



PORT of
vancouver

World Ports Sustainability Awards 2019

Vancouver Fraser Port Authority

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Canada

Table of contents

Introduction and overview 1

About us..... 2

Our sustainability journey..... 2

Governance and corporate structure..... 3

Strategic planning 5

Compensation philosophy 7

Processes supporting an ethical culture..... 8

Introduction and overview

The Vancouver Fraser Port Authority is moving towards a more sustainable future for the Port of Vancouver. We are proud to submit this application to the International Association of Ports and Harbors for the World Ports Sustainability Awards 2019, under the governance and ethics theme. This submission highlights our work undertaken since 2013 to update and improve our sustainability governance model.

As our journey towards a more sustainable port continues, we have made significant advancements in our sustainability governance model. Our updated vision and definition of a sustainable port have been integrated throughout our core governance and strategic planning processes. They now form a key part of the guiding principles of our strategic business planning process. Sustainability has been integrated across the responsibility of all Board Committees. In addition, Director Manuals and Board Terms of Reference have all been updated to ensure our definition of a sustainable port is included and forms a major guiding component of this information. This includes additions to and inclusion in the Board of Directors Terms of Reference, Board Committee Operating Guidelines, Board Committee Terms of Reference, the specific skills and experience required of board members, and the Board of Director orientation process and manuals.

About us

The Port of Vancouver is Canada's largest port, and the third largest in North America in terms of annual tonnes of cargo. It is home to 27 major marine cargo terminals, operating across five business sectors: automobiles, breakbulk, bulk, container and cruise. The port borders 16 municipalities and intersects the asserted and established territories and treaty lands of several Coast Salish First Nations on the southwest coast of British Columbia, Canada. Port of Vancouver related activities are a major economic generator for Canada, supporting 115,300 jobs, \$200 billion in trade and \$11.9 billion in gross domestic product annually.

Many different enterprises operate at the port. Goods arrive and depart by sea on vessels owned and operated by global shipping companies and facilitated by tugboats, shipyards, shipping agents and freight forwarders. Terminals are operated and managed by independent third-party operators. Railways and trucking companies move goods to and from terminals by land.

We are the Vancouver Fraser Port Authority, responsible for managing federal lands and waters at the Port of Vancouver on behalf of Canadians and in support of national trade objectives. We provide marine infrastructure and ensure safe and efficient movement of marine traffic and cargo within the port. We ensure operations are secure, reliable and sustainable, with consideration for the impacts on our neighbouring communities. We also advance environmental initiatives, and conduct project and environmental reviews of works and projects proposed for port lands and waters. Our mission is to enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities, and our vision is to be the world's most sustainable port.

[Learn more](#)

Our sustainability journey

We are committed to moving towards a more sustainable future for the Port of Vancouver, and are on an ongoing journey as we work to meet our vision. In 2010 we embarked on a two-year scenario planning process with stakeholders called [Port 2050](#), to improve our understanding of what the region may look like in the future. We identified four plausible scenarios for the long-term future, including one we believe is worth aspiring to: The Great Transition. This scenario represents a shift to a lower-carbon economy with a focus on sustainable trade that accommodates Canada's trade needs while maintaining a healthy environment and enabling thriving communities.

We began in 2013 to engage industry, government, Aboriginal peoples, and communities in envisioning our shared future and defining what sustainability means for the Port of Vancouver. We defined a sustainable port as one that delivers economic prosperity through trade, maintains a healthy environment, and enables thriving communities. This definition guides how the Vancouver Fraser Port Authority operates and plans for the future. Our

definition includes 10 areas of focus and 22 statements of success, which together describe the attributes of a sustainable port. Our definition of sustainability, can be viewed in full on page 10 of our [Sustainability Report 2016](#).

In 2016, we adopted our new vision: to be the world's most sustainable port. Our vision is aspirational and bold. We believe it is also necessary to ensure continued prosperity and livability for our region and country.

