



*Becoming  
Trusted  
and Valued*

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# BC FERRIES' JOURNEY TOWARDS SUSTAINABILITY

 **BCFerries**



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# MESSAGE FROM THE CEO

I am pleased to share BC Ferries' first sustainability report and our commitment to continue to produce such a document annually.

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The absence of prior sustainability reports is not a result of BC Ferries' lack of attention to the importance of environmental, social and economic sustainability. On the contrary, we are producing this document now in recognition that it is time to share with our customers, stakeholders and the public all that we have been doing, and to commit publicly to do even more going forward.

We have set as the vision for our company, "To be trusted and valued." We believe sustainability reporting enables BC Ferries to be transparent about how we are performing and how we seek to continually improve our performance. We have set a high bar for ourselves: to be a leader in the energy transition to a lower carbon future, and to build a resilient ferry system to provide uninterrupted ferry service to our customers – important goal posts on our journey towards sustainability.

BC Ferries believes in our duty to operate safely, reliably and sustainably, while supporting the communities we serve. We understand the very important role we play as stewards of the environment, of our social relationships, and the need to be fiscally prudent and plan for the longevity and sustainability of our operations for decades to come.

Our definition of sustainability is broad, and includes how we perform in relationship to the natural and constructed environments, such as composting approximately 631 tonnes of waste and diverting nearly 500,000 kilograms of waste from landfills.

Our efforts in energy conservation have been recognized by BC Hydro's Power Smart program, and our continued focus on energy management has resulted in energy savings equivalent to the consumption of 500 average homes annually.

We adopted advanced clean technology propulsion for 20% of our fleet, and plan to add this technology to more vessels in the future. We have worked with industry, regulators and the scientific community to collaboratively mitigate the impacts of marine transportation on the environment, and have supported Ocean Networks Canada to monitor the health of the Strait of Georgia. We have been a member of Green Marine since 2015, an environmental certification program dedicated to sustainable marine operations. We are one of only three Green Marine members certified in marine, terminal and shipyard operations. We are committed to sharing our ongoing progress with our customers through our SeaForward program, our stewardship initiatives brand.



Our definition of sustainability extends to the way we treat our employees, and the actions we take to support their health and safety, training and professional development. We want to create a diverse and inclusive workplace where people want to work and remain throughout their careers.

We also recognize the important role our employees play in helping BC Ferries deliver social sustainability initiatives. Our employees assist us in our support of the economic, social and environmental well-being of the communities we serve. Our community investment program supports events, services and organizations that improve the health and well-being of coastal residents. BC Ferries collaborates with customers and communities on services, infrastructure needs and community events.

Financial sustainability is also critical to the coastal ferry system. We want to develop new sources of revenue and seek efficiencies to be able to hold fares flat or reduce the cost of ferry travel for our customers. Focusing on financial sustainability assists in that endeavour. Ferry users are concerned about fare affordability and expect BC Ferries to invest prudently in assets and infrastructure, ensuring ferry users see their fares

put to the highest and best use. We take these expectations seriously.

We also understand we contribute to the health and sustainability of the BC economy. We own and operate one of the largest ship repair yards in Canada. After the Royal Canadian Navy, BC Ferries is one of the largest purchasers of marine products and services in BC and Canada. We actively promote marine technology and expertise transfer to BC.

Our commitment is to move through our environment without consuming our environment. We see ourselves as part of coastal British Columbia and we make this commitment – every day we will strive to live our values: to be safe, caring, honest, collaborative, respectful and sustainable.

A handwritten signature in black ink, appearing to read 'Mark Collins'.

MARK F. COLLINS  
President & Chief Executive Officer  
British Columbia Ferry Services Inc.

# IN FISCAL 2018:



**22M**  
Passengers served



**36\***  
Vessels in the fleet



**174k**  
Sailings this year



Fare promotions provided to customers



Complimentary travel provided



Complimentary travel provided to BC interior fire victims



\*Took ownership of the *Northern Sea Wolf* in fiscal 2018. Vessel will enter service in fiscal 2019.



**147**

Time loss injuries



**160k**

Annual training hours



**38%**

Women in director positions or above



**4,700**

BC Ferries employees



**\$92.4M**

Gross revenue commercial vehicles



**\$98.3M**

Gross revenue catering and retail onboard



**\$6.7M**

Gross revenue BC Ferries Vacations



**631\***

Metric tonnes of organics diverted from landfill



**47,921**

Litres of used cooking oil recycled



**3**

Low underwater radiated noise LNG ferries introduced



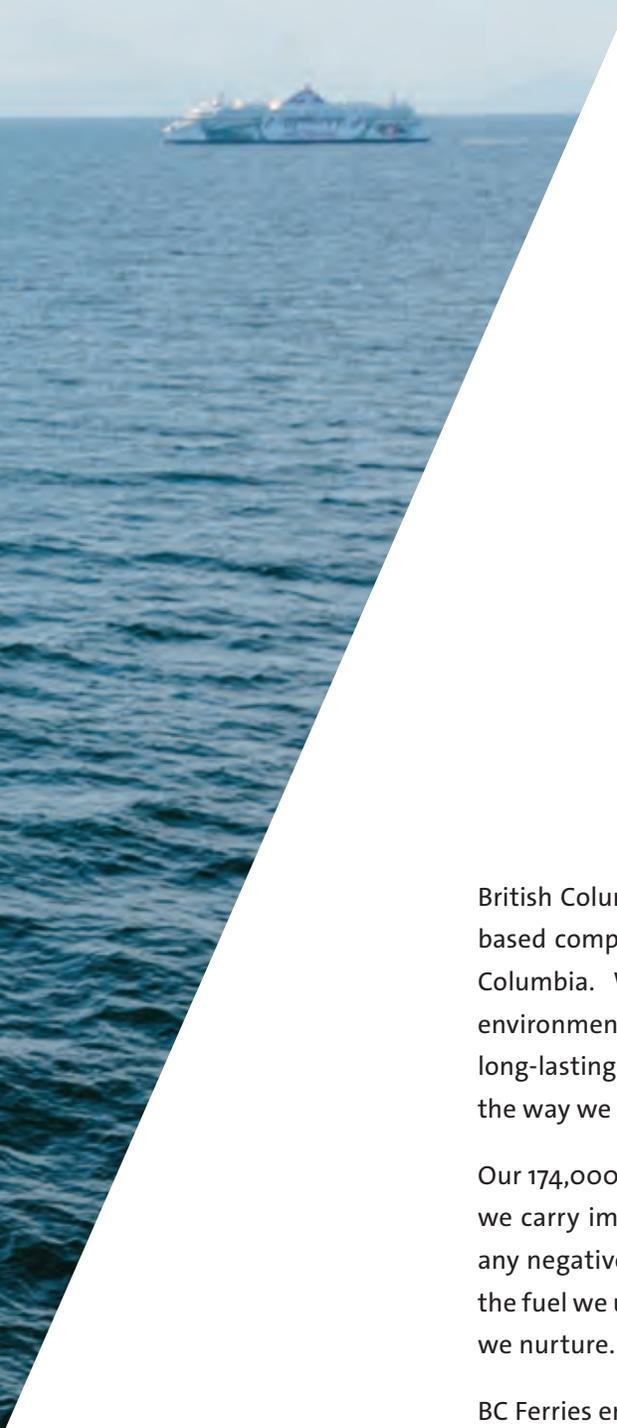
**95%**

Of sewage processed on shore

\*Represents the vessels and terminals in the Capital Regional District, Metro Vancouver and Regional District of Nanaimo.

