

WestJet HR Policy & Procedure Review

22 July 2016

Executive Report



NOTICE

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Background, scope and approach

In March 2016, WestJet engaged Ernst & Young LLP (EY) to conduct an external and independent review of its 'Respect in the Workplace' (RITW) policy and practices. The policy is intended to “ensure all employees are aware of the seriousness with which WestJet views Harassment, Discrimination, Sexual Harassment and Misuse of Authority.”

In response to WestJet management's ongoing commitment to safety, wellness and inclusiveness, EY was engaged to review the RITW policy and practices, to identify gaps or inconsistencies against required standards and regulations, and to provide recommendations on immediate actions WestJet should undertake to address high-priority issues, and longer-term actions as to how WestJet could evolve towards a 'best in class' organization with regards to the RITW policy and practices.

EY's scope of work included only current policy, practices and procedures, existing training, communications, and compliance activities that enable the RITW policy. The scope of work was limited to the regulatory, legislative, and WestJet operating environment at the time of our engagement as advisors from March to July 2016.

EY's policy review was carried out through completion of the following activities:

- ▶ Consultations with representatives from the People Relations team with responsibilities for key aspects of the RITW policy and its application;
- ▶ Consultations with representatives from multiple areas of the business including but not limited to corporate security, inflight, technical operations, flight operations, guest experience, safety, security and quality, and Encore;
- ▶ Forums and interviews which provided an opportunity for all WestJet employees to participate in individual consultations or small group discussions to share their experiences and perspectives on RITW;
- ▶ Review of existing policy and procedures, communications, training and education programs, compliance management reporting, and documented roles and responsibilities relevant to the policy;
- ▶ WestJet is required to be in accordance with legal and regulatory legislation, as such, legal and regulatory environment research along with a review of best practices in the application of relevant HR policies relating to RITW policy and practices in the Canadian context was conducted; and
- ▶ Inquiries with comparable organizations to identify common practices and processes used to enable and educate their workforce on RITW-type policies.

WestJet provided full support to EY throughout the engagement. During our consultations, we observed a culture of caring and noted the general intention of staff was to do the right thing.



Legal and regulatory environment

As a Canadian airline operator, WestJet is a federally-regulated employer and therefore subject to federal employment legislation such as the Canada Labour Code and the Canadian Human Rights Act and their associated regulations, including the Canada Occupational Health and Safety Regulation in particular. Regulatory bodies responsible for administering and enforcing these laws provide policies and guidelines for compliance with statutory requirements. Additionally, the Canadian courts provide important common law principles to employers with respect to their obligations to employees. As part of the review, EY reviewed a number of these Canadian resources.

Consultations with comparable organizations

EY conducted informal, information gathering inquiries with a number of comparable organizations as part of this review. The consultations were conducted confidentially to gain insights regarding current practices relating to RITW and similar policies at these companies.

The sample of comparable organizations focused on workforces between 9,500 and 100,000 employees and organizations operating in the Canadian regulatory environment and/or comparable airline operators. The findings of the consultations are incorporated into the recommendations and will not be published separately.

Comparable organizations use a variety of methods and approaches to apply RITW policies and use a mix of formal processes and informal practices to enable RITW outcomes. In most cases, staff at these organizations are reminded of their obligations and are required to attend formal education or training sessions on RITW topics every 1-2 years on average.

Many organizations use mixed delivery modes for mandatory training, including in-class and e-learning environments. Most organizations have established formal compliance reporting to make sure employees are aware of their obligations and responsibilities in regards to the relevant policies on a periodic basis, ranging from annually to every three years.

EY's inquiries revealed that comparable organizations have generally adopted strict policies that do not tolerate policy breaches when it comes to RITW and the management of inappropriate behaviours. This approach includes a systemic response to incidents, education of employees on the policy, and action so that individuals are stood-down post reporting of an incident, until an investigation is complete. Formal processes are followed to provide consistency in the fair treatment of staff. In some cases, dedicated RITW training for supervisors and management occurs.

Finally, many comparable organizations have formal management responsibilities defined, accompanied by robust communications, education and training, and documented processes relating to RITW policies and practices.



HR policy maturity model framework

EY assessed the current state of WestJet's RITW environment using EY's *Policy Maturity Model Framework*. The framework consists of a structured assessment of policy maturity against five maturity dimensions:

- ▶ **Governance and control** - measures the clarity of policy roles and responsibilities, the appropriateness of resources used to enable the policy and the maintenance by policy owners
- ▶ **Compliance and optimization** - measures how clearly the policy is understood by an organization, how consistently it is delivered, and how well application is tracked using metrics
- ▶ **Rationalization and risk management** - measures how well the policy addresses business needs and legal risk
- ▶ **Education** - measures how well employees are trained to understand and apply the policy
- ▶ **Accessibility** - measures how easily employees in an organization can access written policies

The maturity framework maps each of the five dimensions along a spectrum that ranges from developing to leading. The spectrum is described through the following three types of policy environments:

- ▶ **Developing Environment:** Environment is generally inefficient, contains potential contradictions and is not necessarily in alignment with strategic direction. Risks and current policies are not well understood and consistently managed throughout the organization.
- ▶ **Established Environment:** Environment has a formal structure in place, majority of risks/concerns under control. Policies include elements of accountability and align to corporate strategy.
- ▶ **Leading Environment:** Environment has an actionable framework with a reasonable number of policies that are understood across the enterprise, and align to strategic direction while addressing business risks.

