

## Compensation philosophy

*June 4, 2019*

The following disclosure statement presents the Vancouver Fraser Port Authority's executive compensation program. The statement includes information on the port authority's executive compensation governance, executive compensation philosophy, applicable processes used in determining compensation levels and the actual compensation paid to executives.

### Compensation governance

The Vancouver Fraser Port Authority's Human Resources and Compensation Committee is responsible for reviewing and recommending to the board of directors for approval: the executive compensation philosophy, the overall compensation provisions for the senior leadership team and the specific compensation plans for the president and chief executive officer.

### Compensation philosophy

The Vancouver Fraser Port Authority's compensation philosophy seeks to maintain an executive compensation program which aligns individual executive performance with the port authority's long-term business strategy and supports the achievement of the following objectives:

- maximize performance in accomplishing the port authority's annual business plan
- attract, motivate and retain executives with the skills and experience necessary to achieve the goals in the port authority's business plan and longer-term business strategies

Each executive's compensation is based on a combination of his or her individual performance coupled with the port authority's corporate performance, measured through the corporate scorecard, along with reference to relevant market compensation information.

### Process for benchmarking

The Human Resources and Compensation Committee regularly reviews the executive compensation philosophy and the terms of the individual executive plans. To conduct this work, the committee retains external compensation consultants to review and approve the continued efficacy of the executive compensation philosophy and to benchmark the port authority's executive compensation to the market.

The process commences with the committee working with the consultants to define appropriate comparator organizations. Subsequently, the consultants conduct a survey of the total compensation paid by the comparator organizations to positions comparable to those at the port authority, analyzes the findings and reports to the committee. This information, in combination with any internal equity considerations, is used to determine the

appropriate potential total compensation for each executive position, which includes a mix of base salary, incentive compensation, perquisites and benefits.

## **Selection of comparable organizations**

The Human Resources and Compensation Committee reviews and selects the comparator organizations, with input from external consultants and senior management. The comparator group is comprised of organizations similar to the port authority and/or with which the port authority competes for executives in the market, including: port/airport authorities, terminal operators/stevedoring companies, engineering/construction firms, crown corporations and organizations engaged in real estate development/management.

## **Market position and components of compensation**

The Vancouver Fraser Port Authority targets its salary range midpoints and salary range maximums for executives to be equal to the 50th percentile and 60th percentile of the comparator group, respectively, and targets the executive perquisites and employee benefits to be equal to the 60th percentile.

An annual executive incentive plan is provided which, through a combination of individual and corporate performance, provides a target percentile for an individual's salary and incentive pay at the 60th percentile with the potential to earn total compensation of up to the 75th percentile of that provided by comparator organizations.

The committee retains, and utilizes, discretion to compensate the president and chief executive officer outside of this range in appropriate instances based on specific recruitment and retention strategies.

## **Executive salaries**

Executive salary ranges are established with reference to the Vancouver Fraser Port Authority's noted target market position. Actual salaries are determined according to the executive's overall individual performance, skills and experience.

## **Incentive plans**

The Vancouver Fraser Port Authority's annual executive incentive plan is aligned with the business strategy of the port authority and its business plan; individual incentive payments are determined through a combination of individual performance and corporate performance measured through the corporate scorecard.

The annual incentive opportunity for the president and chief executive officer has a target bonus of 40 per cent and a maximum of 64 per cent of base salary. The annual incentive opportunity for the remaining executives ranges from either 30 per cent to 48 per cent or 35 per cent to 56 per cent of salary depending on the position. The president and chief executive officer also participates in a three-year, medium-term incentive plan where payouts are made at the end of three-year performance periods each with a target bonus of 20 per cent of base salary and with a maximum bonus of 40 per cent.

The Human Resources and Compensation Committee, in conjunction with the president and chief executive officer, establishes the targets for the medium-term incentive plans, for approval by the board of directors. These targets are designed to align the president and chief executive officer's work with the port authority's longer-term business strategies.

These medium-term incentive plans ensure alignment of individual and long-term corporate performance and provide the basis for an effective retention strategy.

Actual annual incentive awards are determined by a combination of individual and corporate performance. Individual performance is measured by the executive's performance relative to his or her pre-approved objectives which are directly aligned with the port authority's business and strategic priorities. Individual performance objectives are established by the president and chief executive officer and respective executives at the commencement of the fiscal year. These objectives are then reviewed and amended, if necessary, mid-year by the respective parties. At year-end, the president and chief executive officer provides a final review and rating assessment based upon executive performance.

The Human Resources and Compensation Committee has direct oversight of the annual incentive plan process and is regularly updated by the president and chief executive officer throughout. The committee reviews the president and chief executive officer's final assessment of the annual executive incentive plans and reports the results to the board of directors, which has overall responsibility for the program.

The board of directors also directly reviews the president and chief executive officer's performance at the first board meeting of the fiscal year to determine the appropriate rating for performance demonstrated by the president and the chief executive officer in the prior year.

## **Executive perquisites and employee benefits**

Executives at the Vancouver Fraser Port Authority are provided with the same structure of group benefit coverage available to all employees at the port authority, including life and disability insurance, medical, extended health, dental and a health spending account. Executives are also entitled to automobile benefits, financial planning and, in some cases, fitness and health club memberships.