# OUR JOURNEY TOWARDS SUSTAINABILITY





British Columbia Ferry Services Inc. (“BC Ferries” or “the Company”) is a large BC-based company that has a significant footprint up and down the coast of British Columbia. We work diligently to operate sustainably in three contexts – environmentally, socially and economically. We make significant, positive and long-lasting impacts on coastal communities. We are purposeful and rigorous in the way we plan and execute our activities.

Our 174,000 annual sailings, and the 22 million passengers and 8.7 million vehicles we carry impact the natural and built environments. We work hard to minimize any negative effects of our operations. We do this by the choices we make about the fuel we use, the products we purchase, the food we serve and the relationships we nurture.

BC Ferries engages our customers in our sustainability journey. For example, when customers turn off their vehicle engines at the terminal and wait until the vessel has docked before starting, they assist BC Ferries to reduce the greenhouse gas emissions that result from our operations. The social and community initiatives that we sponsor and our customers attend help to nurture the well-being of the communities we serve.

In keeping with best practices, we have produced this summary which describes many of the initiatives we have undertaken that contribute to our journey towards sustainability.

# ABOUT BC FERRIES





**47**

Terminals

**36**

Vessels

---

**58**

Years of service  
on the west  
coast of British  
Columbia

**25**

Routes spread  
over 1,600  
kilometers of  
coastline

# IN FISCAL 2018:

*(Year ended March 31, 2018)*



**22M**

Passengers carried, the highest number in 20 years



**8.7M**

Vehicles carried, the highest ever



**174k**

Sailings this year



**4,700**

BC Ferries employees

For close to 60 years, BC Ferries has been providing safe and efficient travel throughout the west coast of British Columbia. BC Ferries began operations in 1960 with two vessels on a single route. Today, we are an independent company operating one of the largest and most complex ferry systems in the world. With 35 vessels serving 47 terminals and 24 routes that stretch over 1,600 kilometers of coastline, today we carry 9 million vehicles and more than 22 million passengers every year.

Our four busiest routes include three regulated routes connecting Metro Vancouver with mid- and southern-Vancouver Island, and one regulated route connecting Horseshoe Bay in West Vancouver and Langdale on the Sunshine Coast. We refer to these routes as our Major Routes. What we refer to as our Inter-Island Routes include 18 regulated routes and 8 unregulated routes, primarily serving the northern and southern Gulf Islands, and the northern Sunshine Coast. In fiscal 2018, our Northern Routes included two regulated routes operating on the British Columbia coast north of Port Hardy on Vancouver Island. In fiscal 2019, we are adding a third northern route with direct service between Port Hardy and Bella Coola.

## OUR VISION

Trusted, valued.

## OUR MISSION

We connect communities and customers to people and places important in their lives.

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## OUR VALUES

### SAFE

Safety is our highest value.

### CARING

We operate from a position of kindness and empathy for those who travel and work with us.

### HONEST

We conduct business with integrity, honesty and accountability.

### COLLABORATIVE

We collaborate with others to enhance the customer experience.

### RESPECTFUL

Respect is paramount in our interactions with others.

### SUSTAINABLE

Our environmental, social and economic impact are central to business decisions.





**22M**

Passengers  
served

## **A.** **OUR CUSTOMERS**

We cannot talk about sustainability without talking about customers and our desire to provide an excellent, seamless customer experience. We recognize that transportation of any kind can be an anxiety-producing experience for customers as they rush to make the sailing of their choice or to redeem a reservation. Unplanned disruptions – whether a mechanical problem with a ferry vessel, or a medical emergency of one of our customers – can be frustrating if they impact schedules and reliability of operations.

BC Ferries services 22 million customers annually, and in recent years, that number has been growing steadily. In fact, in the last three years alone, we have experienced an 11% increase. We are aware of the importance of keeping customers at the centre of every decision we make, to ensure we are delivering the travel experience they expect.

## *In fiscal 2018 BC Ferries provided our customers with:*

**2,962**

more round trips than required by the Coastal Ferry Services Contract

**1,190**

more round trips than the prior year

**3,300**

sailings with promotional fares at significant discounts

**\$8.7M**

in discounted fares

**89%**

on-time performance

**99.83%**

fleet reliability

We continue to build a customer-focused culture across all levels of the organization. We are committed to making proactive and innovative business decisions informed by the changing needs and realities of our customers. We focus on making necessary investments in technology, internal processes and employee training to ensure a truly consistent, seamless and personalized customer experience.

### **ENHANCING THE CUSTOMER EXPERIENCE**

To provide sustainable customer services, we strive to make every customer interaction a safe, positive and satisfying experience by:

- Providing more round trips than required under the Coastal Ferry Services Contract
- Offering a selection of food services on many vessels
- Developing initiatives to improve on-time performance, including adjusting and/or expanding sailing schedules, crewing schedules and refining vehicle loading processes
- Cancelling only 0.2% of sailings due to mechanical issues related to the vessels or terminals, or crew availability
- Offering vacation packages online and in person (our travel centre, conveniently located in the tourist sector of downtown Vancouver, can assist with booking travel, accommodation and sight-seeing packages)
- Providing discounts that shift some discretionary traffic to less busy sailings, creating more capacity for those that need to travel during peak hours
- Offering shopping on the vessels serving the Major Routes
- Providing drop-trailer service on two of our routes connecting Metro Vancouver to Vancouver Island, where commercial customers can drop their trailers off at one terminal and pick them up at the other, with our drivers loading and unloading the commercial trailers on and off the ferry with a hostling unit

- Offering customer service enhancement training for all customer-facing employees on the three key attributes of friendliness, communications and listening skills, and professionalism
- Installing an induction loop hearing system on the Salish Class vessels.

## EVOLVING TECHNOLOGY

BC Ferries is in the process of replacing our aged website, reservation system and e-commerce platform and upgrading our point-of-sale system. In the coming years, these technology improvements will provide customers an opportunity to purchase travel in advance at discounted rates on select sailings on reservable routes.

For BC Ferries, these improvements allow us to respond in a more timely way to changing customer demands. We will introduce improved transaction processing and online booking with more choices in fares. Customers will be able to seamlessly book travel on any device of their choosing – laptop, tablet or mobile. During fiscal 2018, we implemented our new reservations system and enhancements to our customer relationship management system.

## FARE AFFORDABILITY

On April 1, 2018, we applied a fare reduction of 15% on our Northern Routes, the regulated Inter-Island Routes and on the Major Route connecting Horseshoe Bay and Langdale. We held fares constant on the three other Major Routes connecting Metro Vancouver with mid- and southern-Vancouver Island. We also increased the BC seniors' passenger discount from 50% to 100% for travel Monday to Thursday on all routes with the exception of the two Northern Routes.

The total value of these initiatives over two years will be \$98 million, with BC Ferries contributing \$39 million and the Province of British Columbia contributing \$59 million in ferry transportation fees towards the fare reductions and the increase to the BC seniors' discount.

However, our efforts to make travel affordable pre-date this past April. A year earlier, on April 1, 2017, there was no increase in the cost of ferry travel for customers on the minor, northern and Horseshoe Bay – Langdale routes. Only vehicle fares on the Tsawwassen – Swartz Bay, Tsawwassen – Duke Point and Horseshoe Bay – Departure Bay routes increased by 1.9%. Reservation fees were also reduced from \$15 to \$10 for customers who book seven days in advance on reservable routes.

