



Pacific Carbon Trust

Statement of Executive Compensation 2011/2012

BACKGROUND

Pacific Carbon Trust (PCT) is a Crown corporation that delivers quality BC-based greenhouse gas (GHG) offsets to help clients meet their carbon reduction goals. Its goals are to reduce emissions province-wide and to help grow BC's low-carbon economy. PCT is responsible for purchasing offsets from BC-based projects that are in compliance with BC's Emission Offsets Regulation, ensuring credible offsets built on recognized international standards.

A carbon offset represents a qualifying reduction in greenhouse gas emissions generated by activities, such as improved energy efficiency, that can be used to balance the emissions from another source, such as travel. PCT delivers offsets to several clients, including the BC government and broader public service organizations, to offset carbon emissions.

To support PCT's growth, its development as a successful entity is centered on three core values:

1. **Entrepreneurial.** PCT is an innovative company that puts results about process, seizing opportunities and taking risks necessary to drive growth of the low carbon economy.
2. **Sustainable.** PCT is a champion for sustainable business practices and role model for low-carbon operations.
3. **Credible.** PCT is recognized for its expertise, professional standards and high quality, credible carbon products.

COMPENSATION PHILOSOPHY

The Pacific Carbon Trust Compensation Plan was established and approved in October 2009, and is founded on the following key principles that support a balanced and fiscally prudent approach to staff compensation levels.

1. **Recruitment and Retention** - the ability of the plan to attract and retain high calibre staff with the right skills, aptitude and knowledge
2. **Fair and Competitive** – the plan should be gauged in relation to other “like” positions and organizations to come to a fair market outcome
3. **Motivates and Rewards Performance** – compensation should drive high performance at both the corporate/team and individual levels and reward the risks taken in joining this new venture

4. **Simple and Transparent Administration** – being a small organization operating within the public service, administering the compensation plan cannot involve a detailed, multi-layered process. It needs to be easily implemented and explained to a public audience
5. **Affordable and Conservative** – PCT currently receives operating grants from government to continue building its infrastructure and business. PCT must manage all of its expenditures, including compensation, prudently
6. **Strategically and Culturally Aligned** – the plan should drive successful attainment of PCT’s mandate, goals and values, including a low carbon footprint

Compensation for the CEO is set and approved by PCT’s Board of Directors. Compensation for Named Executive Officers (NEOs) is determined by the CEO within set guidelines which include salary ranges approved by the Public Sector Employers’ Council (PSEC). Salaries cannot be outside the range approved by PSEC.

Similar crown corporations and core government were directly surveyed to identify relevant benchmarks in terms of base salary, incentives, benefits and perquisites. For comparative purposes, data was gathered from organizations considered most similar across various factors (e.g., size, breadth/type of mandate, subject matter and budget). Focusing on these organizations enables PCT to assess compensation being paid to a similar labour pool. A number of other organizations were also contacted to provide general background and high-level comparisons.

Benefits

PCT offers and administers a standard benefit package that is generally consistent with the benefit plan provided by the Provincial Government. It includes MSP, Extended Health, Dental, Life Insurance, Short Term and Long Term Disability, Employee and Family Assistance, Vacation and Public Service Pension Plan. Benefits, where applicable, are extended to employee dependents.

Re-earnable Incentive Holdback Plan

The Incentive Holdback Plan is a component of PCT’s Compensation Plan and was approved by PSEC in July 2010. It is administered on an annual basis based on corporate, business unit and individual performance measures and adheres to the following weightings.

	CORPORATE		INDIVIDUAL		HOLD BACK
	Key Performance Indicators	Financial Results	Demonstrated Business Results	Demonstrated Business Impact	MAXIMUM AWARD (% of Base Salary)
CEO	80%		5%	15%	up to 20%
Management	40%		30%	30%	up to 10%
Professional / Administrative	20%		50%	30%	up to 5%

The corporate portion of the incentive holdback is measured on identified deliverables, for example key performance indicators related to the annual service plan, business plan / unit objectives and financial results. A trigger mechanism will ensure a pre-determined threshold level is reached before payment for the CEO is made. For all other employees, a pre-determined threshold level will ensure that overall corporate performance is achieved before payment is made for the corporate portion.

