

Executive Compensation Plan Effective Date - March 19, 2018

Contact Information: Algonquin Forestry Authority

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A. Compensation Philosophy

Designated employers under the Broader Public Sector Executive Compensation Act, 2014 must develop an executive compensation program (ECP). The Executive Compensation Framework Regulation sets out requirements that designated broader public sector employers must adhere to when establishing their ECP.

AFA's compensation philosophy guides the development of all compensation elements and is a key consideration in the development of AFA's Executive Compensation program.

AFA's compensation philosophy is comprised of 3 key principles:

1. To attract, retain, and motivate a quality workforce.
2. To pay competitively within public service while remaining cost effective.
3. To invest compensation dollars wisely with an emphasis on rewarding performance that reflects AFA's mission.

Since 1975 the Algonquin Forestry Authority (AFA) has been committed to delivering high quality services and products to our clients, contractors, the Ministry of Natural Resources and Forestry and the people of Ontario who use Algonquin Provincial Park.

The Authority's commitments and strategies are detailed in its 'Sustainable Forest Management' policy. These commitments and strategies, as they relate to Algonquin Provincial Park, deal with Sustainable Forest Management, Compliance with Laws, Public Participation, Indigenous Rights & Participation, Health & Safety and Continual Improvement.

Algonquin Provincial Park is a complex environment to conduct Forest management activities which are a permitted use only in the recreation/utilization zone. These activities are not allowed in wilderness, nature reserves, historical, natural environment or development zones or reserves for shorelines, portages, trails, etc. The level of harvesting is based on what is sustainable over the long term.

The new forest develops under the canopy of the existing forest whereby forest cover is maintained at all times. Algonquin Park supplies approximately 44% of the industrial wood supply from Crown land in that portion of Ontario. This wood supply supports mills in

communities such as Huntsville, Whitney, Madawaska, Killaloe, Pembroke, Eganville and Palmer Rapids. There are 9 mills receiving part or most of their supply from the Park on a regular basis while another 10 - 15 mills receive periodic supplies.

There are over 300 people employed in Algonquin woods activities and over 3,000 people employed in the mills. In 2015/2016, sales values of forest products by the Algonquin Forestry Authority were \$20.6 million. Contractors engaged from communities in the region were paid \$19 million, and the AFA had a net income of \$650,000.

The AFA is financially self-sufficient with no cost to the taxpayers. Based on a 2015 - 2016 harvest level of 423,641 m³, the Algonquin Park Forest contributed \$356 million to the Ontario economy in terms of value added. It is the responsibility of the General Manager to manage the day-to-day business and ensure no major issues arise. This executive compensation program will link directly to annual targets set by the General Manager and the Board of Directors.

In addition to rewarding the General Manager on an annual basis based on a review of targets accomplished, it is the intent of the AFA Board to maintain a competitive salary for this position, as part of its ongoing succession planning.

B. Designated Executive Positions

Full Job Title	Class of Position
General Manager	Not applicable

C. Salary and Performance-related Pay – Comparator Selection

Comparators 1: Executive Positions or Classes of Positions Benchmarked

Section 3 of Ontario Regulation 304/16 under the Broader Public Sector Executive Compensation Act, 2014 requires using a comparable position within at least 8 different organizations that are similar to the employer with respect to at least 3 of the 5 the factors below:

- Scope of responsibilities of the organization's executives
- Type of operations the organization engages in
- Industries within which the organization competes for executives
- Size of the organization
- Location of the organization

Only Ontario public sector and broader public sector organizations were used in this analysis.

The Nawiinginokiima Forest Management Corporation is the only agency in Ontario that closely resembles the Algonquin Forestry Authority. Regardless of this factor, when using the 5 comparison factors listed above, and with the help of an external consultant, the following Executive Positions in the 8 organizations listed meet at least 3 of the necessary five factors.

1. General Manager of the Nawiinginokiima Forest Management Corporation. This operational enterprise and position is similar in all 5 factors as this corporation performs similarly sized forestry operations in Northern Ontario (Marathon).