Throughout fiscal 2018 and 2017, we offered a variety of discounts to customers. In fiscal 2018, we offered approximately \$8.7 million in discounts to passengers travelling on the routes between Metro Vancouver and Vancouver Island, and Horseshoe Bay to Langdale during the summer, over Thanksgiving, Christmas and during spring break.

In fiscal 2018, the average tariff revenue per vehicle on our major routes decreased by \$0.51 or 0.8% compared to the prior year. This was a result of promotional fares offering significant discounts of up to 48% on more than 3,300 sailings.

## SAFETY

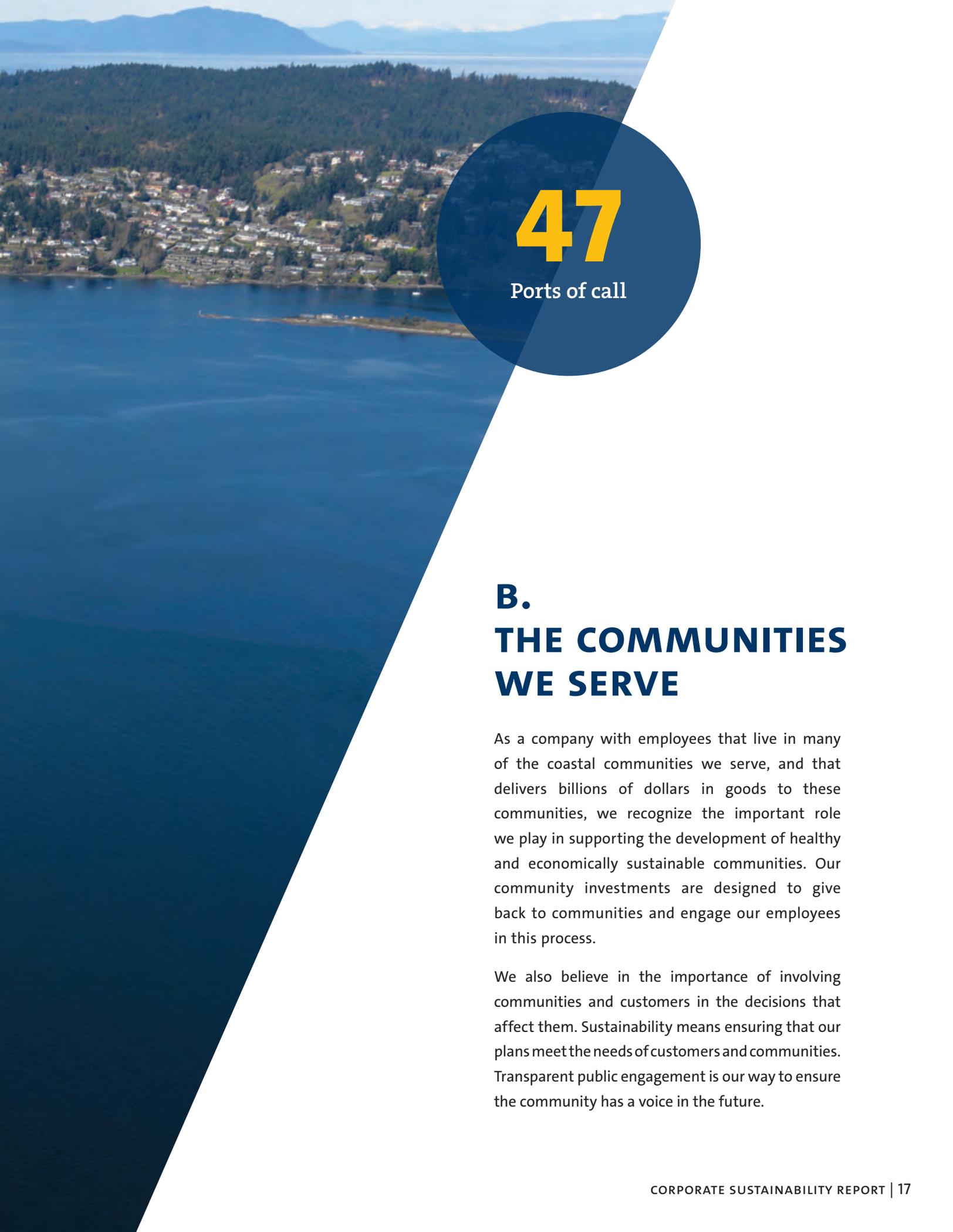
We aspire to be the safest ferry operator in the world and to do so, we have made significant investments in safety.

- Our passenger injury rate continues to decline and in fiscal 2018, we had 220 passenger injuries, representing an injury rate of .00001% or 10 injuries per one million passengers
- Our food storage, handling, preparation and cooking procedures are aligned with the hazard analysis critical control point methodology that is a preventive approach to ensuring food safety
- We have security initiatives in place to counter intentional attacks and we maintain regular contact with government security agencies to ensure we have the latest information.

## RECOGNITION

DuPont Global Safety Award  
 Safety at Sea Employer of the Year Award  
 BC's Top Employers (2017) and (2018)





**47**

Ports of call

## **B. THE COMMUNITIES WE SERVE**

As a company with employees that live in many of the coastal communities we serve, and that delivers billions of dollars in goods to these communities, we recognize the important role we play in supporting the development of healthy and economically sustainable communities. Our community investments are designed to give back to communities and engage our employees in this process.

We also believe in the importance of involving communities and customers in the decisions that affect them. Sustainability means ensuring that our plans meet the needs of customers and communities. Transparent public engagement is our way to ensure the community has a voice in the future.

## *In fiscal 2018, our community investments and local initiatives included:*

**\$60k**

raised through the BC Ferries' Media Charity Golf Classic event

**\$33k**

raised through the Employee United Way Campaign

**\$76k**

in travel provided for the BC Bike Race

**\$100k**

in travel provided through viaSport

**\$174k**

of free passage provided for wildfire evacuees

**\$159k**

in travel provided for school-related events on the Sunshine Coast

**5,579**

suppliers contracted, with the majority being local

**10**

students successfully completed our cadet program

**29**

completed rescues at sea

### **COMMUNITY INVESTMENT PROGRAM**

Community investment contributions that support the Company's long-term commitment to coastal communities are part of the BC Ferries' Community Investment Program. Through this program, we support coastal festivals and events, sport (through the viaSport Program) and other community initiatives.

We support coastal communities through sponsorships, donations and employee volunteerism. BC Ferries and its employees take part in a variety of community activities throughout coastal communities. These activities include memberships in business, service and charitable organizations, and participation in an annual United Way fundraising campaign.

It is important that we actively participate in the growth, development and sustainability of the communities in which we operate and live. We will continue to contribute to improving the quality of life and prosperity of coastal communities.

## COASTAL FESTIVITIES AND EVENTS

Some examples of events in fiscal 2018 include:

- BC Ferries Media Charity Golf Event raised \$60,000 in fiscal 2018 and over \$720,000 over the past 12 years to support local programs for children and families
- Employees participating in the UrbaCity challenge raised \$3,000 for the Island Prostate Centre
- We sponsored the Pacific Region International Summer Music Academy in Powell River for the third consecutive year
- Employees participating in the Victoria Dragon Boat Festival raised \$8,800 in fiscal 2018, \$30,000 to date, in support of the Deeley Research Centre in Victoria, which studies how the immune system responds to cancer and how to best enhance this response as a new form of cancer treatment
- We sponsored the B.C. Bike Race for the eighth consecutive year and provided in-kind travel to race participants.

