Presidents was not required by the *Coastal Ferry Act* to be governed by an executive compensation plan and the previous plans approved by BCFA applied only to the positions of Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The remuneration of the current incumbents in these three positions continues to be governed by the executive compensation plan under which it was set until such time as it is reset (through appointment to a new position) or changed, at which point this Plan applies. Similarly, for the Vice Presidents, whose remuneration was previously not required to be governed by an executive compensation plan, the Plan is applicable only upon their remuneration being set or changed.

1.1 Definitions

This Part defines terms used for the purposes of the Plan.

- “Chief Executive Officer” or “CEO” is the highest ranking executive position in charge of management of BCFS.
- “Executive” means an individual who is the CEO or an Executive Vice President or a Vice President of BCFS or who is, despite his or her title, acting in a similar capacity or performing similar functions to a CEO, an Executive Vice President or a Vice President of BCFS.
- “Registered Pension” means the retirement arrangement provided by the Company under the Public Service Pension Plan of British Columbia.
- “Supplementary Retirement Plan” or “SERP” means a pension plan arrangement that is designed to supplement the Registered Pension benefit levels.
- “remuneration” means all money and benefits including, without limitation, salary, incentives, and pension contributions, provided or available to the person in return for the person performing or agreeing to perform services for, or acting or agreeing to act in a capacity for, the person by whom or on whose behalf the money and benefits are being provided or made available. Within this Plan, remuneration means total compensation.

2.0 PRINCIPLES OF THE PLAN

2.1 Governance

In accordance with sections 21.4 and 21.5 of the *Coastal Ferry Act*, the Plan is approved by the BCFA Board of Directors. Application and administration of the Plan is the purview of the BCFS Board of Directors and BCFS management.

The terms of reference for the BCFS Board of Directors in respect of the Plan are outlined below:

- review and approve the remuneration provided to the Chief Executive Officer,
- review the performance of the Chief Executive Officer, including the approval of salary holdback targets and evaluation of results each year,

- review and approve a framework of remuneration for the Executive Vice Presidents and Vice Presidents (or individuals acting in a similar capacity or performing similar functions to an Executive Vice President or Vice President), acting upon the advice of the Chief Executive Officer, and
- review the Chief Executive Officer's recommendations relative to the performance of the Executive Vice Presidents (or individuals acting in a similar capacity or performing similar functions to an Executive Vice President) and certain other executives, including the approval of salary holdback targets, and evaluation of results each year.

2.2 Business Drivers for Executive Compensation

The Plan supports BCFS' business and human resource requirements, and aligns with the Company's vision, mission, values, goals and strategic drivers, which are as follows:

Vision

Trusted, valued.

Mission

We connect communities and customers to people and places important in their lives.

Values

- **Safe:** Safety is our highest value.
- **Caring:** We operate from a position of kindness and empathy for those who travel and work with us.
- **Honest:** We conduct business with integrity, honesty and accountability.
- **Collaborative:** We collaborate with others to enhance the customer experience.
- **Respectful:** Respect is paramount in our interactions with others.
- **Sustainability:** Our environmental, social and economic impact are central to business decisions.

Goals

The Company's strategic goals set the direction for all activities at BCFS. It is the Company's intention to be:

- Customer and community centered.
- Prepared for the future.
- An employer of choice.
- A leader in the transition to a more sustainable future.

- A significant contributor to the British Columbia economy.
- Innovative and continually improving.

Total compensation for executives of BCFS has been developed to focus on the achievement of these critical performance factors, and to facilitate the recruitment and retention of high performing, career-focused executives.

2.3 Total Remuneration and Compensation

The executive compensation provisions described in the Plan have been reviewed, compared, and established on the basis of total remuneration. This allows for a reasonable comparison on the components of total compensation.