We are working to integrate sustainability throughout our business processes and culture. Also in 2016 we conducted a scan of global ports to identify environmental and social sustainability trends and best practices, to act as a benchmark for our efforts to find leadership opportunities as a port authority in developing future sustainability initiatives. Our progress at a high level, as reported in 2018, in governance, culture, leadership, performance and reporting is outlined in our [Sustainability Highlights 2017 brochure](#).

We are now focused on defining how to measure the Port of Vancouver's sustainability performance and progress towards our vision. This work enhances the port authority's strategic planning by integrating stakeholder perspectives and actual performance into the process of optimizing our sustainability investments. We have created an initial suite of indicators which are at varying stages of development and were selected based on the most significant sustainability impacts of the broader Port of Vancouver. Stakeholder perspectives of sustainability impacts are continually validated through transparent and ongoing reporting, dialogue and stakeholder engagement. Our work will continue to focus on refining definitions of sustainability indicators.

Governance and corporate structure

The Canada Marine Act governs the appointment and responsibilities for Canada Port Authority boards of directors. The Vancouver Fraser Port Authority has an 11-member board of directors that provides governance, oversight and approval of strategic direction for the port authority. The board is formed through a robust process that involves four appointing bodies, as follows:

- **The Government of Canada** appoints eight members, seven of which are chosen from recommendations by port users
- **The Province of British Columbia** appoints one member
- **The governments of the Prairie provinces of Alberta, Saskatchewan and Manitoba** appoint one member
- **The municipal governments of the 16 municipalities within the port authority's jurisdiction** appoint one member

Terms of the directors are three years, and two reappointments are permitted for a maximum term of nine years. All members must have generally acknowledged and accepted stature within the transportation industry and the business community. Once appointed, members

have a fiduciary obligation to represent the best interests of the port authority. A complete overview of our corporate governance is available [here on our website](#).

Previous to 2016, corporate social responsibility governance functions and sustainability issues were addressed at the board level by a Community and Corporate Social Responsibility Committee. In 2016, and further in 2017, we refined our board governance model in order to integrate responsibility for sustainability across all committees. We implemented further changes to the governance model by combining two board committees and enhancing the reporting requirements to the board in regards to community concerns about port operations.

The Governance and Stakeholder Relations Committee of the Board of directors specifically has responsibility to review policies related to sustainability. The committee is required to review policies annually and provide recommendations to the board. Policies related to sustainability reviewed by this committee include:

- Community Investment Policy;
- Environment Policy;
- Corporate Social Responsibility Policy;
- Project & Environmental Review Policy*

Board of Director Manuals and Board Terms of Reference have all been updated to ensure sustainability is included and forms a major guiding component of this information. This includes the addition of the vision, mission, values and the sustainable port definition to the Board of Directors Terms of Reference. The Board Committee Operating Guidelines were updated to ensure the committees are using the sustainable port definition to inform decision-making. In addition, the Board Committee Terms of Reference were updated to reassign Community and Social Responsibility governance functions, as specified below under Governance and Corporate Structure.

All approvals for funding from the Board require a written submission describing the business case for the project; included in the submission document are sections dedicated to sustainability, in line with our definition of a sustainable port, such as “Environment – Considerations and Risks”, and “Community and Stakeholder – Considerations and Risks”.

**Under the Canada Marine Act, the Vancouver Fraser Port Authority is responsible for the administration, management and control of land and water within its jurisdiction. To effectively manage these responsibilities, the port authority administers several permitting processes to ensure all developments and activities meet applicable standards and minimize environmental and community impacts. The Project and Environmental Review Process applies to all proposed physical works and activities on federal lands and waters partially or wholly within the Vancouver Fraser Port Authority's jurisdiction.*

Board of Directors recruitment and selection

We issue a director recruitment briefing document when searching for new directors. Candidates are selected with reference to a board skills matrix, which sets out the desired skills and experience on the board. One of the core areas of experience in the skills matrix is

“sustainability”, described as “experience with sustainability issues or initiatives (economic, social, and community).” This includes, for example, experience with corporate social responsibility, sustainability, environmental sustainability, maritime environmental management, environmental impact assessment, social sustainability, social impact analysis, etc. In December every year, directors conduct a self-evaluation to rank their skills and experience, including with respect to sustainability.

