ICBC

building trust. driving confidence.

June 4, 2020

Ms. Christina Zacharuk
President & CEO
Public Sector Employers' Council Secretariat
Suite 210 – 880 Douglas Street
Victoria, BC V8W 2B7

Dear Ms. Zacharuk,

Re: 2019/20 Executive Compensation Disclosure Statement – ICBC

On behalf of the Board of Directors of ICBC, please find enclosed ICBC's Executive Compensation Disclosure Statement for the period of April 1, 2019 to March 31, 2020 (based on the audited financial statements).

As per the Public Sector Executive Compensation Reporting Guidelines, I, the undersigned, hereby attest the following:

- The Board is aware of the executive compensation paid in the 2019/20 fiscal year;
- The compensation information (based on audited financial statements) being disclosed is accurate and includes all compensation paid and accrued during the 12-month period by the employer, foundations, subsidiaries, or any other organization related to or associated with the employer;
- It includes the value of any pre or post-employment payments made during the 12-month period before or after the term of employment; and
- Compensation provided was within approved compensation plans based on financial audited statements and complies with these guidelines.

Yours truly,

Joy MacPhail
Chair, ICBC Board of Directors

Enclosure

Human Resources and Compensation Committee

Reporting Period: Fiscal Year 2019/20
(April 1, 2019 – March 31, 2020)

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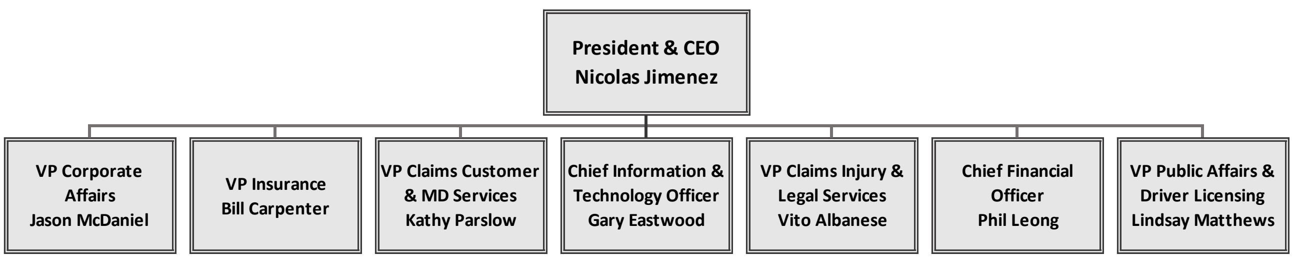
INSURANCE CORPORATION OF BRITISH COLUMBIA

2019/20 STATEMENT OF EXECUTIVE COMPENSATION

1. INTRODUCTION

ICBC is a provincial Crown corporation established in 1973 to provide universal auto insurance, driver licensing, and vehicle licensing and registration to BC motorists. ICBC's corporate strategy is to be a low cost and operationally efficient company that provides consistent, quality service to its customers.

ICBC is a complex, multi-billion dollar company that requires talented management and staff. ICBC's total compensation philosophy is to provide market-competitive total compensation to attract and retain the required skills, talent, and experience at an affordable cost to taxpayers and ratepayers. During the 2019/20 fiscal year, some members of the Executive Leadership Team have changed. The following Executives are currently responsible for leading the management of ICBC's business and the implementation of its corporate strategy:



As per the Public Sector Employers Act , ICBC must disclose all compensation provided to the President and Chief Executive Officer ("CEO") and the next four highest ranking/paid "Named Executive Officers" ("NEOs"). As per the Public Sector Employers' Council ("PSEC") Secretariat's direction, the following outlines the governance, compensation philosophy, and total value of executive compensation for services during the 12 month period starting April 1, 2019 and ending March 31, 2020.

2. GOVERNANCE

Executive compensation is reviewed by both the Board and the Human Resources and Compensation Committee (the "Committee"). The terms of reference as related to total compensation for each are outlined below.

Board of Directors

- Approve the CEO's compensation package and performance against pre-determined annual objectives.
- Review and approve the total compensation strategy and philosophy to be applied to all ICBC employees upon recommendation of the Committee.
- Review and approve all compensation matters acting upon the advice of the CEO and upon recommendation of the Committee.

Human Resources and Compensation Committee

- Review and recommend the Corporation's compensation and benefits philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by the government.
- Review and make recommendations to the Board of Directors (the "Board") respecting the administration of pension plans of which ICBC is an administrator and ensure the obligations of ICBC as administrator of those plans are met. Review and approve before implementation, any proposed change to a pension plan administered by ICBC other than any change which i) according to legal advice, is required to comply with applicable law, or ii) according to actuarial advice has no measurable impact on the cost of the pension plan and is desirable for administrative or other reasons.
- In consultation with the CEO, review and recommend the compensation, including benefit and retirement plans, for the Executive team.
- Review the annual Executive Compensation Disclosure Statement as required by the Public Sector Executive Compensation Disclosure Guidelines.
- Review and recommend the CEO's compensation, including incentive, benefit and retirement plans, to the Board for approval, subject to legislative guidelines then in effect.