2.4 Benchmarking and Comparability

The Plan has been established with reference to the following comparator groups:

2.4.1 Canadian Comparators - The *Coastal Ferry Act* requires that, subject to the limitations as described in Part 2.4.2 below, remuneration provided to executives of BCFS be consistent with that provided to individuals who, in organizations in Canada that are of a similar size and scope to BCFS, perform similar services or hold similar positions to the executive positions of BCFS.

2.4.2 Public Sector Comparators (British Columbia) - The *Coastal Ferry Act* requires that remuneration provided to executives of BCFS not be greater than that provided by provincial public sector employers in British Columbia to individuals who are performing similar services or hold similar positions. It should be noted that the number of provincial public sector employers that are of a similar size and complexity to BCFS is limited.

2.5 Components of Executive Compensation

Compensation for each executive position and the terms on which it is to be paid includes such components as the following:

- **Salary** - Base salary is provided in equal bi-weekly payments.
- **Salary Holdback** - a percentage of the executive's maximum salary is held back and paid out once per year based on the achievement of corporate and individual objectives and targets.
- **Executive Benefits** - Executives receive health and welfare benefits (medical, dental, extended health, life insurance, long term disability, and health spending) that are available to other management and exempt employees. The amounts for life insurance, long term disability, and health spending are determined by salary.
- **Vehicle Expense Allowances** - A taxable monthly cash payment for vehicle expenses and reimbursement of fuel and insurance expenses may be provided.

- **Registered Pension** - BCFS, through the Public Sector Pension Plan of British Columbia, provides a defined benefit pension plan to all regular employees. The benefits accrue at approximately 1.9 percent a year to a maximum 70 percent of an employee's salary calculated with reference to the employee's average salary over the employee's best five years.
- **Supplemental Executive Retirement Plan ("SERP")** - In addition to the registered pension plan, executives may also be eligible for SERP benefits. The terms of the SERP are based on the demographics of each individual executive and are comparable to the terms of SERPs in other organizations.

3. METHODOLOGY

In accordance with the requirements of the *Coastal Ferry Act*, the methodology followed in the preparation of the Plan has involved a "comparator" analysis of the remuneration provided to executives in organizations both in Canada and in the British Columbia public sector that are of similar size and scope to BCFS (see Part 2.4 of the Plan). This analysis is conducted by an independent compensation consultant.

As described in Part 2.4, the *Coastal Ferry Act* mandates that the maximum remuneration for an executive of BCFS not be greater than the remuneration that provincial public sector employers in British Columbia provide to individuals providing similar services or holding similar positions to that executive, and that Plan reflects this requirement.

BCFA has reviewed the comparator organizations used in previous BCFS executive compensation plans and has made adjustments to bring closer alignment of those selected for comparator purposes with BCFS in terms of their similarity in terms of size and scope. The result has been a smaller number of Canadian organizations and a revised set of provincial public sector employers being included in the analysis undertaken in this Plan, as compared to previous executive compensation plans.

4. DATA RESULTS AND ANALYSIS OF FINDINGS

4.1. Remuneration in Canadian Organizations

The analysis of remuneration in Canadian organizations has been conducted based on a survey of 134 Canadian organizations across a wide range of industries of a similar size to BCFS, which includes Canadian public sector organizations ("General Industry"). A list of these organizations is presented in Appendix 1.

Additionally, 13 organizations with specific reference to the transportation sector ("Transportation Sector") were identified and are listed below.

Canadian Transportation Sector Comparator Organizations (N=13)
Algoma Central Corporation Canadian Air Transport Security Authority Cargojet Chorus Aviation Inc. Logistec Corporation Mullen Group Ltd. Purolator Inc. Seaspan Corporation South Coast BC Transportation Authority (Translink) Trimac Transportation Ltd. Vancouver Airport Authority Vancouver Fraser Port Authority VIA Rail Canada

4.2. Remuneration in British Columbia Public Sector Employer Organizations

The provincial public sector employer organizations used for comparison purposes in the Plan are listed below.

