

EXECUTIVE COMPENSATION PLAN
BRITISH COLUMBIA FERRY SERVICES INC.
(SEPTEMBER 2016)

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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 October 2011 (the “Original Plan”) which outlined the plan for future Executive Officers of British Columbia Ferry Services Inc. (“BCFS” or the “Company”)¹. BCFA has elected to replace the Original Plan with this Executive Compensation Plan (the “Plan”) to set out the methodology by which the remuneration for future Executive Officers of the Company that is set or changed after the effective date of the Plan, September 1, 2016, 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.
- “Incentive Plan” means any plan providing compensation that depends on achieving certain performance goals within a specified period.
- “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.

¹ Applicable to individuals who are newly hired or newly appointed to BCFS Executive Officer positions on or after October 1, 2011.

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 incentive 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 incentive 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 identifies median (50th percentile) compensation of Canadian comparator companies. A list of the organizations used in and the results from this review 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 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. While these organizations are considered the best provincial public sector employer comparators in terms of size and complexity of operations, 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 the commercial crown corporations only, as these organizations are viewed as being the most directly comparable in terms of the nature of services provided.

It should be noted that the list of crown corporation comparators is limited. 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:

- **Base Salary** - Base salary is provided in equal bi-weekly payments.
- **Incentive Plan** - Incentive plan payments are determined by the Board of BCFS and paid once per year, based on a review of incentive targets and the evaluation of results for the preceding fiscal year.
- **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 base 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 September 2016) of the total compensation that is expected to be paid to future Executive Officers of BCFS² whose remuneration is set or changed after September 1, 2016, 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 a future 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 future 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 Original Plan shall continue to be governed by the Original Plan until their remuneration is set or changed after September 1, 2016, the effective date of the Plan.

Table 1: Summary of Total Compensation

		Total Compensation
		(000's)
Chief Executive Officer	Estimate	\$495
Chief Operating Officer	Estimate	\$489
Chief Financial Officer	Estimate	\$482

² The Plan envisages a future 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
(SEPTEMBER 2016)

Results

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

	Direct Compensation ³	Total Compensation ⁴
	(000's)	
Chief Executive Officer	\$646	\$770
Chief Operating Officer	\$388	\$477
Chief Financial Officer	\$400	\$482

The list of comparator organizations (n=221) follows.

³ Survey data reflects direct (cash) compensation¹ and excludes benefits, pension, SERP, perquisites, stock options and other long term incentive pay.

⁴ Survey data reflects direct (cash) compensation plus an estimate for benefits, pension, SERP, and perquisites of 30% of base salary. Stock options and other long term incentive pay is excluded.

Canadian Comparator Organizations

- | | |
|--|--|
| <ul style="list-style-type: none"> • Abbott Laboratories Limited - Abbott Vascular • AbbVie, Inc. (Canada) • ABSA • AECOM Technology Corporation (Canada) • Aecon Group, Inc. - Aecon Infrastructure • Aecon Group, Inc. - Aecon Mining • AGF Management Limited • Agropur Cooperative - Cheese & Ingredient Div. • Alberta Electric System Operator • 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 • Aramark Canada, Ltd. • ATCO Group - ATCO Structures & Logistics • Atomic Energy of Canada Limited - Canadian Nuclear Laboratories • ATS Automation Tooling Systems, Inc. • Baxter Corporation • BC Transit • BDO Canada, LLP • Boardwalk Rental Communities • Boeing Canada Operations Limited • BOMBARDIER TRANSPORT CANADA, Inc. • Bonduelle North America • British Columbia's Children's Hospital Foundation • Brookfield Residential Properties, Inc. • Bulk Barn Foods Limited • C.S.T. Consultants, Inc. • CAA South Central Ontario • Caisse de depot et placement du Quebec • Caisse de depot et placement du Quebec - Ivanhoe Cambridge, Inc. • Caisse de depot et placement du Quebec - Otera Capital • Calgary Airport Authority • Calgary Co-operative Association Limited • Campbell Company of Canada • Canada Bread Company, Ltd. • Canada Post Corporation - Purolator, Inc. • Canadian Air Transport Security Authority • Canadian Association of Petroleum Producers • Canadian Blood Services • Canadian Life and Health Insurance Assn., Inc. • Canadian Patient Safety Institute • Canadian Tire Corporation, Limited - Canadian Tire Financial Services Limited • Canadian Tire Corporation, Limited - Mark's Work Wearhouse, Ltd. • Canexus Corp. • Canfor Corp. - Canfor Pulp Products, Inc. | <ul style="list-style-type: none"> • Capstone Mining Corp. • Casino Niagara • CBC/Radio-Canada • CEDA International Corporation • Centerra Gold, Inc. • Cervus Equipment • CFIB (Canadian Federation of Independent Business) • CH2M HILL Canada Limited • Chubb Insurance Company of Canada • Cineplex Entertainment LP • City of Ottawa • City of Richmond • City of Vancouver • Clean Harbors Canada • Coast Capital Savings Credit Union • Colgate-Palmolive Canada, Inc. • Communications Security Establishment Canada • ConAgra Foods Canada, Inc. • Concordia University • Constellation Brands, Inc. (Canada) • Corix • Croix bleue Canassurance • CSA Group • Danone, Inc. • Diageo Canada, Inc. • Eli Lilly Canada, Inc. • Energizer Canada, Inc. • EPCOR Utilities, Inc. - EPCOR Technologies • EPCOR Utilities, Inc. - EPCOR Water Services Inc. • Ernst & Young, LLP • Estee Lauder Cosmetics, Ltd. (Canada) • Exel • F. Hoffmann La-Roche, Ltd. • Farm Credit Canada • Federation of Canadian Municipalities • FedEx Express Canada, Ltd. • Four Seasons Hotels and Resorts • Gap, Inc. • General Dynamics Land Systems - Canada • General Mills • Genworth Financial • Gibson Energy - Truck Transportation • Gilead Sciences Canada, Inc. • GlaxoSmithKline Canada, Inc. • Golder Associates Corporation (GAC) - Golder Associates, Ltd. (GAL) • Great Canadian Gaming Corporation • GROWMARK, Inc. • Hatch, Ltd. • Healthcare Insurance Reciprocal of Canada • Healthcare of Ontario Pension Plan • High Liner Foods, Inc. • Home Trust Company • Hospital for Sick Children • Iamgold Corporation |
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Canadian Comparator Organizations (continued)