3. COMPENSATION DISCUSSION AND ANALYSIS

ICBC's executive compensation is guided by the Crown Corporation Executive Compensation Policy, linked to its strategic business interests and objectives, and balanced with ensuring alignment to the broader public sector.

ICBC's compensation programs generally apply to all Executives and Management Group employees, with some Executive and CEO exceptions as noted herein. Annual salary increases and incentive compensation when granted, are variable, based on public policy, corporate and individual performance. The Board sets the CEO's total compensation within the guidelines set by PSEC Secretariat and applicable legislation.

3.1 Total Compensation Philosophy

ICBC's total compensation philosophy for Executives and Management Group employees as approved by the Board and PSEC Secretariat:

<u>Objective</u>

ICBC's total compensation philosophy is designed to:

- Competitively attract, develop and retain high quality talent with the depth of skills, knowledge and competencies required to achieve ICBC's strategic and operational priorities;
- Inspire and support high performance, accountability and fiscal responsibility;
- Link total compensation with company and individual performance;
- Create a solid relationship with employees that is built on trust, fair treatment, and mutual respect;

- Complement the intrinsic value of the workplace environment; and
- Support the direction and long term goals of ICBC and government.

Core Principles

ICBC's total compensation philosophy is underpinned by four core principles:

- **Performance** – compensation programs support and promote a performance-based organizational culture. ICBC's provision of salary increases is based on individual merit and dependent on achieving its corporate performance objectives.
- **Differentiation** – differentiation of salary is supported where there are differences in position scope or due to superior individual team contributions. ICBC's job evaluation process and performance management program ensure salary differentiation is managed in an objective, consistent manner.
- **Accountability** – compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds. ICBC's compensation policies and guidelines set out clear procedures and authorizations for the administration of all compensation decisions.
- **Transparency** – compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

Benchmarking Practices

a) Market Comparator Groups

ICBC's approved total compensation philosophy is a hybrid approach which is based on three distinct market comparator groups, or market benchmarks:

1) BC Public Sector Organizations includes Crown corporations, BC Public Service, health sector, K-12 education, community social services, regional government, municipalities and various public bodies;
2) Other Provincial Jurisdictions where relevant and available, excluding territories; and
3) Private Sector Organizations which includes general industry and the property and casual insurance industry as well as for talent with specialized expertise and/or in high demand with significant recruitment pressure from the private sector.

b) Job Categories

Job categories have been established to align ICBC's pay practices with the practices of the different comparator groups. ICBC's competitive positioning ensures that each job's total cash target reflects the 50th percentile total cash target provided by its relative comparator group. For the purpose of competitive market analysis, jobs at ICBC would fall into one of the four categories:

1) **General business roles** are the majority of jobs supporting the day-to-day business operations.

2) **Roles in high demand by general industry** would include specialized or technical jobs filled by talent in high demand with significant recruitment pressure from the private sector.

3) **Key industry specific roles** are jobs that are difficult to recruit and/or critical jobs requiring specialized expertise in the property and casual insurance industry.

4) **Executive roles –** those positions deemed to be at the executive level as approved by government. ICBC forgoes labour market comparisons for Executive positions and makes Executive compensation decisions entirely based on public policy. As Executive compensation is set by public policy, market comparisons of any nature are only illustrative for guidance, not determinative.

3.2 Total Forms of Executive Compensation

a) Base Salary

Executive compensation is set by public policy. The Committee annually reviews, for recommendation to the Board and then approval by government, adjustments to the salary range structure and the annual salary budget, if any.

At the beginning of the year, a performance plan is developed for each Executive, which outlines their responsibilities and objectives for the year. At the end of the year, the Executive is rated against the targets.

ICBC's adoption of a common public sector philosophy supports a performance-based culture where compensation decisions such as salary increases are based on merit.

b) Vacation

NEOs are provided with four weeks of vacation and an additional two weeks of vacation in every fifth year of employment for that year only. Unused annual vacation can be carried forward to the following calendar year, which will be paid out to limit ICBC liability if it is not been used by the end of the subsequent calendar year.

c) Pension

ICBC provides a contributory defined benefit pension plan, which is the basic plan for all Executives. In addition to the basic pension plan, Executives are eligible for the non-contributory Supplemental Employee Retirement Plan ("SERP").

Both the basic pension plan and the SERP are valued at the average current service cost for all members in the plan, less the average member contributions. The results of the most recent basic pension plan valuation dated December 31, 2018 resulted in a decrease in current service cost. Effective January 1, 2019, pension contribution rates changed for members of the basic plan with plan members and ICBC each contributing 50% of the estimated cost of pension benefits being earned. This change results in an increase in member contributions and a corresponding decrease in ICBC's contributions.

d) Health and Wellness Benefits

ICBC provides a comprehensive benefit program for Executives and their immediate families. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, executive health assessment, and an employee and family assistance program.

Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

Executives hired on or after September 1, 2013 are ineligible for the management post-employment benefits program.

