

# Corporate Plan 2023/24 – 2027/28

## Marine Atlantic Inc

*December 2023*

## Contents

Executive Summary .....	3
Corporate Overview.....	4
Operating Environment .....	6
Internal Environment.....	6
External Environment .....	7
Recent Performance – 2022/23 Results .....	10
Key Performance Indicators.....	10
2022-23 Strategic Initiatives Update .....	11
MAI’s Strategic Plan.....	12
Government Policies and Objectives.....	12
Key Objectives and Activities.....	13
1. Achieve NetZero by 2050.....	13
2. Develop a Long-term Fleet Replacement Strategy.....	15
3. Improve Service Offerings to Better Meet the Needs of Customers .....	20
4. Ensure the Affordability and Sustainability of the Service .....	21
5. Innovate and Automate.....	22
6. Focus on People and Culture .....	25
Major Infrastructure Investments .....	27
Removal of Vardy’s Island.....	27
Business Process Renewal (BPR).....	27
Port aux Basques Administration Building .....	28
Risks .....	31
Financial Overview.....	33
Rates .....	33
Fuel Surcharge .....	33
Traffic and Revenue .....	33
Expense Reductions.....	33
Travel, Hospitality, Conference and Event Costs.....	33
Climate-related Financial Disclosures.....	34
Other Costs .....	34

Capital Requirements .....	35
Financial Summary.....	36
Cost Recovery .....	36
Appendix A Mandate Letter .....	37
Appendix B Corporate Governance Structure .....	40
Appendix C Planned Results .....	44
Appendix D Chief Financial Officer Attestation .....	46
Appendix E Financial Statements.....	47
Appendix F Borrowing Plan.....	53
Appendix G Enterprise Risk Management .....	54
Appendix I Government Priorities and Direction.....	62
Appendix J OAG Special Examination.....	64

## Executive Summary

Marine Atlantic Inc's (MAI) 2023/24 - 2027/28 Corporate Plan is based on the following priorities:

1. *Providing a robust and reliable transportation system to strengthen Canada's supply chain.*
2. *Fighting climate change.*
3. *Advancing Truth and Reconciliation.*
4. *Implementing outreach and recruitment strategies that uphold the principles of equity, diversity, and inclusion.*
5. *Helping make the transportation system more accessible for persons with disabilities.*

2023/24 is an exciting year at Marine Atlantic Inc., as the Corporation will make significant progress on many of its key strategic initiatives, which are:

1. Achieve NetZero by 2050.
2. Develop a long-term fleet replacement strategy.
3. Improve service offerings to better meet the needs of customers.
4. Ensure affordability and sustainability of the service through proposed policy change.
5. Innovate and automate to improve the service.
6. Focus on People and Culture.

The Corporation is also entering into an exciting phase with its major capital investment projects:

- The New Vessel Procurement project is entering its final stages, as construction is well underway, with delivery scheduled for the end of this fiscal year.
- The Port aux Basques (PAB) Administration Building is also currently under construction, with the bulk of the project to be completed in 2023/24.

MAI's traffic levels rebounded in 2022/23, and the Corporation expects that traffic demand will continue to outpace pre-pandemic levels in 2023/24. While MAI has maintained its current rates for MAI's passenger and passenger related vehicle (PRV) customers on all routes for the first year of the plan, it has proposed rate increases for the remainder of the plan. MAI also plans to adjust its Fuel Surcharge to better align with MAI's fuel costs, and to provide more transparency to its customers.

The Corporation continues to prioritize its capital program to support its strategic objectives and the Shareholder's priorities, while managing its expenses to ensure an efficient and reliable service. While cost recovery targets do not meet the 65% threshold over the duration of the plan, MAI is working with the Shareholder to address the current limitations of the cost recovery policy that will enable it to provide an affordable and sustainable service, while still meeting the goals of sound fiscal management and prudent use of the taxpayers' dollars.

2023/24 is an exciting and busy year, as many of MAI's longer-term projects are coming to fruition. However, it is not without risks. Inflation rates, the cost and availability of fuel, the availability of skilled workers, outstanding contracts with the unions, supply chain issues – all increase both operational and financial risk to the organization, and may impact MAI's ability to deliver on its objectives. Cyber risk also remains a priority for the Organization. Mitigations to all these risks have been identified and are being implemented. The corporation will work with partners, including the shareholder, toward another successful year.

## Corporate Overview

Marine Atlantic Inc (MAI) was created on June 27, 1986 as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*. As a Crown Corporation, MAI is regulated under Part X of the *Financial Administration Act*. As per the Order in Council of March 12, 1987 (P.C. 1987-463), the Bilateral Agreement between Her Majesty the Queen and MAI established the relationship between the Parties under which subsidiary operating and capital agreements relating to the operation of specific ferry and coastal services in Atlantic Canada may be executed.

## Main Activities

MAI offers twice daily ferry service for passengers and freight on its constitutionally mandated service between Port aux Basques, NL and North Sydney, NS. During the summer, the Corporation also offers service three times a week between Argentia, NL and North Sydney, NS.

MAI provides an essential service to the island of Newfoundland, as it is the only daily ferry transportation service that allows for the transport of goods onto the island – including fresh food and perishables, consumer products, and dangerous goods (e.g., medical oxygen and hospital supplies). It is also the only daily service that allows for local companies to export their products to the mainland and to reach national and international markets upon which their business success depends. MAI also provides the most accessible means for travellers to enter and leave the island with their vehicles. MAI is a very important enabler of the economy of Newfoundland and Labrador. MAI's success drives the success of the province in that it is the main transportation link between the province and the rest of Canada.

Additional information regarding the Corporation is included in its Annual Report, which can be found on MAI's website.

## Constitutional Obligation

The ferry service between NL and the rest of Canada is enshrined in the Constitution.

When Newfoundland joined Canada in 1949, the ferry service between the Province of Newfoundland and Labrador and the mainland was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act, 1949*) which guarantees that Canada will “maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles”. MAI exists to fulfill that mandate.





## Vision, Mission, and Values

### **Vision Statement**

*An essential, progressive transportation system that people trust to deliver.*

### **Mission Statement**

*To provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner.*

### **Corporate Values**

#### **Safety**

*Protection of people, property and the environment are our ultimate priority.*

#### **Diversity**

*Embracing our differences leads to better performance and helps us achieve our goals.*

#### **Teamwork**

*We work together to achieve the best outcomes for the organization.*

#### **Commitment**

*We are responsible for our performance and delivering on our commitments.*

#### **Integrity**

*We say what we mean and do what we say.*

#### **Excellence**

*We take pride in delivering the best possible services.*

A more detailed review of the Corporation's operations can be found in its latest annual report, which can be found at <https://www.marineatlantic.ca/sites/default/files/2023-11/Annual-Report-2022-2023.pdf> .

## Operating Environment

The following section will address various factors of both the internal and external environments in which MAI operates.

### Internal Environment

#### Human Resources Overview

MAI employs a total of 1184 people, spread over three geographical locations – Port aux Basques, Argentinia and North Sydney. However, a number of these employees live in other parts of Atlantic Canada and commute to work for their two-week on/off shifts. 37% of MAI’s workforce are women.

Occupational Group	Total Employees	Total Women	Percentage
01 Senior Managers	7	3	42.9%
02 Middle and Other Managers	56	22	39.3%
03 Professionals	42	30	71.4%
04 Semi-Professionals and Technicians	136	11	8.1%
05 Supervisors	34	16	47.1%
06 Supervisors: Crafts and Trades	8	0	0.0%
07 Administrative and Senior Clerical Personnel	28	24	85.7%
08 Skilled Sales and Service Personnel	61	23	37.7%
09 Skilled Crafts and Trades Workers	69	0	0.0%
10 Clerical Personnel	94	56	59.6%
11 Intermediate Sales and Service Personnel	100	75	75.0%
12 Sem-Skilled Manual Workers	352	45	12.8%
13 Other Sales and Service Personnel	197	135	68.5%
<b>Totals</b>	<b>1184</b>	<b>440</b>	<b>37.2%</b>

#### Collective Bargaining

MAI’s six collective agreements all expired on December 31st, 2019. Bargaining commenced in early 2021, and over the course of 2022/23 and 2023/24, all collective agreements have been ratified through to December 31, 2022. Collective bargaining commenced in May 2023 for the collective agreements that expired on December 31, 2022.

#### Recruitment and Retention

As a result of current recruitment efforts, approximately 220 new employees joined MAI’s workforce during the spring of 2023.

Efforts have been successful in hiring additional Navigation Officers, while Engineering Officers remain a challenge. MAI is currently exploring the option of hiring seafarers from the Philippines, as the result of a reciprocal agreement signed between our two countries.

MAI concluded partnership agreements with Marine Institute at Memorial University and the Nova Scotia Community College Nautical Institute for a Cadet Officer Scholarship program. To date a total of 9 cadets have accepted job offers with signing or tuition support incentives to complete sea phase placements here at MAI, with a commitment to work for MAI upon graduation. These same incentives will be offered each year to off-set projected attrition.

As a continuing effort to restore employee numbers post Covid, the Passengers Services department is hiring a total of 150 new employees for the of summer 2023 season. Training of new hires began in May 2023. In addition, recruitment for shored based positions in each of three terminal ports has concluded; a total of 60 employees have begun training.

## External Environment

### Weather and Climate Change

MAI operates in the Gulf of St. Lawrence, a very harsh environment, prone to extreme winds, waves, and ice. As such, MAI’s service is often cancelled due to extreme weather conditions. Further, climate change has led to more frequent, longer, and more violent weather events, resulting in increased cancellations.

These cancellations impact not only the users of the service by the interruption of their travel plans, resulting in delays and increased costs as they await the resumption of service. They also have a significant impact on the availability of goods and service in the province of NL as trucks are delayed; a financial impact on the commercial customers who use the service – especially those transporting perishable products that are at risk of spoilage; and on the broader economy, as industries are temporarily impacted by the availability of supply. Finally, the safety and health of the people of NL can be negatively impacted, as the service transports many of the supplies – like medical oxygen – that are essential to the province’s hospitals.

This necessitates a fleet of ice-class vessels with the capacity to quickly and efficiently clear up the significant backlog of cargo and passengers that results. Furthermore, the configuration of the PAB Harbour limits MAI’s ability to operate in certain weather conditions, adding to the number of cancelled trips. The operating environment also necessitates the maintenance of an alternate port that can be used by the Corporation in case of service interruption at the port of PAB.

The severe rainstorm that occurred in November 2021 in southwestern NL is an excellent example of the impacts of worsening weather conditions. A major rainstorm washed out the highway between Port aux Basques and the rest of the island portion of NL, cutting off supply chains and stranding passengers on both sides of the Gulf. MAI’s ability to activate its operations in the port of Argentia helped manage what could have been a serious supply chain issue for the

Delay Data	
Average Number of Delays	69/ yr
Average Length of Delay	3.9 hours
Passengers affected by Delays (2022)	12,713
Vehicles affected by Delays (2022)	10,016
Drop CRVs affected by Delays (2022)	2,186
Live CRVs affected by Delays (2022)	1,866
Cancellation Data	
Average Number of Cancellations	80 /yr
Average Length of Cancellation	11.5 hrs
Passengers affected (2022)	14,754
Vehicles affected (2022)	11,624
CRVs affected (2022)	2,537 /yr
Number of Live CRVs (2022)	2,165 yr
% Of Cancellations Recovered in 0-12 Hours	95%
% Of Cancellations Recovered in 12-24 Hours	4%



province. While the port of Argentia cannot handle the same volume of traffic that can be routed through Port aux Basques, the availability of the port allowed the Corporation to keep essential goods moving.

MAI's route also coincides with the migration path of the North Atlantic Right Whale, one of the species identified as most endangered of all large whales. MAI continues to comply with all restrictions that apply to vessels operating in the Gulf of St. Lawrence. MAI is also actively engaging with its counterparts at TC to ensure that collectively all appropriate measures are identified and implemented to preserve this whale species.

### Regulatory

The marine industry is highly regulated. As a federal Crown Corporation, MAI adheres to all regulatory requirements as outlined by Transport Canada's marine regulations and all applicable international regulations.

### Alternative Providers

There are two primary alternatives to the service that MAI offers.

For passengers, the airlines offer regular flights to and from the island and, in the past, were often viewed as more reasonably priced than MAI's service. Historically, increasing airfare discounts and new entrants in the airline market increased the choices for consumers. However, the impact of Covid-19 on the airline industry has resulted in a major reduction in service to the island, and as business returns to normal, higher than normal prices for flights. This is expected to drive increased passenger traffic to MAI, although the long-term impacts are difficult to forecast.

Commercially, MAI supports the road transportation network, of which Oceanex is viewed as the closest alternative service provider. MAI's advantage is that it offers daily service for both cargo (drop trailer) and live commercial traffic, which aligns well with the supply chain needs of retailers and suppliers across the province.

### Economic Environment

In its three-year provincial update for NL released in Sept 2022, entitled "Oil Production Down but Better Days Ahead", the Conference Board of Canada expects that high inflation rates will continue to erode consumer spending over the short term, but that in the medium term, capital spending may grow as oil and gas production resumes.

Its key findings are noted on page 3 of the report:

- *Newfoundland and Labrador's real gross domestic product (GDP) will grow by 0.5 per cent this year before expanding by 2.9 per cent in 2023 and 2.2 per cent in 2024.*
- *Employment increased by around 3.1 per cent last year while a similar gain is anticipated for 2022 as well. Unemployment, while declining, will remain at double-digit levels through 2026.*
- *If inflation does not ease over the next few months, the boost to spending from excess savings will quickly erode.*
- *The province's housing market is doing well despite higher mortgage rates, but we expect housing starts to cool and then decline in the second half of this year.*

The Key Economic Performance Indicators for the Province of NL over the next three-year period are as follows:

Key Economic Indicators (percentage change)	2021	2022	2023	2024
Real GDP	1.2	0.5	2.9	2.2
Consumer price index	3.7	7.2	3.6	2.3
Household disposable income	-0.3	0.2	2	3.1
Employment	3.1	3.3	-1.2	-0.4
Unemployment rate (level)	12.9	11.2	11.4	11.2
Retail sales	11	7.9	1	3.2
Wages and salaries per employee	4.1	1.7	3.6	3.8
Population	-0.3	0.4	-0.1	-0.2

Sources: *The Conference Board of Canada; Statistics Canada.*

In general, as economic activity increases or decreases, the demand for transportation services also tends to increase or decrease. An increase in real GDP indicates a positive impact on MAI's traffic levels. A drop in CPI and an increase in disposable income suggests that Canadians will have more money to spend on travel if they so choose. However, a decline in retail sales and housing starts may negatively impact MAI's commercial traffic, as the volume of goods being brought into the province will likely decline.

## Recent Performance – 2022/23 Results

MAI reports on numerous Key Performance Indicators (KPI) monthly, with quarterly updates provided to the Board at their regular quarterly board meetings. It also provides regular updates as to the in-year status of its Strategic Initiatives, and its risk dashboard.

The first table that follows outlines MAI’s performance on its KPI’s at time of writing. The second table outlines progress to date on its strategic initiatives. Status updates have been provided as of the end of Q2.