## SPORT

BC Ferries and viaSport have a partnership that helps youth in coastal communities participate in organized sport.

viaSport British Columbia is a not-for-profit organization established in 2011, responsible for providing strategic leadership to sport in British Columbia and increasing levels of physical activity at every stage of life, in every community. A legacy organization of the 2010 Olympic and Paralympic Winter Games, viaSport is leading a unified approach to delivering sport across the province.

Through our joint program, BC Ferries Sport Experience, athletes are eligible to apply to viaSport for travel support when travelling to competitions leading to a provincial championship event, and Provincial and National Championships.

## OTHER COMMUNITY INVESTMENTS

We sponsored and supported many community events in fiscal 2018, focusing on the communities in which we serve and live, including:

- Employees participating in our annual United Way Employee Campaign raised close to \$33,000
- Community outreach at Our Place, an inner city community centre serving Greater Victoria's most vulnerable. BC Ferries' volunteers assist in food preparation, serving and clean up
- Providing complimentary prearranged travel to assist and support those who were evacuated during the wildfires in Alberta and British Columbia
- Participating in the Great Canadian Shoreline Cleanup.

While some of our initiatives meet the broader needs of the whole community, from time-to-time, our employees focus on the needs of an individual community member. In fiscal 2018, we worked with Angel Accessibility and Houle Electric to address accessibility challenges for a family from Cloverdale, BC whose son has a rare genetic condition requiring the use of a wheelchair. A BC Ferries employee became aware of the family's need through a media story and knew of a stair lift that was no longer required at our terminals. We donated the lift to the family, while Angel Accessibility donated their time and labour to install it, and Houle Electric donated the time to complete the electrical work for the installation. Several of our maintenance employees also donated time to help with the installation.

## CORPORATE PARTNERS

BC Ferries is investing in our communities and partnering with organizations that make significant contributions to coastal British Columbia.

The summer of 2017 (fiscal 2018) was the 12th season that we offered the Coastal Naturalist Program to our customers travelling on our vessels. Through a partnership between BC Ferries and Parks Canada, this one-of-a-kind customer experience provides a unique opportunity to connect Canadians and visitors to Parks Canada's incredible sites.

Nine Coastal Naturalists engage with customers with short roving presentations throughout the vessel and deliver a 20-minute program on select sailings, offering a real life coastal experience. The Coastal Naturalist Program helps to raise awareness of BC's coast and increase appreciation for its wildlife, marine life, geography, culture and history. Approximately 150,000 customers participate in onboard presentations each season.

## COMMUNITY EDUCATION

Education is an important part in improving the quality of life in our communities. In fiscal 2018, BC Ferries:

- Supported the development of three engineering and seven deck cadets from the British Columbia Institute of Technology, Georgian College of Ontario and the Memorial University of Newfoundland
- Donated \$10,000 to a scholarship fund for Christ Church Cathedral School to honour the lives of two young girls who lost their lives on Christmas Day
- Invested in the purchase of a simulator at Camosun College's new trades facilities. The SailSafe Nautical Simulation lab is a 12-station teaching facility that allows trainees the experience of navigating in local waters, in a range of conditions, while interacting with other vessel traffic operated by their classmates.

## COMMUNITY ENGAGEMENT

We have an active public engagement program and continue to work closely with 13 ferry advisory committees ("FACs") that represent the ferry-dependent communities we serve. These committees are appointed in cooperation with

*Queen of Capilano*



local governments, the Islands Trust and Indigenous communities, and discuss day-to-day operations, planned improvements, broader policy issues and strategic planning.

We actively engage with stakeholders to improve service and better align customer needs with sailing schedules through the use of surveys, open houses, public meetings, community working groups, FAC meetings and meetings with community leaders. We developed a Stakeholder and Community Engagement Framework that guides our consultation activities.

Over the past fiscal year, we engaged the community on the following initiatives:

- Following a broad public engagement, we revised schedules for these routes: Horseshoe Bay – Langdale, Horseshoe Bay – Snug Cove, Horseshoe Bay – Departure Bay, and Earls Cove – Saltery Bay. The revised schedules now provide the service our customers have requested: on-time departures, increased capacity, transit connections and later sailings out of Horseshoe Bay.
- We consulted with stakeholders and asked for their input on such areas as amenities, lounge configuration, car deck arrangement, accessibility and tourism features of two new minor class vessels that will join the fleet by 2020. These vessels will be the first two of this class.

We incorporated feedback and operational experience into the design of the vessels to ensure high levels of safety, customer service, environmental leadership and reliability.

- We are consulting with stakeholders on the future of two of our largest terminals at Horseshoe Bay and Swartz Bay. The visioning process is the first of three phases of terminal redevelopment. It will be followed by involving communities in a detailed design process over the next two to four years, prior to starting construction. In fiscal 2019, we also plan to engage stakeholders in creating terminal development plans for several terminals serving our Other Inter-Island Routes.
- Our strategic planning process captures internal and external factors, as well as direct input from our community engagement processes. We will continue to work collaboratively with the communities we serve to ensure they have input into the decisions that impact them most.

## EMERGENCY RESPONSE

In fiscal 2018, we also responded to 160 requests from BC Ambulance Service that range from assembling a crew to making unscheduled sailings for medical patients, to holding a vessel in dock or turning one around for medical emergencies.

In an average year, we respond to approximately 125 marine emergencies, from providing visual confirmation of a situation, to recovering people from the water and applying advanced first aid treatment. Our crews are trained to respond to an emergency onboard our own vessels, and in emergency response to assist other vessels on the open water.





**WORLD'S**

**1<sup>ST</sup>**

on-deck LNG fueling  
system for passenger  
vessels

## **C. OUR ENVIRONMENTAL INITIATIVES**

Environmental sustainability is often considered one of the most important initiatives a company can undertake. Given our presence in coastal waters hundreds of times a day, 365 days per year, we recognize the impact our operations can have on the built and natural environments.

We are proud of our environmental performance and of the improvements we have achieved to reduce our environmental footprint. We are tackling the challenge of benchmarking our performance and setting targets related to reducing our greenhouse gas (GHG) emissions, supporting responsible consumption, and working to help ensure our operations do not negatively affect the environment.

## *In fiscal 2018, BC Ferries:*

### DIVERTED

**631**

metric tonnes  
of organics  
(21% of total waste  
generated)

### RECYCLED

**635**

metric tonnes  
of materials  
(21% of total waste  
generated)

### TRANSPORTED

**1,748**

metric tonnes of  
waste to the landfill  
(58% of total waste  
generated)

### GENERATED

**3,014**

metric tonnes  
of total waste

### RECYCLED

**47,921**

litres of used  
cooking oil

We are determined to conduct our operations in a manner that is environmentally responsible and to incorporate environmental factors into our decision making.

Our approach to managing environmental performance makes use of certification, collaboration, innovation and transparency. We operate within a complex framework of federal, provincial and local environmental laws and regulations that apply to our industry, including solid and liquid waste management, air quality, fisheries and wildlife, and oil spill response.

### CERTIFICATION

To support our commitment to continuous improvement and transparency in our environmental performance, we are certified by

Green Marine. Green Marine is a globally recognized and voluntary environmental certification program for the marine industry. As part of Green Marine, we benchmark our annual environmental performance and demonstrate continuous improvements by taking concrete and measurable actions that exceed regulatory compliance.

We voluntarily joined Green Marine in 2015 and expanded our participation to include our fleet maintenance unit in 2017. Now we are certified as a ship owner, terminal operator and shipyard. The results of our environmental performance are verified by an accredited external verifier. To support transparency of the process, we authorize the program to publish the level of achievement for each performance indicator annually on the Green Marine website.



