

B.C. FERRY AUTHORITY *COASTAL FERRY ACT* COMPLIANCE REPORT YEAR ENDED MARCH 31, 2021

The obligations of B.C. Ferry Authority under the *Coastal Ferry Act* are set out in Part 2, Divisions 1 and 2.1 of the statute. These obligations fall within the following six categories:

- A. Director Roles and Responsibilities
- B. Director Qualifications and Appointments
- C. Director Remuneration
- D. Shareholder Responsibilities
- E. General Bylaws
- F. General Meeting, Records & Administration

This report summarizes the actions taken by B.C. Ferry Authority to meet its obligations under the *Coastal Ferry Act* in respect of these matters in the year ended March 31, 2021.

This report is respectfully submitted to the British Columbia Ferries Commissioner.

B.C. Ferry Authority
July 19, 2021

A.	DIRECTOR ROLES AND RESPONSIBILITIES	
A-1	<u>Management of the Affairs of B.C. Ferry Authority (“BCFA” or the “Authority”)</u> Directors must manage the affairs of the Authority or supervise the management of those affairs.	<i>Coastal Ferry Act</i> section 13(3)

The directors are stewards of BCFA. The board of directors (the “board”) exercises its stewardship responsibilities by overseeing the conduct of the business and endeavouring to ensure that all major issues affecting the business and affairs of the Authority are given proper consideration.

Board Affairs

The actions taken by the board to manage its business and affairs include:

- reviewing the skills and experience represented on the board for the purpose of seeking nominations and making appointments to the board in accordance with the *Coastal Ferry Act*;
- appointing the board chair;
- ensuring that new directors receive a comprehensive orientation;
- ensuring the corporate governance principles and guidelines that are applicable to BCFA continue to meet the needs of the Authority and are appropriately documented in the board governance manual;
- monitoring compliance with the Authority’s code of conduct and conflict of interest guidelines;
- ensuring that communications with stakeholders, the public and government remain effective and appropriate; and,
- reporting on the stewardship of the board for the preceding year through the holding of an annual general meeting open to the public and publishing an annual report prepared in accordance with the *Coastal Ferry Act*.

Audit and Financial Reporting

The board exercises its oversight responsibilities for the audit and financial reporting of BCFA by, among other things:

- ensuring that the financial results of BCFA are reported fairly and in accordance with Canadian generally accepted accounting principles (International Financial Reporting Standards);
- reviewing and approving the annual audited financial statements of BCFA;
- ensuring that the scope of the work undertaken by the external auditor, in association with its audit of the annual financial statements, and the report(s) of the external auditor arising from such work, are appropriate to assure the board of the integrity of the financial statements of BCFA;
- reviewing reports of the external auditor, as required;
- appointing the external auditor, considering independence and effectiveness, and determining the fees and other compensation to be paid to the external auditor;
- considering, in association with its oversight of BCFA’s financial statements, the disclosure of any related party transactions or unusual matter of significance;
- monitoring the status of any litigation, claims or contingency that could have a material effect on BCFA; and
- reviewing and approving the annual operating budget of BCFA.

Shareholder Responsibilities

BCFA oversees the strategic direction of British Columbia Ferry Services Inc. (“BCFS” or the “Company”) in support of the public interest, appoints the board of BC Ferry Services, and has responsibility for approving and establishing compensation plans for the Company’s directors and certain executive officers. The actions undertaken by the BCFA board during the fiscal year ended March 31, 2021 (“fiscal 2021”) in respect of these matters are discussed in subsequent sections of this document.

In 2019, amendments to the *Coastal Ferry Act* added public interest consideration to the Authority’s mandate. The Authority’s revised mandate to oversee the strategic direction of BC Ferry Services in support of the public interest changed how it undertakes its work. During fiscal 2021, the Authority updated its Governance Manual with new internal processes to reflect its independence from BC Ferry Services.

During fiscal 2021, the Authority appointed the external auditor of BC Ferry Authority and received the audited financial statements of the Company approved by the board of BC Ferry Services for the preceding fiscal year.