4. SUMMARY COMPENSATION TABLE

Enclosed is the summary compensation table that provides a summary of total compensation for ICBC's CEO and next four highest ranking/paid NEO's for the 12-month period from April 1, 2019 to March 31, 2020, including payments to previous NEOs who have left ICBC during and prior to March 31, 2020.

Summary Compensation Table
At Fiscal 2019/2020
(April 1, 2019 to March 31, 2020)

Name and Position	Salary	Salary Holdback	Benefits	Pension	All Other Compensation (expanded below)	2019/2020 Total Compensation	Total Compensation	
							2018/19	2017/18
Nicolas Jimenez, President & CEO	$ 390,606	$ -	$ 16,302	$ 49,607	$ 18,165	$ 474,680	$ 468,783	$ 382,132
Bill Carpenter, Vice President Insurance	$ 320,540	$ -	$ 14,984	$ 40,709	$ 1,289	$ 377,522	$ 394,873	$ 404,469
Kathy Parslow, Vice President Claims Customer & Material Damage Services	$ 320,540	$ -	$ 15,995	$ 40,709	$ 1,404	$ 378,648	$ 394,527	$ 397,768
Gary Eastwood, Chief Information & Technology Officer	$ 287,877	$ -	$ 15,811	$ 36,560	$ 1,440	$ 341,688	$ 346,025	$ -
Philip Leong, Chief Financial Officer	$ 276,059	$ -	$ 15,484	$ 35,060	$ 1,440	$ 328,043	$ 307,482	$ -
Steve Crombie, Vice President Corporate & Stakeholder Governance	$ 148,088	$ -	$ 6,672	$ 18,807	$ 41,941	$ 215,508	$ 368,563	$ 363,239
Victor Lee, Acting Chief Investment Officer	$ 215,421	$ -	$ 13,369	$ 27,358	$ 1,440	$ 257,588	$ 257,095	$ -
Vito Albanese, Vice President Claims Injury & Legal Services	$ 232,454	$ -	$ 15,547	$ 29,522	$ 1,495	$ 279,018	$ -	$ -

Summary Other Compensation Table
At Fiscal 2019/2020
(April 1, 2019 to March 31, 2020)

Name and Position	All Other Compensation	Severance	Vacation Payout	Leave Payout	Vehicle / Transportation Allowance	Perquisites / Other Allowances	Other
Nicolas Jimenez, President & CEO	$ 18,165	$ -	$ 16,725	$ -	$ 1,440	$ -	$ -
Bill Carpenter, Vice President Insurance	$ 1,289	$ -	$ 1,289	$ -	$ -	$ -	$ -
Kathy Parslow, Vice President Claims Customer & Material Damage Services	$ 1,404	$ -	$ -	$ -	$ 1,404	$ -	$ -
Gary Eastwood, Chief Information & Technology Officer	$ 1,440	$ -	$ -	$ -	$ 1,440	$ -	$ -
Philip Leong, Chief Financial Officer	$ 1,440	$ -	$ -	$ -	$ 1,440	$ -	$ -
Steve Crombie, Vice President Corporate & Stakeholder Governance	$ 41,941	$ -	$ 41,941	$ -	$ -	$ -	$ -
Victor Lee, Acting Chief Investment Officer	$ 1,440	$ -	$ -	$ -	$ 1,440	$ -	$ -
Vito Albanese, Vice President Claims Injury & Legal Services	$ 1,495	$ -	$ -	$ -	$ 1,495	$ -	$ -

General Notes:

Nicolas Jimenez, President & CEO	
Bill Carpenter, Vice President Insurance	
Kathy Parslow, Vice President Claims Customer & Material Damage Services	Effective September 6, 2019, the Claims Injury, Claims Legal Services and Driver Licensing functions were removed from this position. The Injury and Legal Services functions were combined to form the Vice President Claims Injury & Legal Services position. The Driver Licensing function was moved to Public Affairs Division.
Gary Eastwood, Chief Information & Technology Officer	
Philip Leong, Chief Financial Officer	Appointed Chief Financial Officer, effective September 6, 2019. Prior to his appointment, he was Corporate Controller (primary position) acting as Chief Financial Officer and receiving acting pay reflected under salary in the amount of $11,759.
Steve Crombie, Vice President Corporate & Stakeholder Governance	Left his position as Vice President Corporate & Stakeholder Governance, effective May 3, 2018, on working notice to October 3, 2019. This position has been eliminated.
Victor Lee, Acting Chief Investment Officer	Director Fixed Income (primary position) acting as Chief Investment Officer, effective August 27, 2018. Compensation disclosed reflects salary for his primary position and includes acting pay of $20,448. This position is no longer considered an NEO.
Vito Albanese, Vice President Claims Injury & Legal Services	Appointed Vice President Claims Injury & Legal Services, effective September 6, 2019. Prior to his appointment, he was the Senior Director Claims Strategy and Programs. Compensation disclosed is a combination in his prior role of $89,290 and his current role of $143,164.