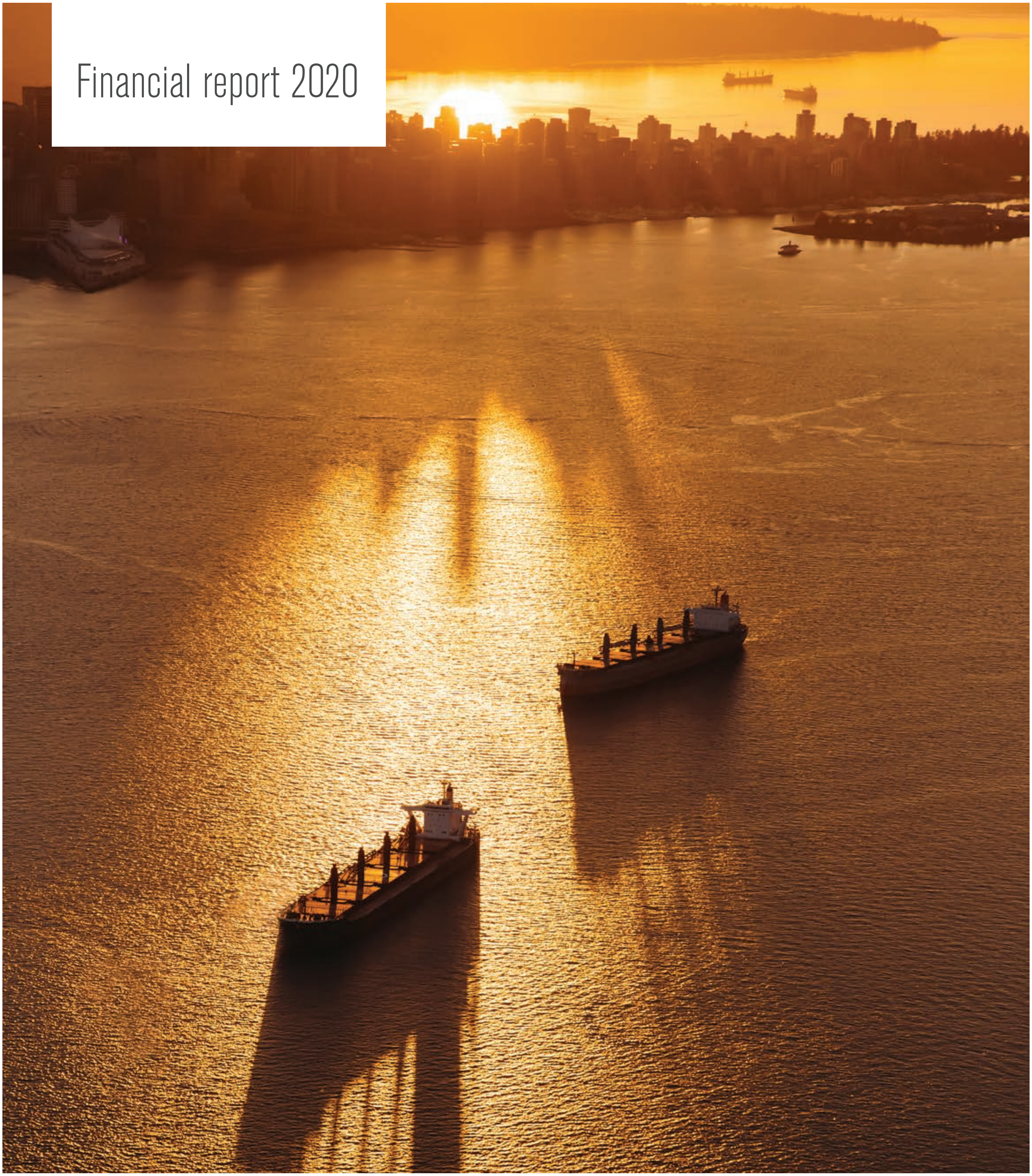
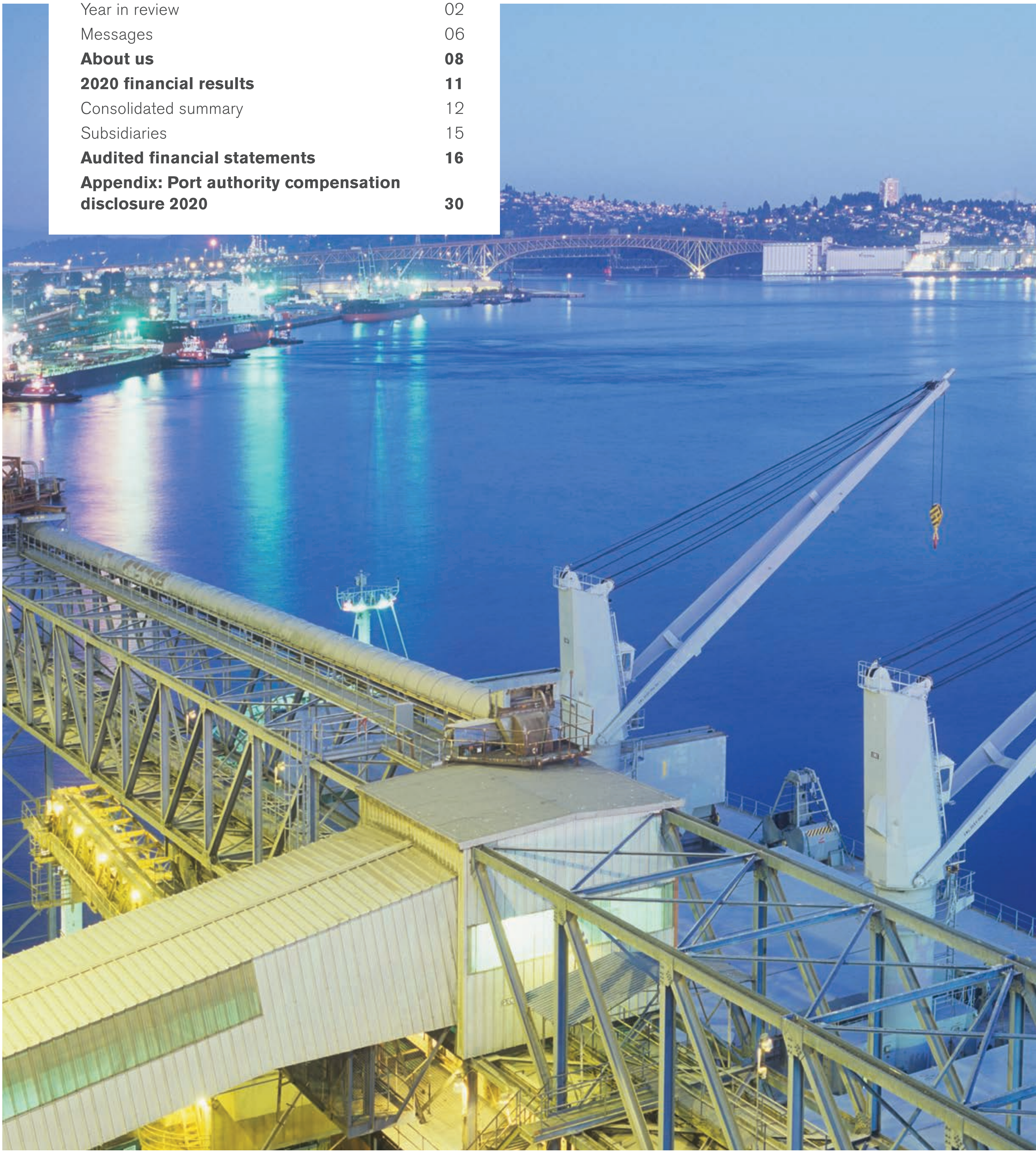
PORT of vancouver | Vancouver Fraser Port Authority