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|---|--|
| • IKEA Canada | • Philip Morris International, Inc. - Rothmans Benson & Hedges, Inc. |
| • Imperial Tobacco Canada Limited | • PolyOne Canada, Inc. - Designed Structures and Solutions |
| • Indigo Books & Music, Inc. | • PolyOne Canada, Inc. - Distribution |
| • Insurance Corporation of British Columbia | • PolyOne Canada, Inc. - Geon |
| • Invesco Trimark | • PricewaterhouseCoopers, LLP |
| • Jaguar Land Rover Canada ULC | • PVH Canada, Inc. (Canada) |
| • Johnson & Johnson, Inc. | • Queen's University |
| • Johnson, Inc. | • Reitmans Canada, Ltd. |
| • JTI-Macdonald Corp. | • RioCan Real Estate Investment Trust |
| • KBR, Inc. | • Ritchie Bros. Auctioneers, Inc. |
| • Kimberly-Clark Corporation (Canada) | • Rockwell Automation, Inc. (Canada) |
| • KPMG, LLP | • Royal Ontario Museum |
| • LANXESS, Inc. | • Ryerson University |
| • Lehigh Hanson, Inc. (Canada) | • Safety-Kleen Systems, Inc. |
| • Leons Furniture, Ltd. - The Brick, Ltd. | • Sandoz Canada, Inc. |
| • LG Electronics Canada, Inc. | • Sanofi Pasteur Limited |
| • Linamar Corporation - Skyjack, Inc. | • Saskatchewan Blue Cross |
| • Liquor Control Board of Ontario (LCBO) | • SaskTel |
| • Longo Brothers Fruit Markets, Inc. | • Schlumberger Canada |
| • Lowe's Companies Canada, ULC | • Simon Fraser University |
| • Mackenzie Financial Corporation | • SMART Technologies |
| • Magna International, Inc. - Magna Exteriors and Interiors International, Inc. | • Smucker Foods of Canada Corp. |
| • Manitoba Telecom Services, Inc. - Allstream Inc. | • Societe des Alcools du Quebec |
| • Mars Canada, Inc. | • StandardAero - A&F Sector |
| • McCain Foods Limited - McCain Foods Canada | • StandardAero - G&M Sector |
| • Medtronic of Canada, Ltd. | • Starbucks Coffee Canada, Inc. |
| • MEGlobal Canada, Inc. | • Telesat Canada |
| • Mercedes-Benz Financial Services Canada Corp | • Tenaris - Algomatubes, Inc. |
| • Merck Canada, Inc. | • Tenaris Global Services (Canada), Inc. |
| • Mitsubishi Motor Sales of Canada, Inc. | • Teva Canada Limited |
| • Mondelez Canada, Inc. | • Textron Canada |
| • Moneris Solutions Corporation | • Thales Canada, Inc. |
| • Monsanto Canada, Inc. | • The Calgary Board of Education |
| • National Energy Board | • The Canadian Real Estate Association |
| • NAV CANADA | • The Church of Jesus Christ of Latter-day Saints |
| • Nestle Canada | • The City of Calgary |
| • Nestle Canada - Purina PetCare | • The CSL Group, Inc. |
| • Nestle Canada - Waters | • The Law Society of Upper Canada |
| • New Gold, Inc. | • The North West Company, Inc. |
| • Newalta Corporation | • The War Amps |
| • Nexans Canada, Inc. | • The Woodbridge Group |
| • Nova Bus, Inc. | • Toyota Boshoku Canada, Inc. |
| • NOVA Chemicals Corporation | • Toys "R" Us Canada, Ltd. |
| • Novartis Pharmaceuticals Canada, Inc. | • Transamerica Life Canada |
| • Ontario Hospital Association | • Travelers Insurance Company of Canada |
| • Ontario Lottery and Gaming Corporation | • Treasury Board of Canada Secretariat |
| • Ontario Medical Association | • UAP, Inc. (United Auto Parts) |
| • Ontario Public Service | • Unilever Canada, Inc. |
| • Ontario Securities Commission | • University Health Network |
| • Oracle Canada ULC | • University of British Columbia |
| • Panasonic Canada, Inc. | • University of Calgary |
| • Pfizer Canada, Inc. | • UPS Canada |
| • Pharmascience, Inc. | • Value Village Stores, Ltd. |
| • Philips Electronics, Ltd. | |

Canadian Comparator Organizations (continued)

- VIA Rail Canada, Inc.
- Waste Management, Inc. (Canada)
- Western Canada Lottery Corporation
- WinSport
- Workers' Compensation Board - Alberta
- Workplace Safety & Insurance Board
- WSP Canada, Inc.
- Xerox Canada, Ltd.
- York University

SCHEDULE B
PUBLIC SECTOR COMPARATORS – BRITISH COLUMBIA
(SEPTEMBER 2016)

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| <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 |
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Results:

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

	Total Compensation (000's)
Chief Executive Officer	\$495
Chief Operating Officer ⁵	\$489
Chief Financial Officer	\$482

⁵ 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.