### Key Performance Indicators

Strategic Perspective	Measure	2022/23 Target	End of Quarter 4 2022/2023	Variance to Target
Financial & Public Stewardship	Cost Recovery - YE Forecast:			
	Overall Service	62.5%	59.9%	2.6%
	Revenue (\$M)	\$113 M	\$119.9 M	\$6.9 M
	Operating Expenditures	\$256.8M	\$329.1M	\$72.3M
	Total Recordable Environmental Incidents	0 Class A's	0 Class A's	N/A
Customer & Stakeholders	Commercial-related vehicles (CRV's)	85,134	89,885	7,553
	Passenger Related Vehicles (PRV's)	125,323	140,268	14,945
	Auto-equivalent units (AEUs) Carried	487,518	525,202	37,684
	Vessel Availability	≥ 97%	98.9%	1.90%
	On-time Performance	≥ 90	86%	4%
	Overall Customer Satisfaction - PRV	≥ 69%	76.7%	7.7%
	Overall Customer Satisfaction - CRV	≥ 60%	Not available	Not available
	Likelihood to Recommend	> 50%	57%	7%
	Media Score	Positive	Neutral	N/A
Internal Processes	Capacity Utilization	≥ 70%	79.00%	9.00%
	Average Wait Time - Unrestricted Commercial Loads	≤ 9 hours	6.13	2.87
	Unplanned Service Interruptions	≤3%	1.10%	1.9%
	Lost Time Injury Frequency	≤2.10	2.63	0.53
	Passenger Injury Rate	≤0.82	0.8	0.02
	Funded Planning horizon	> 2 years	21 Months	3 Months
	Fuel Consumption	33.1 M litres	33.9 M litres	0.8 M litres
	Overtime	\$2.27M	\$2.83M	\$0.56 M
	Cyber Security Effectiveness	640	770	130
People, Tools, & Skills	Vacancy Rate of Key Positions	<5%	6.43%	1.43%
	Turnover Rate of Employees (Resignations)	< 4%	3.60%	0.40%

## 2022-23 Strategic Initiatives Update

Strategic Initiative	Completed 2022/23 In-year Deliverables	2023/24 – Planned Activities
<b>Develop the PAB Harbour</b>	<ul style="list-style-type: none"> <li>• NTCF submission complete</li> <li>• Detailed costing for project complete</li> </ul>	<ul style="list-style-type: none"> <li>• Work with Transport Canada to determine alternate funding option, should the NTCF route be closed</li> </ul>
<b>Procure a New Ropax Vessel</b>	<ul style="list-style-type: none"> <li>• MAI Joint Working Group visited multiple reference vessels</li> <li>• Steel cutting commenced on time (May 16, 2022)</li> <li>• Nearing completion of block assembly</li> <li>• Keel laying complete</li> <li>• Ongoing site observation</li> <li>• Commencement of factory acceptance testing for major machinery</li> <li>• Approval of Turnkey Designs</li> <li>• Commencement of familiarization and training activities</li> <li>• Commence development of Transit Management Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Construction completed</li> <li>• Delivery of the vessel in Q4</li> <li>• Training and Integration completed</li> </ul>
<b>Cost Recovery</b>	<ul style="list-style-type: none"> <li>• Developed principles behind a revised cost recovery policy</li> <li>• External analysis of cost recovery impacts completed</li> <li>• Information shared with TC as required</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing discussions with the Shareholder re: cost recovery policy</li> </ul>
<b>Long-term Fleet Strategy</b>	<ul style="list-style-type: none"> <li>• Lease extension of the MV Atlantic Vision as well as market scans of other equivalent vessels</li> <li>• Began market scan to determine availability of vessels to replace the <i>MV Leif Ericson</i></li> </ul>	<ul style="list-style-type: none"> <li>• Develop preferred option for the replacement of the <i>MV Leif Ericson</i></li> <li>• Input to funding request</li> <li>• Begin development of a Fleet Lifecycle replacement program</li> </ul>
<b>Business Process Renewal (BPR)</b>	<p><b>SAP Plant Maintenance</b></p> <ul style="list-style-type: none"> <li>• Shore data preparation templates</li> <li>• External Engagement with DNV and SAP</li> <li>• System demos completed.</li> <li>• Final System/Process Design</li> <li>• System Build and testing</li> </ul> <p><b>SAP Talent Management</b></p> <ul style="list-style-type: none"> <li>• System design phase closed May 6</li> <li>• Build phase complete</li> <li>• System Testing</li> <li>• User Acceptance Testing</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of BPR project</li> <li>• Completion of the Talent Management project early in the 23/24 fiscal year</li> <li>• Train and launch SAP Plant Maintenance for vessel-based users.</li> </ul>
<b>New PAB Office Facilities</b>	<ul style="list-style-type: none"> <li>• Tender documents released as planned</li> <li>• Tender awarded</li> <li>• Construction began</li> </ul>	<ul style="list-style-type: none"> <li>• Construction ongoing</li> <li>• Estimated completion date is 2024/25</li> </ul>

# MAI's Strategic Plan

## Government Policies and Objectives

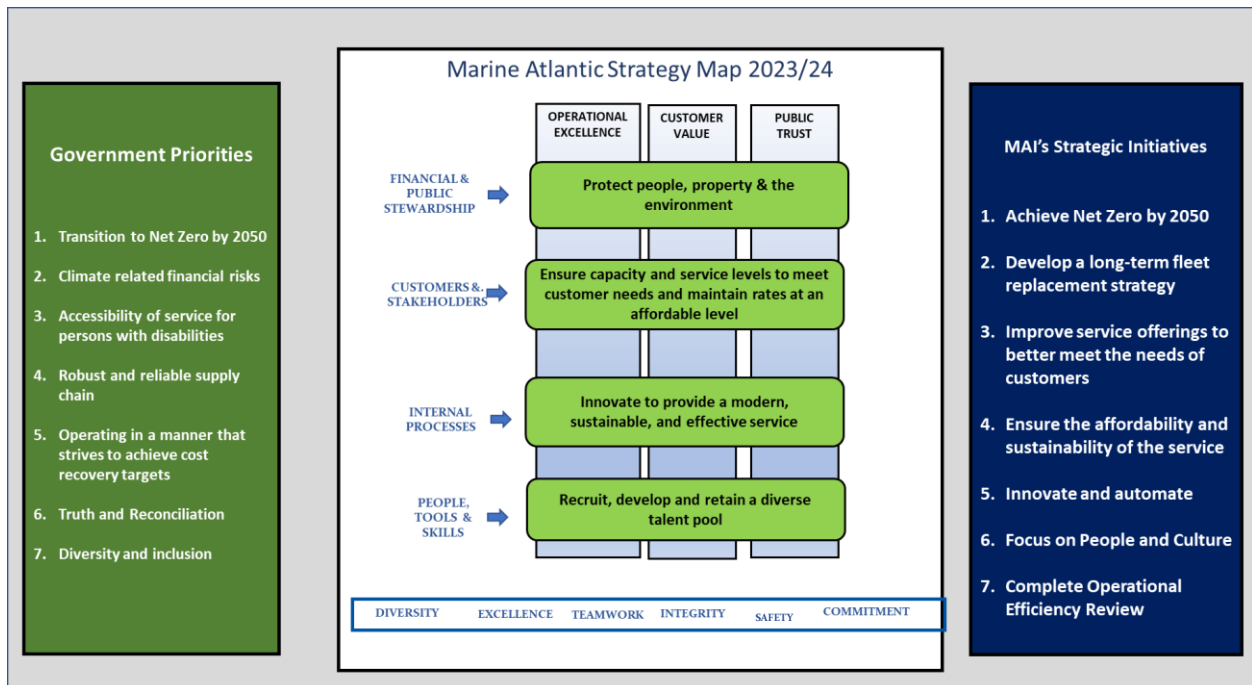
At its 2023/24 strategic planning session, MAI's Board of Directors used the government's priorities and objectives to develop its long-term strategic plan. The government's priorities - outlined by the Minister of Transport - include a focus on the following:

- Ensuring a robust and reliable transportation system.
- Fighting climate change.
- Truth and Reconciliation.
- Diversity and equity.
- Per the Accessible Canada Act, to help make the transportation system more accessible for persons with disabilities.

By using these as a starting point, each of the objectives and activities planned for 2023/24 support one or more of these priorities, as outlined in the Corporate Strategy Map included below.

To promote the execution of the Strategic Plan, MAI uses the Balanced Scorecard (BSC) methodology, including the use of strategy maps. The Balanced Scorecard maps a corporation's strategic objectives to four different components of success - Financial and Public Stewardship, Customers and Stakeholders, Internal Processes, and People, Tools and Skills - all shown on the left side of the map.

In interpreting MAI's strategy map, all activities and objectives are guided by the three strategic pillars noted at the top of the map: Operational Excellence, Customer Value, and Public Trust. Foundational to MAI's success are the Corporation's values, noted at the bottom of the map. Strategic Objectives are developed to support these pillars, which are then used to develop the organization's strategic initiatives that the Corporation will focus on for the upcoming planning period. While MAI's overall Corporate Strategy Map has not changed, in 2023/24 the Board of Directors chose to focus in on specific objectives to ensure alignment with the government's priorities, as noted above. These objectives, along with the associated strategic initiatives to support them becoming a reality, are outlined on the following diagram.



## Key Objectives and Activities

### 1. Achieve NetZero by 2050

Planned Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• GHG Inventory Management</li> <li>• Transition to electric vehicles</li> <li>• Environmental Management Project Evaluation Tool</li> <li>• Environmental oversight of projects</li> <li>• Ongoing training in the Environmental Management System</li> </ul>	<ul style="list-style-type: none"> <li>• Green Marine Level 3</li> <li>• Increasing % of vehicle fleet that is electric</li> <li>• Completion of the NetZero 2050 Roadmap</li> </ul>	<ul style="list-style-type: none"> <li>• Class A Environmental Incidents</li> <li>• Lost Time Injury Frequency</li> <li>• GHG Emissions</li> <li>• Total Recordable Injury Rate</li> </ul>

MAI continues to develop the organization's Net Zero by 2050 strategy. Having established a baseline greenhouse gas (GHG) inventory, MAI will continue with the implementation of the NetZero roadmap, which was completed as of March 2023. This roadmap will help MAI establish specific KPIs and targets, centralize data inputs to facilitate monitoring and Net Zero metrics, and develop a reporting dashboard. MAI has also established an Environmental Stewardship Committee to provide guidance to ensure that the organization achieves its environmental performance objectives, fulfills its compliance obligations, and minimizes environmental impacts from operations.

#### Activities

1. **Ongoing measurement of MAI's GHG inventory** - includes an assessment of the light vehicle fleet, heavy vehicle fleet, propane usage, vessel fuel usage, HVAC systems, fire suppression systems, and electricity usage on MAI premises.
2. **Project oversight and evaluation** – The Health, Safety, Security and Environment (HSSE) is in the process of developing an environmental project evaluation tool that will assess all projects and initiatives as it relates to impacts on emission targets and the overall Greening Strategy. This tool will be utilized to recommend projects for inclusion in the 5-year capital plan to support Net Zero opportunities.

There are currently several projects included in the capital plan to support the path to NetZero, including:

- *PAB Administrative Building – the goal is LEED Silver.*
  - *Lighting Upgrades in Argentia - switching to LED.*
  - *Heating System Replacement at the PAB Maintenance shop to improve energy efficiency.*
  - *HVAC System Upgrades at the NSY Maintenance shop to improve energy efficiency.*
  - *Self Supporting Sewage System at the PAB Life Raft Center.*
  - *New propeller blades for the Blue Puttees to reduce fuel consumption.*
3. **Ongoing participation in the Green Marine Program**, which guides the maritime industry toward environmental excellence by encouraging the adoption of concrete measurable actions that go beyond regulatory obligations. Under this program, MAI is evaluated against established criteria in several different categories for both the vessels and the terminals. The Green Marine Program has 5 levels. Green Marine defines Level 5 as 'Excellence and Leadership' in each category, whereas Level 3 is defined as 'Integration of best practices' into an adopted management plan and understanding of environmental impacts. Strategically, MAI has set a corporate goal to maintain an average of level 3, which was first achieved in 2021/22.

4. **Environmental Management System Training** – The HSE team has developed and implemented an Environmental Management System (EMS) to assist the organization in the continual improvement of environmental performance and the minimization of the environmental impacts of our operations. To date the organization has trained over 70% of employees and should have the remainder completed in 2023-24. The training is structured to provide employees with familiarization with MAI’s ISO 14001 structured EMS. This Includes overview of MAI’s:
- Environmental Policy
  - Environmental Regulatory Requirements
  - Environmental Objectives and Priorities
  - Roles and Responsibilities
  - Operational Environmental Plans
  - Green Marine
  - Environmental Incident Reporting
5. **Transition to Electric Vehicles** - MAI continues to work on its plan to introduce electric vehicle charging stations as well as electric vehicles as part of its shore-based infrastructure innovation plan. Charging stations have been installed in both PAB and NSY, and expansion is already underway. Electric powered baggage vans are now in operation, as well as the Electric Scissor Lifts, with plans to expand into other vehicle types (i.e., Shuttle Buses, Shunt Trucks, Maintenance Vehicles, etc.) as soon as they can be procured.

At time of writing, the status of each of MAI’s Environmental targets and goals are as follows:

2023/24 Environment Targets and Goals	Status
Reduction of Waste Oil by 1%	Met
Reduction of Wastewater by 1%	In Progress
Reduction of Grey Water by 5%	In Progress
Vessel Fuel Efficiency: -1% L/nautical mile	Met
Reduction of GHG from MAI Vehicles by 5%	Not Met
Reduction of Paper Purchased by 5%	Met
Green Marine: Terminals Avg. 3.0 or better	Met
Green Marine: Shipowners Avg. 3.0 or better	Met
Maintain Greenhouse Gas Inventory	Met
Net Zero 2050 Recommendations (17)	Met
Class “A” Environmental Incidents: 0	Met
Class “B” Environmental Incidents: 1 or less	Met
Increase in Proactive Reporting (25 by end of Q4)	Not Met

## 2. Develop a Long-term Fleet Replacement Strategy

Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• Ongoing procurement of MAI's new vessel</li> <li>• Develop a plan to replace the MV <i>Leif Ericson</i></li> <li>• Develop a longer-term fleet lifecycle management program</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of new vessel - on time and on budget</li> <li>• Develop options for the Ericson's replacement in time for MAI's next budget ask</li> <li>• Establish committee to develop the requirements for a Fleet Lifecycle Management Program</li> </ul>	<ul style="list-style-type: none"> <li>• On-time Performance</li> <li>• Vessel Reliability</li> <li>• Reduced maintenance costs</li> <li>• Reduced cost of vessel acquisition</li> </ul>

Vital to MAI's continued success is having a safe, reliable, and efficient fleet, not only to ensure it can continue to meet the traffic demand, but also to achieve the key performance targets established by the Shareholder, such as cost recovery, on-time performance, vessel reliability, and customer satisfaction levels. An established long-term fleet strategy permits a stable and efficient fleet renewal program which ensures the appropriate fleet configuration, timely vessel renewal and replacement, better value in expenditures, staffing efficiencies, and the flexibility to meet service expectations.

### Activities

#### 1. New Vessel Procurement – The Ala'suinu



In July 2021, following a competitive procurement process that was open to both domestic and international bidders and overseen by an independent fairness monitor, MAI announced that the Corporation has entered into a 5-year charter agreement with Stena North Sea Ltd. to supply a new RoPax vessel for the fleet. Following the five-year charter agreement, Marine Atlantic will have an option to purchase the vessel.



