



Suite 1200, 1130 West Pender Street  
Vancouver, British Columbia  
V6E 4A4, Canada

May 4, 2015

Christina Zacharuk  
Interim President and CEO of PSEC Secretariat  
2nd Floor, 880 Douglas Street  
Victoria, BC  
V8V 9V1

Dear Sir:

As Chair of the Forestry Innovation Investment Ltd. Board of Directors, I hereby confirm that the Board is aware of the compensation paid to the Company's CEO and other Executive members in 2014/15, and I confirm that it is accurate and in accordance with the compensation plan most recently approved by PSEC in June 2008.

Yours truly,

Tim Sheldon  
Chair  
Board of Directors  
Forestry Innovation Investment Ltd.

cc. Ken Baker  
CEO  
Forestry Innovation Investment Ltd.

## **Forestry Innovation Investment Ltd.**

### **Executive Compensation Report for 2014/15**

#### **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 through supporting the work that forest industry trade associations do in North America, Asia and Europe, and through activities delivered by FII staff in Vancouver and the staff of subsidiary companies in China and India.

#### **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 subsidiaries were set some years ago by the parent company's Board of Directors and approved by the Public Sector Employers' Council. 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. Compensation for staff in India is keyed to data provided in 2011 by the consulting firm, Futurestep.

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 the compensation plans have been frozen for virtually 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 the Public Service Pension Plan or 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 that is not taken but rather cashed out in a given year.

FII does not provide performance incentives for any position. Although that possibility was introduced in the CEO's employment contract in April 2010, 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 created, eliminated or significantly re-specified 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.

### **CEO Compensation**

The CEO position has not been managed through the benchmarking process. Compensation for the position was unchanged from 2004 through 2014/15.

### **Executive Compensation for 2014/15**

The government-wide reporting protocol stipulates public disclosure of compensation for "the CEO and the next four highest ranking corporate officers, administrators, corporate administrators, executives or executive officers in charge of the management of a corporation, company, organization or agency" whose base salary was \$125,000 or greater. The following table contains that compensation data for 2014/15, based on actual amounts paid to each such 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, 2015**

Summary Compensation Table at FISCAL, 2015								
Name and Position (a)	Salary (b)	Bonus and / or Incentive Plan Compensation (c)	Benefits (d)	Pension (e)	All Other Compensation (expanded below)	2014/15 Total	Previous Two Years Totals	
							2013/14	2012/13
Ken Baker, CEO	\$ 155,000	\$ -	\$ 11,274	\$ 12,448	\$ 8,346	\$ 187,067	\$ 200,699	\$ 176,506
Michael Loseth, Chief Operating Officer	\$ 152,330	\$ -	\$ 11,433	\$ 15,774	\$ 3,703	\$ 183,240	\$ 179,103	\$ 186,950
Douglas Greig, VP & CFO	\$ 142,382	\$ -	\$ 11,187	\$ 14,693	\$ 9,179	\$ 177,441	\$ 172,973	\$ 172,648
Lisa Dou, General Manager, China	\$ 149,881	\$ -	\$ 10,024	\$ 11,990	\$ 27,497	\$ 199,393	\$ 186,965	\$ 156,865
Sonya Zeitler-Fletcher, VP, Market Outreach	\$ 119,733	\$ -	\$ 9,063	\$ 12,165	\$ 847	\$ 141,809	\$ -	\$ -
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Summary Other Compensation Table at FISCAL, 2015							
Name and Position (a)	All Other Compensation	Severance (f)	Vacation payout (g)	Leave payout (h)	Vehicle / Transportation Allowance (i)	Perquisites / other Allowances (j)	Other (k)
Ken Baker, CEO	\$ 8,346	\$ -	\$ 8,346	\$ -	\$ -	\$ -	\$ -
Michael Loseth, Chief Operating Officer	\$ 3,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,703
Douglas Greig, VP & CFO	\$ 9,179	\$ -	\$ 5,476	\$ -	\$ -	\$ -	\$ 3,703
Lisa Dou, General Manager, China	\$ 27,497	\$ -	\$ 23,084	\$ -	\$ -	\$ -	\$ 4,413
Sonya Zeitler-Fletcher, VP, Market Outreach	\$ 847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847
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Notes:	
Ken Baker, CEO	
Michael Loseth, Chief Operating Officer	<b>other includes parking</b>
Douglas Greig, VP & CFO	<b>other includes parking</b>
Lisa Dou, General Manager, China	<b>other includes private transportation and phone allowance</b>
Sonya Zeitler-Fletcher, VP, Market Outreach	<b>other includes parking</b>