



## **EXECUTIVE COMPENSATION**

The following presents Port Metro Vancouver's ("PMV") executive compensation program. It includes information on PMV's executive compensation governance, executive compensation philosophy, the processes used in determining compensation and the actual compensation paid to executives for 2014.

### **Compensation Governance**

The Human Resources and Compensation Committee ("HRCC") 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 & Chief Executive Officer ("CEO").

### **Compensation Philosophy**

PMV wishes to maintain an executive compensation program which aligns individual executive performance with PMV's long term business strategy and supports the achievement of the following objectives:

- ◆ to maximize performance in accomplishing PMV's annual Business Plan; and
- ◆ to attract, motivate and retain executives with the skills and experience necessary to achieve the goals in PMV's Business Plan and PMV's longer term business strategies.

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

### **Process For Benchmarking**

The HRCC regularly reviews PMV's executive compensation philosophy and the terms of the individual executive plans. To conduct this work, HRCC retains external compensation consultants to review and approve the continued efficacy of PMV's executive compensation philosophy and to benchmark PMV's executive compensation to the market. The process commences with the HRCC 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 PMV, analyzes the findings and reports to the HRCC. 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 Comparator Organizations**

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

## **Market Position & Components of Compensation**

PMV targets its salary range midpoints and salary range maximums for executives to be equal to the 50<sup>th</sup> percentile and 60<sup>th</sup> percentile of the comparator group, respectively, and targets the executive perquisites and employee benefits to be equal to the 60<sup>th</sup> percentile. An annual incentive plan is provided which, through a combination of individual and corporate performance, could permit an executive to earn total compensation of up to the 75<sup>th</sup> percentile of that provided by comparator organizations.

### **Executive Salaries**

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

### **Annual Incentive Plan**

PMV's annual executive incentive plan is aligned with the business strategy of PMV and its Business Plan and 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 CEO has a target bonus of 40% and a maximum of 64% of base salary, while the incentive opportunity for the remaining executives ranges from either 30% to 48% or 35% to 56% of salary depending on the position. The CEO 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% of base salary and with a maximum bonus of 40%. The HRCC, in conjunction with the CEO, establishes the targets for the medium term incentive plan, for approval by the Board. These targets are designed to align the CEO's work with PMV'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. The first medium term incentive bonus cycle concluded at the end of 2013 and will be reflected in the 2014 compensation reporting.

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 PMV's business and strategic priorities. Individual performance objectives are established by the CEO 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 CEO provides a final review and rating assessment based upon executive performance.

The HRCC has direct oversight of the annual incentive plan process and is regularly updated by the CEO throughout. The HRCC then, in turn, recommends approval of the incentive plans and the final results to the Board of Directors which has overall responsibility for the program. The Board of Directors also directly reviews the CEO's performance at the first Board meeting of the fiscal year to determine the appropriate rating for performance demonstrated by the CEO in the prior year.

### **Executive Perquisites & Employee Benefits**

Executives at PMV are provided with the same structure of group benefit coverage available to all employees at PMV, 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**

PMV sponsors a number of retirement plans. Several of these plans relate to the port authorities which were merged to form Port Metro Vancouver, and are closed to new members. Details of the retirement plans are set out below.

## **1. Defined Benefit Pension Plans**

Employees hired by the Vancouver Port Authority (“VPA”) prior to March 1, 1999 are members of the VPA Defined Benefit Pension Plan. Employees’ contributions are 4.0% of pensionable earnings up to the Year’s Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan; plus 7.5% of pensionable earnings which are in excess of the YMPE. The amount of an employee’s pension is based on 2% 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 North Fraser Port Authority and currently employed by PMV with no break in service, are members of a Defined Benefit Pension Plan. Employees’ contributions are 5.0% of pensionable earnings. The amount of an employee’s pension is based on 2% 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.

PMV 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 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)**

Employees hired by VFPA after 1999 are members of PMV’s Group Registered Retirement Savings Plan. Employees’ contributions are from 1% to 7% of annual earnings (defined as salary and bonus), with PMV making a matching contribution equal to the total required contributions of the employee.

Employees hired by the Fraser River Port Authority (“FRPA”) on or before December 31, 2007, who joined PMV as a result of amalgamation of port authorities, are members of the FRPA Defined Contribution Pension Plan. Employees’ contributions are from 5% to 7% of annual earnings (defined as salary and bonus), with PMV making a matching contribution equal to the total required contributions of the employee.

PMV 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. Employees’ contributions to the plan and those of PMV represent those contributions made according to the provisions of the savings plan that are in excess of the maximum amounts allowable as a deduction under the Income Tax Act. PMV contributes an amount equal to \$3 for every \$7 combined employee and employer contributions. In addition, based on a review of competitiveness of CEO pension arrangements in comparison organizations, a lump sum is annually paid to an RRSP on behalf of the CEO.

**2014 Calendar Year Cash Based Remuneration Information**

December 31, 2014		<b>Total Remuneration</b>	<b>Total Benefits</b>	<b>Total Retirement Contribution</b>	<b>Total*</b>
		\$	\$	\$	\$
<b>Key management personnel</b>					
Baydala, Allan	Officer, Chief Financial Officer, VFPA; Director & Officer, PMV Ventures, PMV Holdings, PMV Enterprises, North Fraser Terminals Inc. and Canada Place Corporation	352	34	38	424
Case, Sandra	VP, Human Resources & Labour Relations	199	22	9	230
Corsie, Tom	VP, Real Estate, VFPA; President, Canada Place Corporation & Director, Marine Safety Holdings	263	32	18	313
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PMV Ventures, PMV Holdings, PMV Enterprises and North Fraser Terminals Inc.	796	38	74	908
Stewart, Cliff	VP, Infrastructure	324	34	22	380
Wilson, Duncan	VP, Corporate Social Responsibility	257	31	18	306
Xotta, Peter	VP, Planning & Operations	320	34	142	496
		<b>2,511</b>	<b>225</b>	<b>321</b>	<b>3,057</b>

\* Total remuneration and benefits for key management personnel totalled \$3,057,000 in 2014 compared to \$2,829,000 in 2013.