

**DIRECTORS' COMPENSATION PLAN**  
**BRITISH COLUMBIA FERRY SERVICES INC.**  
**(SEPTEMBER 2010)**

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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 a compensation plan for Directors of British Columbia Ferry Services Inc. (“BCFS” or the “Company”), including the methodology by which the remuneration<sup>1</sup> for Directors is determined. BCFA has met this requirement by preparing and posting this document on its website ([www.bcferryauthority.com](http://www.bcferryauthority.com)).

**2.0 GOVERNANCE**

The Directors’ Compensation Plan (the “Plan”) is established effective October 1, 2010, and may be amended from time to time by BCFA. BCFS administers Director remuneration within the parameters of the Plan.

**3.0 BUSINESS DRIVERS FOR DIRECTOR REMUNERATION**

The philosophy for the remuneration of Directors of BCFS aligns with the Company’s vision, mission, and strategic mandate, and supports its business requirements. The corporate objectives include:

- 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.

The Directors are stewards of BCFS. They have overall responsibility to determine the strategy of BCFS, and to oversee the conduct of the business, supervise management, and endeavour to ensure that all major issues affecting the business and affairs of BCFS are given proper consideration. As a member of the Board of Directors of BCFS, each Director’s responsibilities include:

- fulfilling the legal requirements and obligations of a Director, which include an understanding of the statutory and fiduciary roles of a Director,

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<sup>1</sup> “remuneration” refers to all money and benefits, provided or available to a person in return for the person performing or agreeing to perform services as a director of BCFS.

- satisfying the governance obligations and processes of the Company, ensuring the best interests of BCFS are paramount,
- establishing and approving the strategy for BCFS,
- appointing and replacing the President & Chief Executive Officer of BCFS and monitoring his/her performance, and
- participating in the review and approval of key BCFS policies and strategies, and in monitoring their implementation.

The remuneration framework for Directors of BCFS has been developed to facilitate the attraction and retention of high calibre, experienced directors with the skills and expertise necessary to ensure that the foregoing responsibilities of the Board of Directors of BCFS are appropriately carried out, while providing advice and assistance to management, as required.

#### **4.0 DIRECTOR REMUNERATION PHILOSOPHY**

The remuneration framework for Directors of BCFS is intended to:

- support the attraction and retention of high calibre directors that have the skills, experience, and expertise needed to oversee the operation of BCFS in an efficient and cost effective manner,
- provide remuneration at levels reflective of Director responsibility and potential liability,
- recognize that BCFS is a “reporting issuer” under Canadian securities laws with attendant statutory and regulatory obligations, and potential liabilities,
- pay differentially higher remuneration for higher levels of Board related work and responsibility,
- establish remuneration in a way that is transparent, objective, and compliant with the *Coastal Ferry Act*, and
- recognize that BCFS is not a Crown corporation and the Directors do not have the indemnity afforded to Crown corporations.

#### **5.0 TOTAL REMUNERATION**

The Director compensation provisions described in the Plan have been reviewed, compared, and established on the basis of total remuneration. This allows for comparison with other organizations, which may provide different forms of remuneration to their Directors.

## **6.0 BENCHMARKING AND COMPARABILITY**

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

### **6.1 Canadian Comparators**

Remuneration provided to Directors who are in organizations in Canada that are of a similar size and scope to BCFS was reviewed. These organizations include public sector entities and mid-sized, publicly traded companies. The review identified median (50<sup>th</sup> percentile) total remuneration for Directors of the comparator group of organizations, based on an illustrative Board member profile<sup>2</sup>.

The review was conducted by an independent compensation consultant and a list of the organizations used can be found at Schedule A.

### **6.2 Public Sector Comparators – British Columbia**

In order to ensure that the remuneration of BCFS Directors is not greater than remuneration that provincial public sector organizations in British Columbia provide to their Directors, as required by the *Coastal Ferry Act*, the Plan further benchmarks its Director remuneration against public sector comparator companies in British Columbia. Some of these public sector comparator companies are included in the group of Canadian comparators described in Part 6.1. At September 2010, TransLink is considered to be the best comparator of provincial public sector organizations, given its transportation focus, governance structure, and scope of operation and, accordingly, its compensation plan for Directors is used as the public sector benchmark for remuneration of BCFS Directors.

The BCFA Board may, from time to time, in its sole discretion, and without amending the Plan or any schedule thereto: change the organizations referred to in Part 6.1 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 change the organizations referred to in Part 6.2 so that the organizations used as comparators will be comprised of provincial public sector organizations in British Columbia.