## COLLABORATION

We believe that no company, on its own, can deal with the environmental challenges of the marine transportation industry. As a result, we collaborate with others to achieve the best results.

### *Enhancing Cetacean Habitat and Observation*

Since 2014, we have been actively involved with the Enhancing Cetacean Habitat and Observation (ECHO) Program. ECHO is a Port of Vancouver-led initiative to better understand and manage the impact of shipping activities on at-risk whales throughout the southern coast of BC. ECHO takes a collaborative approach to managing projects in three areas of threat: acoustic disturbance (underwater noise), physical disturbance (ship collisions) and environmental contamination. The program receives input and advice from scientists, the shipping and passenger vessel industry sectors, pilots, conservation and environmental groups, Indigenous communities and government agencies.

### *Green Marine Underwater Noise Working Group*

In 2015, BC Ferries began working with the Green Marine Underwater Noise Working Group to develop performance indicators around underwater noise for the industry members participating in the environmental certification program. Underwater noise was a voluntary performance indicator that became mandatory in 2018 for all industry members.

### *Underwater Noise Measurement*

To facilitate obtaining a better understanding of the noise profiles of our vessels, we have participated in three significant measurement projects. We participated in these studies to better understand the underwater radiated noise emission levels of several of our vessels over a range of operating conditions. The information is useful for developing potential noise mitigation options.

### ***BC Hydro Energy Management Program***

We participate in the BC Hydro Energy Management Program. The goal of energy management is to create a culture within the organization where energy efficiency is regular business practice.

To manage and offset increasing energy costs, we:

- Identify and initiate energy efficiency projects
- Engage people at all levels of the organization in being more energy efficient both at home and at work
- Implement energy saving projects that make good business sense
- Develop and update the Company's Strategic Energy Management Plan.

Since becoming a Power Smart Partner with BC Hydro in 2008, we have completed energy studies for our five major terminals and actioned over 44 energy management projects that will result in approximately 2.67 GWh of annual energy savings (equivalent to 248 average homes). Energy conservation measures have included:

- Lighting retrofits to induction, compact and electronic fluorescent, and LED
- Lighting controls (photocells, timers, occupancy sensors)
- IT server virtualization
- Direct digital control optimization (night time room temperature setbacks, outdoor air temperature lock-out and weather predictor, demand controlled ventilation)
- HVAC upgrades (variable speed drives, radiant heating retrofit, programmable thermostats)

- Sub-metering of major terminals and development of a power monitoring system to track power consumption, and to encourage behavioural changes and accountability.

The implementation of these measures has reduced our overall energy consumption, and will save BC Ferries approximately \$1.1 million over a four-year period.

### **INNOVATION**

We constantly look for ways to reduce fuel consumption and GHG emissions from our vessels. We have implemented a wide variety of fuel-saving measures ranging from operating our vessels more efficiently to installing new, more fuel-efficient engines on some of our vessels and fuel monitoring systems on others, and designing and building our new vessels to meet or exceed current environmental standards.

We are also adopting alternative fuel or hybrid options for new vessels and vessels undergoing major retrofits because a move to alternative fuel sources will reduce emissions and costs. Our three Salish Class ferries, which entered service in fiscal 2018, are dual-fuel capable and are operated as much as possible on liquefied natural gas ("LNG"). The new Salish class vessels use of LNG is expected to eliminate an estimated 9,000 metric tonnes of carbon dioxide equivalent per year, similar to removing about 1,900 passenger vehicles



off the road annually. The mid-life upgrades, including conversion to dual-fuel, of the *Spirit of British Columbia* and the *Spirit of Vancouver Island*, are also expected to result in significant environmental benefits.

Our new minor class vessels will initially operate on ultra-low sulfur diesel fuel with stored energy (battery) capability installed to provide the ship's service power. The stored energy capability is expandable so that it is possible the battery could supply the ship's full power requirement in the future.

Our cable ferry, the *Baynes Sound Connector*, is also part of our ongoing efforts to identify and pursue opportunities that have the potential to enhance our ability to reduce our environmental footprint and improve our cost effectiveness in delivering sustainable, safe, reliable and quality ferry service. The *Baynes Sound Connector*, brought into service in the last quarter of fiscal 2016, consumes 50% less fuel compared to the previous vessel providing the service.

Other innovative activities that have been implemented to reduce our environmental footprint include:

- Enhancing onboard waste diversion services to allow customers to participate in organics diversion
- Reducing the use of landfill and plastic disposables onboard and/or gradually replacing them with more environmentally friendly alternatives
- Reviewing the use of chemical products and promoting environmental considerations in purchasing
- Using biodegradable hydraulic oils and environmentally acceptable lubricants, where practical
- Expanding our shore-power program to additional terminals by upgrading the current shore power installations.

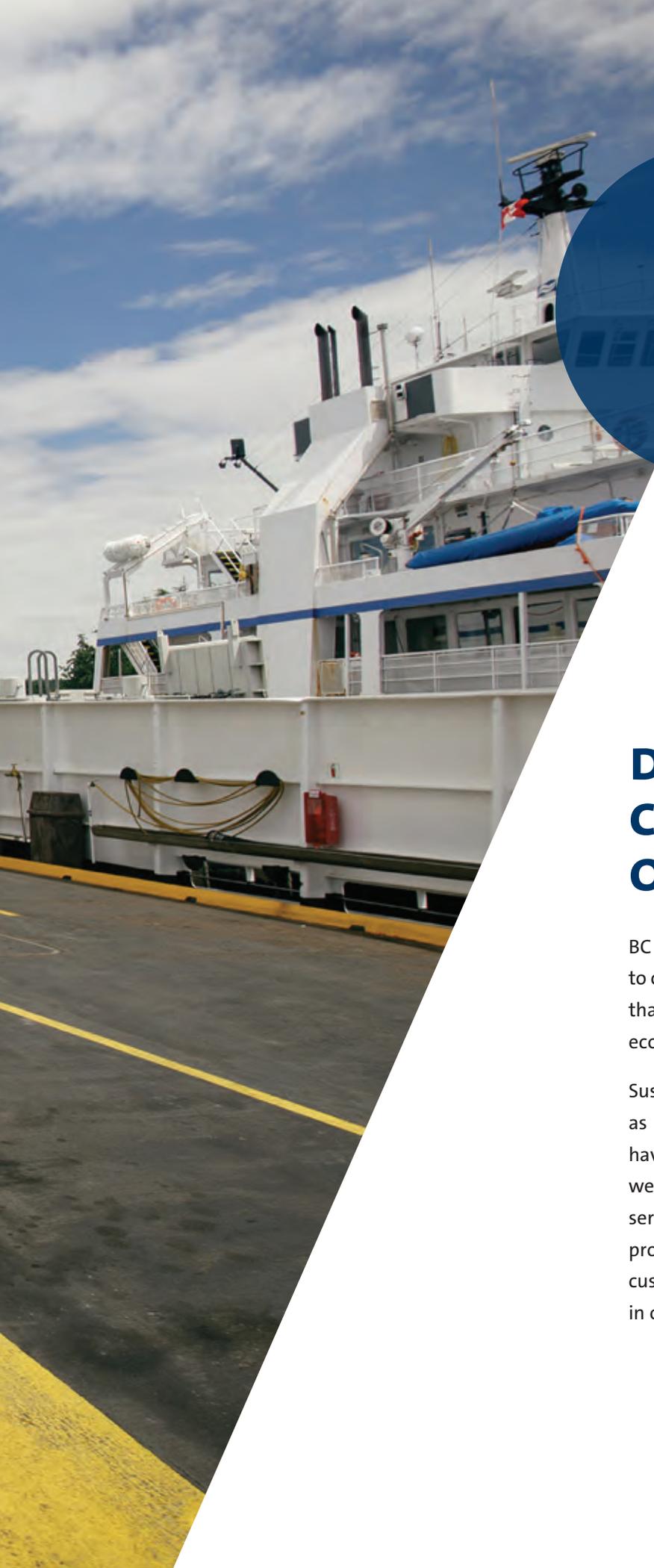
## RECOGNITION

The Port of Vancouver recognized BC Ferries with the "Blue Circle Award" for fiscal 2018. The Blue Circle Award distinguishes vessel operators who go above and beyond regulatory requirements to reduce air emissions and have the highest rate of participation in Port of Vancouver's EcoAction Program.