B.	DIRECTOR QUALIFICATIONS AND APPOINTMENTS	
B-1	<p><u>Appointments of BCFA Directors</u> The board of BCFA is to consist of nine members. BCFA is to appoint: four nominees from the 14 coastal regional districts (grouped into four appointment areas established by the Lieutenant Governor in Council); and one nominee from the B.C. Ferry & Marine Workers’ Union. The Province is to appoint four members. The term of office of a director is three years beginning April 1. Directors may serve a maximum of two consecutive terms.</p>	<p><i>Coastal Ferry Act sections 5,7</i> (As at March 31, 2021)</p>

The directors of BCFA in fiscal 2021 and their terms of appointment are listed below.

In April 2020, Marvin G. Shaffer, a provincial appointee, resigned and the Province appointed Eric A. Denhoff, effective June 22, 2020 to the Board as a replacement director to complete the term ending in 2022.

In June 2020, Shirley J. Mathieson, a qualified candidate from organized labour, retired as a director and the Authority appointed Andrew Ross, a qualified nominee, to complete Ms. Mathieson’s term ending in 2022.

In August 2020, Eric A. Denhoff, Shona A. Moore and Michael W. Pucci resigned from the Board and accepted an appointment to the BC Ferry Services Board. The Province appointed Jessica Bowering and David Levi, as replacement directors for Mr. Denhoff and Ms. Moore, to complete the respective term ending in 2022. To fill the regional appointment area vacancy, the Authority appointed Gary Coons, a qualified nominee of the Northern Coastal and North Island appointment area, effective April 1, 2021.

At the end of fiscal 2021, Shelley L. Chrest, the Central Vancouver Island and Northern Georgia Strait Appointment Area member, fulfilled her three-year term. The Authority Board appointed Marc Tremblay, a qualified nominee, as a director for this appointment area effective April 1, 2021.

**BCFA Board of Directors
Year Ended March 31, 2021**

Director		Term Ending March 31
Lecia Stewart, Chair	Province of British Columbia	2022
G. Wynne Powell, Vice Chair	Province of British Columbia	2023
Jessica Bowering ¹	Province of British Columbia	2022
Shelley L. Chrest	Central Vancouver Island & Northern Georgia Strait Appointment Area	2021
Eric A. Denhoff ²	Province of British Columbia	2022
Marlene Kowalski	Southern Vancouver Island Appointment Area	2023
David Levi ³	Province of British Columbia	2022
Shirley J. Mathieson ⁴	Organized Labour	2022
Shona A. Moore ⁵	Province of British Columbia	2022
Michael W. Pucci ⁶	Northern Coastal & North Island Appointment Area	2021
Andrew Ross ⁷	Organized Labour	2022
J. Wayne Rowe	Southern Mainland Appointment Area	2023
Marvin G. Shaffer ⁸	Province of British Columbia	2022

Notes:

1. Jessica Bowering was appointed on August 19, 2020.
2. Eric Denhoff was appointed on June 22, 2020 and ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.
3. David Levi was appointed on August 19, 2020.
4. Shirley J. Mathieson ceased to be a director on June 23, 2020.
5. Shona A. Moore ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.
6. Michael W. Pucci ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.
7. Andrew Ross was appointed on July 13, 2020.
8. Marvin G. Shaffer ceased to be director on April 27, 2020.

B-2	<p><u>Qualifications and Factors to be Considered in Appointing Directors</u> A director of BCFA must be a “qualified Authority candidate” as that term is defined in the <i>Coastal Ferry Act</i>, and must also be qualified to act as a director under the <i>Business Corporations Act (British Columbia)</i>. When appointing directors, the board must select appointees in such a way as to ensure that as a group, the directors are qualified Authority candidates who hold all of the skills and all of the experience identified in the current vacancy skills and experience profile set out in the general bylaws of the Authority.</p>	<i>Coastal Ferry Act</i> sections 9(2), 12
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At the time of appointment, each director is required to sign a form consenting to act as a director, in which the qualifications for being a director as specified in the *Coastal Ferry Act* and the *British Columbia Business Corporations Act* are confirmed by the individual as being satisfied.