The ice-classed vessel will be approximately 200 metres in length, with the ability to carry commercial and passenger vehicles. It will incorporate the latest accessibility standards, carry up to 1000 passengers, have 146 passenger cabins (including pet friendly cabins), 40 passenger pods, a variety of food service options, seating lounges, a children's play area, and a kennel for pets. The ship will be compatible for use on both the Port aux Basques and Argentia services and is expected to enter service in the 2024-25 fiscal year.

October 2022



February 2023



April 2023



## Benefits

The new vessel supports MAI's commitment to the environment. When delivered it will be one of the most advanced vessels of its type in the world. The design includes energy efficient green technology, aligning with the Government's current focus on reducing carbon emissions:

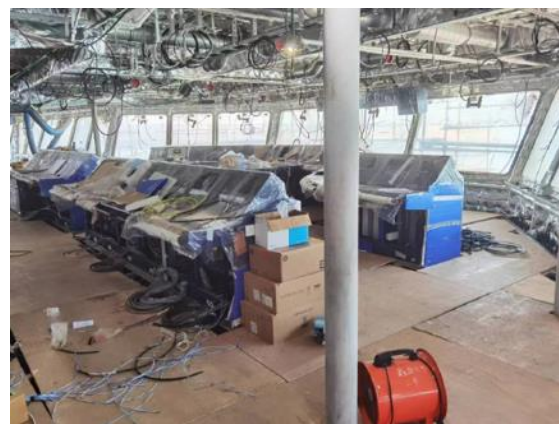
1. The vessel will incorporate dual-fuel technology allowing for the use of both transition and alternate fuels – including Liquid Natural Gas and bio diesel once available in the market.
2. The anticipated reduction in fuel costs is currently being studied by Det Norske Veritas (DNV), an international accredited registrar and classification society headquartered in Høvik, Norway. For financial planning purposes, MAI assumed the new ship's fuel costs would be in line with the Seabridgers, which is a significant reduction from the fuel costs required to operate the MV *Atlantic Vision*.
3. The vessel will be equipped with batteries to further reduce its carbon footprint.
4. The energy storage solutions onboard will offset significant emissions which traditionally occur in maneuvering modes.
5. Automation within its port interface arrangement will reduce energy requirements during berthing operations.
6. Onboard operational systems including lighting, heating, and ventilation include modern waste energy reduction and recovery solutions.
7. The vessel will also offer enhanced power and thruster capability for maximum maneuvering ability during docking and undocking.
8. The ship will also be constructed with specific measures to reduce underwater noise, thereby reducing the impact on marine life.

Characteristic	Proposed Vessel
Length Overall	202.9 m
Maximum Breadth	28.4 m
Design Draft	6.45 m
Deadweight	6600 tonnes
Deadweight margin	11%
Number of Decks	10 deck (1 hoistable)
Total lane meters	2906 m
Weather deck space	282 m
Hoistable/alternate deck space	343 m
Cabins & Pods	261 (146 Pax, 75 Crew, 40 Pods)
Contract Speed	23 knots
Service Speed	18 knots
Propulsion system	Dual fuel (MDO & LNG and battery supplement)
Engine Power	2x 13740 kW
Thruster Power	3x 2400 kW

## Progress

The Corporation has established a robust project structure to manage this procurement, led by the Corporation's executive team, that includes dedicated internal resources and supplementary external resources. MAI updates Transport Canada on the progress of the project on a regular basis and will continue to do so over the course of the planning period.

At time of writing, the project is slightly ahead of schedule and on budget. In support of MAI's commitment and focus on Truth and Reconciliation with Indigenous Peoples, MAI selected the name Ala'suinu (pronounced Ah-laa-sue-in-ou) which means "Traveller" in Mi'kmaq. First steel for the vessel was cut in May 2022 and keel laying activities were completed in November 2022. In March 2023, the vessel exterior was completed and floated. The mechanical, electrical, and interior outfitting is currently underway. Sea trials are expected to begin in December 2023, with anticipated delivery in February 2024. The vessel is scheduled to go into service in June 2024, just ahead of the tourist season.



## Budget

At the time of writing, there is a high level of uncertainty regarding the timing of cash flow requirements for the New Vessel project. The Corporation is expected to take delivery of the vessel mid-February. However, should any last-minute issues impact this delivery date, the funds allocated to the vessel project in 2023/24 may need to be pushed out to 2024/25.

March 2024 Update: Since MAI had to choose an alternate route for delivery due to the conflict in the Red Sea, which has delayed the vessel's arrival from March to April 2024, the funds allocated for the HST in 2023/24 will

need to be reprofiled to 2024/25. This upcoming reprofile request is reflected in both the financial summary and the financial statements attached.

## 2. Replacement Vessel for the MV Leif Ericson



Budget 2019 provided sufficient capital for the Corporation to complete the MV *Leif Ericson's* 30-year survey, which was completed in 2021/22. This investment in the vessel will extend its useful life out to 35 years, or 2026/27. Originally, MAI had intended to sell the vessel in October of 2026. However, given the long lead times required for vessel replacement, the limited supply of RoPax vessels on the market, and the fact that MAI does not currently have approval or funding to proceed with the vessel's replacement, that plan has been amended.

MAI's original fleet replacement plan was to lease and convert an existing ship off the open market. The only advantage to this approach is reduced time to delivery. However, industry experts have advised that there is likely no tonnage that would be suitable for MAI's fleet, and that assuming a ship will be available adds a significant degree of risk to the operation.

A new build procurement strategy requires at least four years from funding approval to in-service - 3 ½ years to build and deliver, followed by a six-month integration period. This means the earliest delivery date for a new vessel is fall 2027. However, since the MV *Leif Ericson* would have to be kept in service until the new vessel is delivered, MAI will be requesting an exemption for the vessel's 35-year survey for one year until the new vessel is delivered. Should MAI not receive funding approval in 2024/25 for a replacement vessel, or cannot secure a one-year exemption, MAI will have to complete the Ericson's 35-year survey.

## 3. Fleet Lifecycle Management

### *Current Fleet*

MAI's current fleet consists of four Canadian flagged ice-class ferries: MV *Blue Puttees*, MV *Highlanders*, MV *Atlantic Vision* and the MV *Leif Ericson*. The new vessel, the *Ala'suinu*, will be delivered in early 2024, at which time the MV *Atlantic Vision* will be returned to its owners.

A fleet of four RoPax vessels not only provides the Corporation with the ability to recover quickly from service interruptions, which are common in MAI's operating environment, but also allows the Corporation to reduce its operational risk by having four vessels that can move the passenger traffic when needed. For example, if MAI experiences a breakdown during the busy summer season, the other remaining RoPax vessels allow the Corporation to continue to meet the traffic demand and minimize delays to passengers. From an operational perspective, having four RoPax vessels is one of MAI's key risk mitigation factors in delivering the essential year-round service.

MAI's current ten-year fleet lifecycle is outlined in the following chart.

MAI's Ten Year Fleet Lifecycle										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	1	2	3	4	5	6	7	8	9	10
<b>MV Blue Puttees</b>				20 Year Mid-life Refit					Begin Replacement Process	
<b>MV Highlanders</b>						20 Year Mid-life Refit				
<b>MV Atlantic Vision</b>	Charter	Returned to owner May 2024								
<b>Ala'suinu</b>	Build	Delivered in Feb 2024	Charter	Charter	Charter	Purchase Feb 2029				
<b>MV Leif Ericson</b>				Fall 2026 - 35-year Refit	Sell					
<b>LE Replacement</b>	Funding Submission	Funding approval & Procurement	Build	Build	Fall 2027 Delivery & Integration	In-service April 2028	Charter	Charter	Charter	Purchase Fall 2032

In 2022/23, MAI renewed the lease of the *MV Atlantic Vision* until May 2024, and has since indicated, as required by the lease agreement, that the vessel will be returned to its owners in May.

The sister ships the *MV Blue Puttees* and the *MV Highlanders*, built in 2006/2007, brought into service in 2011 and purchased in 2016, form the base of MAI's fleet. Both vessels are required to undergo their twenty-year surveys in 2026/27 and 2028/29 respectively. Given the heavy usage that these vessels have undergone since entering the fleet, MAI is forecasting that their useful life will be 30 years of service. Therefore, the replacement process for these vessels will have to begin towards the end of the ten-year planning period.

As an organization, fleet replacement planning takes up a considerable amount of time. Because of the funding and approval cycles that MAI is governed by, fleet planning has been approached in a somewhat haphazard manner in the past. The result is the potential for increased fleet acquisition costs, increased fleet maintenance costs, an inability to plan longer-term without the certainty of the size and type of fleet confirmed, and operational instability as market forces and the availability of vessels for lease and/or purchase often leaves MAI in a less than optimal negotiating position.

Going forward, MAI intends to work with the Shareholder to develop a Fleet Lifecycle Management Program that will allow both the Corporation and the Government to be better able to plan for fleet requirements for MAI to ensure a sustainable and cost-effective service.



### 3. Improve Service Offerings to Better Meet the Needs of Customers

Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• Undertake customer journey mapping and research to better understand unique customer needs</li> <li>• Improve customer segmentation information</li> <li>• Numerous marketing and brand awareness promotions</li> </ul>	<ul style="list-style-type: none"> <li>• Improved service offerings</li> <li>• Marketing activities that are better tailored to various customer needs/profiles</li> <li>• Increased ridership and capacity utilization</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic volumes</li> <li>• Customer Satisfaction</li> <li>• Revenue</li> </ul>

The changing economy, technological change, climate change, consumer habits – all these factors impact the expectations and needs of MAI’s customers. To continue to serve its customers, MAI must take steps to evolve its service to better meet those changing needs.

#### Activities

1. MAI will **undertake customer journey mapping** and research to better understand the changing needs of its customer base, with a focus on improved segmentation of its customers and the specific needs of each segment. This market research will help inform the ongoing marketing efforts of the Corporation to ensure that the service remains affordable, sustainable, and relevant to its users.
2. **Marketing promotions and brand awareness** - MAI’s Customer Experience department includes both marketing and promotional activities, brand management, and overall management of the customer journey – from the first interaction a customer has on the website or with a Customer Service Representative, to the booking experience, and to the end-to-end onboard customer experience. MAI is planning several marketing activities to help stimulate demand and to ensure that Canadians can access the service.
  - Booking campaigns – planning discount campaigns for both the spring and fall shoulder seasons to stimulate demand (discount value to be confirmed, including “Flash” pop up sales).



- Brand awareness campaigns – Argentia reminder and “Always On” Google search/display campaigns
- HR recruitment campaign – in collaboration with HR, designed to generate awareness and drive applications in key recruitment periods.
- Commercial appreciation program and brand campaign targeting the commercial segment.
- Continued focus on partnerships, including but not limited to Newfoundland and Labrador Tourism, Hospitality NL, Parks Canada and the Newfoundland and Labrador Outfitters Association.
- Trade show participation with the Newfoundland and Labrador Department of Tourism.
- Continuous improvement initiatives relating to digital marketing, including but not limited to Website platform, Email marketing, Digital signage, Visual marketing software, etc.



#### 4. Ensure the Affordability and Sustainability of the Service

Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• Develop and analyse options for a new cost recovery model</li> <li>• Develop funding submission</li> </ul>	<ul style="list-style-type: none"> <li>• Revised cost recovery model</li> <li>• Potential changes to the funding model that recognizes MAI as ongoing commercial entity</li> <li>• Increase to MAI's reference levels</li> </ul>	<ul style="list-style-type: none"> <li>• Cost recovery targets</li> <li>• Reference level funding</li> <li>• Multi-year Funding</li> </ul>

Despite strong traffic and revenue performance post-pandemic, MAI continues to struggle to meet its 65% cost recovery target over the course of the upcoming planning period.

Inflation rates and the cost of fuel have increased operational costs beyond reasonable levels. Policy changes – including changes to the Canada Labour Code to implement both Personal Leave Days and 10 Paid Sick Days for federally regulated industries - along with regulations regarding mandatory training and hours of work have also had significant impacts on MAI’s cost to operate. For example, MAI estimates that the Personal and Sick Day regulations will increase expenses by approximately \$4M annually. These regulations were not in place when MAI’s last submission for funding was being developed. Issues with supply chain delays and the resulting increased cost of acquisition of many goods and services are also at play.

MAI believes that increasing rates charged for the service would be untenable in the current economic environment. In 2022, MAI secured the services of the Conference Board of Canada, who completed an analysis of the impact of ferry fees on the NL economy entitled “Across the Cabot Strait: The Impact of a Change in Ferry Service Fees on Newfoundland and Labrador’s Economy, 2022 Update”. This report considered the impact of both a 10% increase and a 10% decrease in rates on the economy of NL. The findings of the impact of a rate increase are summarized below:

*“...an increase in ferry fees by 10 percent has negative impacts on the economy by eroding the competitiveness of local industry and reducing the purchasing power of households...The increase in the overall price level will take Newfoundland and Labrador’s real GDP down by \$21.0 million and result in 150 job losses in the first year of the simulation, with losses increasing to \$39.0 million in real GDP and 270 jobs in the fifth year.*

”

Alternatively, the magnitude of the expense decreases required to meet 65% cost recovery is no longer achievable without impacting service levels. Over the past decade MAI has reduced its constitutional service levels to two trips a day from each port, even during the busy summer season. Keeping in mind that the service is the only easily accessible route that connects NL to mainland Canada via vehicle – it essentially serves as the Trans-Canada Highway between NL and NS - any further reduction in service to less than twice a day would be unacceptable to Canadians. As the commercial service operates on a load and go basis, one crossing per day from each port would mean a 48 hour wait for many travellers, and would have a negative impact on the supply chain between NL and the rest of Canada. Finally, recovery times from out of service – whether mechanical or weather related – would be exacerbated and MAI would not be able to meet the service level targets as set out by Transport Canada.

MAI is working with the Minister of Transport and departmental officials on potential amendments to the cost recovery policy so it can be both achievable and in service to the government’s policy goals.

## 5. Innovate and Automate

Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• Enhancements to the online portal</li> <li>• Explore the implementation of a commercial reservation system</li> <li>• Improved customer options for booking/managing reservations</li> <li>• Develop a plan to close the cyber security gaps on the vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Increase overall efficiency</li> <li>• Improve internal processes to reduce manual intervention</li> <li>• Modernize the internal and external touchpoints for technology, infrastructure, and experience</li> <li>• Enhance the customer experience to meet expectations in a changing global market.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Satisfaction results</li> <li>• Cyber Security score</li> <li>• # of processes digitized or automated</li> </ul>

Never has the pace of change and level of technological disruption in both the transportation and marine sectors been greater. Drivers such as climate change, emerging technologies, alternate fuels, automation, and artificial intelligence, to name just a few, are forcing organizations in all sectors to adapt and in many cases, re-invent, the way their services are delivered by employees and consumed by their customers.