Provincial Public Sector Employer Comparator Organizations (N=6)
British Columbia Hydro and Power Authority British Columbia Lottery Corporation Insurance Corporation of British Columbia University of British Columbia Vancouver Coastal Health Authority Worker's Compensation Board of British Columbia (WorkSafeBC)

The list includes six organizations: three large commercial crown corporations, a health authority, an academic institution and an organization with regulatory oversight responsibilities.

4.3 Remuneration Summary

Median (50th percentile) and maximum paid to individuals who are performing similar services or hold similar positions in the comparator organizations (from the General Industry, Transportation Sector and Public Sector) is set out in Table 1, below.

Table 1: Comparator Organization Remuneration Summary

EXECUTIVE LEVEL	COMPARATOR GROUP	TOTAL REMUNERATION (000'S)	
		MEDIAN (50 TH PERCENTILE) ¹	MAXIMUM
President & Chief Executive Officer	Transportation Sector	\$927	
	General Industry	\$860	
	Provincial Public Sector Employers	\$476	\$611
Executive Vice President / Chief Officer	Transportation Sector	\$614	
	General Industry	\$526	
	Provincial Public Sector Employers	\$375	\$517
Vice President	Transportation Sector	\$426	
	General Industry	\$397	
	Provincial Public Sector Employers	\$332	\$415

5. EXECUTIVE COMPENSATION LIMITS

Table 2, below sets out the maximum remuneration that may be paid to executives of BCFS whose remuneration is set or changed on or after the effective date of the Plan. The remuneration limits for BCFS executives have been set in consideration of the maximum paid to individuals who are performing similar services or hold similar positions in the provincial public sector employer organizations.

Table 2: BCFS Maximum Remuneration

EXECUTIVE LEVEL	MAXIMUM REMUNERATION (000'S)
President & Chief Executive Officer	\$611
Executive Vice President / Chief Officer	\$517
Vice President	\$415

¹ Survey data reflects total cash compensation which includes base salary plus annual incentive and holdback, as applicable, plus an estimate for benefits, pension, SERP and perquisites of 30 percent of base salary. All forms of long term incentive compensation are excluded.

6. ADMINISTRATION

6.1 Effective Date

The Plan is effective September 1, 2019 and applies to the executives whose remuneration is set or changed on or following that date.

6.2 Term

The Plan is effective for a three-year term ending August 31, 2022, or such earlier date as BCFA may determine.

6.3. Annual Adjustments

Commencing upon the first anniversary of the effective date of the Plan, and continuing each subsequent year of the term, the compensation limits set out in Table 2, above will be changed such that they equal the amount of the compensation limits in the previous year adjusted by the percentage change (upward or downward) in the Consumer Price Index as published by Statistics Canada for British Columbia.

6.4 Reporting Requirements

In accordance with the *Coastal Ferry Act*, the Company must publish in each fiscal year, details on the remuneration provided in the preceding fiscal year to the executives whose compensation is governed by this Plan or previous executive compensation plans approved by BCFA. The Company posts its annual *Coastal Ferry Act* Executive Compensation Disclosure Report on its website at www.bcferries.com.

Appendix 1
Canadian General Industry Comparator Organizations
(N=134)

