

## **Forestry Innovation Investment Ltd.**

### **Executive Compensation Report for 2011/12**

#### **Background**

Forestry Innovation Investment Ltd. (FII) is a Provincial Crown corporation with a mandate to improve British Columbia's position as a preferred global supplier of world-class, environmentally friendly forest products. It does this primarily through supporting the work that forest industry trade associations do in North America, Asia and Europe, as well as through activities delivered by FII staff in Vancouver and the staff of a subsidiary company in China.

#### **Compensation Philosophy**

FII is a relatively small service-delivery agency in which each position is unique. Attracting and retaining exceptionally capable people is paramount to its success. The compensation plans for FII and its China subsidiary are both set by the parent company's Board of Directors, subject to approval by the Public Sector Employers' Council. In both cases, the compensation for each position, except for the CEO position as noted below, was derived from independent assessments of benchmark compensation for comparable positions in other organizations.

Those assessments were done for BC-based staff by Western Compensation and Benefits Consultants (WCBC) in 2005 and 2007. Benchmarking assessments were done in China by Mercer Human Resource Consulting in 2007 and 2008, with data drawn from employers in Shanghai only.

The Board of Directors has adopted a philosophy of setting the maximum compensation for each position at a level usually equivalent to the median compensation in the organizations studied by WCBC and Mercer. In some cases, the Board set FII compensation at levels considerably below what the consultants recommended.

Since early 2009, however, the compensation plans have been frozen for all staff, in line with government-wide constraint.

#### **Elements of Compensation**

Compensation for each position includes:

- Base salary,
- Employer contributions to the Canada Pension Plan, Employment Insurance, and Workers Compensation;
- Employer contributions to a group Registered Retirement Savings Plan;
- The Employer-paid premiums for the BC Medical Services Plan, extended health and dental care, short- and long-term disability, and group life insurance; and
- Annual vacation entitlement.

Compensation for some executive employees includes elements unique to them, as listed in the company's Executive Compensation Summary Table.

FII does not provide performance incentives for any position. Although that possibility was introduced in the CEO's employment contract for the period April 2010 through March 2013, the Board of Directors has not established any criteria for incentive pay, and none has been paid.

### **Administration**

As is common throughout the Provincial ministries, employees at FII typically start at a salary that is about 85 percent of the approved maximum for a position, and then move up in the salary range over three years, subject to demonstrating increased knowledge, competence and productivity.

Annual vacation entitlement and the package of other benefits are virtually identical to the standard in BC government ministries.

From time to time, a position may be significantly re-specified, eliminated or created to reflect changing priorities and levels of funding. Compensation for a significantly revised or new position is based on interpolation within the approved compensation plan to ensure that it is fair not only to the person directly affected, but also to all other employees. In all cases, care is taken to ensure FII's total compensation cost does not exceed the total authorized by the Board and PSEC.

### **CEO Compensation**

The CEO position has not been managed through the benchmarking process. Compensation for the position has been unchanged since 2004.

### **Executive Compensation for 2011/12**

The following table contains executive compensation data for 2011/12 for all staff whose base salary exceeded \$125,000. The data are based on actual amounts paid to each employee or paid in respect of the employee's benefits package.

Forestry Innovation Investment Ltd.  
Executive Compensation Summary Table For the Year Ending March 31, 2012

Name and Principal Position	Salary (\$)	Incentive Plan Compensation Paid (\$)	Pension / RRSP (\$)	All other Compensation (\$)	Total (\$)	Previous 2 Years Totals
Ken Baker CEO	\$ 155,000		\$ 12,400	Professional Membership Dues: \$ 90 Vacation Payout: CPP: 2,240 EI: 1,097 Medical: 1,329 Health & Dental: 4,353 Group Life and AD&D: 1,785 STD & LTD: 2,476 WCB: 783 Parking: -		
	\$ 155,000	\$ -	\$ 12,400	\$ 14,153	\$ 181,553	2009/10 = \$ 181,280 2010/11 = \$ 203,521
Michael Loseth Vice President Operations	\$ 152,330		\$ 12,186	Professional Membership Dues: \$ - Vacation Payout: - CPP: 2,240 EI: 1,097 Medical: 1,329 Health & Dental: 4,353 Group Life and AD&D: 1,755 STD & LTD: 2,469 WCB: 783 Parking: 3,703		
	\$ 152,330	\$ -	\$ 12,186	\$ 17,729	\$ 182,245	2009/10 = 180,903 2010/11 = 182,022
Mike Hogan Vice President China Operations	\$ 171,482		\$ 13,719	Professional Membership Dues: \$ - Vacation Payout: 15,170 CPP: - Health & Dental: 4,644 Group Life and AD&D: 1,027 STD & LTD: 1,341 Family Travel to Canada Allowance: 13,094 Foreign Cost-of-Housing Allowance: 19,000		
	\$ 171,482	\$ -	\$ 13,719	\$ 54,276	\$ 239,477	2009/10 = \$ 243,717 2010/11 = \$ 213,639
Douglas Greig Vice President Finance & Administration	\$ 142,382		\$ 11,391	Professional Membership Dues: \$ 815 Vacation Payout: 2,738 CPP: 2,240 EI: 1,097 Medical: 1,329 Health & Dental: 4,353 Group Life and AD&D: 1,644 STD & LTD: 2,361 WCB: 783 Parking: 3,703		
	\$ 142,382	\$ -	\$ 11,391	\$ 21,062	\$ 174,835	2009/10 = \$ 179,192 2010/11 = \$ 182,423

The CEO is not reimbursed for weekly commuting from his home in Victoria and maintaining a second residence in Vancouver.