## **7.0 ELEMENTS OF DIRECTOR REMUNERATION**

The remuneration of BCFS Directors effective October 1, 2010, is set out in Table 1. The BCFA Board may, from time to time, in its sole discretion, and without changing the Plan, change the remuneration values and components thereof set out in Table 1 in accordance with the Plan, as the remuneration that organizations in Canada that are of a similar size and scope to BCFS provide to their Directors changes, subject always to the requirement that the remuneration for BCFS Directors will be set at levels not greater than that provided by provincial public sector organizations in British Columbia to their Directors at the time of determination.

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<sup>2</sup> The profile assumes a Board member who is a member of one (non-Audit & Finance) Board Committee, attends six full day Board meetings and four full day Committee meetings (which occur on separate days and for which no travel fees are paid).

**Table 1: Director Remuneration**

<b>ANNUAL RETAINERS</b>	
Board Chair Retainer <sup>1</sup>	\$100,000
Board Member Retainers:	
Base Retainer (all Directors excluding Board Chair)	\$ 25,000
Vice Chair Retainer	\$ 8,000
Audit & Finance Committee Chair Retainer	\$ 8,000
Other Committee Chair Retainer	\$ 5,000
Committee Member Retainer <sup>2</sup>	\$ 3,000
<b>PER DIEM FEES <sup>3</sup></b>	
Board Member Fees (all Directors excluding Board Chair)	Up to \$1,200 per day

**Notes to Table 1:**

1. The annual retainer for the Board Chair is for all services performed in connection with his/her appointment. No other retainers or per diem fees are provided.
2. A Committee member retainer is not provided to the Chair of that Committee.
3. Per diem fees are paid to Directors, including the Vice Chair of the Board, in accordance with the following guidelines:
  - a. Directors are paid per diems for attendance at Board and Committee meetings, and orientation and strategy sessions.
  - b. The Board Chair or Committee Chair, as the case may be, determines whether a meeting is a full meeting (\$1,200 fee) or a half meeting (\$600 fee). Such determination is made in consideration of the amount of preparation required and the length of the meeting.
  - c. No per diems are paid for meetings that are a continuation of the original meeting, where such continuation was not planned or scheduled.
  - d. No per diems are paid for meeting preparation, short distance travel, attendance at BCFS sponsored events, or other discussions with management.
  - e. When attending a meeting on BCFS business at the request of the Board Chair, Directors are paid per diems of \$1,200 for a full meeting or \$600 for a short meeting, as determined by the Board Chair.
  - f. Directors are expected to attend Board meetings in person. However, in exceptional circumstances, where a Director is unable to attend in person, a Director may attend a meeting by means of any telephonic, electronic, or other communications facility that permits all persons participating in the meeting to communicate adequately with each other. Directors participating in a meeting in this manner are paid per diems in accordance with paragraph 3.e., above.
  - g. Travel time to attend Board or Committee meetings is paid in the amount of \$1,200 for travel more than four hours and \$600 for travel up to four hours.
  - h. Directors cannot earn per diems of more than \$1,200 per day.
4. A ferry travel pass is provided to Directors, including the Chair of the Board, and eligible members of their respective immediate families, that provides for complimentary vehicle and personal travel on BCFS vessels.

**SCHEDULE A**

**LIST OF CANADIAN COMPARATORS**

**(SEPTEMBER 2010)**

Comparator Group: 26 Organizations	
Public Sector Organizations	Mid Sized Publicly Traded Companies
EPCOR Farm Credit Canada Hydro One Hydro Quebec OPG SaskEnergy SaskTel Vancouver Airport Authority BC Hydro TransLink	Ainsworth Lumber Company Andrew Peller The Brick Income Fund Canfor Corporation Catalyst Paper Corporation Davis+Henderson Income Fund Emera Inc. Imax Corporation International Forest Products Norboard Industries The North West Company Prizm Canadian Income Fund Reitmans (Canada) Limited TimberWest Forest Corporation West Fraser Timber Corporation Western Forest Products Inc.

Board member remuneration data for the comparator group at the median (50<sup>th</sup> percentile) level, as compared to remuneration for BCFS Board members under the Plan, is set out below. The data is based on a Board member profile, which assumes a Board member who is a member of one (non-Audit & Finance) Board Committee, attends six full day Board meetings and four full day Committee meetings (which occur on separate days and for which no travel fees are paid).

Board Member Remuneration (based on above profile)	
Comparator Group Median (50 <sup>th</sup> percentile) Compensation Data	\$42,509
BCFS	\$40,000