

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

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1.0 PURPOSE

The *Coastal Ferry Act (British Columbia)* contemplates that the B.C. Ferry Authority (“BCFA”) will establish and publish an Executive Compensation Plan, including the methodology by which remuneration for the Executive Officers is determined and the terms on which it is to be paid. BCFA adopted an Executive Compensation Plan dated September 2016 (the “2016 Plan”), which outlined the plan for Executive Officers of British Columbia Ferry Services Inc. (“BCFS” or the “Company”) whose remuneration was set or changed after September 1, 2016, the effective date of the 2016 Plan. BCFA has elected to replace the 2016 Plan with this Executive Compensation Plan (the “Plan”) to set out the methodology by which the remuneration for Executive Officers of the Company that is set or changed after the effective date of the Plan, March 31, 2019, will be determined and the terms on which it is to be paid.

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 Officer” means an individual who is the CEO or an Executive Vice President of BCFS or who is, despite his or her title, acting in a similar capacity or performing similar functions to a CEO or an Executive 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 COMPENSATION DISCUSSION

BCFS designs and administers executive compensation within the Plan approved on a periodic basis by the BCFA Board as required under the *Coastal Ferry Act*.

2.1 Governance

The Plan is approved by the BCFA Board for application and administration by the BCFS Board.

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 the remuneration provided to Executive Vice Presidents (or individuals acting in a similar capacity or performing similar functions to an Executive 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), including the approval and evaluation of salary holdback targets, and evaluation of results each year.

2.2 Business Drivers for Executive Compensation

The Plan aligns with BCFS' vision, mission, and strategic mandate under the *Coastal Ferry Act*, and supports its business and human resource requirements, including:

- the imperative to operate safely,
- ensuring financial sustainability while minimizing tariffs,
- satisfying regulatory and stakeholder expectations, and
- ensuring a highly reliable and efficient coastal ferry system.

Total compensation for Executive Officers within BCFS has been developed to facilitate the achievement of these critical performance factors, and the attraction and retention of high calibre, career-focused executives.

2.3 Executive Compensation Philosophy

The Plan for BCFS Executive Officers is intended to:

- align with BCFS' business and strategic objectives,

- drive achievement and high levels of performance,
- provide for internal equity,
- ensure regulatory compliance, and
- support the attraction and retention of high calibre executives.

2.4 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.

2.5 Benchmarking and Comparability

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

2.5.1 Canadian Comparators - The *Coastal Ferry Act* requires that, subject to the limitations as described in Part 2.5.2 below, remuneration provided to Executive Officers 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. To ensure consistency with this requirement, the Company engaged an independent compensation consultant to conduct a review which identified median (50th percentile) compensation of Canadian comparator companies as at April 2016. The compensation data from this review was then aged to reflect current compensation levels. A list of the organizations used by the compensation consultant and the results from the analysis can be found at Schedule A.

2.5.2 Public Sector Comparators (British Columbia) - The *Coastal Ferry Act* requires that remuneration provided to Executive Officers 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. The Company further benchmarks its Executive Officer positions against this requirement. The number of provincial public sector employers that are of a similar size and complexity to BCFS is limited.

The list of the provincial public sector employers used as benchmarks can be found at Schedule B. The list includes large commercial crown corporations and a large academic institution. These organizations are considered the best provincial public sector employer comparators in terms of size and complexity of operations. The remuneration for the Company's Executive Officers has been set in consideration of the maximum paid to individuals who are performing similar services or hold similar positions in these organizations, with some downward adjustment in the case where the remuneration for the academic institution is used as the direct comparator in order to reflect the larger size of that institution relative to BCFS.

While the positions of Chief Executive Officer and Chief Financial Officer in these organizations have been used as benchmarks, an appropriate match was not found for the BCFS position of Chief Operating Officer. In that case,

remuneration has been set in consideration of factors such as the relative ranking of the remuneration of the Executive Officer position observed in the review of the Canadian comparators discussed in Part 2.5.1.

The BCFA Board may, from time to time, upon the request of or following discussion with BCFS: change the organizations referred to in Part 2.5.1 so that the organizations used as comparators will be comprised of organizations in Canada that are of a similar size and scope to BCFS; and/or change the employers referred to in Part 2.5.2 so that the employers used as comparators will be comprised of provincial public sector employers in British Columbia.