Financial report 2020



In this report



About this report

The Vancouver Fraser Port Authority Financial Report 2020 provides an overview and analysis of our financial results. The analysis throughout this report uses Canadian dollars and was prepared in accordance with International Financial Reporting Standards.

Year in review

Port of Vancouver cargo volumes

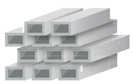
Overall port volume increased to 145 million metric tonnes of cargo in 2020, which was up 1% from the 2019 volume of 144 million metric tonnes.

Autos

↓18%

Auto sector volumes decreased to 345,308 units, an 18% decrease compared to 2019, as demand declined due to the COVID-19 pandemic.

Breakbulk



↓3%

Breakbulk volumes decreased 3% to 17 million metric tonnes, driven by lower domestic paper and paperboard volumes and lower imports of construction and building materials.

Bulk

↑2%

Bulk volumes increased 2% to 102 million metric tonnes.

Grain and potash volumes reached new annual records, increasing 28% and 11% respectively.

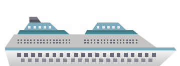
Coal volumes decreased 15% to 32 million metric tonnes.

Container

↑2%

Container volumes reached a record 3.5 million 20-foot equivalent units (TEUs), a slight increase of 2% over 2019.

Cruise



↓100%

The federal government prohibited cruise ships from docking at Canadian ports throughout the 2020 season due to the COVID-19 pandemic.

Operating highlights (000s)	2016	2017	2018	2019	2020
Auto (units)	393	430	425	420	345
Breakbulk (metric tonnes)	16,240	16,627	18,209	17,165	16,731
Bulk (metric tonnes)	93,847	98,992	101,795	99,697	101,770
Containerized (metric tonnes)	25,057	26,019	26,662	26,907	26,649
Total tonnage (metric tonnes)	**135,537**	**142,068**	**147,091**	**144,188**	**145,495**
Containers (TEUs)	2,930	3,252	3,396	3,399	3,468
Cruise passengers	827	843	889	1,071	–

Vancouver Fraser Port Authority

Revenue

↓9%

Consolidated revenues decreased 9% to $274 million in 2020, compared to $301 million in 2019.

EBITDA

↓14%

Consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 14% to $159 million in 2020.

Capital investment

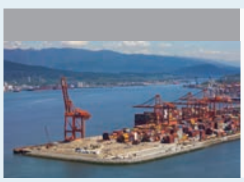
↑66%

Capital investments relating to property and equipment totalled $315 million for 2020, compared to $191 million in 2019.

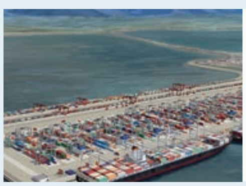
Financial highlights (000s)	2016	2017	2018	2019	2020
Revenue	$ 235,163	$ 253,478	$ 274,453	$ 301,318	$ 274,082
Operating expenses	$ 121,309	$ 130,523	$ 136,451	$ 147,471	$ 146,418
EBITDA	$ 139,699	$ 148,916	$ 166,260	$ 183,668	$ 158,511
Capital investments	$ 63,122	$ 168,121	$ 136,238	$ 190,526	$ 315,377

Strategic capital investments

Since the amalgamation of the three legacy port authorities to create the Vancouver Fraser Port Authority in 2008, we have reinvested, on average, approximately 90% of our EBITDA into capital investments to support the growth of Canada's trade while minimizing the impact of trade on local communities and the environment. In 2020, the port authority spent $315 million towards these key projects:



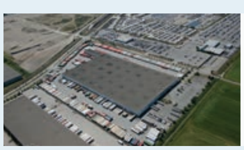
Centerm Expansion Project and South Shore Access Project These projects will help meet anticipated near-term demand for containers shipped through the Port of Vancouver. They include a reconfiguration and expansion of the Centerm terminal, a new overpass to remove road and rail conflicts, and changes to roadways and port lands access. In 2020, we completed 10 hectares of land reclamation and preload for the terminal, demolished various structures and Ballantyne Pier, completed utility works, and constructed and installed piers for the overpass.



Roberts Bank Terminal 2 Project This proposed project to build a new marine container terminal is progressing through the federal environmental review process. In 2020, we received a Federal Review Panel Report as part of the environmental assessment process for the project. We advanced environmental studies, added mutual benefit agreements with Indigenous groups, and began the process of responding to an information request from the minister of environment and climate change.

Sunbury/Nordel Highway Interchange Projects We contributed funding to the provincially led Highway 91/17 Upgrade Project to improve the road infrastructure of the Sunbury/Nordel highway interchange in Delta, and to help facilitate increasing traffic in the corridor resulting from other port-related improvement projects.

Lynnterm Site Upgrade and Realignment Project This project focused on upgrading the property and roadways next to the Lynnterm Terminal in North Vancouver, as part of the Mountain Highway Underpass Project. In 2020, we completed construction and made the property and improvements available to Western Stevedoring for terminal operations.



Richmond Logistics Hub Project This project focuses on preparing underdeveloped land to increase capacity and improve the flow of goods through the logistics hub in Richmond. In 2020, we began site preparation of the next phase in order to make the site available to property developers.

Other gateway infrastructure projects We received commitments of more than $300 million in federal funding through the National Trade Corridors Fund to progress multiple infrastructure projects throughout the Lower Mainland. These projects will remove bottlenecks and help get Canadian goods to market more efficiently, grow the economy, create well-paying jobs, and support livable green communities. In 2020, we progressed the design and construction of several projects, and we continued to engage with Indigenous groups, stakeholders, agencies, and communities.

2020 highlights

The Vancouver Fraser Port Authority works to fulfill our federal mandate and mission to enable Canada's trade while working to achieve our vision for the Port of Vancouver to be the world's most sustainable port. To that end, following is a list of some key achievements in 2020.