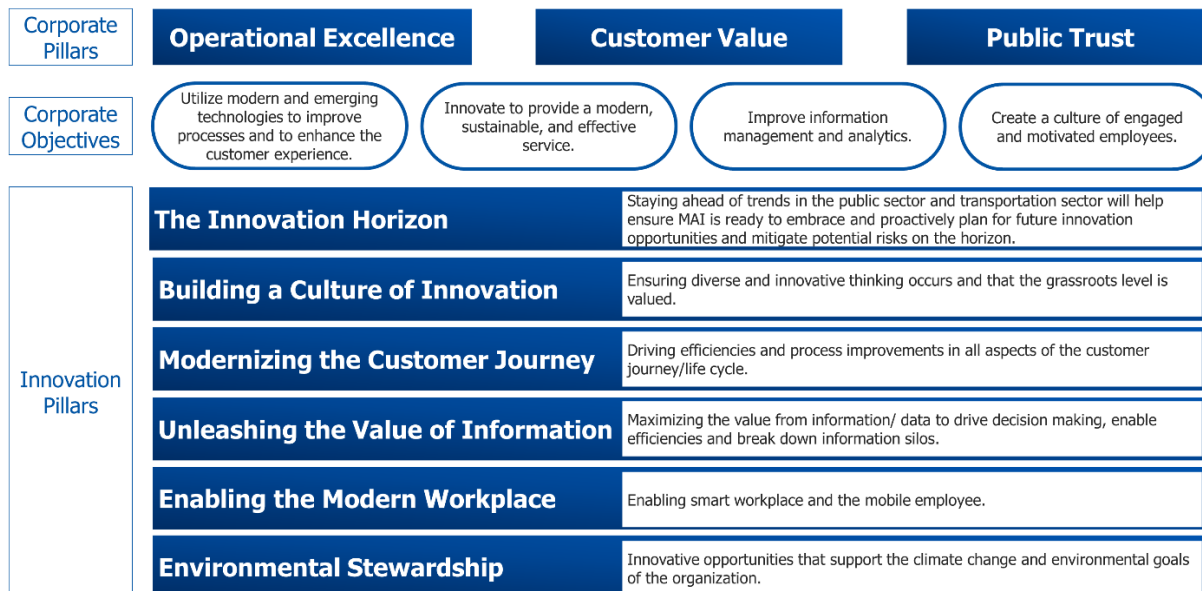
Post pandemic, consumers have a heightened expectation for an experience that is more automated with less human contact. Compounding the realities of this change is the human resourcing challenges that face all organizations. Skilled, qualified employees have never been harder to find and in more demand. Future employees are expecting organizations to be modern, inclusive and provide an environment that is both rewarding and psychologically safe.

While these challenges are great – so are the opportunities. In 2022-23 MAI finalized an innovation strategic plan that outlines a roadmap for how the strategic outcomes of its innovation strategy will be met. The initiatives outlined are meant to increase overall organizational efficiency, drive more automation, and enhance the customer experience to meet the new expectations in the global market. MAI’s innovation strategic plan focuses not only on technology, but people and process.

The desired outcomes of the innovation plan include the following:

- Increase overall efficiency.
- Improve internal process to reduce manual intervention.
- Modernize the internal and external touchpoints for technology, infrastructure, and experience.
- Automate where possible.
- Enhance the customer experience to meet expectations in a changing global market.

The Innovation strategy aligns well with MAI’s Corporate Strategy, as it supports multiple corporate objectives. The pillars upon which the innovation plan will be based are described below.



A key theme of MAI’s innovation strategic plan is “Building a Culture of Innovation”. This theme is focused on recognizing the importance of diversity, inclusion, and people to any innovation agenda. Research clearly indicates that building an inclusive culture that places value on new ideas is critical to innovation. To that end,



MAI's innovation strategy includes initiatives such as a Psychological Safety and Equity, Diversity, and inclusion programs.

Another important strategic theme is "Modernizing the Customer Journey". Supporting this theme, MAI's strategic plan includes a variety of digital transformation initiatives focused on both the commercial and non-commercial customer. For example, significant enhancements are planned to the online Commercial Portal to allow commercial customers to monitor in real-time the status of their drop and live traffic. Additionally, booking passengers will soon have many more options available for booking and managing their travel plans online in a manner that enables a more mobile customer.

Environmental stewardship is another key theme in MAI's innovation strategy. Under this theme, MAI has initiatives planned that will see the electrification of much of MAI's shore-based vehicle fleet. Additionally, as noted earlier in the plan, MAI will be developing a comprehensive plan focused on the reduction of greenhouse gas emissions as part of its Green Energy and Net Zero Carbon plan.

### Cyber Security

Cyber security remains very high on MAI's risk radar with attention provided at all levels of the organization, from the Board of Directors to the front-line staff. Over the past number of months, MAI has worked closely with organizations such as the Canadian Centre for Cyber Security to monitor global cyber threats, while in parallel working hard to advance its own internal cyber security program.

MAI's Cyber Program is based on the Government of Canada's IT Security Risk Management Lifecycle publication (ITSG-33). The program outlines several initiatives aimed to reduce MAI's overall risk profile. In addition to several technology-based projects, MAI has made significant progress with the deployment of its Cyber Security education and awareness program. Delivered through the SAP Learning Management System, the multi-module program will help raise the awareness of employees on topics such as ransomware, phishing, identify theft, and information security.

The Corporation continues to align with the International Maritime Organization (IMO) Marine Safety cyber security requirements. The IMO Maritime Safety Committee previously passed a resolution that encouraged organizations to ensure that cyber risks are appropriately addressed in existing safety management systems. While MAI successfully met the requirements in 2022, it's important to continue to move forward in the ever-changing cyber landscape.

In addition to the IMO requirements, the International Association of Classification Societies (IACS) has published new Unified Requirements for cyber security that will be mandatory for classed ships after January 1, 2024. The new requirements will include topics such as:

- Operational Technology systems for important vessel functions.
- Identification and protection against cyber threats.
- Detection of incidents.
- Means to respond and recover.
- Hardening and security capabilities of systems and components.

To respond to this requirement, MAI's IT/IM Division will be utilizing the new vessel project as a baseline. IT/IM has partnered with an external vendor of record to perform a gap analysis of the current cyber security controls on the current vessels. Once complete, an action plan will be developed to close the gap.

MAI's IT/IM Division will continue to build on its partnership with the Canadian Centre of Cyber Security as well as other Government entities such as Shared Services Canada. External entities such as these helps complement MAI's cyber security planning process, which in turn reduces the overall risk profile for the organization.

## 6. Focus on People and Culture

To align with the priorities set out by the Shareholder, MAI continues to focus on the psychological health and safety of its employees and improving its equity, diversity and inclusion programs.

Activities	Outcomes	Performance measures
<ul style="list-style-type: none"> <li>• Development and implementation of the HR Strategic Plan.</li> <li>• Continued implementation of the Psychological Health and Safety Program.</li> <li>• Initiate the next cycle of collective bargaining.</li> <li>• Implementation of SAP Recruitment and Onboarding Modules.</li> <li>• Development of a comprehensive recruitment strategy with a focus on underrepresented groups.</li> <li>• Continued development of the Pay Equity Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention of harassment and bullying to create a healthier workplace</li> <li>• Improving recruitment &amp; retention to advance diversity and inclusion and strengthen the employee experience</li> <li>• Provide Mental Health &amp; PHS training, awareness and support</li> <li>• Increased equity, diversity and inclusion amongst MAI's workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Increased representation of equity deserving groups</li> <li>• Reduced employee turnover</li> <li>• Improved vacancy rates of key positions</li> </ul>

### Psychological Health and Safety (PHS) Program

In April 2022, MAI initiated a 3-year implementation plan to enhance psychological health and safety within the company. The focus for of the program is on the following:

- Prevention of harassment and bullying to create a more restful workplace.
- Improving recruitment & retention to enhance work life balance.
- Provide Mental Health & PHS training, awareness and support.
- Continued implementation equity, diversity and inclusion program initiatives.

### Equity, Diversity, and Inclusion

Equity, Diversity and Inclusion (EDI) remains a key area of focus for the organization. The outcomes of the EDI action plan have become embedded in the organization's ongoing operations, and is being managed, tracked and reported through the HR department. EDI targets and measures also remain a key part of the CEO's Accountability Agreement, and is a focus of the Board of Director's HR Committee.

MAI's diversity and inclusion initiatives will focus on the four Federal Government identified underrepresented groups:

1. Women
2. Persons with Disabilities
3. Visible Minorities
4. Indigenous Peoples

The targets set for the duration of the Corporate Plan are as follows:

### MARINE ATLANTIC EMPLOYMENT EQUITY RATIOS

Targeted Group	Baseline Representation (2017)	2020 Results	2021 Results	2022 Results	2026/27 Target	Gap Target vs. 2022 Results
Women	37.10%	37.20%	35.10%	37.20%	48%	-10.80%
Indigenous People	3.70%	4.40%	3.10%	3.20%	5.50%	-2.30%
Visible Minorities	1.50%	1.80%	2.00%	1.40%	2.50%	-1.10%
Persons with Disabilities	4.80%	5.70%	4.60%	4.20%	6.0%	-1.80%

The Corporation continues to work to advance equity, diversity, and inclusion with the following objectives:

1. Develop and implement an action plan to foster diversity, equity, and inclusion in the workforce, helping make positive contributions to social inclusion and workforce participation.
2. Create a psychologically safe and healthy workplace free from bullying, harassment, and all forms of disrespectful behavior.
3. Create policies and programs that advance gender equality in the workplace.
4. Create a workplace which is fair, safe and inclusive for 2SLGBTQ+ individuals and all people regardless of their sexual orientation, gender identity/expression or intersex status.
5. Strengthen MAI's partnership with Indigenous communities in Newfoundland and Nova Scotia to collaborate on initiatives to create a workplace which is representative, fair, safe and inclusive of Indigenous peoples.
6. Create a workplace which is fair, safe, accessible and inclusive for persons with disabilities; and
7. Create a workplace which is fair, safe and inclusive for visible minorities.

While some of the activities identified in the Equity, Diversity and Inclusion plan were slightly delayed due to the pandemic, MAI incorporated alternative delivery modes like virtual meetings and learning to ensure that the Corporation can continue to meet its targets. For the planning period, it is expected a return to normal modes of program engagement and delivery.

### Pay Equity

In adherence with Canada's new Pay Equity legislation, MAI is developing a Pay Equity Plan. The plan is currently under development, with a required implementation date of September 2024. The Corporation has engaged an external resource to assist with the project, specifically to help identify gender dominant positions within the organization and evaluate whether a pay gap exists. It has also established a Pay Equity committee, which will include both management and union representatives, to guide the development of the pay equity plan. Estimates for incremental expenses are not available currently, but the impacts for any potential pay increases are not anticipated until later in the planning period.

MAI will be focusing on the key stages of the employment life cycle – recruitment, inclusion, professional growth, and active contribution and leadership. At each of these stages, MAI will be looking to ensure barriers are removed so that all individuals can thrive, and that MAI remains competitive from a recruitment perspective.

Key initiatives planned by the HR Department for the upcoming planning period include:

- Development and initial implementation of the HR Strategic Plan.
- Continued implementation of the Psychological Health and Safety Program.

- Initiate the next cycle of collective bargaining.
- Implementation of SAP Recruitment and Onboarding Modules.
- Development of a comprehensive recruitment strategy with a focus on underrepresented groups.
- Continued development of the Pay Equity Program.

## Major Infrastructure Investments

### Removal of Vardy's Island

For the past several years, MAI has been exploring the possibility of removing Vardy's Island from the harbour in Port aux Basques. Vardy's Island is really a very large rock in the centre of the harbour and not only interferes with maneuvering in and out of the harbour, but also contributes to an increased number of cancelled sailings, as the rock makes docking and undocking in PAB during high winds particularly difficult.

In 2019/20, MAI began to explore the potential costs and operational impacts of making significant changes to the PAB harbour and in 2020/21, MAI commenced work on three streams of activities to support the PAB Harbour project, including preliminary engineering, environmental assessments, and stakeholder consultation. In 2021/22, MAI began discussions with the Province of Newfoundland and Labrador to obtain ownership of the island, which was transferred to MAI in April of 2022.

In 2022/23, MAI applied under the National Trade Corridors Fund for the required funding for the Vardy's Island project. MAI also contracted an economist to help assess the economic impacts of removing the island.

### Business Process Renewal (BPR)

The BPR program has enabled Marine Atlantic to transform the business software/application landscape and streamline core business processes. In the coming year, the program will formally close with the fundamental elements launched. The organization is already seeing how BPR/SAP will support the innovation platform with the implementation of SAP Analytics Cloud and other enterprise resource planning (ERP) initiatives on the horizon.

MAI will reach the formal conclusion of the BPR program in the 2023/24 fiscal year. With the fundamental SAP components launched, the program will be complete. SAP/ERP projects will be managed as part of the Corporation's Innovation initiatives.

The Talent Management project was completed early in 2023/24. The Talent Management project is focused on streamlining and simplifying Recruiting and Onboarding processes for internal and external candidates at Marine Atlantic. The team has built a simple and progressive suite of recruitment tools and processes to support Marine Atlantic strategic recruitment goals. This project is designed to build on the foundation established with previous releases of BPR (Employee Central, Timekeeping & Scheduling, Learning Management Systems, SAP Benefits & Payroll).

The MAI Career website will be fully integrated with Success Factors Recruiting, which will also directly feed job boards across industry, eliminating the need to manually publish job openings. Applicants will use the Success Factors platform to apply for job openings and be kept up to date on future opportunities. Internal job openings will also be published in the tool, which will enable existing employees to apply online and eliminate paper-based application processes currently in use.

Success Factors Onboarding will be launched to "formalize" and enhance the onboarding process within the organization. This will allow HR, Managers and new employees to access new hire forms, onboarding checklists and increase the mechanism for engagement at the new hire stage.

The final component of the BPR program will be to train and launch SAP Plant Maintenance for vessel-based users.

There are two major areas of focus in the SAP Plant Maintenance project. The first is around shore-based maintenance which includes three terminals, administration buildings and the Life Raft Centre based in Port Aux Basques. The second area of focus will be to roll out SAP to the fleet of vessels and to ensure that the Maintenance functionality is fully functioning while at sea (and not depending on a cellular or satellite connection). When both components of this project are live, MAI will be able to fully decommission the aging IFS legacy platform and the AMOS system used onboard the vessels.

The implementation of SAP Plant Maintenance will be of tremendous impact to the organization, as it will enable both shore and vessel maintenance processes to be executed on a single platform that is fully integrated with Supply Chain, Materials Management and Finance. Additionally, a tool called "SAP Edge" will be integrated into the Plant Maintenance modules to ensure that critical maintenance information is available to vessel operations staff when internet signals are unavailable.

### Port aux Basques Administration Building

Another significant capital project currently underway is the construction of the new Port aux Basques Administration Building. In September 2022, MAI signed a contract with Olympic Construction of St. John's, NL for the construction of the facility with substantial completion scheduled for summer 2024.

The two-story facility will be approximately 24,000 ft<sup>2</sup> in total, with a combination of enclosed and open workspace configurations, meeting and collaborative spaces, and facilities supporting Occupational Health and Safety and Emergency Operation activities. The facility is designed to fully accommodate existing administrative functions currently spread across 4 separate facilities and/or spaces in the Port aux Basques area.

The new facility is designed to support MAI's commitment to environmental responsibility throughout construction and subsequent operation from material selection, through construction processes, to the inclusion of green technologies. In alignment with Government mandates and efforts toward reduction of greenhouse gasses and carbon footprint, this facility:

1. Is designed to meet LEED Silver requirements in environmental construction and operation.
2. Includes solar energy capture technology to reduce reliance on commercial electrical generation and cost of operation over facility useful life.
3. Is designed to maximize daylight penetration, further reducing electrical requirements, and offering benefits to individual psychological and physiological health and safety.
4. Supports Electric Vehicle (EV) usage and charging, with capability for expansion as EV market penetration increases.
5. Operational systems designed for adaptability in monitoring and control of heating, lighting, HVAC, facility utilization, and waste management support efficiency in operation over the useful life of the facility.