Swartz Bay Terminal







**4,700**  
BC Ferries  
employees

## **D.** **CARING FOR** **OUR EMPLOYEES**

BC Ferries' employees are the face of our company to our customers. They want to work for a company that operates sustainably – environmentally, economically and socially.

Sustainability is as important to our employees as it is to our customers and stakeholders. We have engaged our employees in identifying ways we can operate safely and sustainably, and they serve as ambassadors in our employee-led SailSafe program and our SeaForward initiatives that invite customers and employees to lead and participate in our sustainability activities.

## *In fiscal 2018, BC Ferries:*

**4,700**

average number  
of employees

**35%**

of employees are  
women; women  
hold 38% of director  
positions or above

**45**

average age  
of employees

**12.2**

average years  
of service

**4.43%**

turnover rate

**5%**

absenteeism rate

**147**

time loss  
injuries

**163**

employees  
retired

### **HUMAN RESOURCES & EMPLOYMENT**

Our business is seasonal in nature, with the summer period experiencing the highest traffic levels. This results in seasonal variations in the number of employees onboard our vessels, at our terminals and in our customer call centre. Our average number of employees during fiscal 2018 was approximately 4,700 but ranged from 4,600 to 5,000 depending on the month.

Over 80 percent of our employees belong to the B.C. Ferry & Marine Workers' Union ("Union"). The wage increases in the current five-year Collective Agreement, ending October 31, 2020, aggregate to 8.55 per cent, or 1.71 per cent increase on average each year. The current agreement provides certainty for employees and customers; it has been 14 years since there was a labour disruption at BC Ferries.

We provide Employee and Family Assistance Programs for all employees. The programs offer confidential service 24 hours a day, 7 days a week. They provide employees and their dependents with counselling and coaching for a variety of life balance and health issues. We also help our employees plan for a secure future with retirement planning assistance and contributions to a defined benefit pension plan.

We will continue to review and improve policy and practices to reflect the ever-changing workplace and will invest in developing and supporting the people that make our company a global leader in marine transportation.



## HEALTH & SAFETY

Through our health and wellness program, we provide our employees with funding to support the development of sustainable long-term health and wellness. We also have an online community focused site that provides our employees with the resources and tools needed to help lead healthier lifestyles. Employees can set and track progress towards personal goals, connect with colleagues with similar interests, take part in different challenges and participate in events in the community and around the fleet.

We are committed to creating a safe and healthy work environment for our employees by:

- Establishing safety committees for all vessels and terminals
- Continuing to reduce time loss injuries since the introduction of SailSafe, a joint initiative of the Company and the Union
- Operating a 24-hour operations and security centre for monitoring day-to-day operations and providing a coordinated response during incidents
- Having security initiatives in place to counter intentional attacks and being in regular contact with government security agencies to ensure we have the latest information
- Requiring operational employees to hold competency certificates in areas such as vessel safety, rescue equipment, firefighting and first aid
- Having more than 800 employees who, in addition to their normal duties, are trained as Occupational First Aid Attendants
- Continuously training our employees in how to respond to emergencies through practice exercises and drills
- Providing the necessary personal protective equipment and training in its proper use
- Equipping 34 of our 47 terminals with automated external defibrillators that can be used in the event of a medical emergency
- Equipping our vessels and terminals with the appropriate equipment so employees can carry out their jobs efficiently and safely
- Recording and monitoring accidents and incidents to take corrective actions and eliminate respective risks
- Providing all employees with a risk-based reporting tool called ALERT (All Learning Events Reported Today) that can facilitate change in specific tasks or processes to reduce risk
- Having an online operational risk register to promote awareness of risk issues and facilitate continuous and consistent risk management
- Upgrading our safety management system to provide an avenue for auditing, reporting, investigating and tracking of policies, procedures and incidents to prevent future incidents and evaluate trends
- Instituting a no smoking policy on our vessels and at our terminals

- Undergoing an audit to recertify for the Certificate of Recognition (“COR”) from WorkSafeBC that recognizes companies that go beyond the legal requirements of the Workers’ Compensation Act and the Occupational Health & Safety Regulations and take a best practices approach to implementing health, safety and return to work programs. The COR audit resulted in a 92 per cent score in Health and Safety and 93 per cent score in Injury Management.
- Encouraging employee health and wellness through the WHEEL program (Wellness & Health by Engaging Employees Locally). The WHEEL program is a bursary fund that allows employees financial support in achieving their own individual or group health and wellness goals.

## SAILS SAFE

SailSafe, launched in fiscal 2008, is a joint initiative of the Company and the Union. It is designed to achieve world-class safety performance. SailSafe embodies safety as a normal part of all business activities and ensures we keep safety as the primary concern in the minds of our employees. SailSafe is driven by our employees, who play a vital part in identifying areas and methods for enhancing

current safety practices. In addition to their normal duties, over 400 employees are also engaged in identifying areas for improvement, developing plans and implementing new or revised processes. We continue to work towards ensuring that safety becomes completely ingrained in every activity undertaken, every day, throughout our business.

On September 6, 2017, we received the DuPont Global Safety Award, which recognized BC Ferries’ achievements and commitment to safety excellence through our SailSafe program. The DuPont Safety and Sustainability Awards recognize outstanding initiatives across all industries worldwide aimed at enhancing workplace safety, sustainability and operational effectiveness.

On September 12, 2017, we received the Safety at Sea Employer of the Year Award which recognizes career development, staff investment and support programs for seafarer family and friends.

For two years in a row, we have also received BC’s Top Employers Award, which recognizes companies that offer exceptional places to work with progressive and forward-thinking programs.