In selecting individuals to serve as directors of the Authority, two primary objectives guide the board in its deliberations. The first objective is to ensure that the composition of the board continues to meet the requirements of the *Coastal Ferry Act*, and the second is to ensure that collectively, the board includes qualified individuals with the skills and experience necessary to ensure the sound performance of the Authority and the effective interaction and operation of the board.

The skills and experience profile for the BCFA board guided the board in its appointment process during fiscal 2021. The profile is reviewed by the board on an annual basis to ensure it encompasses the appropriate set of skills and experience. A copy of the profile is attached as Schedule “A” to the general bylaws of the Authority.

The Authority believes that a diverse board serves to strengthen decision-making and enhances overall board governance. Within the overarching objective of ensuring that the board is composed of members that collectively possess the appropriate skills and experience to enable the Authority to perform its stewardship role effectively, the board, in selecting candidates for appointment, also seeks to maintain and/or enhance the diversity of background among its members.

B-3	<p><u>Conflicts</u> A director must disclose and/or eliminate conflicts of interest as described in the <i>Coastal Ferry Act</i>.</p>	<i>Coastal Ferry Act</i> section 8
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In fiscal 2021, the BCFA revised its code of conduct (“code”) to more clearly set out the duties, principles and standards of conduct that the Authority’s directors, officers and employees are expected to follow. Upon appointment, and annually thereafter, each director reviews the code and acknowledges their support, understanding and compliance with it, including the provisions of the *Coastal Ferry Act* in respect of conflicts of interest, by signing an annual disclosure statement. Supplemental forms are available for completion should a director’s circumstances change after the annual statement is completed.

The board has adopted a definition of an independent director consistent with the definition of independence in National Instrument 52-110. Each director is also required annually to confirm their independence within that definition and report on all directorships held.

In addition, directors are required annually to report on related party transactions, and any such transactions are reported in the notes to the annual financial statements of the Authority.

C.	DIRECTOR REMUNERATION	
C-1	<u>Director Remuneration and Expenses</u> Remuneration for directors must be set in an amount and manner consistent with provincial public sector organizations.	Coastal Ferry Act section 14

An outline of the current remuneration framework for directors of the Authority is provided below. The framework, which was set by the board effective October 1, 2010, is regularly reviewed and has remained unchanged since that date.

BCFA Board Remuneration Framework

ANNUAL RETAINERS	
Board Chair Retainer	\$25,000
Board Member Retainers:	
Base Retainer (all directors excluding board Chair)	\$ 6,250
Committee Chair Retainer ¹	\$ 2,000
Committee Member Retainer ¹	\$ 750
PER DIEM FEES	
Board Member Fees (all directors excluding board Chair)	Up to \$1,200 per day
FERRY TRAVEL PASS	
Ferry pass for directors and eligible members of their respective immediate families, for complimentary vehicle and personal travel on BC Ferry Services' vessels	

Notes:

1. There currently are no standing committees of the board.
2. Directors are also eligible for reimbursement of reasonable expenses incurred on board-related business.

The amount each BCFA director received for remuneration and expenses in fiscal 2021 is set out below.

**BCFA Director Remuneration & Expenses
Year Ended March 31, 2021
(\$)**

Director	Remuneration ¹	Expenses Reimbursed
Lecia Stewart, Chair	25,113.28	852.44
G. Wynne Powell, Vice Chair	17,133.43	200.26
Jessica Bowering	11,855.00	Nil
Shelley L. Chrest	18,465.63	Nil
Eric A. Denhoff	2,841.68	Nil
Marlene Kowalski	18,205.48	Nil
David Levi	11,850.95	10.15
Shirley J. Mathieson	2,762.52	Nil
Shona A. Moore	6,549.20	Nil
Michael W. Pucci	8,231.90	Nil
Andrew Ross	13,517.38	681.07
J. Wayne Rowe	17,515.68	Nil
Marvin G. Shaffer	528.84	Nil

Notes:

1. Remuneration includes retainers, per diem fees, and taxable income from the ferry travel pass program.

D.	SHAREHOLDER RESPONSIBILITIES	
D-1	<p><u>Oversight of the Strategic Direction of BC Ferry Services in support of the Public Interest</u></p> <p>The Authority, as sole voting shareholder of BC Ferry Services Inc, is to oversee the strategic direction of the Company in support of the public interest, including the public’s interest in safe, reliable and affordable coastal ferry services in British Columbia.</p> <p>BCFA must make public an annual report, published with the annual report required pursuant to Section 18(4) of the <i>Coastal Ferry Act</i>, which describes findings made and actions taken, if any, during the year in carrying out its oversight role.</p>	<p><i>Coastal Ferry Act</i> section 21.01</p>
<p>Like other transportation service providers and public services, the COVID-19 pandemic had a significant impact on BC Ferry Services’ operations and financial outcomes. With the unprecedented issues arising from the pandemic, the public interest was always at the forefront of the Authority’s oversight activities in the past year.</p> <p>During fiscal 2021, a Special Committee of the Board was established to look at how the Authority can ensure the public interest is properly considered in BC Ferry Services’ strategic plans and delivery of core services.</p> <p>The Special Committee identified six guiding principles for BC Ferry Services to consider for developing its strategic plans and future business plans. These six guiding principles do not replace the principles or goals</p>		

in the Company's strategic plan. Rather, they are intended to help inform and focus BC Ferry Services on the Authority Board's priorities to achieve public interest outcomes on the Company's future strategies and actions with the public's interest in mind. These principles are discussed below.

1. **Enhancing Public Accountability**

BC Ferry Services should strive to be more responsive to the travelling public and coastal communities in delivering ferry services that they rely upon. As an example, frequency and capacity of sailings on the minor routes are not always adequate from the fare payers' perspective. There are opportunities for BC Ferry Services to be more accountable to the public for the services provided.

2. **Providing Access to Information on Service Standards**

Providing timely access to information on ferry service standards is critical to ensure transparency, accountability and public confidence in the coastal ferry system that British Columbians rely on.

3. **Ensuring Public Safety for Passengers and the General Public**

Ensuring the safety of passengers, BC Ferry Services' employees, and the general public is a foundational principle. The coronavirus pandemic has reshaped safety concerns of the travelling public. Travel was curtailed or slowed and new personal safety protocols for passengers were established. In addition, safety for everyone is equally important in and outside terminals. When long lines of vehicles are waiting for a sailing, sailing waits occur, and aggressive drivers show up irrespective of the line-up being in or outside the terminal.

4. **Improving Affordability for Passengers and Protecting Financial Outcomes**

Keeping ferry fares affordable and achieving positive financial outcomes are equally important goals for BC Ferry Services.

5. **Working with Labour as a Partner to Promote and Support Innovation**

Working collaboratively with BC Ferry Services employees and organized labour is required to support innovation. The collective agreement should be viewed as an opportunity for collaboration.

6. **Supporting the Economy and Community Sustainability**

BC Ferry Services is an employer and job creator for thousands of people and families in the province, directly and indirectly. And BC Ferry Services plays an important role in British Columbia's economic recovery from the impact of the pandemic. In supporting the economy, BC Ferry Services should remain focused on protecting the environment and being a leader in the move to be an environmentally sustainable service. BC Ferry Services should continue its commitment to lasting and meaningful reconciliation. This includes creating opportunities for Indigenous peoples to be full partners in the economy.

These principles were included in the Special Committee's report that was provided to BC Ferry Services. The Company incorporated these six principles in drafting its current strategic plan.

Assessing BC Ferry Services' actions and performance against the goals in its strategic plan and future business plans will be important to determine if the public interest has been considered and acted upon. The Authority will require meaningful information and data at regular intervals to successfully fulfil its mandate. With the support of the BC Ferry Services Board Chair, the Authority's next step was to start seeking information and data from BC Ferry Services and possibly other sources under the following five themes.

1. Service Delivery and Performance
2. Financial Information
3. Public Safety Information
4. Labour Relations and Innovation
5. Community Impacts

Late in fiscal 2021, the Authority started work to re-design its public website to make it more modern, welcoming and functional for visitors. The new website improves the Authority's transparency and accountability to the public. It allows additional information to be easily available and posted in the future. The new website is operational in fiscal 2022.