AbbVie, Inc. (Canada)	Longo Brothers Fruit Markets, Inc.
Accenture, Inc.	L'Oréal Canada
Aimia, Inc. - Aimia Canada, Inc.	Loto-Québec
Air Liquide Canada, Inc.	MacEwan University
Alberta Electric System Operator	Maple Lodge Farms, Ltd.
Alberta Energy Regulator	Mars Canada, Inc.
Alberta Health Services	Merck Canada, Inc.
Alberta Innovates	Monsanto Canada, Inc.
Alberta Utilities Commission	Mountain Equipment Co-Operative
AltaLink Management, Ltd.	National Energy Board
BGIS	Nav Canada
Bonduelle North America	Nestle Canada - Purina PetCare
British Columbia Hydro and Power Authority	Nexans Canada, Inc.
Bruce Telecom Ontario, Inc.	Nlogic Inc.
C.S.T. Consultants, Inc.	Norton Rose Fulbright Canada
CAA South Central Ontario	Numeris
Caisse de dépôt et placement du Québec -Ivanhoe Cambridge, Inc.	Ontario Hospital Association
Calgary Co-operative Association Limited	Ontario Medical Association
Campbell Company of Canada	Ontario Pension Board
Canada Bread Company, Ltd.	Ontario Teachers' Pension Plan
Canada Post Corporation - Purolator, Inc.	PetSmart Canada, Inc.
Canadian Association of Petroleum Producers	Premier Tech
Canadian Life and Health Insurance Association, Inc.	Purdue Pharma (Canada)
Canadian Pacific Railway Limited	PVH Canada, Inc. (Canada)
Canadian Tire Corporation, Limited - Canadian Tire Financial Services, Ltd.	Queen's University
Capital Power Corporation	RGA Life Reinsurance Company of Canada
Capstone Mining Corp.	Royal & Sun Alliance Insurance Company of Canada
Cervus Equipment Corp	Royal Ontario Museum
Chemtrade Logistics Income Trust	Ryerson University
Coast Capital Savings Credit Union	S&E Services Limited Partnership
Coast Mountain Bus Company, Ltd.	Saskatchewan Blue Cross
Communications Security Establishment Canada	SaskEnergy Inc.
Concordia International Corp.	SaskPower
Concordia University	SaskTel
Corus Entertainment, Inc.	Schenker of Canada Limited
CSA Group	Sinopec Daylight Energy, Ltd.
Danone, Inc.	Sleep Country Canada
Day & Ross, Inc.	Société des casinos du Québec
Dragados Canada, Inc.	Société des établissements de jeux du Québec
Element Fleet Management Corporation	Société des loteries du Québec
Emera, Inc. - Nova Scotia Power, Inc.	Sodexo Canada Limited
Enercare, Inc.	South Coast BC Transportation Authority (Translink)
	Stanley Black & Decker Canada Corp.
	SunOpta, Inc.

Energy Safety Canada
ENMAX Corporation
EPCOR Utilities Inc.
Ernst & Young, LLP
Federation of Canadian Municipalities
Fortis, Inc. - FortisAlberta, Inc.
Genworth MI Canada, Inc.
Gilead Sciences Canada, Inc.
Golder Associates Corporation
Golder Associates Corporation - Golder Associates, Ltd.
Groupe Dynamite, Inc.
H&M Hennes & Mauritz, Inc.
Healthcare of Ontario Pension Plan
Holt Renfrew & Co., Ltd.
Husky Injection Molding Systems, Ltd.
Imperial Tobacco Canada Limited
Independent Electricity System Operator
Indigo Books & Music, Inc.
ivari
JTI-Macdonald Corp.
Kuehne + Nagel Canada
Ledcor Construction
Ledcor Technical Services
Lehigh Hanson, Inc. (Canada)
Leon's Furniture, Ltd. - The Brick, Ltd.

Takeda Canada Inc.
TELUS Corporation
Thales Canada, Inc.
The Association of Professional Engineers and Geoscientists of Alberta
The Empire Life Insurance Company
The Royal College of Physicians and Surgeons of Canada
The War Amps
The Woodbridge Group
Tim Hortons Advertising and Promotion Fund (Canada) Inc.
Toronto Hydro Corporation
Travelers Insurance Company of Canada
Unilever Canada, Inc.
United Farmers of Alberta Co-operative Limited
Université de Montréal
University of Calgary
University of Toronto
Value Village Stores, Ltd. (Canada)
VIA Rail Canada, Inc.
Wolseley Canada Inc.
Worker's Compensation Board of British Columbia (WorkSafeBC)
Workplace Safety & Insurance Board
WSP Canada, Inc.
York University