*Northern Adventure*



## TRAINING & DEVELOPMENT

We are committed to supporting our employees' development and, in fiscal 2018 we:

- Provided over 28,000 personal training days for marine employees, an increase of 17% over fiscal 2017. This includes job specific, simulation and safety training
- Focused our operational training programs on new hire orientation, oil spill response, FoodSafe, prevention of violence in the workplace and LNG
- Developed and delivered a comprehensive training plan for familiarization with the new equipment on the Salish Class vessels that includes LNG training, manufacturer's equipment training and Standardized Education and Assessment ("SEA"), and operational training
- Developed a web-based LNG safety awareness program to be provided to all employees involved with the vessels that can utilize LNG
- Developed advanced LNG training for deck and engineering crews that will be on vessels using LNG
- Provided more than 5,000 days of training related to LNG prior to putting the Salish Class vessels into service
- Provided tuition reimbursement for successful completion of courses that further an employee's formal education in their chosen profession
- Provided an on-line training course to employees to assist them with the development of soft skills and people skills necessary for their success
- Assisted 30 employees with transition into a management role through a 1-day Welcome to Management course

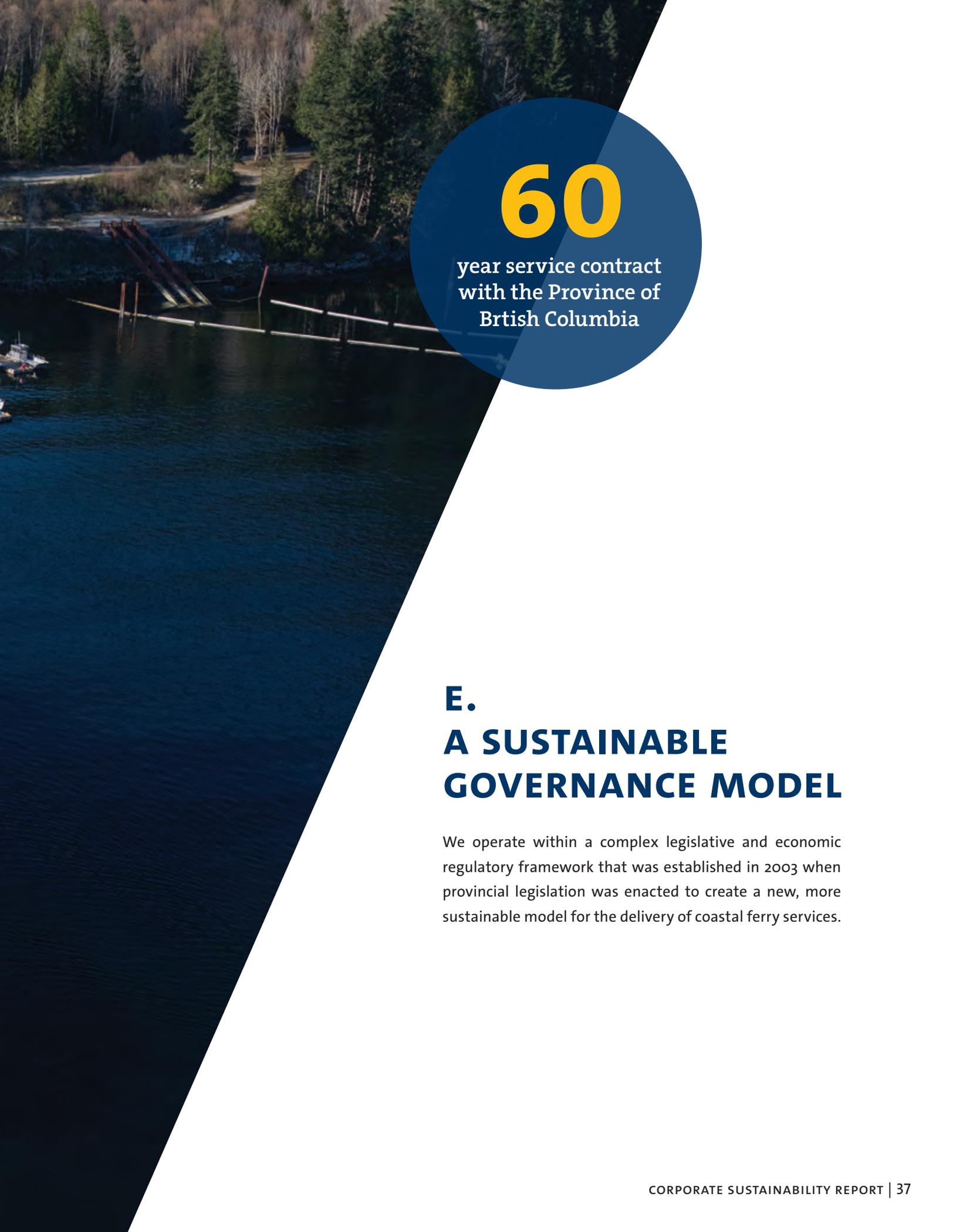
- Provided the opportunity for our employees to enhance their management and leadership skills with 45 employees participating in a 5-day Coaching for Business Success course and 30 employees participating in a 3-day Coaching for Excellence course.

Our SEA program has received international recognition for its customized programs specific to the job, vessel, route or terminal. The program provides employees with easy access to resources and materials, and assists in planning and tracking employee career progression and succession. It leverages technology and e-learning to enhance hands-on training in a phased, auditable and sustainable manner, and represents an innovative approach that we believe is transforming training in the marine industry. Currently 96% of operational job positions are supported by SEA materials and education.

Our Simulator Training Centre program provides training to operational crews in many areas, including operations skill, navigation tools, communication and team decision making. Our signature course is Bridge Operations Skills and Systems, for which we received a Lloyd's List Safety Training award for outstanding commitment in training our employees ashore and at sea. It focuses on gaining, maintaining and enhancing shared bridge team situational awareness and allows us to construct simulation activities and scenarios to customize the education.







**60**

year service contract  
with the Province of  
British Columbia

## **E. A SUSTAINABLE GOVERNANCE MODEL**

We operate within a complex legislative and economic regulatory framework that was established in 2003 when provincial legislation was enacted to create a new, more sustainable model for the delivery of coastal ferry services.



### COASTAL FERRY ACT

The *Coastal Ferry Act*, enacted by the Province in 2003, among other things, provided for the conversion of BC Ferries from its status as a Crown Corporation to an independent Company, and created the B.C. Ferry Authority, a corporation without share capital, as BC Ferries' sole owner . It also established the office of the British Columbia Ferries Commissioner (the "Commissioner") and authorized the Province to enter into contracts for the operation of ferries on specified ferry routes.

### RELATIONSHIP TO THE PROVINCIAL GOVERNMENT

We have a contract, the Coastal Ferry Services Contract, with the Province to provide passenger and vehicle ferry services on the west coast of BC. To date, we are the only ferry operator that has such a contract with the Province. The Province holds cumulative preferred non-voting shares of BC Ferries in the amount of \$75.5 million and is entitled to receive an annual dividend of \$6.0 million as and when declared by the BC Ferries' Board of Directors.



## COASTAL FERRY SERVICES CONTRACT

Our 60-year service contract with the Province, which commenced in 2003, stipulates, among other things, the minimum number of round trips that we must provide for each regulated ferry service route and the fees the Province is to pay in exchange for those services. After the first five-year term, as part of this contract, the services and fees are to be reviewed every four years. The most recent renewal of the contract was completed for the fourth performance term which began on April 1, 2016 and will end March 31, 2020. Under the terms of the contract, we also receive an annual amount from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal BC. The Province also leases the ferry terminals to BC Ferries under a long term agreement.

## BRITISH COLUMBIA FERRIES COMMISSIONER

The Commissioner, independent of both the Province and BC Ferries, is responsible for regulating our tariffs by establishing price caps for designated ferry route groups. The Commissioner is also responsible for monitoring service levels and certain other matters.

The Commissioner undertakes this regulation in accordance with several principles, including:

- to balance the interests of ferry users, taxpayers and the financial sustainability of ferry operators;
- to encourage a commercial approach to ferry service delivery; and
- to encourage innovation and the minimization of expenses without adversely affecting safety.

## BOARD OF DIRECTORS

BC Ferries is a company incorporated in British Columbia. The Board of Directors (“board”) of BC Ferries is appointed by the Company’s sole voting shareholder, B.C. Ferry Authority.

The directors are stewards of BC Ferries and set the strategic direction of the Company. The board exercises its stewardship responsibilities by overseeing the conduct of the business, supervising management, which is responsible for the day-to-day conduct of the business, and endeavouring to ensure that all major issues affecting the business and affairs of the Company are given proper consideration.