The Authority’s report regarding the oversight of the strategic direction of BC Ferry Services in support of the public interest and the findings made and actions taken during fiscal 2021, will be published with the Authority’s annual report in August 2021.

D-2	<u>Appointment of Directors of BC Ferry Services Inc.</u> When electing directors of BC Ferry Services, BCFA must select individuals in such a way as to ensure that as a group, the directors are qualified candidates who hold all of the skills and all of the experience needed to oversee the operation of BC Ferry Services in an efficient and cost-effective manner.	<i>Coastal Ferry Act section 21.1</i>
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The Authority has established a profile setting out the key skills and experience that directors of BC Ferry Services individually and collectively should possess in order to ensure that the operation of the Company is overseen in an efficient and cost-effective manner. This profile guides the Authority in its determinations respecting the size and composition of the Company’s board. It is reviewed regularly by the Authority to ensure the continued alignment of the skills and experience represented on the BC Ferry Services board with the key operational and strategic objectives of the Company for which the directors collectively have oversight responsibility.

The Authority holds the view that a diverse board makes prudent business sense and makes for good corporate governance. Within the over-riding objective of ensuring that the BC Ferry Services board possesses the appropriate skills and experience, the Authority also seeks to maintain a composition of talented and dedicated directors with a diverse mix of backgrounds that is reflective of the nature of the business environment in which the Company operates, and the people and the communities it serves.

The directors of BC Ferry Services Inc. in fiscal 2021 are listed below.

**BC Ferry Services Board of Directors
Year Ended March 31, 2021**

Director	Term Ending
John A. Horning, Chair	2021
Bruce A. Chan	2022
Eric A. Denhoff	2024
Brenda J. Eaton	2022
Jan K. Grude	2021
Gordon M. Kukec	2022
Shona A. Moore	2024
Sarah A. Morgan-Silvester, O.B.C.	2020
Janine M. North	2024
David R. Podmore, O.B.C.	2023
Michael W. Pucci	2024
Judith F. Sayers	2021

In fiscal 2021, the Authority appointed four new directors, Eric A. Denhoff, Shona A. Moore, Janine M. North and Michael W. Pucci, each for a term ending in 2024. The Authority reappointed Sarah A. Morgan-Silvester for a second term, ending in 2024.

John A. Horning’s term, as director, ended on March 31, 2021 as he completed his maximum period as a director. The BC Ferry Services Board elected Brenda J. Eaton as the new chair effective April 1, 2021.

D-3	<u>Remuneration of BC Ferry Services’ Directors</u> Once a compensation plan for directors of BC Ferry Services has been established or amended, BCFA must, in accordance with that plan, determine	<i>Coastal Ferry Act section 21.2</i>
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<p>the remuneration for directors of BC Ferry Services and the terms on which it is to be paid. As well, BCFA must publish the plan on its website and amend the Articles of BC Ferry Services to adopt the plan, require that remuneration be set and provided in accordance with the plan, set out the remuneration that may be paid under the plan, and require that BC Ferry Services publish in each fiscal year, details on the remuneration provided to the directors in the previous fiscal year.</p>	
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A compensation plan for the directors of BC Ferry Services was established by BCFA in the year ended March 31, 2011. The remuneration limits set out in the plan were established with the assistance of an independent third-party compensation expert and with reference to the *Coastal Ferry Act*, which requires that the remuneration under a directors' compensation plan be consistent with the remuneration that organizations in Canada that are of a similar size and scope to BC Ferry Services provide to their directors, and not be greater than the remuneration that provincial public sector organizations in British Columbia provide to their directors. The remuneration for the directors of the Company was set by BCFA in accordance with the plan effective October 1, 2010. The Articles of BC Ferry Services were subsequently altered by the Authority to reflect the establishment of the plan.

The compensation plan and the remuneration framework for the Company's directors have remained unchanged since October 1, 2010. The directors' compensation plan is available for public view on the Authority's website.

BC Ferry Services publishes information on the remuneration provided to its directors in the preceding fiscal year in the Company's annual statement of executive compensation, which is filed and available for public view on SEDAR. The Company's statement of executive compensation for the year-ended March 31, 2021 ("fiscal 2021") was filed on June 21, 2021.