The following chart represents high-level construction stages.

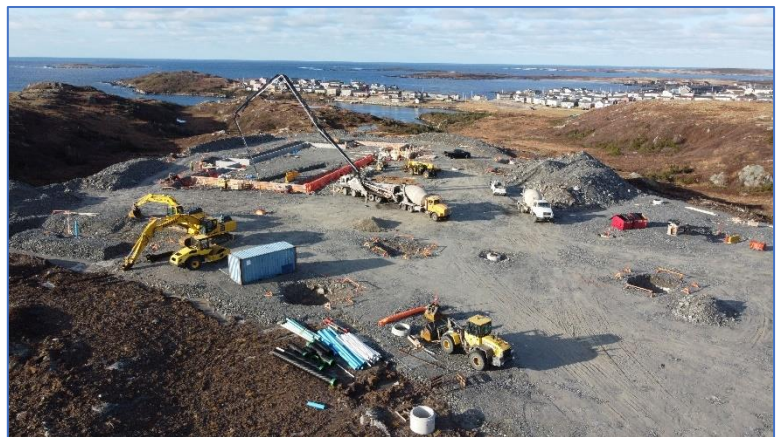
	2022/23				2023/24				2024/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Port aux Basques Administration Facility</b>												
Tender Posting	■											
Contract Award		■										
<b>Construction</b>												
Siteworks			■	■								
Foundation, Site Servicing, & Tilt-panel Preparation			■	■	■							
Tilt-panel Construction					■							
Facility Tilt-up						■	■					
Building Envelope							■	■				
Interior Construction									■	■		
Landscaping												
Commissioning												

MAI’s executive team leads this initiative via a strong established project management structure including internal teams working in tandem with dedicated external resources.

**Progress to Date**

Once approved, MAI was quick to mobilize this project. Site preparation was completed and the foundation for the building is currently under construction, with the first concrete poured in January 2023.

At time of writing, the administration building is weather tight, with installation of remaining windows scheduled for the coming week(s). Internal fit up has commenced.







## Risks

MAI's risk registers and corporate level risk statements align with its key strategic objective, and are organized in much the same manner:

- Financial Risks
- Operational Risks
- Process Risks
- Human Resource Risks

1. From a financial perspective, the key risk is that MAI is unable to operate within its approved funding levels, whether it be from lower-than-expected traffic levels, an unexpected increase in expenses, an unexpected reduction in funding levels, etc. To manage this risk, MAI conducts constant monitoring of traffic and revenues, completes monthly budget reviews and reallocations as necessary, has implemented both currency and fuel hedging programs to reduce the volatility of key expense items, and works closely with the Shareholder on funding requirements.

A prime example of this risk was the Covid19 pandemic, which saw MAI's traffic levels drop significantly, as well as increased its costs of operations to implement the appropriate pandemic responses. MAI successfully managed its way through the pandemic by reallocating budgets, carefully managing employee levels, and adapting its operational plans to accommodate the changes made necessary by the pandemic response. Similarly, the drastic rise in fuel prices over the past year has driven MAI's expenses higher than anticipated; its fuel hedging program has allowed MAI to manage this increase without significantly impacting customers.

However, financial risks can manifest in other ways, including the failure of MAI to provide an affordable and accessible service, resulting in lower traffic levels and poor customer satisfaction.

2. Key operational risks include the following:
  - Lack of adequate safety governance, policies, and practices.
  - That MAI is responsible for contamination of the environment.
  - The risk that MAI fails to adequately maintain and renew its infrastructure.
  - The risk that MAI inadequately responds to a natural disaster, act of sabotage, etc.

MAI has implemented numerous controls to mitigate these risks, including the implementation of a safety management system, regular tracking and reporting of safety metrics, and regular inspections of its operations by both internal and external parties. From an environmental perspective, MAI has developed its NetZero by 2050 roadmap, as well as conducted regular Emergency Testing Exercises, completing environmental audits and inspections, participated in the Green Marine program, etc. Both short term inventory management, the purchase of critical spares, contracts for critical supplies, and planning for long-term requirements help mitigate the infrastructure risk. Business continuity planning and tabletop emergency response exercises ensure MAI can respond effectively.

Of course, included in this risk is the global challenge associated with supply chain issues. Like most industries, MAI has been negatively impacted by long lead times for supply chain acquisition and the increasing costs of key components in the manufacturing industries. To mitigate this risk, MAI has carefully managed its capital program to ensure that projects can be adequately funded. The corporation also takes care to keep the shareholder informed in advance of any financial risks.

3. From a process perspective, MAI has recognized the risks associated with insufficient policies, planning and processes to manage effectively. There is also considerable risk associated with the integrity, protection and availability of information. Additionally, the risk associated with the failure to innovate and keep up with



changing market expectations adds to both MAI's operational and process risk. MAI's implementation of the SAP program and the establishment of its Innovation Committee are both intended to mitigate these risks. Other mitigations include an increased focus on cyber security and the purchase of cyber security insurance.

4. Finally, the human resources risk category. MAI has implemented several recruiting activities, mentorship programs, leadership development programs, etc. to better respond to this risk.

The other key HR risk is associated with the Corporation failing to create an organizational culture that recognizes employee performance and provides opportunity for growth. Many of MAI's key HR activities are focussed primarily on addressing this risk, whether it be through its Equity, Diversity and Inclusion activities, the implementation of a Psychological Health and Safety Program, its pay equity committee, and its Employee and Family Assistance program.

A detailed look at MAI's risk process and its current risk dashboard is included in Appendix G.

## Financial Overview

The financial projections in this corporate plan are based on the following assumptions:

- MAI will continue to operate with a four-vessel fleet for the duration of the five-year plan.
- MAI will continue to operate both routes - Port aux Basques to North Sydney and Argentia to North Sydney - for the foreseeable future.
- Quoted lease rates for the MV *Atlantic Vision* are used until the end of the lease period.
- Budget reductions announced in Budget 2023 will be built into MAI's financials once approved, starting in 2024/25.

### Rates

To limit the impacts of rates on our customers and encourage customers to utilize the service, MAI has maintained its current rates for MAI's passenger and PRV customers on all routes for the first year of the plan.

### Fuel Surcharge

Despite the significant increase in the price of fuel over the past year, MAI was able to keep its fuel surcharge at 13%, due to the combined impact of inventory on hand when fuel prices started to rise and MAI's fuel hedging program, as well as careful expense management.

Fuel is, and will continue to be, a large portion of the Corporation's operating budget. MAI endeavours to minimize the cost of fuel through contractual commitments with suppliers and bulk purchases.

### Traffic and Revenue

The projected traffic forecasts and the planned rate strategy result in the following revenue forecast over the next five years.

Revenues (000's)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
<b>Total Revenues</b>	<b>\$ 120,333</b>	<b>\$ 127,272</b>	<b>\$ 133,967</b>	<b>\$ 137,941</b>	<b>\$ 142,952</b>	<b>\$ 662,465</b>

\*Numbers may not add due to rounding

### Expense Reductions

MAI has frozen its expenses at 2023/24 levels in 2024/25, a savings of approximately \$6M. In 2023/24, MAI plans to undertake an operational review to identify where these savings will come from, and to identify any potential areas for further expense reductions in future years.

### Travel, Hospitality, Conference and Event Costs

The Corporation's travel, hospitality and events policies and procedures were updated in 2016/17 to align with those of the Treasury Board Secretariat (TBS).

From a reporting perspective, MAI has set up a process for initiating, routing and tracking the approvals required for travel, hospitality, conferences and events to comply fully with the 2015 Governor in Council directive. The Corporation reports on travel expenses monthly on its website as well as annually in its Annual Report.

In general, MAI's travel costs include travel for training and travel to MAI's various offices. Hospitality costs are mostly related to training, interdepartmental managers' meetings, and employee recognition events. This

forecast excludes costs for planned travel for oversight of the new vessel build which are included in “Fleet renewal costs”.

The Corporation’s forecasted travel, hospitality and conference expenses are as follows:

(000's)	3-Yr Average	Actual	Forecast				
	2019-20 - 2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Travel	729	1,332	1,874	1,680	1,700	1,735	1,768
Hospitality	84	118	188	226	230	237	240
Conferences	18	32	51	83	85	87	89
	<b>831</b>	<b>1,482</b>	<b>2,113</b>	<b>1,989</b>	<b>2,015</b>	<b>2,059</b>	<b>2,097</b>

\* Numbers may not add due to rounding

While travel, hospitality and conference expenses are forecasted to increase, it is important to note that they are significantly lower than costs incurred in pre-pandemic years.

### Climate-related Financial Disclosures

Budget 2021 included direction related to climate-related financial disclosures for Crown Corporations:

- *Crown corporations with less than \$1 billion in assets will be expected to start reporting on their climate-related financial risks for their financial years beginning in calendar year 2024 at the latest or provide justification as to why climate risks do not have material impact on their operations.*

Accordingly, MAI will start reporting on its climate-related financial risks in 2024.

### Other Costs

#### Hedging Strategy

The Corporation utilizes a foreign exchange hedging strategy to proactively mitigate exposure to foreign currency. The Corporation secured forward contracts with a financial institution for 100% of the Euro currency requirements over the remaining charter period of the MV *Atlantic Vision*. MAI’s hedging strategy has been successful in bringing stability and cost certainty to the charter obligations for the duration of the charter agreements. MAI will continue to employ a hedging strategy for the new vessel, should it be required.

#### Inflation Rates

Canada's inflation policy, as set out by the Government of Canada and the Bank of Canada, aims to keep inflation at two per cent. For the purposes of this Corporate Plan, MAI has assumed an inflation rate of 2.1% for non-labour expenditures.

#### Pension Costs

Marine Atlantic’s pension plan is a defined benefit plan. The Corporation is following the Order in Council requiring its pension plan to be cost shared 50:50 between employer and employees. The Corporation is assuming that Employer current service cost payments will be required in fiscal 2023/24 onward.

#### Restructuring Costs

Restructuring costs are based on an average severance package per employee based on current collective bargaining agreements.

#### *HST Litigation*

The Corporation had two appeal proceedings before the Tax Court of Canada arising under the *Excise Tax Act* regarding input tax credits (ITC's) claimed during the audit period of January 2006 to January 2012. MAI received a favourable judgement in July 2023 regarding these two appeal proceedings, and the appeal period has passed. As such, MAI has recognized \$11.9M in 'Other Income' in its financial statements to account for these funds.

#### Capital Requirements

MAI's capital plan is based on the following requirements: fleet and shore-based maintenance, and investments needed to carry out MAI's Strategic Plan, including longer-term asset renewal and its innovation strategy. Many of the activities outlined also support the Shareholder's goal of managing climate change.

## Financial Summary

Based on all the assumptions stated, the following table summarizes the Corporation's projected financial performance for the upcoming planning period.

### 2022/23 - 2027/28 Financial Projections

<i>(in \$ thousands)</i>	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Revenues	120,285	132,273	127,272	133,967	137,941	142,952
Funding Requirement	132,121	192,286	189,238	201,142	223,810	217,705
Funding Available	132,121	211,306	159,011	43,059	41,684	41,684
Surplus/(Deficit)	-	19,020	(30,227)	(158,083)	(182,126)	(176,021)
Reprofile Operating Funding	-	(19,020)	19,020	-	-	-
<b>Remaining Surplus/(Deficit)</b>	-	-	<b>(11,207)</b>	<b>(158,083)</b>	<b>(182,126)</b>	<b>(176,021)</b>

## Cost Recovery

MAI recognizes that cost recovery targets do not meet the 65% threshold over the duration of the plan. The Corporation has long held the position that the current cost recovery formula is not sustainable, as MAI requires \$1 in revenue to offset \$1.50 in costs. As inflation has increased dramatically in the past year, MAI would have to increase its rates to an unaffordable level to meet its cost recovery target.

MAI is committed to working with the Shareholder to arrive at a revised cost recovery policy that ultimately sets both organizations up for success.

## Appendix A      Mandate Letter

Minister of Transport



Ministre des Transports

Ottawa, Canada K1A 0N5

Mr. Gary O'Brien  
Chair of the Board of Directors  
Marine Atlantic Inc.  
10 Fort William Place  
Baine Johnston Centre  
St. John's NL A1C 1K4

Dear Mr. O'Brien:

It is an honour to serve Canadians as the Minister of Transport and a privilege to be able to work with key partners such as Marine Atlantic Inc. (MAI) during this pivotal time for both the transportation sector and the country as a whole.

Given that the world has changed significantly because of the COVID-19 pandemic, now more than ever, our collaboration is essential to advance the government's priorities and policy objectives. As I undertake these responsibilities, I look forward to deepening a strong working relationship that fosters open communication and a shared commitment to advancing the government's priorities and objectives, and ensuring that MAI remains a key component of Canada's transportation system.

In supporting my accountability to Parliament for your organization, I will work with you to ensure that Canada's transportation system supports the government's ambitious economic response and recovery efforts to fight the pandemic and build back a better Canada. Together, during these challenging times, we will position MAI to fight climate change where it can, help strengthen the middle class, walk the road of reconciliation, improve accessibility, and stand up for fairness and equality.

The fight against climate change remains of paramount importance to this government. I expect that MAI will provide its support by ensuring that opportunities to advance this cause are considered in your organization's priorities, plans, and operations.

In Budget 2021, this government indicated its intention to finish the fight against

COVID-19, to create jobs and growth and to support a resilient and inclusive recovery. I expect that MAI will do its part by providing a safe, secure and efficient transportation service in support of economic recovery and growth for middle-class Canadians.

- 2 -

When Indigenous people experience better outcomes, all Canadians benefit. I expect that MAI will join us as we continue to walk the road to reconciliation. This should include, but not be limited to, consulting Indigenous communities where appropriate and incorporating Indigenous perspectives into organizational operations and planning processes.

I also expect that, per the *Accessible Canada Act*, MAI will ensure that it is doing its part to help make the transportation system more accessible for persons with disabilities.

Together, we must also continue to deliver real results for Canadians. This includes tracking and publicly reporting on the progress of our work, assessing our work's effectiveness, aligning resources with priorities, and adapting to events as they unfold. In this vein, I note that your corporation's corporate plan remains the most important vehicle by which my colleagues and I can oversee MAI's results, and the annual report is the most important mechanism to assess those results.

We must also continue to work together to improve how we collectively approach the approval of Crown corporations' corporate plans. This need was underscored by the concerns raised in the Office of the Auditor General's spring 2018 Report, tabled in Parliament on May 29, 2018. Transport Canada, Transport Portfolio Crown corporations and central agencies each have a role to play. To this end, I ask for your continued support in ensuring that, to the extent that circumstances are within MAI's control, MAI's future corporate plans are prepared sufficiently in advance, with the best information available at the time, to enable timely review and approval.

I also remain committed to open, transparent, and merit-based selection processes to attract qualified candidates for governance and leadership positions in the Transport portfolio. Candidates should also reflect Canada's diversity in terms of linguistic, regional and employment equity groups (women, Indigenous peoples, persons with disabilities and members of visible minorities), as well as members of ethnic and cultural groups. As Chairperson, you will be invited to participate in these processes for your organization, which will inform my ultimate appointment recommendations to the Governor in Council. By extension, my expectation is that MAI incorporates a similar focus on the abovementioned populations in all its labour force practices.

