

Disclosure statement

Executive team compensation

Compensation philosophy

The following disclosure statement presents the Vancouver Fraser Port Authority's ("the port authority") 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.

In developing and assessing the compensation philosophy for the port authority, the board of directors (the "board") considers the role of the organization in the larger Canadian trade agenda:

- The Port of Vancouver is by far the largest port in Canada (roughly the size of the next five largest ports in Canada added together) and one of the top 30 ports worldwide by tonnage handled. It enables annual trade of more than \$200 billion in goods with more than 170 trading economies and enables more than 100,000 supply chain related jobs.
- The port authority's role enables Canada's trade. Trade is key to Canada's economic development by connecting Canada globally.
- At arm's length to the government, the port authority is financially independent and governed by an independent board
- The port authority operates in a commercial market environment similar to its private sector clients (transportation companies, terminal operators, commodity producers), suppliers (rail roads, land-transportation companies) and competitors (other North American ports)
- Through its asset base, the port authority is a major real estate developer and owner, managing the largest industrial land portfolio in the Lower Mainland of B.C.

Compensation governance

The port authority's human resources, compensation and safety committee (the "committee") of the board is responsible for reviewing and recommending to the board for approval: the executive compensation philosophy, the overall compensation provisions for the senior leadership team, and the specific compensation plans for the president and CEO. All members of the board are independent of management.

In conducting its mandate, the committee meets six times per year and each meeting includes an in-camera session. The committee considers the advice of an independent compensation advisor to provide guidance and support with developing recommendations to the board for approval.

In 2017, the committee engaged an independent compensation advisor to support the port authority with a review of its approach to executive compensation. The compensation review resulted in refinement of the compensation philosophy and programs to align further with market and best practice, and to increase the effectiveness of the programs by focusing on simplification and aligning realizable compensation with successful execution of the strategic plan. The review focused on the following:

- identifying the market for executive talent (determining peer group/data sets in consideration of the port's size and complexity, both in Canada and globally); and,

- determining an appropriate pay level including a review of the pay mix (e.g. fixed vs. variable) and the alignment of pay with performance through adjustments to the incentive plans.

As a result of this review, the following changes were implemented for effect in 2019/2020:

- revision to the short-term incentive plan targets and metrics;
- revision to the medium-term incentive plan; and,
- shifting compensation value away from pension and other guaranteed perquisites and toward incentives to further align compensation paid to the executives with corporate performance.

Compensation philosophy

The 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; and,
- 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.

The port authority considers a broad market for executive talent to reflect the skills and experience required to execute on the strategic plan and effectively operate the port authority, including an understanding of international affairs and global economics, environmental and sustainability management, legal and regulatory management, public accountability, infrastructure development, as well as stakeholder, government and Indigenous engagement. These skills and experience are beyond typical industry experience found in Canada.

Each executive's compensation is weighted towards variable and at risk pay based on a combination of their individual performance and the port authority's corporate performance, measured through the executive annual short-term incentive plan and medium-term incentive plan programs.

Process for benchmarking

The human resources, compensation and safety committee regularly reviews the executive compensation philosophy and the terms of the individual executive plans. In 2018 and 2019, the independent compensation advisors reviewed the compensation philosophy to confirm its continued efficacy and benchmarked the port authority's executive compensation to the market.

The committee worked with the independent compensation advisors to define appropriate comparator organizations. Subsequently, the advisors conducted a survey of the total compensation paid by the comparator organizations to positions comparable to those at the port authority and analyzed the findings. This information, in combination with any role specific information relative to the benchmark, was used to determine the appropriate target total compensation for each executive position, which includes a mix of base salary, incentive compensation, and benefits. Target total compensation position is based on experience and individual performance.

Selection of comparable organizations

The committee and the board reviewed and selected the comparator organizations with input from the independent compensation advisors 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.

In 2019, the peer comparator group was reviewed to confirm that the approach to include a mix of commercial public sector organizations (large and nationally/provincially relevant federal agencies, and crown corporations that compete for talent with the private sector and where pay data is publicly available, and US ports) and private sector organizations (comparably sized organizations where pay data is publicly available in the infrastructure, construction, real estate, and utilities sectors) continues to be appropriate considering the complexity of the port authority's jurisdiction and operations, as well as the relative market for talent.

The committee and the board reviewed the constituents of the comparator group and evaluated the weighting of public and private sector (publicly traded) companies within the peer data, and determined that it is appropriate to continue to weight the comparator group to the public sector.

Market position and components of compensation

The port authority's targets executive base salary at median of the comparator group. Effective 2019, target total direct compensation is also targeted at median, with most of the compensation provided through variable and at-risk incentives. Target total direct compensation may deviate from median at times in consideration of individual experience and performance.