Individual performance is assessed on annual personal business plans developed for all staff that include the identification of the top three to five business outcomes that represent stretch goals. All staff complete quarterly check-ins with their supervisor to identify progress in meeting the personal business plan outcomes. As well, all staff complete an annual review to assess demonstrated business results and demonstrated business impacts based on the Employee Performance and Review forms. These forms assess behaviours related to PCTs values across key behaviour, skills and abilities, such as: Initiative; Collaboration; Opportunities for Others; Solutions Based Outlook; and Inspiration through Coaching, Managing and Mentoring.

PERFORMANCE AREA	MEASUREMENT CRITERIA	DECISION/MEASUREMENT PROCESS
Corporate	a. Key Performance Indicators b. Financial Results	<ul style="list-style-type: none"> ➤ Corporate KPIs - targets met ➤ Positive net income achieved
Individual	a. Business Results Assessment as defined through annual personal business plan process b. Business Impact Assessment based on Employee Performance Feedback and Review. Focused on performance related to PCTs values across key behaviours, skills and abilities	<ul style="list-style-type: none"> ➤ Assessment of top three to five key deliverables based on: Consistent delivery of high-quality products; delivery of objectives in a timely manner; objectives achieved in a cost-effective manner by doing the right things, leading to the right results; cultivation of positive stakeholder satisfaction adding value to the corporation; and alignment of key deliverables with corporate priorities ➤ Recommendation of Manager based on PCTs assessed competency ratings for: Initiative; Collaboration; Opportunities for Others; Solutions Based Outlook; and Inspiration through Coaching, Managing and Mentoring

As defined in the PCT compensation plan, the holdback applies to all permanent PCT employees with the maximum award, as a percentage of base salary, determined by three employee bands. Research of other organizations on a holdback or incentive award ranged from (0% to 50%).

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	SALARY	INCENTIVE PLAN COMPENSATION PAID ⁱ	BENEFITS	PENSION	ALL OTHER COMPENSATION	TOTAL	PREVIOUS 2 YEARS TOTALS
Scott MacDonald, CEO	\$132,511	\$13,500 ⁱⁱ	\$49,156	n/a ⁱⁱⁱ	None	\$195,168	2009/10= n/a 2010/11=\$171,241
David Moffat, Managing Director – Business Development	\$123,231	\$11,186	\$12,526	\$12,170	None	\$159,112	2009/10= n/a 2010/11=\$153,562

ⁱ Incentive Plan Compensation Paid was earned on performance for the 2010/11 year, paid in the 2011/12 fiscal year.

ⁱⁱ CEO is on secondment from the provincial government. The secondment agreement was updated in 2011 to include a re-earnable incentive holdback, consistent with the PCT compensation plan. The CEO received 50% of the eligible holdback for 2010/11 and will be eligible for the full holdback in 2011/12.

ⁱⁱⁱ CEO benefits (including Pension) are under BC provincial government benefits plan as part of secondment arrangement and are charged back to PCT as one lump sum number rather than broken out individually.



Pacific Carbon Trust

May 15, 2012

Ref: 201214

Paul Straszak
President and CEO
Public Sector Employers' Council
PO Box 9400 Stn Prov Govt
Victoria BC V8V 9V1

Re: Public Sector 2011/2012 Statement of Executive Compensation for Pacific Carbon Trust

Dear Mr. Straszak:

On behalf of the Pacific Carbon Trust Board of Directors, I confirm that the attached 2011/2012 Statement of Executive Compensation is consistent with the corporation's approved executive compensation plan.

Sincerely,


Chris Trumpy
Chair, Board of Directors

Attachment