## **Retirement plans**

The Vancouver Fraser Port Authority sponsors a number of retirement plans. Several of these plans relate to former port authorities, including the Fraser River, North Fraser, and Vancouver port authorities, which were amalgamated to form the Vancouver Fraser Port Authority in 2007, and are closed to new members. Details of the retirement plans are set out below.

### ***1. Defined benefit pension plans***

Employees hired by the former Vancouver Port Authority prior to March 1, 1999, and currently employed by the Vancouver Fraser Port Authority, are members of the Vancouver Port Authority defined benefit pension plan. Employees' contributions are four per cent of pensionable earnings up to the year's maximum pensionable earnings under the Canada pension plan, plus seven and a half per cent of pensionable earnings which are in excess of the year's maximum pensionable earnings. The amount of an employee's pension is based on two per cent of the average of the best five years of pensionable earnings (defined as salary and bonus) multiplied by credited years of service up to a maximum of 35 years. The annual pension payable is indexed based on increases in the Consumer Price Index.

Employees hired by the former North Fraser Port Authority, and currently employed by the Vancouver Fraser Port Authority with no break in service, are members of a defined benefit pension plan. Employees' contributions are five per cent of pensionable earnings. The

amount of an employee's pension is based on two per cent of the average of the best five years of pensionable earnings (defined as salary only) multiplied by credited years of service up to a maximum of 35 years.

The Vancouver Fraser Port Authority also provides a supplemental pension plan for all defined benefit pension plan members. The supplemental pension plan provides pension benefits in excess of the maximum permitted under the current tax rules which apply to the basic pension plans. The supplemental pension plan provides for employer and employee contributions, in accordance with the terms of each plan; the employer contributes the additional amounts required to provide the threshold benefit for each plan. The normal retirement age under the basic pension plans and the supplemental pension plan is 65. Members are eligible to retire with an unreduced pension when they have attained age 60 and completed at least two years of membership service or attained age 55 and have at least 30 years of membership service.

## **2. Defined contribution plans (group registered retirement savings plan and defined contribution pension plan)**

On March 1, 1999, the former Vancouver Port Authority ceased its participation in the federal superannuation plan; following that date, all employees hired became members of the Vancouver Fraser Port Authority's group registered retirement savings plan. Employees' contributions are from one per cent to seven per cent of annual earnings (defined as salary and bonus), with the Vancouver Fraser Port Authority making a matching contribution equal to the total required contributions of the employee.

Employees hired by the former Fraser River Port Authority on or before December 31, 2007, who became employees of the Vancouver Fraser Port Authority as a result of the port authority amalgamation, are members of the Fraser River Port Authority defined contribution pension plan. Employees' contributions are from five per cent to seven per cent of annual earnings (defined as salary and bonus), with the Vancouver Fraser Port Authority making a matching contribution equal to the total required contributions of the employee.

The Vancouver Fraser Port Authority also provides a supplemental non-registered savings plan for all employees who are members of the defined contribution plans, and are restricted by the registered retirement savings plan contribution limit. Analogous to the defined benefit supplemental pension plan, the defined contribution supplemental pension plan provides for an employer–employee match for contributions that are in excess of the maximum allowable as a deduction under the *Income Tax Act*. The port authority also contributes an additional amount equal to three dollars for every seven dollars combined for employee and employer contributions.

In addition, based on a review of competitiveness of the president and chief executive officer's pension arrangements in comparable organizations, the employer provides an additional lump sum annually to the supplemental non-registered savings plan on behalf of the president and chief executive officer with a gross up contribution of seven dollars for every nine dollars for this lump sum.

**Notes to consolidated financial statements**

Year ended December 31, 2018 (expressed in thousands of dollars)

		<b>2018</b>			
		Salaries and remuneration \$	Other Benefits \$	Post- employment benefits \$	Total \$
<b>Key management personnel</b>					
Case, Sandra	Officer & VP, People & Business Performance, Vancouver Fraser Port Authority	302	33	21	356
Corsie, Tom	Officer & VP, Real Estate, Vancouver Fraser Port Authority; President & Officer, CPC; Director, MSH	313	31	20	364
Pang, Victor	Officer, Chief Financial Officer, Vancouver Fraser Port Authority; Director & Officer, PoVV, PoVH, PoVE, PoVT; Director, Officer & Vice-President, CPC	365	37	25	427
Silvester, Robin	Officer, President & CEO, Vancouver Fraser Port Authority; President & CEO and Director & Officer of PoVV, PoVH, PoVE and PoVT	849	37	79	964
Stewart, Cliff	Officer & VP, Infrastructure, Vancouver Fraser Port Authority	365	35	25	424
Wilson, Duncan	Officer & VP, Environment, Community & Government Affairs, Vancouver Fraser Port Authority; Chair, CPC	302	27	20	350
Xotta, Peter	Officer & VP, Planning and Operations, Vancouver Fraser Port Authority	367	36	242	644
		<b>\$2,863</b>	<b>\$236</b>	<b>\$432</b>	<b>\$3,531</b>

Included in accounts payable and accrued liabilities was \$970,109 of wages, salaries and benefits due and payable to the key management personnel group as at December 31, 2018.

For the year ended December 31, 2018, total remuneration and benefits for key management personnel was \$3,530,618 [2017 - \$3,426,320].