2. Director, Operations Branch of Forest Industry Branch, Ministry of Natural Resources and Forestry. This position is similar in scope of responsibilities and could be recruited for in a similar industry and is in a similar location. This position met 4 of the 5 factors.
3. General Manager, Upper Thames River Conservation Authority. This position is similar in all 5 factors as this authority performs conservation operations in a similarly rural area.
4. Director, Niagara Escarpment Commission. This position is similar in all 5 factors as this commission performs similarly sized conservation operations in a similarly rural area.
5. Director of Operations, Ontario Northland Transportation Commission. This Commission operates within Ontario and this position is similar in scope of responsibilities, size and location. The position met 5 of the 5 factors.
6. General Manager, St. Lawrence Parks Commission. This position is similar in all 5 factors as this commission performs similar sized operations in a rural area.
7. Chief Operating Officer, Niagara Parks Commission. This position is similar in all 5 factors as this commission performs similar sized operations in a rural area.
8. Director, Operations, Agricorp. This position is similar scope, type of operations (supporting agriculture), industry, and location. Position met 4 of the 5 factors.

Canadian Public Sector or Broader Public Sector Comparator

Organization 1 - Nawiinginokiima Forest Management Corporation
 Organization 2 - Ministry of Natural Resources and Forestry
 Organization 3 - Upper Thames River Conservation Authority
 Organization 4 - Niagara Escarpment Commission
 Organization 5 - Ontario Northland Transportation Commission;
 Organization 6 - St. Lawrence Parks Commission
 Organization 7 - Niagara Parks Commission
 Organization 8 - Agricorp

Positions or Classes of Positions (e.g. Chief Financial Executives)

Our General Manager role (Chief Executive Officer) was compared to General Manager (3 positions), Chief Operating Officer (1 position) and Director (4 positions)

Rationale for Selected Comparators

All 8 comparators met, at a minimum, 4 of the 5 required factors for comparison. The scope of responsibilities for all positions is similar. A detailed analysis can be found above in Section C of this Executive Compensation Program.

The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

C. Salary and Performance-related Pay – Comparative Analysis Details

The cap established by the Regulation 304/16 is based on the salary plus performance pay (total compensation) in AFA comparator groups. The maximum compensation of these comparator positions was used to calculate a 50th percentile which is determined to be a cap on total compensation for the executive position. To ensure compliance with the Regulation, Executive compensation in this plan was capped at the 50th percentile.

The following table illustrates how the 50th percentile for the maximum salary was calculated:

COMPARATOR	POSITION	MAX SALARY (\$)	50 th Percentile
St. Lawrence Parks Commission	General Manager	166,378	
Ministry of Natural Resources and Forestry	Director, Operations Branch, Forest Industry Branch	160,250	
Niagara Escarpment Commission	Director	160,250	
Niagara Parks Commission	Chief Operating Officer	158,476	\$150,092
Ontario Northland Transportation Commission	Director of Operations	141,709	
Nawiinginokiima Forest Management Corporation (NFMC)	General Manager	131,450	
Upper Thames River Conservation Authority	General Manager	125,800	
Agricorp	Director, Operations	120,879	

At the Algonquin Forestry Authority, there is only 1 designated executive, the General Manager position. The 50th percentile of the above comparable data for the position using the most current rate structure information is a maximum compensation of \$150,092.

C. Salary and Performance-related Pay Structure

The chart below indicates the proposed executive compensation program for the General Manager position:

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate (\$)	Salary Range Maximum (\$)	Target Annual Performance related pay (% of Salary)	Maximum Annual Performance related Pay (% of Salary)	Salary and Performance related Pay Cap (\$)
General Manager	\$ 125,000	\$137,990	\$ 150,092	4.0	4.0	\$150,092

D. Salary and Performance-related Pay Envelope

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$ 115,000	4.0

Rationale for the Proposed Maximum Rate of Increase:

The maximum annual performance related pay increase (4%) was arrived at by reviewing the 5 comparison factors, with a specific focus on the following:

1. There is the risk of losing executive talent due to the current period of executive compensation restraint. Industry compensation has continued to rise, and the proposed maximum annual related pay increase of 4% will help to maintain a competitive salary for the General Manager's position. This rate will enable the Authority to retain and motivate current executive talent while also aiding the organization to attract future talent when the need arises.
2. The maximum salary pay increase of 4% will ensure there is not a compression and inversion of compensation between executives and non-executive managers within the organization.
3. Lastly, the maximum rate of increase to the envelope of 4% is based on salary increases provided within the public service to compensate for the hard wage freeze since 2011.

At the Algonquin Forestry Authority, there is only 1 designated executive, the General Manager position. The 50th percentile of the comparable data has a maximum compensation of \$ 150,092 will be the maximum compensation for this position.

E. Other Elements of Compensation

Element 1

Element of Compensation

The AFA executive does not receive any other special compensation. There are NO other elements of compensation or benefits available to the executive that are not available to other members of the organization.

F. Supplementary Information

There is no additional information.