2.6 Components of Executive Compensation

Compensation for each Executive Officer position has been designed to include such components as the following:

- **Salary** - Salary is provided in equal bi-weekly payments.
- **Salary Holdback** - a percentage of the Executive Officer's salary is held back and paid out once per year based on the achievement of corporate and individual objectives and targets.
- **Leaves** - Annual vacation leaves are provided in accordance with BCFS' vacation policy. Sabbaticals, administrative leaves, and other special leaves, over and above those which are statutorily required, may also be provided. Unused vacation in excess of four weeks each year may be carried forward and shall be taken in time off at a future date.
- **Executive Benefits** - Executive Officers 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 formula for calculating the pension is 2% multiplied by an employee's best five average consecutive years of plan earnings multiplied by years of contributory service.
- **Supplemental Executive Retirement Plan (SERP)** - In addition to the registered pension plan, Executive Officers 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 other SERPs.

3.0 SUMMARY OF TOTAL COMPENSATION FOR FUTURE EXECUTIVES

Table 1 sets out the current estimates (based on information available March 2019) of the total compensation that is expected to be paid to Executive Officers of BCFS¹ whose remuneration is set or changed after March 31, 2019, the effective date of the Plan. Amounts may vary with the individuals selected and with performance against objectives each year, subject always to the requirement that the value of the total compensation to be provided to an Executive Officer not exceed that provided for in the Plan.

The BCFA Board may, from time to time, upon the request of or following discussion with BCFS, change the total compensation values set out in Table 1 and the components thereof in accordance with the Plan, as the total compensation that is 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 that Executive Officer of BCFS changes, subject always to the requirement that the total compensation provided to each Executive Officer will be set at levels not greater than that provided by provincial public sector employers in British Columbia, at the time of determination, to individuals who, in those organizations, perform similar services or hold similar positions to that Executive Officer of BCFS.

Executive Officers of BCFS whose remuneration was set or changed under the 2016 Plan shall continue to be governed by the 2016 Plan until their remuneration is set or changed after March 31, 2019, the effective date of the Plan.

Table 1: Summary of Total Compensation

		Total Compensation (000's)
Chief Executive Officer	Estimate	\$563
Chief Operating Officer	Estimate	\$406
Chief Financial Officer	Estimate	\$404

¹ The Plan envisages a senior executive structure comprising the positions of Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The Plan will require amendment should additional or other Executive Officers be added.

SCHEDULE A
CANADIAN COMPARATOR ORGANIZATIONS
(MARCH 2019)

Results

Median (50th percentile) compensation data from the Canadian comparator organizations:

	Total Cash Compensation ²	Total Compensation ³
	(000's)	
Chief Executive Officer	\$673	\$823
Chief Operating Officer	\$439	\$531
Chief Financial Officer	\$442	\$527

The list of comparator organizations (n=214) follows.

² Survey data reflects total cash compensation which includes base salary plus annual incentive and excludes benefits, pension, SERP, perquisites and all forms of long term incentive compensation.

³ Survey data reflects total cash compensation which includes base salary plus annual incentive, plus an estimate for benefits, pension, SERP and perquisites of 30% of base salary. All forms of long term incentive compensation are excluded.