Recognizing the value of incumbents to ensuring consistent good governance, for those individuals previously appointed through an open process, I will consider recommending reappointment based on past performance and the Board's current needs in terms of diversity and skills. My officials will engage with you to assess any incumbent's performance and contribution being considered for reappointment.

- 3 -

Furthermore, as always, the legal and ethical obligations of public office holders remain paramount. All appointees should abide by the principles found in the Prime Minister's recently updated statement on Open and Accountable Government, with particular attention paid to the Ethical Guidelines set out in Annex A. All boards should also ensure ongoing compliance, both for their organization and for themselves, with the relevant requirements of the Treasury Board Secretariat Directive on Travel, Hospitality, Conference and Event Expenditures, the *Lobbying Act* and the *Conflict of Interest Act*.

Following the Budget 2019 announcement, MAI initiated an open, transparent and competitive process to procure a new vessel. I understand that this process is well advanced, and nearing completion. I encourage you and your staff involved in this process to continue your concerted efforts for the successful delivery of a suitable new vessel on time and on budget. I would also like to recognize MAI's efforts for the past several (pre-COVID) years to operate within its appropriation level and meet its overall cost recovery target.

Last but not least, I want to underscore how I appreciate the prudent measures that MAI has put in place to respond to the COVID-19 pandemic. In protecting the health and safety of its passengers and employees while ensuring the continued flow of essential goods to and from the island of Newfoundland, MAI was a key contributor to the pandemic response and has served Canadians well.

I look forward to continuing to work with you in advancing your corporation's plans, priorities and challenges.

Sincerely,



The Honourable Omar Alghabra, P.C., M.P. Minister of  
Transport



## Appendix B Corporate Governance Structure

The Corporation's Board of Directors has representation from both Newfoundland and Labrador and Nova Scotia, with backgrounds covering Law, Accounting, Transportation and Business. The Board of Directors meets at least once a quarter, with other meetings scheduled as needed. The Board has established four sub-committees:

1. Audit and Finance Committee
2. Innovation and Infrastructure Committee
3. Corporate Governance, Risk and Strategy Committee
4. Human Resources Committee

Each committee reports directly to the Board of Directors, and each meets at least quarterly, with additional meetings scheduled as required.

### Board Members – Term Expiry Dates

Board Member	Appointed	Expiry Date	Location
Gary O'Brien	November 24, 2020	November 23, 2025	Port aux Basques, NL
Carla Arseneault	February 5, 2019	February 4, 2022	Sydney River, NS
Janie Bussey	December 14, 2017	December 13, 2021	Logy Bay, NL
John Brent Chaffey	December 14, 2017	December 13, 2021	St. David's, NL
John Butler	November 25, 2020	November 24, 2024	St. John's, NL
Owen Fitzgerald	December 14, 2017	February 4, 2025	Sydney, NS
Craig Priddle	December 14, 2017	February 4, 2025	Corner Brook, NL
Catherine Lynn Kendall	June 1, 2021	May 31, 2025	Corner Brook, NL
Ann-Margret White	December 14, 2017	February 4, 2025	St. John's, NL
Murray Hupman	April 15, 2019	April 14, 2024	North Sydney, NS

As per the Government of Canada's guidelines, compensation for MAI's Board of Directors is as follows:

#### Chairperson

Per diem (\$310 - \$375)

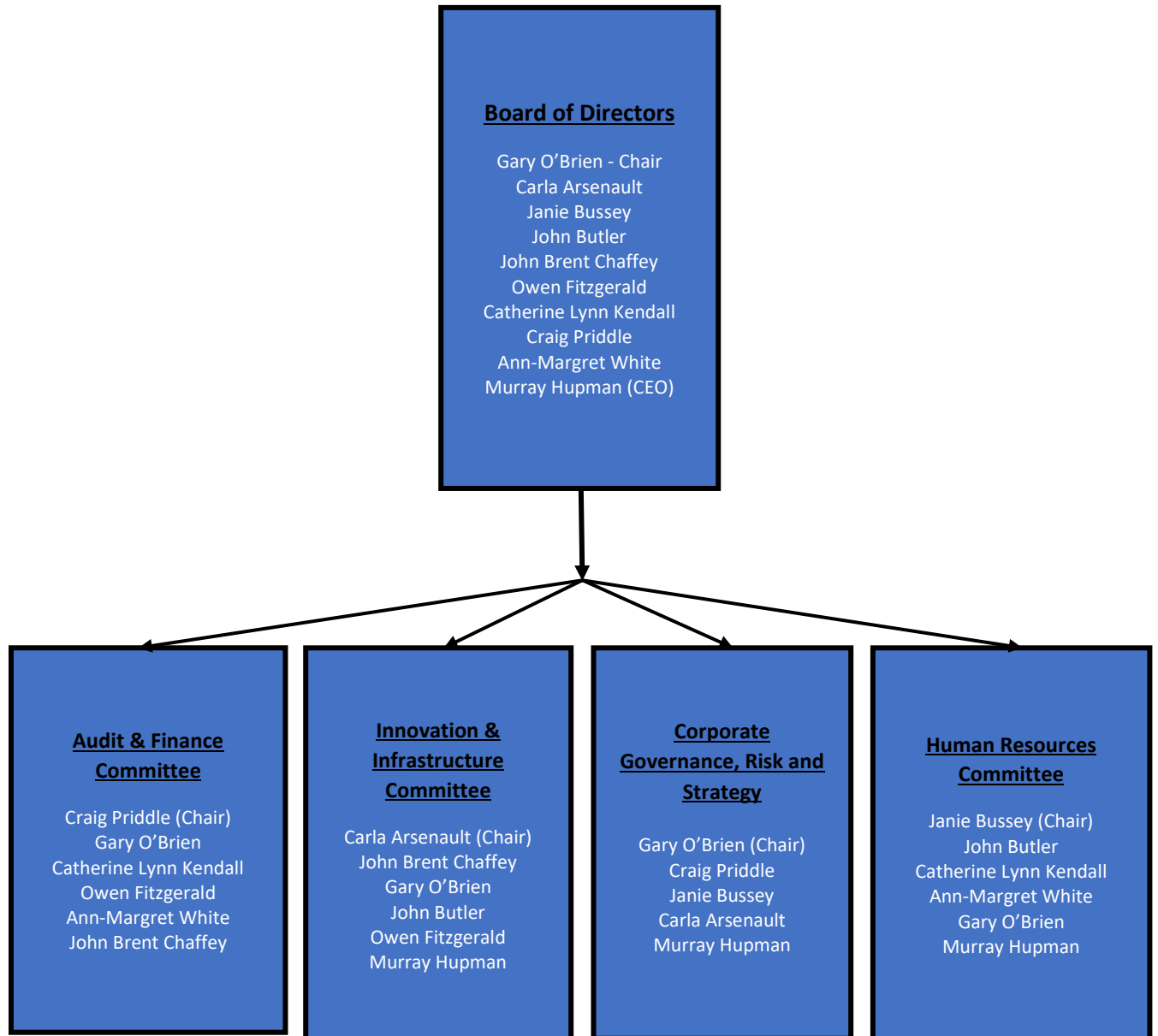
Position; annual (\$8,000 - \$9,400)

#### Director

Per diem (\$310 - \$375)

Position; annual (\$4,000 - \$4,700)

## Committee Structure and Membership (September 2021)



## Number of Meetings and Attendance

Full Board Meetings	# of Meetings/ participation
<b>14</b>	
<b>Attendance</b>	
Gary O'Brien	13
Carla Arsenaault	13
Janie Bussey	13
John Brent Chaffey	13
John Butler	13
Owen Fitzgerald	14
Craig Priddle	13
Catherine Lynn Kendall	12
Ann-Margret White	14
Murray Hupman	14

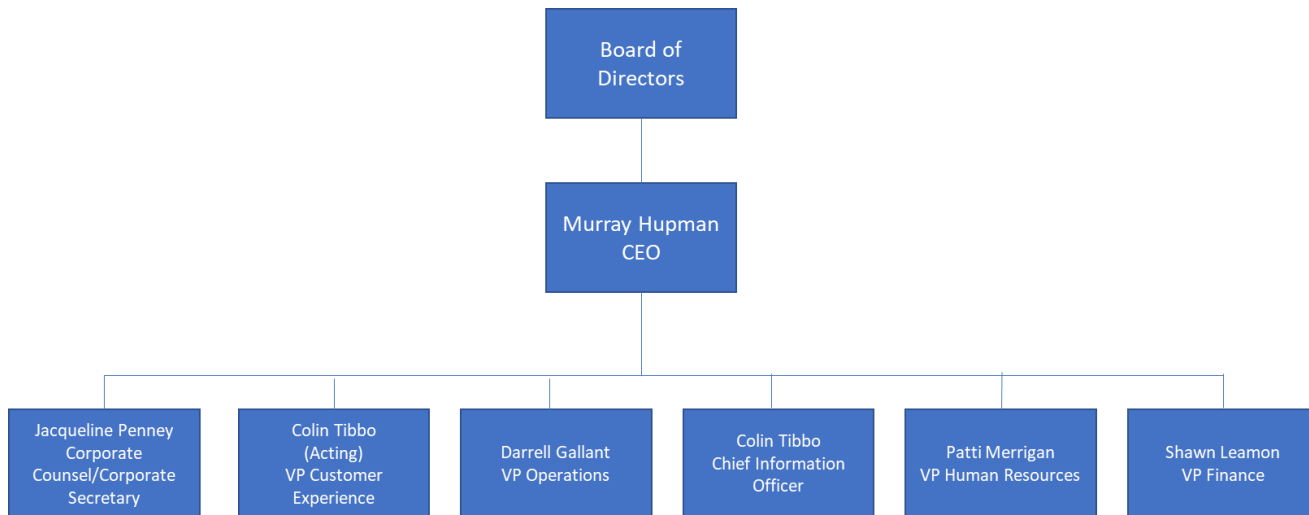
Audit and Finance Committee	# of Meetings/ participation
<b>8</b>	
<b>Attendance</b>	
Gary O'Brien	8
John Brent Chaffey	6
Owen Fitzgerald	8
Craig Priddle	8
Catherine Lynn Kendall	8
Ann-Margret White	7
Murray Hupman	8

Innovation and Infrastructure Committee	# of Meetings/ participation
<b>4</b>	
<b>Attendance</b>	
Gary O'Brien	4
Carla Arsenaault	4
John Brent Chaffey	4
John Butler	4
Owen Fitzgerald	4
Murray Hupman	4

Corporate Governance, Risk and Strategy	# of Meetings/ participation
<b>4</b>	
<b>Attendance</b>	
Gary O'Brien	4
Carla Arsenaault	4
Janie Bussey	4
Craig Priddle	3
Murray Hupman	4

Human Resources Committee	# of Meetings/ participation
<b>8</b>	
<b>Attendance</b>	
Gary O'Brien	7
Janie Bussey	8
John Butler	8
Catherine Lynn Kendall	7
Ann-Margret White	8
Murray Hupman	8

## Executive Team



## Appendix C Planned Results

Marine Atlantic - Planned Results - Short and Medium Term				
Outcome	Measure	2022/23 Actuals	2023/24 Target	
<b>Meet financial performance targets within the approved appropriations</b>	Cost Recovery	59.90%	57.7%	
	Revenue (\$M)	\$120.3M	\$119.6M	
	Operating Expenditures	\$332.71M	\$305.5M	
	Capital Expenditures	\$41M	\$64.5M	
<b>Protect people, property and the environment</b>	Class A Environmental Incidents	0	0%	
	Lost Time Injury Frequency	2.63	< 2.50	
	Total Recordable Injury Frequency	4.18	< 4.0	
<b>Ensure capacity and service levels to meet customer needs</b>	Passengers carried			
	CRV's	89,885	89,205	
	PRV's	140,268	142,779	
	AEU's carried	525,202	525,277	
	Overall customer satisfaction - PRV	76.70%	> 70%	
	Overall customer satisfaction - CRV	n/a	> 60%	
	Vessel reliability	98.9%	> 97%	
	On-time performance	86.0%	> 90	
	Capacity utilization	79.0%	> 70%	
	Unplanned Service Interruptions	1.1%	<3%	
Average Wait time - Unrestricted Commercial Loads	6.13	< 9 hours		
<b>Recruit, develop and retain a diverse talent pool</b>	Vacancy Rate of Key Positions	6.4%	<5%	
	Turnover Rate of Employees (Resignations)	3.6%	< 4%	
<b>Improve internal processes</b>	Overtime	\$2.83M	\$2.75M	
	Fuel Consumption	33.9M Litres	34.4M Litres	
	Cyber Security Effectiveness	770	640	

Marine Atlantic Planned Results - Longer Term		
Outcome	Measure	2033
Revise the Cost Recovery Policy to ensure affordability and sustainability	Constitutional Service - Cost Recovery	To be determined
	Non-constitutional Services - Cost Recovery	100% plus on combined service offerings
Achieve Net Zero by 2050	GHG Emissions	82,000 Tonnes
	% of vehicle fleet that is electric	10%
	Number of vessels with alternative fuel capabilities	1
Develop and implement a Long-term fleet replacement strategy	Capacity utilization	75%
	Cost of vessel acquisition	Lowered
	Maintenance costs	Lowered
	Fuel Costs	Lowered
Improve service offerings to better meet the needs of customers	Revenue per customer	Increased
	Customer satisfaction PRV	> 80%
	Customer satisfaction CRV	> 70%
Implement innovation strategy	Implementation of AI processes	> 2
	Number of automated processes	Increase by 50%
	Online/self-serve customer applications	3
Diversity and Inclusion	Percentage of diverse talent out of total workforce representation	Increased
	Percentage of organizational participation in resource groups	Increased
	Percentage of diverse candidates in total pool	Increased
	Percentage of diverse talent out of total senior leader and board representation	Increased

### CEO Attestation



Signature: \_\_\_\_\_

Date: Dec 1, 2023

Murray Hupman, CEO


## Appendix D Chief Financial Officer Attestation

### Marine Atlantic Inc.'s CFO Attestation

In my capacity as Chief Financial Officer of Marine Atlantic Inc., I have reviewed the 2023-2024 to 2027-2028 Corporate Plan and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

 Name <b>Shawn Leamon</b>	Date <b>Dec 1, 2023</b>
Chief Financial Officer, Marine Atlantic Inc.	