Board of Directors Orientation and Education

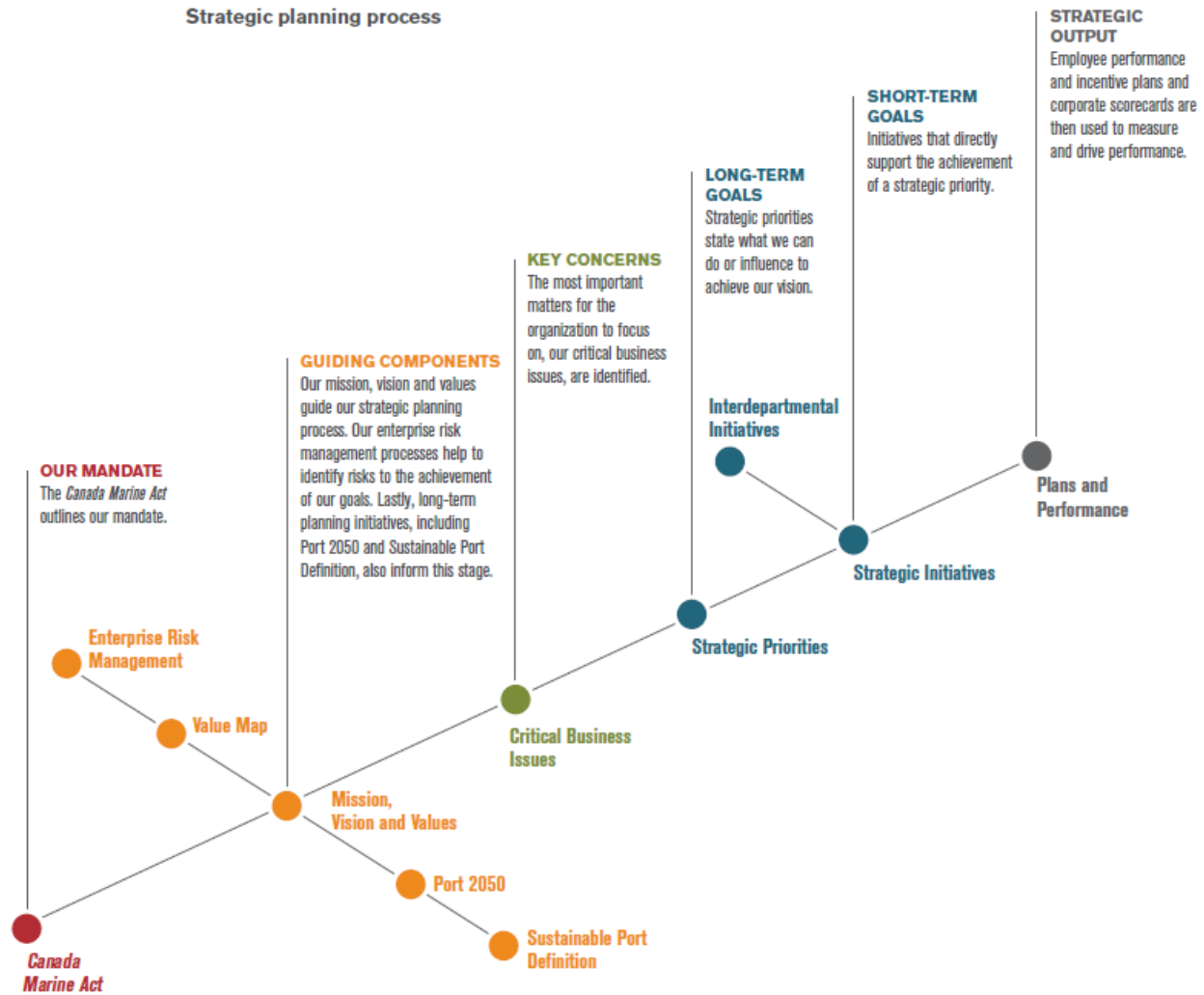
Board Manuals and Director Orientation materials were updated to include reference to our definition of a sustainable port and port sustainability, as a main item listed under goals of orientation. The director orientation processes begins with a meeting with the Board Chair and Chief Executive Officer to discuss the port authority’s vision, mission, and values – and our definition of sustainability. The director orientation process also includes a meeting with the Vice President of Corporate Social Responsibility, to discuss key issues of concern including sustainability issues.