The board is committed to the principles of independence and accountability. The board has adopted policies and practices that ensure it has the capacity, independent of management, to fulfill the board’s responsibilities, make objective assessments of management, and assess the merits of management initiatives. The board’s Governance & Nominating Committee has an ongoing responsibility to ensure that the board’s governance structures and processes continue to enable the board to function independently.

## INDEPENDENCE

Under guidelines adopted by the board, a director is independent if he or she has no direct or indirect material relationship with the Company. For this purpose, a “material relationship” is a relationship that could, in the view of the board, be reasonably expected to interfere with the exercise of a director’s judgment. Members of the board’s Audit & Finance Committee are subject to additional independence requirements consistent with the definition of independence in National Instrument 52-110 Audit Committees.

The board is responsible for determining whether directors are independent pursuant to the definition of independence adopted by the board. To do this, the board requires members to disclose their relationships with the Company and its subsidiaries. These disclosures are made annually and are reviewed by the chair of the board, the chair of the Governance & Nominating Committee and the corporate secretary, and are reported to the Governance & Nominating Committee and the board. If it has been previously determined that a director is independent of the Company but circumstances arise which could result in a determination that he or she is no longer independent, the director must promptly advise the board.

## CODE OF CONDUCT

The board has established a Code of Business Conduct and Ethics (the “Code”) for the Company. The Code is posted on the Company’s intranet website for Company personnel, and is available for public view on the Company’s internet site and on the System for Electronic Document Analysis and Retrieval (SEDAR). The board has also adopted a Corporate Disclosure and Securities Trading Policy and a Corporate Communications Policy, both of which are also posted on the Company’s intranet and internet sites.

As part of the Company’s disclosure controls process, in conjunction with quarter-end financial reporting, appropriate managers are required to confirm their compliance with the Code, the Corporate Disclosure and Securities Trading Policy and the Corporate Communications Policy.

As part of the communication process for the reporting of any questionable accounting and auditing matters, a secure telephone line and a secure e-mail address, each monitored by the executive director of internal audit, as well as a secure e-mail address monitored by the chair of the Audit & Finance Committee, have been established. This has been communicated to Company personnel by intra-Company information bulletin and BC Ferries’ newsletter for personnel. The contact particulars are also posted with the Code on the Company’s intranet site.

The board, through the Audit & Finance Committee, monitors compliance with the Code through reports received quarterly from management, the external auditor, and the internal auditor.

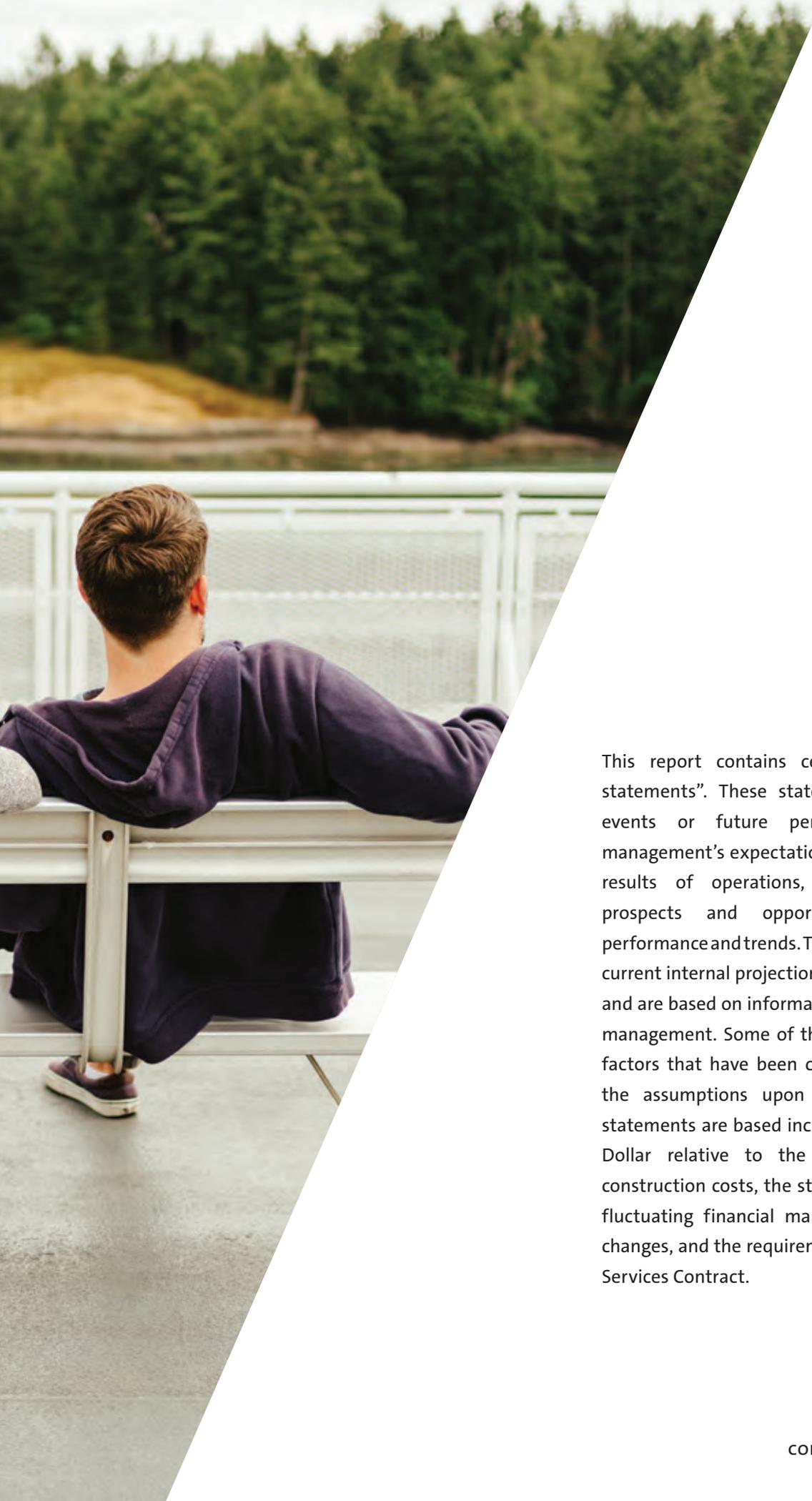
Directors and officers are required to review the Code annually, and acknowledge their support and understanding of the Code by signing an annual disclosure statement.

*Queen of Coquitlam arriving at Horseshoe Bay Terminal*



# FORWARD LOOKING STATEMENTS





This report contains certain “forward looking statements”. These statements relate to future events or future performance and reflect management’s expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management’s current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this document include statements with respect to: our short-term and long-range business plans, asset renewal programs for vessels and terminals, our customer experience program, alternative fuel options, minor class vessel replacements, and safety, environmental, customer engagement, and training projects. In some cases, forward looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with: vendor non-performance; capital market access; interest rate, foreign currency, fuel price, and traffic volume fluctuations; the implementation of major capital projects; security, safety and environmental incidents; confidential or sensitive information breaches; changes in laws; vessel repair facility limitations; economic regulatory environment changes; tax changes; and First Nation claims.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this report are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this report, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

## NON-IFRS MEASURES

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain financial measures that do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These include, but are not limited to, average tariff revenue per vehicle. These supplemental financial measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.





[bcferries.com](http://bcferries.com)