# **2023/24 - 2027/28 Corporate Plan**

## **Financial Statements**

**Statement A: Statement of Financial Position****Marine Atlantic Inc.****Statement of Financial Position - Year Ended March 31<sup>st</sup>**

As at March 31, 2022; March 31, 2022; and Projected for 2023/24 to 2027/28

<i>(in \$ Thousands)</i>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Financial assets</b>							
Cash (Note 1)	\$ 9,955	\$ 10,248	\$ 10,248	\$ (7,600)	\$ (165,682)	\$ (347,808)	\$ (523,829)
Accounts receivable	14,438	10,178	10,178	10,178	10,178	10,178	10,178
Receivable from Government of Canada	13,954	15,566	15,566	15,566	15,566	15,566	15,566
Inventories held for resale	381	392	392	392	392	392	392
Derivative financial instruments	10,842	4,889	7,870	1,823	-	-	-
Accrued pension asset	161,633	122,000	122,000	122,000	122,000	122,000	122,000
	<u>\$ 211,203</u>	<u>\$ 163,273</u>	<u>\$ 166,254</u>	<u>\$ 142,359</u>	<u>\$ (17,546)</u>	<u>\$ (199,672)</u>	<u>\$ (375,693)</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	29,088	36,779	\$ 33,342	\$ 33,342	\$ 33,342	\$ 33,342	\$ 33,342
Asset retirement obligations	33,328	34,024	\$ 34,024	\$ 34,024	\$ 34,024	\$ 34,024	\$ 34,024
Derivative financial instruments	804	-	-	-	-	-	-
Deferred revenue	11,978	13,595	13,595	13,595	13,595	13,595	13,595
Accrued vacation pay	6,487	7,193	7,193	7,193	7,193	7,193	7,193
Accrued pension liability	3,123	3,545	3,545	3,545	3,545	3,545	3,545
Accrued liability for non-pension post-retirement benefits	52,258	52,407	52,407	52,407	52,407	52,407	52,407
Accrued liability for post-employment benefits	11,272	11,285	11,285	11,285	11,285	11,285	11,285
	<u>148,338</u>	<u>158,828</u>	<u>155,391</u>	<u>155,391</u>	<u>155,391</u>	<u>155,391</u>	<u>155,391</u>
<b>Net financial assets (debt)</b>	<u>\$ 62,865</u>	<u>\$ 4,445</u>	<u>\$ 10,863</u>	<u>\$ (13,032)</u>	<u>\$ (172,938)</u>	<u>\$ (355,063)</u>	<u>\$ (531,085)</u>
<b>Non-financial assets</b>							
Tangible capital assets	376,362	358,457	362,932	345,419	321,685	303,398	249,011
Inventories held for consumption	30,650	29,781	38,681	38,681	38,681	38,681	38,681
Prepaid expenses	5,344	9,224	9,224	24,440	20,636	16,832	13,028
	<u>412,356</u>	<u>397,462</u>	<u>410,837</u>	<u>408,540</u>	<u>381,002</u>	<u>358,911</u>	<u>300,720</u>
<b>Accumulated surplus (deficit)</b>	<u>\$ 475,221</u>	<u>\$ 401,907</u>	<u>\$ 421,699</u>	<u>\$ 395,508</u>	<u>\$ 208,064</u>	<u>\$ 3,847</u>	<u>\$ (230,365)</u>

1. Cash includes \$4,100 EUR held in escrow as security for the lease of the MV *Atlantic Vision* and therefore is restricted and not available to fund operations. Variations in cash beyond 2022/23 are due to changes in the Corporation's funding levels.

2. Numbers may not add due to rounding.

**Statement C: Statement of Remeasurement Gains and Losses****Marine Atlantic Inc.****Statement of Remeasurement Gains and Losses**

For the Years Ended March 31, 2022 and March 31, 2023 and Projected for 2023/24 to 2027/28

<i>(in \$ Thousands)</i>	Actual	Actual	Budget				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Accumulated remeasurement gains (losses), beginning of year</b>	\$ 1,407	\$10,677	\$ 5,926	\$ 8,907	\$ 2,860	\$ 1,037	\$ 1,037
<b>Remeasurement gains (losses) arising during the year</b>							
Unrealized gain (loss) on foreign exchange of cash	(403)	398	-	-	-	-	-
Unrealized gain (loss) on derivatives	18,161	6,952	9,881	-	-	-	-
<b>Reclassifications to the statement of operations</b>							
Realized (gain) loss on derivatives	(8,488)	(12,101)	(6,900)	(6,047)	(1,823)	-	-
<b>Net remeasurement (losses) gains for the year</b>	9,270	(4,751)	2,981	(6,047)	(1,823)	-	-
<b>Accumulated remeasurement (losses) gains, end of year</b>	\$10,677	\$ 5,926	\$ 8,907	\$ 2,860	\$ 1,037	\$ 1,037	\$ 1,037

owing 1. Numbers may not add due to rounding.

**Statement D: Statement of Change in Net Financial Assets****Marine Atlantic Inc.****Statement of Change in Net Financial Assets**

For the Years Ended March 31, 2022 and March 31, 2023 and Projected for 2023/24 to 2027/28

<i>(in \$ Thousands)</i>	<b>Actual 2021/22</b>	<b>Actual 2022/23</b>	<b>Budget 2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Operating surplus (deficit)</b>	\$ (7,819)	\$ (68,563)	\$ 16,811	\$ (20,145)	\$ (185,621)	\$ (204,217)	\$ (234,212)
<b>Change in tangible capital assets</b>							
Acquisition of tangible capital assets	(37,905)	(40,880)	(64,575)	(45,787)	(42,075)	(50,815)	(52,924)
Amortization of tangible capital assets	57,112	56,883	60,100	63,300	65,809	69,102	107,311
Loss (Gain) on disposal of tangible capital assets	534	1,834	-	-	-	-	-
Proceeds on disposal of tangible capital assets	-	68	-	-	-	-	-
<b>(Increase) decrease in tangible capital assets</b>	19,741	17,905	(4,475)	17,513	23,734	18,287	54,387
<b>Change in other non-financial assets</b>							
Acquisition of inventories held for consumption	(38,396)	(48,798)	(52,821)	(47,805)	(46,586)	(46,030)	(47,205)
Use of inventories held for consumption	30,182	49,667	43,921	47,805	46,586	46,030	47,205
Purchase of prepaid expenses	(11,304)	(11,420)	(18,372)	(42,608)	(25,601)	(25,601)	(25,671)
Use of prepaid expenses	12,371	7,540	18,372	27,392	29,405	29,405	29,475
<b>Decrease (increase) in other non-financial assets</b>	(7,147)	(3,011)	(8,900)	(15,216)	3,804	3,804	3,804
Net remeasurement (losses) gains	9,270	(4,751)	2,981	(6,047)	(1,823)	-	-
Increase (decrease) in net financial assets	14,045	(58,420)	6,418	(23,895)	(159,906)	(182,126)	(176,021)
Net financial assets (debt), beginning of year	48,820	-	-	-	-	-	-
<b>Net financial assets (debt), end of year</b>	\$ 62,865	\$ (58,420)	\$ 6,418	\$ (23,895)	\$ (159,906)	\$ (182,126)	\$ (176,021)

1. Numbers may not add due to rounding.

## Statement E: Statement of Cash Flow

Marine Atlantic Inc.  
Statement of Cash Flow

For the Years Ended March 31, 2022 and March 31, 2023 and Projected for 2023/24 to 2027/28

<i>(in \$ Thousands)</i>	Actual 2021/22	Actual 2022/23	Budget				
			2023/24	2024/25	2025/26	2026/27	2027/28
<b>Operating transactions</b>							
Cash receipts from customers	\$ 104,537	\$ 122,189	\$ 119,674	\$ 127,122	\$ 133,817	\$ 137,791	\$ 142,802
Other income received	79	421	12,598	150	150	150	150
Government funding - operations	94,876	90,827	146,731	119,865	38,059	36,684	36,684
Government funding - operations (pending reprofile)	(3,560)	(450)	(19,020)	19,020	-	-	-
Government funding - capital	55,000	41,001	64,575	39,146	5,000	5,000	5,000
Government funding - capital (pending reprofile)	(14,897)	(1,162)	-	-	-	-	-
Cash paid to suppliers and employees	(191,082)	(208,748)	(255,667)	(262,835)	(278,096)	(295,585)	(291,992)
Net restructuring costs	(215)	(259)	(500)	(773)	(792)	(808)	(824)
Cash paid for employee future benefits	(4,925)	(4,155)	(3,817)	(13,756)	(14,146)	(14,543)	(14,917)
	39,813	39,664	64,575	27,939	(116,008)	(131,311)	(123,097)
<b>Capital transactions</b>							
Purchase of tangible capital assets	(40,103)	(39,838)	(64,575)	(45,787)	(42,075)	(50,815)	(52,924)
Proceeds on disposal of tangible capital assets	-	68	-	-	-	-	-
	(40,103)	(39,770)	(64,575)	(45,787)	(42,075)	(50,815)	(52,924)
(Decrease) increase from effect of exchange rate changes on cash	(403)	400	-	-	-	-	-
Net increase (decrease) in cash	(693)	294	(0)	(17,848)	(158,083)	(182,126)	(176,021)
Cash, beginning of year	10,648	9,955	10,249	10,249	(7,599)	(165,681)	(347,807)
<b>Cash, end of year</b>	\$ 9,955	\$ 10,249	\$ 10,249	\$ (7,599)	\$ (165,681)	\$ (347,807)	\$ (523,828)
Cash consists of:							
Restricted Cash	\$ 6,233	\$ 6,098	\$ 6,098	\$ -	\$ -	\$ -	\$ -
Unrestricted Cash	3,722	4,151	4,151	(7,599)	(165,681)	(347,807)	(523,828)
	\$ 9,955	\$ 10,249	\$ 10,249	\$ (7,599)	\$ (165,681)	\$ (347,807)	\$ (523,828)

1. Cash paid for EFBs (Employee Future Benefits) includes cash paid for pension, worker's compensation and other non-pension employee future benefits.
2. Cash includes amounts held in escrow as security for the lease of the MV Atlantic Vision and therefore is restricted and not available to fund operations.
3. Numbers may not add due to rounding.



## Appendix F Borrowing Plan

MAI's bank line of credit is currently approved at \$4,200,000 until June 30, 2024. This amount is required as security against long-term liabilities arising from Marine Atlantic employees past injury claims and this Corporation's status as a "deposit account company" with the New Brunswick Workers' Compensation Board.

The Corporation is seeking approval from the Minister of Finance for a line of credit sufficient to handle the \$4,200,000 requirements for the Workers' Compensation Board requirement through to the end of 2023-24.

**Table 1: Peak borrowings during the year (\$ millions)**

Method and currency used	Actual value	Actual or projected value	Forecast 2023-24 value	Projected 2024-25 value	Projected 2025-26 value	Projected 2026-27 value	Projected 2027-28 value
<b>Line of credit: Canadian dollars</b>	\$4,200,000		\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000
<b>Borrowings: Canadian dollars</b>							
<b>Total borrowings</b>	\$4,200,000		\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000

MAI does not plan to enter any new loan or debt arrangements. Therefore, MAI is not requesting any new debt authorities. MAI does not have plans to enter into significant new lease agreements in the upcoming five-year period and consequently does not anticipate having any leases that need to be approved in accordance with Section 127(3) of the *FAA and the associated Crown Corporation General Regulations, 1995*.



## Appendix G

## Enterprise Risk Management (ERM)

Marine Atlantic is committed to risk management and recognizes it as a means to ensuring the Corporation's future success. Marine Atlantic considers risk management to be a shared responsibility. The Corporation's risk management governance structure can be summarized as follows.

Group	Responsibility
Board of Directors and Audit and Risk Committee	Ensure that management has established and maintains an effective risk management process
Corporate Strategy & Enterprise Risk Management Committee	Monitor emerging risks and significant shifts in the known risks in the company's enterprise risk level inventory
Corporate Strategy and Risk Department	Champion the effective management of risk across the company by facilitating the development and deployment of techniques, tools, and processes to assess in managing risks
Risk Liaisons	Support risk owners by organizing opportunities to formally discuss risk, monitoring the effectiveness of controls/mitigations and coordinating reporting.
Risk Owners	Effectively manage risk within their area of responsibility in alignment with the risk tolerance and risk appetite of the company.

MAI's key risks continue to be directly linked to the Corporation's Strategic Objectives and as such, the ERM program plays a critical role in ensuring that the Corporation can achieve its overall goals.

MAI's Risk Matrix

Marine Atlantic Risk Matrix					
Likelihood					
Impact	1.Rare	2.Unlikely	3.Possible	4. Likely	5.Almost Certain
5. Very High	Medium	High	High	Very High	Very High
4. Major	Medium	Medium	High	Very High	Very High
3. Significant	Low	Medium	Medium	High	High
2. Minor	Low	Low	Medium	Medium	High
1.Insignificant	Low	Low	Low	Medium	Medium

IMPACT ( See specific criteria to be considered below)
<b>5. Very High:</b> A risk event that, if it occurs, will have a severe impact on the organization's operations and/or achieving desired results, to the extent that multiple key objectives for the Corporation will not be achieved. ( See Criteria for guidance in the table below)
<b>4. Major:</b> A risk event that, if it occurs, will have a major impact on the organization's operations and/or achieving desired results, to the extent that at least one of the Corporation's key objectives will not be achieved. ( See Criteria for guidance in the table below)
<b>3. Significant:</b> A risk event that, if it occurs, will have a significant impact on the organization's operations, to the extent that Corporations' objectives may be met and may only be to a minimum level. ( See Criteria for guidance in the table below)
<b>2. Minor:</b> A risk event that, if it occurs, will have a minor impact on achieving desired results. All of the Corporations' objectives will still be met to satisfactory levels.(See criteria for guidance in the table below)
<b>1. Insignificant:</b> A risk event that, if it occurs, will have an insignificant impact on achieving desired results and corporate objectives. (See criteria for guidance in the table below)

RATING
<b>Low Risk</b> Less than or equal to 4
<b>Medium Risk</b> Greater than 4 but less than 10
<b>High Risk</b> Equal to or greater than 10 but less than 16
<b>Very High</b> Equal to or greater than 16

LIKELIHOOD
<b>5. Almost Certain:</b> Will undoubtedly happen/recur, possibly frequently
<b>4. Likely:</b> Will probably happen/recur, but it is not a persisting issue/circumstance
<b>3. Possible:</b> Might happen or recur occasionally
<b>2. Unlikely:</b> Do not expect it to happen/recur but it is possible it may do so
<b>1. Rare:</b> This will probably never happen/recur

RATING	ACTIONS
<b>Low 1-4</b>	Periodic monitoring is recommended to account for any changes that might affect the risk. No additional mitigation activities are required.
<b>Medium 5-9</b>	Further review is required to see if the risk can be reduced to <i>Low</i> . This involves the evaluation of resources to ensure the cost/benefit is balanced. Regular monitoring is recommended.
<b>High 10-15</b>	Additional mitigation activities are required to further reduce the risk. Active risk monitoring is necessary and secondary plans should be considered.
<b>Very High 16-25</b>	Immediate attention to additional mitigation activities is required to further reduce the risk. Continuous risk monitoring is required and <b>secondary plans need to be established.</b>

## MAI's Risk Dashboard

Corporate Risk Statements		Inherent Risk			Residual Risk	Current Mitigations/Controls
		Likelihood	Impact	Severity	Q4 21/22	
1	The risk that MAI is not able to effectively deliver the service within its approved funding levels.	4	4	16		Traffic forecasting and continuous monitoring Fuel Hedging Program Currency Hedging program Marketing Campaign(s) Budget reviews and re-allocation processes Regular monitoring of fuel surcharge Product Pricing Reviews Rate Increases
2	The risk that MAI does not have adequate safety governance, policies and practices, putting customers, employees, and facilities at risk.	5	5	25		Workplace Health and Safety committees Safety Metric tracking and reporting Sanitization Plan Vessel sailing protocols and vessel standing orders Safety Management System Inspections of equipment, infrastructure and procedures Emergency Testing Exercises Loading plans and procedures for Dangerous Goods
3	The risk that MAI is responsible for the Contamination of the Environment and/or fails to respond in an adequate manner.	4	4	16		Environmental incident tracking, reporting and follow-up Safety Management System Emergency Testing Exercises Tank management plan Vessel energy and environmental plans Ship and Shore Oil Pollution Emergency Plans Green Marine Program Environmental Audit and Inspection Program/Cycle Waste Management Program