Based on review of WestJet's documentation, consultations with individual WestJet managers and staff, and focus group discussions with a cross-section of employees, the level of maturity for WestJet's RITW policy framework was determined across the five maturity dimensions. It should be noted that each dimension can range on the spectrum however the most dominant attributes determine overall maturity.

WestJet was assessed to be in a 'developing environment' in four of the five areas of assessment for the current RITW policy and is considered to be in an 'established environment' relating to the policy accessibility dimension.



Key findings

Based on individual consultations, roundtable discussions and internal document review, some observations that relate indirectly to RITW, noted by employees in multiple areas of the business including but not limited to corporate security, inflight, technical operations, flight operations, guest experience, safety, finance, security and quality, and Encore; are as follows:

- ▶ Awareness of the need for greater formalization and structure has grown;
- ▶ Changes within the People Relations team has created a positive tone from the top;
- ▶ There has been a shift towards accountability, commitment and aligning words with actions;
- ▶ Improved accessibility to the People Relations team in the business has allowed for greater involvement with RITW issues and is promoting confidence from the business units; and
- ▶ There is a recognition by all levels in the organization that changes are required to RITW practices.

Our consultations and document reviews revealed a number of strengths and opportunities for improvement. Through the course of the review, there was a unanimous and keen desire from all WestJet employees who participated, to make improvements around the RITW policy and practices. In summary, we observed the following strengths and opportunities for improvement:

Strengths

- ▶ A RITW policy exists that is accessible to all employees through Westnet
- ▶ Corporate commitment to safety is a core organizational value
- ▶ WestJet has a culture of caring with open communication
- ▶ Passionate employees are ready to drive change
- ▶ WestJet already has resources dedicated to staff training, communications and performance management activities in place that could be leveraged to support the implementation of RITW recommendations resulting from this review
- ▶ There is a strong desire to retain the WestJet culture and manage RITW issues appropriately



Opportunities for Improvement

- ▶ Increase the level of organizational awareness and understanding with regards to RITW, including specific examples of what behaviours are considered acceptable and unacceptable
- ▶ Better define the roles and responsibilities for all leaders, managers and staff in relation to the RITW policy and practices
- ▶ Clarify the process flow for the complaint and resolution process in the event of deviations or breaches of the RITW policy
- ▶ Provide mandatory training and sign-off on RITW policies during the onboarding process for all new employees
- ▶ Provide mandatory recurrent training and annual acknowledgement sign-off for all employees
- ▶ Improve the performance management process to increase the consistency of responses to breaches in policies
- ▶ Implement measures to track and understand trends to enhance policy effectiveness and risk management practices

EY's review of current policy and practices, research into the regulatory and legal environment in Canada and review of the standard practices in comparable organizations led to the following findings:

- ▶ WestJet is in a 'developing environment' in terms of policy maturity and effectiveness – a RITW policy is in place, however, it is not well understood by some employees leading to inefficiencies, contradictions on how to address issues, knowledge gaps, avoidable risks, and inconsistencies in its application;
- ▶ There is opportunity to revise the policy to further integrate common standards into certain aspects of the policy, the associated processes, support materials and training; and
- ▶ In order to be aligned with "best in class" organizations, improvements can be made in terms of how the policy is communicated, the educational materials, level of dedicated training, policy review and updates, and compliance monitoring.



Summary of recommendations

<i>Findings</i>	<i>Recommendations</i>
1. Update and fully implement the RITW policy and practices	
<ul style="list-style-type: none"> ▶ Policies may not reflect current regulatory requirements, human rights commission standards or leading practice benchmarks. ▶ WestJet had the RITW policy reviewed by the Canadian Human Rights Commission in 2015 and at the time of the review was in the process of making recommended updates to the policy. ▶ There have been no formal updates documented to the RITW policy since it was released in 2007. Current regulatory and legislative standards for similar policy suggest periodic formal review of policies. 	<p>1.1 Update policies for current legal requirements, content standards and ease of use annually or every three years as a minimum requirement.</p>
<ul style="list-style-type: none"> ▶ Roles and responsibilities for the execution of HR policies and practices are not well articulated in written RITW documents and are inconsistently applied in current practice. ▶ Staff are not sufficiently familiar with RITW processes, or roles and responsibilities. ▶ EY did not observe any formal guidance or documented processes that defines the roles and responsibilities of executive leadership, corporate security or PACT. 	<p>1.2 Update the RITW policy and documentation to include clear descriptions of key roles and responsibilities, and communicate changes to staff.</p>
<ul style="list-style-type: none"> ▶ RITW is not updated on a regular basis and there is no formal process to make certain this occurs. 	<p>1.3 Design and implement a formal RITW policy review and update process to maintain currency of all RITW documentation.</p>