All directors are encouraged to attend relevant courses and conferences on sustainability. Directors who attend brief the board about key lessons learned. The Board arranges for guest speakers and staff to attend Board meetings to discuss sustainability.

Strategic planning

We have a strategic business planning process to help identify where management and the board of directors believe the organization should be focusing its attention and resources. The process is performed annually and is guided by our mandate as established by the *Canada Marine Act* and by other inputs known as our guiding components, which are referenced in the graphic below. From that, we identify our key concerns and identify long-term and short-term goals. Lastly, we align our people and financial resources and measure our performance through scorecards and through our employee performance and incentive plans.

Specifically, sustainability is reflected in our strategic planning process as part of the guiding components. Our long-term planning initiatives, such as Port 2050 and our definition of a sustainable port, in addition to our mission and vision, have been fully integrated into the guiding components, guiding all stages of corporate strategic planning. Our strategic planning process is referenced in the graphic on page 10 of the [Financial Report 2017](#).



Enterprise Risk Management and Critical Business Issues

We assess enterprise risks and associated risk controls regularly to ensure achievement of our strategic priorities. Approximately 100 risks are documented and monitored in a corporate risk register by the Enterprise Risk Management Committee.

As set out in our Risk Management Policy, risks are assessed and ranked on an inherent basis, prior to any mitigation strategies. Risks are also evaluated on their residual (after mitigation) basis to ensure effective controls are in place. The likelihood and consequences of risks are assessed based on their potential impact in the following three categories:

- Economic: the estimated dollar impact if the risk occurs
- Public or employee safety: the estimated number of injuries or fatalities to employees or the public if the risk occurs
- Reputation and public support: the resulting damage, if any, to port stakeholder support, and the resulting media coverage, if the risk occurs

We identify critical business issues, which are the most important matters for us to focus on, and strategic priorities to address those critical business issues and move us closer to our vision to be the world's most sustainable port. Internal resources are aligned to support the priorities and corporate scorecards are created to measure our progress. Sustainability issues are integrated by aligning the critical business issues and their strategic priorities with the themes of our definition of a sustainable port (thriving communities, economic prosperity through trade, healthy environment) in addition to an internal focus on people and culture. Our critical business issues include all three themes of our definition of sustainability, and are presented as follows:

Critical business issue	Strategic priorities
The need for strong relationships with our communities and stakeholders	<i>Achieve broad public trust and support</i>
Provision of enabling gateway capacity	<i>Land supply: anticipate, deliver and optimize land supply to support sustainable gateway growth in key sectors</i>
	<i>Infrastructure capacity: anticipate, select and deliver new and repurposed infrastructure capacity to meet key sector demand</i>
	<i>Supply chain: increase supply chain efficiency, transparency and optimize operational capacity to deliver enhanced customer and stakeholder value</i>
Climate change and environmental protection	<i>Protect and enhance port environmental health</i>
Ongoing cultural evolution and alignment	<i>Organizational excellence: build a more connected and engaged culture to drive organizational excellence</i>