Canadian Comparator Organizations

- Abbvie, Inc. (Canada)
- Accenture, Inc.
- Acklands Grainger, Inc.
- Aecom Technology Corporation (Canada)
- Aecon Group, Inc. - Aecon Infrastructure
- Aecon Group, Inc. - Aecon Mining
- Aimia, Inc. - Aimia Canada, Inc.
- Alberta Energy Regulator
- Alberta Health Services
- Alberta Innovates - Health Solutions
- Alberta Innovates - Technology Futures
- Alberta Investment Management Corporation
- Alberta Motor Association
- Alberta Securities Commission
- Alberta Utilities Commission
- Allstate Insurance Company of Canada
- Amerisourcebergen Corporation - Innomar Strategies Inc.
- Aramark Canada, Ltd.
- Arrow Electronics, Inc. (Canada)
- Atco Group - Atco Structures & Logistics
- Atlas Copco Canada, Inc.
- Atomic Energy of Canada Limited - Canadian Nuclear Laboratories
- ATS Automation Tooling Systems, Inc.
- Baker Hughes Canada Company
- Bayer, Inc.
- BC Transit
- BDO Canada, LLP
- BMW Group Financial Services Canada
- Boardwalk Rental Communities
- Boeing Canada Operations Limited
- Bombardier Transport Canada, Inc.
- Bonduelle North America
- Brock University
- Brookfield Residential Properties, Inc.
- Bulk Barn Foods Limited
- Caa South Central Ontario
- Caisse de Dépôt Et Placement Du Québec
- Caisse de Dépôt Et Placement Du Québec - Otéra Capital, Inc.
- Calgary Co-Operative Association Limited
- Campbell Company of Canada
- Canada Bread Company, Ltd.
- Canada Post Corporation - Innovapost, Inc.
- Canada Post Corporation - Purolator, Inc.
- Canadian Air Transport Security Authority
- Canadian Association Of Petroleum Producers (CAPP)
- Canadian Blood Services
- Canadian Life And Health Insurance Association, Inc.
- Canadian Patient Safety Institute
- Canadian Tire Corporation, Limited - Canadian Tire Financial Services Limited
- Canadian Tire Corporation, Limited - Mark's Work Warehouse, Ltd.
- Canexus Corp.
- Carillion Canada, Inc.
- Cbc/Radio-Canada
- Cervus Equipment
- Chubb Insurance Company of Canada
- Cineplex Entertainment LP
- City of Ottawa
- Clean Harbors - Safety-Kleen Systems, Inc.
- Clean Harbors Canada
- Coast Capital Savings Credit Union
- Coca-Cola, Ltd.
- Communications Security Establishment Canada
- Conagra Foods Canada, Inc.
- Concordia University
- Constellation Brands, Inc. (Canada)
- CSA Group
- Cummins Canada Limited
- Danone, Inc.
- Diageo Canada, Inc.
- Dragados Canada, Inc.
- Eaton Corporation (Canada)
- Eli Lilly Canada, Inc.
- Epcor Utilities, Inc. - Epcor Technologies
- Epcor Utilities, Inc. - Epcor Water Services, Inc.
- Ernst & Young, LLP
- Estee Lauder Cosmetics, Ltd. (Canada)
- Exel Canada, Ltd.
- Export Development Canada
- F. Hoffmann La-Roche, Ltd.
- Federation Of Canadian Municipalities
- Gap, Inc.
- General Mills
- General Motors Financial Of Canada, Ltd.
- Genworth Financial
- Gilead Sciences Canada, Inc.
- Glaxosmithkline Canada, Inc.
- Glencore Canada Corporation
- Great Canadian Gaming Corporation
- Groupe Deschenes, Inc.
- H&M Hennes & Mauritz, Inc.
- Hatch, Ltd.
- Healthcare Insurance Reciprocal of Canada
- Healthcare of Ontario Pension Plan
- Heart and Stroke Foundation of Canada
- Holt Renfrew & Co., Ltd.
- Home Trust Company
- Hospital For Sick Children
- Husky Injection Molding Systems, Ltd.
- Iamgold Corporation
- Ikea Canada
- Imperial Tobacco Canada Limited
- Indigo Books & Music, Inc.
- Ineos Styrolution Canada Ltd.
- Insurance Corporation of British Columbia
- International Air Transport Association
- Invesco Trimark
- Ivari
- Jaguar Land Rover Canada ULC
- Johnson & Johnson, Inc.
- Johnson & Johnson, Inc. - Janssen, Inc.
- Johnson, Inc.
- JTI-Macdonald Corp.
- Kellogg Canada, Inc.
- Kimberly-Clark Corporation (Canada)
- KPMG, LLP
- Lassonde Industries, Inc.
- Lehigh Hanson, Inc. (Canada)
- Leon's Furniture, Ltd. - The Brick, Ltd.
- Liquor Control Board of Ontario (LCBO)
- Longo Brothers Fruit Markets, Inc.
- L'oreal Canada
- Lowe's Companies Canada, ULC
- Loyaltyone, Inc.
- Macewan University
- Mackenzie Financial Corporation
- Maersk Line Branch Canada
- Magna International, Inc. - Polycon Industries
- Manitoba Telecom Services, Inc.
- Mars Canada, Inc.
- Mccain Foods Limited - Mccain Foods Canada