Summary of recommendations

<i>Findings</i>	<i>Recommendations</i>
2. Design and deliver formal RITW communication, education and training to all WestJet employees	
<ul style="list-style-type: none"> ▶ While a RITW policy is in place, there is no formal introduction of the policy or training done during on-boarding. The only reference made to the RITW policy is through the Code of Business Conduct (CBC). ▶ After initial on-boarding, there is no regular program to reinforce or update RITW expectations. 	2.1 Design and implement continuous RITW training and a compliance reporting program.
<ul style="list-style-type: none"> ▶ Staff employed in supervisor, management and people relations roles with responsibilities for dealing with RITW issues do not receive formal training on individual roles and responsibilities. 	2.2 Prepare leaders to encourage and enable RITW through mandatory leadership development programs.
<ul style="list-style-type: none"> ▶ There is a high degree of discretion at WestJet as to how RITW policy and breaches are administered. ▶ There are inconsistent approaches and lack of a coordinated, centralized process to manage RITW issues. ▶ Individual and management approaches to RITW policy deviations may vary resulting in issues not being adequately addressed. 	2.3 Empower all WestJet employees to practice the RITW policy through increased awareness, onboarding training, consistent guidance, and annual recurrent and 'new leader' training events.



Summary of recommendations

<i>Findings</i>	<i>Recommendations</i>
<p>3. Increase accountability of the People Relations team for the application of the policy including regular reporting of policy compliance and RITW performance metrics to the WestJet Board</p>	
<ul style="list-style-type: none"> ▶ All WestJet employees are required to abide by the CBC and all relevant policies. The CBC directs employees towards a large number of policies and as such, the importance and obligations under the RITW policy may be diluted. ▶ The WestJet ERM Policy states that “WestJet’s Board of Directors has the responsibility for risk oversight and is ultimately accountable for overall performance and the safeguarding of its assets”. 	<p>3.1 Oversight for the RITW policy should be provided by the WestJet Board until the company implements its Enterprise Risk Management Framework, at which time policy oversight should reside within the framework. Day-to-day accountabilities for application of the policy reside with the People Relations team.</p>
<ul style="list-style-type: none"> ▶ There are no independent reviews (i.e. Internal Audit) of compliance to RITW. ▶ The Enterprise Risk Management policy references the CBC, however, it does not link in the RITW policy, so any risks related to RITW are potentially not being captured and/or escalated on a formal basis. 	<p>3.2 Design and implement a monitoring process to confirm RITW issues are tracked, closed-out and monitored by executive leadership and the Board. Accountability for tracking resides with the People Relations team</p>
<ul style="list-style-type: none"> ▶ There are no performance management metrics or controls to monitor RITW effectiveness on a regular basis. ▶ RITW incidents are not centrally managed or monitored. Due to a lack of formality, trends are not readily identified by the People Relations team and executive management in a timely manner. 	<p>3.3 Identify effective metrics to centrally monitor and manage RITW issues and design formal processes to guide follow-up actions. (Trends, number of incidents, time to close out investigations, associated costs, etc.) Accountability resides with the People Relations team</p>



Summary of recommendations

<i>Findings</i>	<i>Recommendations</i>
4. Formalize data capture and document management processes	
<ul style="list-style-type: none">▶ Performance management data is often captured informally and inconsistently. It is decentralized across various functions, making monitoring and performance management very challenging.▶ HR information systems are not integrated, and there are no formal policies or standards regarding how performance management and RITW deviations or breaches are recorded.	4.1 Define and communicate formalized data management and document record keeping requirements for RITW and related performance management issues.
5. Increase accessibility to RITW policies, guidance and resources	
<ul style="list-style-type: none">▶ All WestJet employees have access to policies through Westnet. Guidance regarding RITW policy and practices is not always easily accessible in a format that will suit all situations.▶ Mobile technologies may be underleveraged for the RITW policy.	5.1 All staff and supervisors should have immediate access to current RITW policy, guidance materials, tools and templates as and when needed. Quick reference guides and contact information should be developed and distributed to all staff.



Suggested implementation

A four-phased approach has been developed to prioritize implementation actions. The four phases include an initial policy update, a drive for RITW awareness, training and application of the new policy, and continuous monitoring and improvement. EY recognizes that an investment in time, effort and resources will be required by management, the People Relations team and all employees. Existing infrastructure and communication methods should be leveraged to maximize awareness and minimize the costs to implement. Completing activities in this order will support effective and sustained implementation of the updated RITW policy and practices.

Typically the policy update, design and development of materials would take 3-5 months. Given the nature and requirements of annual currency training for all flight crew, the dispersed workforce and availability of existing training infrastructure, it will take a full 12 months to train all staff using existing training approaches. This time line would allow WestJet to update the policy and create the required training materials and approach by the end of 2016 and deliver training across the organization by the end of 2017. Efforts currently underway in the People Relations team align with the work needed in the first three phases and will further support this time line.