Compensation philosophy

Our compensation philosophy is to maintain an executive compensation program that aligns individual executive performance with the port authority's long-term business strategy and supports the achievement of the following objectives:

- Maximize performance in accomplishing the port authority's annual business plan
- Attract, motivate and retain executives with the skills and experience necessary to achieve the goals outlined in the port authority's business plan and longer-term business strategies

Each executive's compensation is based on a combination of his or her individual performance coupled with the port authority's corporate performance, measured through the corporate scorecard, along with reference to relevant market compensation information. As noted above, sustainability is reflected in our strategic planning process as part of the guiding components. Our long-term planning initiatives, such as Port 2050 and our definition of a sustainable port, in addition to our mission and vision, guide all stages of corporate strategic planning, and are reflected in business plans and strategy.

Incentive Planning

The Vancouver Fraser Port Authority's annual executive incentive plan is aligned with the business strategy of the port authority and its business plan; individual incentive payments are determined through a combination of individual performance and corporate performance measured through the corporate scorecard.

The Human Resources and Compensation Committee, in conjunction with the president and chief executive officer, establishes the targets for the medium-term incentive plans, for approval by the board of directors. These targets are designed to align the president and chief executive officer's work with the port authority's longer-term business strategies.

Actual annual incentive awards are determined by a combination of individual and corporate performance. Individual performance is measured by the executive's performance relative to his or her pre-approved objectives which are directly aligned with the port authority's business and strategic priorities (for which sustainability is a key part of the guiding principles). Individual performance objectives are established by the president and chief executive officer and respective executives at the commencement of the fiscal year. These objectives are then reviewed and amended, if necessary, mid-year by the respective parties. At year-end, the president and chief executive officer provides a final review and rating assessment based upon executive performance.

The Human Resources and Compensation Committee has direct oversight of the annual incentive plan process and is regularly updated by the president and chief executive officer throughout. The committee reviews the president and chief executive officer's final assessment of the annual executive incentive plans and reports the results to the board of directors, which has overall responsibility for the program.

The board of directors also directly reviews the president and chief executive officer's performance at the first board meeting of the fiscal year to determine the appropriate rating for performance demonstrated by the president and the chief executive officer in the prior year.

Executive compensation for key management personnel in 2017 is disclosed in Note 17 of the Audited Financial Statements found in the [Financial Report 2017](#).

Processes supporting an ethical culture

All port authority staff and management are required to conduct and sign off on an annual review of the Code of Ethical Conduct ("the code"). The code requires that all employees conduct themselves in accordance with the standards of behaviour described in the code. Through individual decisions and actions, employees will preserve and enhance public confidence in the integrity, responsibility and reputation of the port authority.

The Code outlines the port authority's commitment to uphold high legal and ethical standards and to identify the standards of behaviour for those conducting port authority business. Vancouver Fraser Port Authority activities, in any location, are to be based on honesty, integrity and respect. In addition, employees will become and remain familiar with corporate policies to ensure that they conduct business in a manner that embraces our corporate values.

The president, through his or her designated official, Director, Internal Audit (a position that reports directly to the president), monitors compliance with this Code. Members of the management team will be notified of infractions as appropriate to conduct investigations and ensure compliance.

The Audit Committee of the Board will address all reported concerns regarding corporate accounting practices, internal controls or fraud. On behalf of the President and CEO, the Director, Internal Audit will prepare a report of employee awareness of and/or compliance with the Code of Ethical Conduct Policy annually. The President and CEO will report employee compliance with the Code of Ethical Conduct Policy to the Board annually. Actual fraud, embezzlement or other unethical conduct of any employee will be formally reported to the Board by the next meeting of the Board, if not sooner.

An employee may report a concern to an external 3rd party managed Ethics Help Line designated to handle unethical conduct concerns. Employees can also contact the Director, Internal Audit and the Director, Human Resources as required. Members of the management team will be consulted as required to address infractions and ensure compliance.