Economic prosperity through trade

2.4 million TEUs

Building a new truck staging facility: In partnership with Transport Canada and the British Columbia Ministry of Transportation and Infrastructure, we completed construction of the Deltaport Truck Staging Facility in Delta, part of the Deltaport Terminal, Road and Rail Improvement Project—a series of improvements completed with partners that increased capacity for containers in and out of Roberts Bank from 600,000 20-foot-equivalent (TEU) containers to 2.4 million TEUs per year.

Updating our five-year land use plan: We updated our land use plan to describe our long-term land use policy direction and our commitment to accommodating future trade growth in a socially, environmentally, and economically responsible way.

Increasing container capacity: In partnership with DP World, we significantly progressed construction activity on the expansion of the Centerm container terminal—a project that will increase capacity of the terminal by 60% while expanding its footprint by just 15%. In response to a federal review panel's environmental assessment report, we worked through project design updates, permits, and authorization, and furthered environmental studies for the Roberts Bank Terminal 2 Project, which proposes adding 2.4 million TEUs per year of container capacity to the Port of Vancouver.

Supporting grain cargo through the port: Work continued on several road and rail projects that will improve grain capacity at the port, including the Burnaby Rail Corridor Improvements Project and Commissioner Street Road and Rail Improvements Project.

Enhancing marine habitat for fish, birds, and other wildlife: We completed construction on the Maplewood Marine Restoration Project to enhance approximately 5 hectares of marine habitat from low-value to productive marine habitat. This involved creating a 1.5-hectare eelgrass bed from approximately 150,000 eelgrass shoots, providing important refuge and nursery habitat for juvenile fish.

Healthy environment

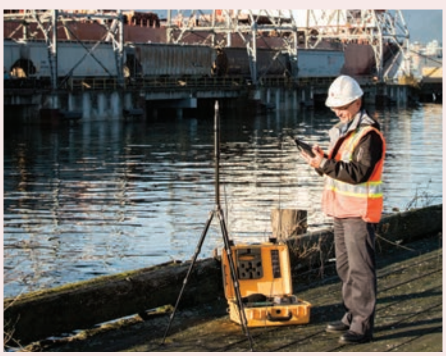
Participating in region-wide emissions-reduction efforts: Through the 2020 Northwest Ports Clean Air Strategy, we helped lead the development of a region-wide emissions-reduction strategy with a vision to reduce, and ultimately eliminate, seaport-related emissions in the Georgia Basin-Puget Sound airshed.

Encouraging environmental best practices: Through the port authority's EcoAction Program, we offer the operators of the cleanest and quietest ships a discount of up to 47% on port fees to promote the adoption of sustainable practices and technologies. In 2020, we added new qualifications that reward ship operators for taking measures to reduce underwater and terrestrial noise.

Enabling cleaner marine fuels: We're working to facilitate the use of alternative marine fuels such as liquefied natural gas (LNG) to reduce air emissions from ships. In 2020, we participated in the LNG Bunkering Summit and other industry events to raise awareness of the benefits of LNG as marine fuel.

Managing the impacts of marine shipping on at-risk whales:
In 2020, the port authority-led Enhancing Cetacean Habitat and Observation (ECHO) Program achieved record-high participation rates from industry and partners in two voluntary initiatives focused on reducing underwater noise in key feeding areas for southern resident killer whales.

Thriving communities



Monitoring noise in real time:
As part of our noise monitoring program, we created a new web portal to provide real-time data on noise levels throughout port lands and waters.

A number of agreements

Building Indigenous relationships:
As part of the Roberts Bank Terminal 2 Project, we secured agreements that offer mutual benefits with Indigenous groups.

$116,000

Funding local channel dredging activities: We provided $116,000 to dredge small, non-commercial water channels to provide safe access for fishers, recreational boaters, and residents.

Contributing to our communities:
We provided more than $700,000 across 39 organizations and initiatives in British Columbia as part of our community investment program.

Conducting virtual community events:
In response to provincial health restrictions related to COVID-19, we pivoted our plans for our community events—Canada Day at Canada Place, World Maritime Day, Christmas at Canada Place, and others—from in person to online.

New podcast

Increasing awareness: We launched a new podcast series called Breaking Bottlenecks that features representatives from the port authority, port, and industry who share their experiences in, and insights into, the inner workings of the Port of Vancouver.

Supporting safe marine navigation:
We delivered a range of navigational safety improvements, including new lights on the Lions Gate Bridge, to enhance the safe and efficient movement of ships within port waters.