Corporate Risk Statements		Inherent Risk			Residual Risk	Current Mitigations/Controls
		Likelihood	Impact	Severity	Q4 21/22	
4	The risk that Corporation's actions and/or employees' behaviors fail to reflect the established values of Safety, Diversity, Teamwork, Commitment, Integrity and Excellence	3	5	15		Performance management and disciplinary process Equity, Diversity and Inclusion Program Human Resource Policies and Standard Operating Procedures Workplace Harassment and Violence education and awareness Ongoing development and implementation of Psychological Health and Safety Program
5	The risk that MAI fails to adequately maintain and renew its infrastructure leading to negative impacts on its operations and service levels.	4	4	16		Preventative Maintenance Program Critical Spare Inventory Inventory Management Steering Committee Critical supplier contracts Standing arrangement for tank wagons Fuel supply options analysis Alternative fuel sources being investigated Long-term fleet strategy
6	The risk that MAI's response to a catastrophic event such as natural disaster, act of sabotage/terrorism, grounding, etc. is inadequate.	4	4	16		Cyber Security Program Business continuity planning Safety Management System Emergency Response Program/Plan including testing Security processes/procedures for customers and staff IT Disaster Recovery Plan Redundancy for critical assets and or infrastructure Standardized Life Saving Equipment on all vessels
7	The risk that MAI fails to provide a quality service that is affordable and accessible resulting in reduced customer satisfaction and traffic levels.	4	4	16		Preventative Maintenance Program Product Pricing Reviews Customer Service Training Commercial Drops Portal Customer Satisfaction Surveys Pricing- offers and promotions Customer Complaint Resolution Process
8	The risk that MAI does not effectively engage its Stakeholders leading to the erosion of its reputation and the loss of confidence in the service.	4	4	16		Media monitoring Membership, active participation and engagement with key stakeholder organizations Stakeholder relations plan, including contact requirements, record keeping, and accountabilities Sponsorships

Corporate Risk Statements		Inherent Risk			Residual Risk	Current Mitigations/Controls
		Likelihood	Impact	Severity	Q4 21/22	
9	The risk that MAI is not able to plan and execute on its medium-long term strategy due to a lack of control over its Corporate Plan and the funding approval mechanisms.	4	4	16		Strategic Planning Process Corporate Plan Process Board of Directors Oversight Regular Communications with the Shareholder Proactive analysis and planning to respond to changes in policy
10	The risk that MAI's policies, planning and processes are inadequate to allow MAI to manage effectively.	4	5	20		Completion of Business Process Renewal project Employee Training and Professional development Organizational Change Management Framework (OCM) Process Mapping Framework Project Management Framework IM Governance Committee Policy Management Framework/Structure Project governance/steering committee model Performance Metrics Tracking
11	The risk that MAI fails to adequately manage the integrity, protection and availability of information.	5	4	20		Cyber Security Program Information Management Program Education and Awareness opportunities Employee Training and Professional development Annual Maturity Assessments Data Centre Hosting Threat, Risk, Privacy & Impact Assessments Cyber Insurance Company Log EDMS Solution
13	The risk that MAI fails to embrace or invest in innovation that allows it to keep pace with changing customer expectations and to realize continued process improvements and ongoing efficiencies	4	3	12		Information Technology Program Innovation Steering Committee Process Mapping Framework Continual analysis and improvements to customer service offerings Regular monitoring, consultation, and communication with internal and external stakeholders

Corporate Risk Statements		Inherent Risk			Residual Risk	Current Mitigations/Controls
		Likelihood	Impact	Severity		
14	The risk that the Corporation fails to create an organizational culture that recognizes employee performance and provides opportunity for growth and advancement.	4	4	16		Workforce and succession planning Comprehensive employee compensation package Employee Engagement Survey and focus groups Employee Training and Professional development Leadership Development Programs Employee and Family assistance program Educational Financial Assistance Equity, Diversity and Inclusion Program Employee Recognition Program

## Appendix H Compliance with Legislative and Policy Requirements

### Official Languages Act

Marine Atlantic has assigned two Official Languages champions to monitor and promote the use of official languages within the Corporation. Marine Atlantic ensures that all public communication is available bilingually and has bilingual employees in key public facing positions throughout the Corporation.

### Access to Information and Privacy Act

*The Access to Information Act*, guided by the principles that government information should be available to the public, subject to certain specific and limited exceptions, provides individuals and organizations with a right of access to information in records under the control of government institutions.

*The Privacy Act* helps to ensure that the right to individual privacy is respected by government institutions by limiting the collection, use and disclosure of personal information. It further gives individuals the right to access the personal information about them held by these institutions.

Marine Atlantic completes an Annual Report on the Access to Information and Privacy related requests and activities ongoing at the Corporation each year. This Report can be found on the Corporation's website. The corporation also posts summaries of previously released requests through the Government's Open Data Portal.

### Directive on Travel, Hospitality, Conferences and Event Expenditures

As directed under section 89 of the Financial Administration Act, MAI has established a policy outlining the reimbursement of expenses required for the purposes of business travel, hospitality, conferences, and events in accordance with Government of Canada direction. The policy includes processes for the preparation and approval of expenses for reimbursement. The Corporation's compliance with this policy is audited annually by the Office of the Auditor General.

Marine Atlantic reports monthly on its website information regarding travel, hospitality, conference, and events expenditures. This is done for senior executives and directors of the Corporation.

### Pension Plan Reforms

Marine Atlantic's pension plan is a defined benefit plan. Over the past number of years Marine Atlantic, as a Crown Corporation, has been aligning its plan with the requirements announced in a 2014 Order in Council:

*"...a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017..."*

To achieve the 50-50 cost sharing target, MAI started a process to gradually increase employee contributions and by 2017 MAI reached its target with MAI and its employees sharing equally in the cost of benefits being accrued in any year. The Corporation is following the Order in Council.



MAI also complies with the following acts and regulations:

- Canada Labour Code
- Marine Occupational Safety and Health Regulations
- Transportation of Dangerous Goods Acts and Regulations
- Marine Liability Act and Regulations
- Canada Shipping Act, 2001
- Canada Marine Act
- Coasting Trade Act
- Domestic Ferry's Security Regulations
- Marine Transportation Security Regulations
- Financial Administration Act
- Pay Equity Act
- Accessibility Act
- Applicable Trade Agreements

## Appendix I Government Priorities and Direction

### Transition to NetZero by 2050

As noted in this corporate plan, MAI has established a roadmap to further its goals for NetZero by 2050, starting with the benchmarking of its GHG emissions.

The company has established an Environmental Management Committee to oversee the implementation of its Environmental Management Plan. MAI also continues to meet the requirement for Green Marine Level Three.

From a current project perspective, the new administration building in PAB will be compliant with Leeds Silver. The new vessel is dual fuel enabled, and meets improved sound regulations to minimize its impact on marine life.

MAI is also in the process of converting its existing fleet of vehicles to electric where possible.

### Climate Related Financial Risks

MAI has established an internal working group to ensure that it can meet the requirements for reporting against the recommendations of the Task Force on Climate-related Financial Disclosures. The Corporation is committed to improving the identification, tracking, and reporting of these risks.

### Accessibility

MAI meets or exceeds all regulations for accessibility in its areas of operations. An internal committee monitors and reports on accessibility at MAI, and ensures that any new regulations are implemented in a timely fashion.

### Supply Chain

MAI is acutely aware of its importance in maintaining a robust and reliable supply chain, as it is the only daily ferry service for the transportation of goods into and out of the province of NL.

Much of MAI's capital program is focussed on maintaining the infrastructure required to keep the transportation corridor open. Long-term fleet planning, docking upgrades, and vessel improvements are all targeted to providing the level of service that is required, while keeping both customers and employees safe. MAI's focus is on minimum disruptions from mechanical issues, and emphasizes a return to service window of 24 hours or less following a weather disruption.

MAI has also dedicated more attention to cybersecurity to mitigate the risk of disruption from a cyber incident.

### Transparency and Open Government

With the use of quarterly financial reporting, the Corporate Plan summary, and online communications tools, including customer alerts for travel disruption, the Corporation is well positioned to deliver its mandate in a fully open and transparent manner. The Company publishes its public reports such as Annual and Quarterly Reports on its website, along with many studies and reports that can keep customers better informed.

MAI also complies with all Proactive Disclosures and Access to Information Act inquiries.

### Diversity, Equity and Inclusion

While gender-based analysis is not an analytical tool currently used by Marine Atlantic, the Corporation engages in many initiatives to advance diversity and inclusion from a gender perspective including training and education, mentorship, and various other programs.

MAI is committed to increasing the social and cultural diversity of the workforce, and to foster the inclusion of a broad range of voices and views in governance and decision-making. To date, MAI has taken numerous steps:

- Building authentic, long-term relationships with Indigenous Peoples and communities in every region where we operate to support positive outcomes.
- Partnering with post-secondary institutions to improve employment opportunities for Indigenous persons by supporting educational opportunities.
- Enhancing the opportunity to increase the number of employees from under-represented groups.
- Increasing representation of equity deserving groups throughout the organization.
- Developing a pay equity plan as required by the Pay Equity Act.

### **Indigenous relationships**

Through community engagement with regional Indigenous groups, the Corporation supports economic well-being and promotes an inclusive social diversity that is essential for our future. We actively engage in dialogue with local First Nations groups about our collective interests in the marine environment. MAI also supports environmental protection of the lands and waterways.

To demonstrate its commitment to ongoing Truth and Reconciliation, MAI has named its new vessel the Ala'suinu, the Mi'kmaq word for "traveller".

### **A Safe and Healthy Workplace**

MAI has implemented numerous policies and processes to ensure the health and safety of its employees, including workplace bullying and harassment, the whistle blower policy, code of conduct, etc. The company has established a Psychological Health and Safety Committee, made up of both management and unionized employees, to ensure that psychological health is considered in all aspects of its operations. Further, MAI's continued use of the Safety Management System and regular reporting on safety incidents ensures that the Corporation can identify and address any safety issues that may arise.

## Appendix J OAG Special Examination

In 2017/18, the OAG initiated a Special Examination of Marine Atlantic. The results of this examination were released to the public on February 12, 2019 and tabled in Parliament in May. The Corporation is pleased with the results of this examination, as it demonstrates significant progress since the last special examination that occurred in 2009.

The only significant deficiency noted in the OAG's most recent report relates to the delays in getting MAI's Corporate Plans approved, and the potential impact that this may have on MAI's long-term strategic planning, specifically its long-term fleet strategy. The final report of the OAG's special examination has been posted to MAI's website and can be found at:

<https://www.marineatlantic.ca/uploadedFiles/Content/About Us/Corporate Information/Marine Atlantic Inc. Special Examination Report 2018.pdf>.

## OAG Management Action Report

Recommendation	Response	Owner	Q1 Update
The Corporation should continue to engage with relevant government officials to help ensure the timely approval of its corporate plans and to resolve the Corporation's long-term fleet-renewal strategy, along with funding requirements to support ongoing fleet renewal.	<i>The Corporation will continue to engage with relevant government officials to help ensure the timely approval of its corporate plans and the resolution of the Corporation's fleet-renewal strategy, along with funding requirements to support ongoing fleet renewal.</i>	Murray Hupman	<ul style="list-style-type: none"> <li>• Budget 2019 included funding for MAI's long-term fleet strategy</li> <li>• Timely approval of the corporate plan is largely beyond MAI's control as corporate plan cycles don't always line up with the timing of funding approvals</li> <li>• Will continue to work with TC to improve alignment</li> </ul>
The Corporation should use its balanced scorecard to monitor all key performance indicators and targets set by the Minister.	<i>The Corporation will incorporate all performance indicators and targets set by the Minister in its balanced scorecard by the end of the fourth quarter of the 2018–19 fiscal year.</i>	Murray Hupman	<ul style="list-style-type: none"> <li>• The Corporation reports on all key performance indicators and targets set by the Minister.</li> <li>• Updated results have been included in the 2022/23 – 2026/27 corporate plan and the Annual Report</li> </ul>
The Corporation should develop an environmental management plan that states the Corporation's objectives for environmental protection and the activities, timelines, and related resource requirements needed to achieve them. The Corporation should also develop key performance indicators to monitor progress against its strategic objective to protect the environment.	<p><i>The Corporation will develop, enhance, and monitor key performance indicators for environmental protection during the 2018–19 fiscal year. This will augment its participation in an industry-accepted marine environmental certification program.</i></p> <p><i>The Corporation will also establish a formal environmental management plan that clearly documents the current and future plans in the area of environmental protection, as well as the timelines and resources required to execute it, by the second quarter in 2020.</i></p>	Kris Parsons	<ul style="list-style-type: none"> <li>• Completed</li> </ul>
The Corporation should ensure that it has a common understanding with the government on how to calculate cost recovery for non-constitutional services.	<i>The Corporation reports on the cost-recovery targets in its corporate plans. The Corporation will continue its consultation with the Department of Transport to finalize the revised approach to the cost-recovery calculation for the non-constitutional services. This will be completed prior to the end of the 2018–19 fiscal year.</i>	Shawn Leamon	<ul style="list-style-type: none"> <li>• MAI is suggesting that the matter be revisited, as the target set is unachievable</li> </ul>
The Corporation should improve its monitoring of compliance with its internal training requirements.	<p><i>The Corporation will review the current training policies and monitoring processes in the 2018–19 fiscal year with a goal to realizing improvements by the fourth quarter of that year.</i></p> <p><i>Addressing the challenges associated with the timeliness and accuracy of the training tracking system and related reporting has been identified as a key deliverable in the scope of the Corporation's enterprise resource planning project. The Corporation is</i></p>	Colin Tibbo	<ul style="list-style-type: none"> <li>• Completed</li> </ul>

Recommendation	Response	Owner	Q1 Update
	<p><i>confident that the project will effectively meet its training management needs and address the identified limitations and information gaps once fully deployed. The first phase of this multi-year project will be implemented in 2019. The learning management module will be implemented in the 2020–21 fiscal year and is expected to yield the greatest benefits in the training area.</i></p>		
<p>The Corporation should be more diligent in applying its incident reporting policies and procedures for classifying and documenting corrective actions in a timely way. The Corporation should ensure that its tracking system guidance is updated to reflect its revised classification system.</p>	<p><i>In October 2017, the Corporation rolled out a half-day incident reporting training session designed to educate employees on its current methods of incident management. The training is ongoing and to date, over 80% of employees have received this training.</i></p> <p><i>The Corporation established an Incident Management Review Committee in July 2018 to pursue improvements in the current processes and procedures in incident management.</i></p> <p><i>In addition, the Corporation is working with ferry industry authorities to develop new injury reporting definitions and guidelines. Upon completion, these will be communicated to employees and incorporated into the classification system.</i></p>	Kris Parsons	<ul style="list-style-type: none"> <li>• Completed</li> </ul>
<p>The Corporation should ensure that the enterprise resource planning solution under development meets its scheduling needs and effectively addresses the limitations and information gaps in its current systems.</p>	<p><i>The Corporation’s scheduling and information requirements were fully documented and considered as a key deliverable during the selection of its new enterprise resource planning solution.</i></p> <p><i>The Corporation is confident that the solution and processes will be deployed to meet the relevant regulatory, collective agreement, and information requirements. The first phase of this multi-year project will be implemented in 2019.</i></p>	Colin Tibbo	<ul style="list-style-type: none"> <li>• Completed</li> </ul>