

## **Forestry Innovation Investment Ltd.**

### **Executive Compensation Report for 2010/11**

#### **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, is based upon 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.

#### **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 offer performance incentives for any position, except for having introduced that for the CEO position in 2010/11, with the parameters yet to be defined.

### **Administration**

As is common throughout the Provincial ministries, employees at FII typically start at a salary that is about 85 percent 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, except for introduction of a potential incentive pay of up to 10 percent of base salary in 2010/11. Parameters for triggering incentive pay have not been determined, nor was any paid in 2010/11.

### **Executive Compensation for 2010/11**

The following table contains executive compensation data for 2010/11 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, 2011

Name and Principal Position	Salary (\$)	Pension / RRSP (\$)	All other Compensation (\$)	Total (\$)	Previous 2 Years Totals
Ken Baker CEO			Professional Membership Dues: \$ 90		
			Vacation Payout: 17,823		
			CPP: 2,177		
			El: 1,052		
			Medical: 1,245		
			Health & Dental: 4,353		
			Group Life and AD&D: 1,786		
			STD & LTD: 2,476		
			WCB: 752		
			Parking: -		
			Family travel / Accommodation Allowance: -		
	\$ 155,000	\$ 16,767	\$ 31,754	\$ 203,521	2008/09 = \$ 194,691 2009/10 = \$ 181,280
Michael Loeth Vice President International Marketing			Professional Membership Dues: \$ -		
			Vacation Payout: -		
			CPP: 2,177		
			El: 1,052		
			Medical: 1,245		
			Health & Dental: 4,353		
			Group Life and AD&D: 1,755		
			STD & LTD: 2,469		
			WCB: 752		
			Parking: 3,703		
			Personal Commuting / Accommodation Allowance 12,000		
	\$ 152,330	\$ 12,186	\$ 29,506	\$ 194,022	2008/09 = 185,157 2009/10 = 192,903
Mike Hogan Vice President China Operations			Professional Membership Dues: \$ -		
			Vacation Payout: -		
			CPP: 2,177		
			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		
	\$ 159,590	\$ 12,767	\$ 41,283	\$ 213,639	2008/09 = \$ 203,687 2009/10 = \$ 243,717
Douglas Greig Vice President Finance & Administration			Professional Membership Dues: \$ 815		
			Vacation Payout: 10,405		
			CPP: 2,177		
			El: 1,052		
			Medical: 1,389		
			Health & Dental: 4,353		
			Group Life and AD&D: 1,644		
			STD & LTD: 2,361		
			WCB: 752		
			Parking: 3,703		
	\$ 142,382	\$ 11,391	\$ 28,650	\$ 182,423	2008/09 = \$ 171,173 2009/10 = \$ 179,192

The CEO's salary includes provision for weekly commuting from his home in Victoria and maintaining a second residence in Vancouver.

Mike Hogan's reduced compensation in 2010/11 reflects his being on temporary leave for part of the year.