Canadian Comparator Organizations (continued)

- McDonald's Restaurants of Canada Limited
- Medavie Blue Cross
- Meglobal Canada, Inc.
- Mercedes-Benz Financial Services Canada Corporation
- Merck Canada, Inc.
- Michaels Stores, Inc. (Canada)
- Mitsubishi Motor Sales of Canada, Inc.
- Mondelez Canada, Inc.
- Monsanto Canada, Inc.
- Mts Systems Corporation - Test Division
- National Energy Board
- Nav Canada
- Nestle Canada
- Nestle Canada - Confectionery
- Nestle Canada - Purina Petcare
- Nestle Canada - Waters
- New Gold, Inc.
- Nexans Canada, Inc.
- Nova Chemicals Corporation
- Ontario Hospital Association
- Ontario Lottery and Gaming Corporation
- Ontario Medical Association
- Ontario Public Service
- Oracle Canada ULC
- Oxford University Press - Canada
- Pfizer Canada, Inc.
- Philip Morris International, Inc. - Rothmans Benson & Hedges, Inc.
- Polyone Canada, Inc. - Distribution
- Polyone Canada, Inc. - Geon
- Praxair Canada, Inc.
- PriceWaterhouseCoopers, LLP
- PYH Canada, Inc. (Canada)
- Queen's University
- Regional Municipality of Durham
- Regional Municipality of Niagara
- Reitmans Canada, Ltd.
- Ritchie Bros. Auctioneers, Inc.
- Rockwell Automation Canada, Ltd.
- Royal & Sun Alliance Insurance Company of Canada
- Royal Ontario Museum
- Ryerson University
- Sanofi Pasteur Limited
- Sasktel
- Schlumberger Canada Ltd.
- Smucker Foods of Canada Corp.
- Sodexo Canada Limited
- Starbucks Coffee Canada, Inc.
- Taro Pharmaceuticals Inc.
- Tech Data Canada Corporation
- Technical Standards And Safety Authority
- Telesat Canada
- Teva Canada Limited
- Thales Canada, Inc.
- The Centre For Drug Research & Development
- The Church of Jesus Christ Of Latter-Day Saints
- The City of Calgary
- The Co-Operators Group Limited - Co-Operators Life Insurance
- The CSL Group, Inc.
- The Empire Life Insurance Company
- The Law Society of Upper Canada
- The Minto Group
- The Royal College of Physicians and Surgeons of Canada
- The War Amps
- The Woodbridge Group
- TMX Group, Ltd.
- Transcontinental, Inc. - Tc Transcontinental Media
- Transcontinental, Inc. - Tc Transcontinental Printing
- Travelers Insurance Company of Canada
- Treasury Board of Canada Secretariat
- Unilever Canada, Inc.
- United Farmers of Alberta Co-Operative Limited
- University Health Network
- University of British Columbia
- University of Calgary
- University of Toronto
- UPS Canada
- Value Village Stores, Ltd.
- Via Rail Canada, Inc.
- Western Canada Lottery Corporation
- Winpak Portion Packaging, Ltd.
- Workers' Compensation Board - Alberta
- Workplace Safety & Insurance Board
- WSP Canada, Inc.
- York University

SCHEDULE B
PUBLIC SECTOR COMPARATORS – BRITISH COLUMBIA
(MARCH 2019)

- | |
|--|
| <ul style="list-style-type: none"> • British Columbia Hydro and Power Authority • Insurance Corporation of British Columbia • B.C. Pavilion Corporation • British Columbia Securities Commission • University of British Columbia |
|--|

Results:

Maximum compensation data from public sector (British Columbia) comparators:

	Total Compensation (000's)
Chief Executive Officer	\$596
Chief Operating Officer ⁴	\$406
Chief Financial Officer	\$404

⁴ An appropriate match was not found for the Chief Operating Officer position and, accordingly, the maximum of the second highest paid positions in the comparator organizations or the Chief Financial Officer position was used as the comparator.