<p>D-4 Remuneration of BC Ferry Services Executives Once a compensation plan for executives of BC Ferry Services has been established or amended, BCFA must publish the plan on its website and amend the Articles of BC Ferry Services to adopt the plan, require that remuneration for the applicable executives be set and provided in accordance with the plan, set out the remuneration that may be paid under the plan, and require that BC Ferry Services publish in each fiscal year, details on the remuneration provided to the applicable executives in the previous fiscal year.</p>	<p><i>Coastal Ferry Act</i> section 21.4</p>
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An executive compensation plan applies to the executives¹ of the Company, as that term is defined in the *Coastal Ferry Act*, which in fiscal 2021 were the individuals holding the positions of, or acting in a similar capacity or performing similar functions to the Chief Executive Officer ("CEO"), Executive Vice President ("EVP"), or Vice President of BC Ferry Services.

In August 2020, the BC Government implemented a freeze on executive compensation for provincial public sector organizations, but the freeze does not apply to the independently managed BC Ferry Services Inc. However, the *Coastal Ferry Act* sets limits and guidelines for BC Ferry Services executive compensation. The Authority established a Special Committee to further examine the Executive Compensation Plan and its compliance with the governing legislation. The work of this Special Committee is ongoing.

Consistent with the requirements of the *Coastal Ferry Act*, the Company publishes, in each fiscal year, details on the remuneration provided in the preceding fiscal year to the individuals whose compensation is governed by an executive compensation plan. The report for fiscal 2021 was posted for public view on the Company's website on June 21, 2021.

Separate from the requirements of the *Coastal Ferry Act*, BC Ferry Services also publishes information on the remuneration provided to its executive officers in its annual statement of executive compensation, which is filed and available for public view on SEDAR. The Company's statement of executive compensation for fiscal 2021 was filed on June 21, 2021.

¹ The *Coastal Ferry Amendment Act – 2019* broadened the definition of "executive" in the *Coastal Ferry Act* to include Vice Presidents, effective May 16, 2019.

GENERAL BYLAWS		
E.		
E-1	<p><u>Bylaw Amendments</u> Proposed amendments to the bylaws must be made public at least 4 months before the amendments take effect.</p>	<p><i>Coastal Ferry Act</i> section 16</p>
<p>The general bylaws of the Authority are available for public view on the Authority’s website. In February 2021, the Authority’s Director Skills Profile was amended. The Bylaws are in process of being updated to incorporate this change.</p>		
GENERAL MEETING, RECORDS & ADMINISTRATION		
F.		
F-1	<p><u>Annual General Meeting</u> BCFA must hold an annual general meeting open to the public in one of the appointment areas within six months of the end of the fiscal year. The date and location of the meeting must be made public not more than two months before the meeting. BCFA must make public its annual report for the most recently completed fiscal year at least 10 days before the meeting and must make a copy of the report available, without charge, to any person requesting a copy.</p>	<p><i>Coastal Ferry Act</i> section 18</p>
<p>BCFA’s annual general meeting was held in Victoria, British Columbia on August 20, 2020 in conjunction with the annual public meeting of BC Ferry Services Inc. The date and location of the combined meetings were made public through newspaper advertisements and were also posted on BC Ferry Services’ website within the timeframes set out in the <i>Coastal Ferry Act</i>. The annual report of BCFA for fiscal 2020 was prepared in accordance with the requirements of the <i>Coastal Ferry Act</i>. It was posted on BCFA’s website prior to the meeting and public notice of its availability for viewing was provided through the advertisements of the annual general meeting.</p>		
F-2	<p><u>Records and Administration</u> BCFA must keep records in accordance with generally accepted accounting principles; keep specified records at its head office and allow inspection of those records by the public; maintain a website on which its bylaws, including all proposed and actual amendments, are posted and available for public view; maintain a register of directors; and make public the location of the Authority’s head office.</p>	<p><i>Coastal Ferry Act</i> sections 17, 9(1), 13(6)</p>
<p>BCFA complied with all requirements of the <i>Coastal Ferry Act</i> with respect to the records and administration of the Authority in fiscal 2021.</p>		