While total compensation is targeted at median, the annual short-term incentive plan and medium-term incentive plan provide the opportunity for realizable compensation to vary from median, commensurate with performance.

Executive salaries

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

Incentive plans

Executives of the port authority are eligible to participate in the annual executive short-term incentive plan and the medium-term incentive plan.

The committee, with input from the president and CEO, establishes the targets and corresponding metrics on an annual basis for both the executive annual short-term incentive plan and medium-term incentive plan, for approval by the board of directors. These targets are developed from the annual business plan and medium-term strategic plans (short and long-term to align realized executive compensation with successful execution of the strategic plans).

The annual executive short-term incentive plan is aligned with the 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 and annual performance goals. Corporate performance is based on a mix of financial and strategic (customers, operations, environment, etc.) metrics.

The committee, with input from president and CEO, establishes individual performance objectives for the president and CEO on an annual basis. The president and CEO determines the individual objectives for the other executive roles, in conjunction with the respective executive, to ensure alignment to the corporate objectives and individual objectives of the president and CEO. At year-end, the committee reviews the performance of the president and CEO to determine the appropriate rating for performance demonstrated in the prior year and provides a recommendation to the board for their consideration and approval at the first board meeting of the fiscal year. The president and CEO reviews the performance of other executives.

The medium-term incentive plan (3-year vesting provision) aligns executive compensation with the completion of longer-term initiatives (such as gateway infrastructure development and delivery, long-term supply chain optimization, land planning, etc.) that are critical to executing on the port authority's strategic plan. The medium-term incentive plan is entirely based on corporate performance and was revised in 2019 to ensure realizable compensation is aligned with the successful completion of the long-term initiatives that drive corporate and gateway performance.

The medium-term incentive plan is entirely based on the achievement of corporate objectives. For 2019, the medium-term incentive plan objectives were based on progress in major gateway infrastructure programs and projects. In addition to aligning realizable compensation with completion of strategic milestones, the medium-term incentive plan provides the basis for an effective retention strategy as the tranches vest and pay out three years following the date of grant.

The committee has direct oversight of the incentive plan process and is regularly updated by the president and CEO on the interim performance of the outstanding incentive plans. The committee reviews the president and CEO's assessment of the annual short-term and medium-term incentive plans performance and reports the results to the board, which has overall responsibility for the program.

Employee benefits

Executives at the 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.

Retirement plans

In alignment with the revised compensation philosophy, the port authority has amended eligibility and availability of executive retirement plans to ensure cost/liability management and to transition some value formerly accounted for in pension plans to performance-based incentives.

While no longer open to new entrants, the port authority sponsors a number of legacy 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. One of the current executive team is a member of this plan. Employees' contributions are 4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada pension plan, plus 7.5% of pensionable earnings which are in excess of the year's maximum 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 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.

The Vancouver Fraser Port Authority also provides a supplemental pension plan for 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 the 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 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 1% to 7% of annual earnings (defined as salary and incentive payments), with the Vancouver Fraser Port Authority making a matching contribution equal to the total contributions of the employee.

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Employees hired by the former Fraser River Port Authority on or before December 31, 2007, who became employees of the port authority as a result of the port authority's amalgamation, are members of the Fraser River Port Authority defined contribution pension plan. Employees' contributions are from 5% to 7% 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 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. 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.

2019 actual compensation paid to executives (extracted from the 2019 financial statements)

Notes to consolidated financial statements

Year ended December 31, 2019 (expressed in thousands of dollars)

		Salaries and remuneration	Other benefits	Post-employment benefits	Total
Key management personnel					
Case, Sandra	Officer & VP, People & Business Performance, VFPA	320	36	21	377
Corsie, Tom	Officer & VP, Real Estate, VFPA; President & Officer, CPC; Director, MSH	323	33	22	378
Pang, Victor	Officer, Chief Financial Officer, VFPA; Director & Officer, PoVV, PoVH, PoVE, PoVT; Director, Officer & Vice-President, CPC	400	42	25	467
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PoVV, PoVH, PoVE and PoVT	1,046	39	82	1,167
Stewart, Cliff	Officer & VP, Infrastructure, VFPA	400	33	25	458
Wilson, Duncan	Officer & VP, Corporate Social Responsibility, VFPA; Chair, CPC	329	31	21	381
Xotta, Peter	Officer & VP, Planning & Operations, VFPA	402	36	228	666
		3,220	250	424	3,894

For the year ended December 31, 2019, total remuneration and benefits for key management personnel was \$3,894,208 (2018 – \$3,530,618).