Message from the chair, board of directors

As the federal agency responsible for the stewardship of the lands and waters of the Port of Vancouver, the Vancouver Fraser Port Authority is mandated to enable Canada's trade through the port, while ensuring safety, environmental protection, and consideration for local communities.

The board of directors, in turn, provides oversight and strategic guidance to the port authority to help it deliver on that mandate. Each of us on the board is proud to work with the port authority to help it achieve its important goals for the benefit of all Canadians.

I am pleased to present the Vancouver Fraser Port Authority 2020 Financial Report. The report details the trade volumes across the port's cargo sectors in 2020, the port authority's strong financial position, and the capital investments the port authority has made over the past year to support Canada's long-term trade growth through this region.

The global pandemic brought unpredictability and challenges to us all in 2020, including to businesses at the Port of Vancouver. However, as you will see in the pages of this report, the value and resiliency of Canada's largest port has certainly been showcased. The determination and commitment of so many to keep the supply chain operating well, while safely managing the far-reaching impacts of the pandemic, were critical to Canadians and Canada's economy.

The efficient movement of goods through the port during the challenging circumstances of this past year was only possible thanks to the dedicated efforts of marine carriers and pilots, longshore workers, terminal operators, railway workers, trucking companies and drivers, along with many others who make up the port community. I would like to thank everyone for their hard work and dedication throughout this unusual time.

On behalf of the board of directors, I would also like to thank Robin Silvester, his executive leadership team, and all of the port authority's dedicated employees for their hard work in 2020. Together, we are building the long-term success of Canada's largest port.

Judy Rogers
Chair, Board of Directors

Message from the president and CEO

2020 was one of the most unprecedented years in recent memory. Yet despite the turmoil and uncertainty caused by a global pandemic and geo-political tension, trade through the Port of Vancouver stayed strong.

The resiliency of port businesses is a key factor in weathering times of instability. This resiliency is thanks in part to the port's ability to handle the most diversified range of cargo in North America, as well as the access the port provides to 170 countries around the world, which keeps Canadians and Canadian businesses connected to essential goods and international markets. Because of these strengths, we saw overall cargo through the port increase by 1% from over the same time the year before, with new annual records set for grain, potash, and container trade.

At the Vancouver Fraser Port Authority, our role is to enable Canada's trade objectives. As part of that, we invest in trade infrastructure to prepare the port to handle Canada's growing trade. In partnership with industry and government, we are investing approximately $1 billion in trade and transportation infrastructure across the lower mainland, many of which are under construction now.

These projects are designed to support trade capacity throughout the region by making goods movement more efficient. They also serve to reduce the impact of trade on local communities by addressing traffic congestion and lowering emissions. It is worth celebrating that, despite the pandemic, development and construction on these projects continued to move forward throughout the year.

The challenges of 2020 highlighted—and amplified—the value that Canada's largest port brings to this region, and to Canada.

The port authority has worked tirelessly alongside the broader port community to keep our complex and important agenda on track through what was a demanding year. We are proud to serve Canada and Canadians during this critical time, and we look forward to continuing to play our part in keeping both B.C. and Canada strong and competitive.

Robin Silvester
President and CEO

About us

About the Vancouver Fraser Port Authority

The Vancouver Fraser Port Authority is the federal agency responsible for the stewardship of the lands and waters that make up the Port of Vancouver, Canada's largest port.

As a Canada Port Authority, our mandate is to enable Canada's trade through the Port of Vancouver while protecting the environment and considering local communities. Accountable to the federal minister of transport, Canada Port Authorities manage federal lands and waters in support of national trade objectives for the benefit of all Canadians. We do this by leasing the federal lands that make up the Port of Vancouver, and by providing marine, road, and other infrastructure to support port growth, function, and operation.

Mission and vision

Our mission is to enable Canada's trade objectives, ensuring safety, environmental protection, and consideration for local communities.

Our vision is for the Port of Vancouver to be the world's most sustainable port.

We believe a sustainable port delivers economic prosperity through trade, maintains a healthy environment, and enables thriving communities through collective accountability, meaningful dialogue, and shared aspirations.

Economic prosperity through trade

Competitive business
Effective workforce
Strategic investment and asset management

Healthy environment

Healthy ecosystems
Climate action
Responsible practices

Thriving communities

Good neighbour
Community connections
Indigenous relationships
Safety and security

Borrowing limit and credit rating

The Vancouver Fraser Port Authority continues to maintain a strong credit rating of AA from Standard & Poor's. This strong credit rating makes us attractive to lenders who provide funding to support our investment in the gateway at a low cost of debt. Our Letters Patent allows us to borrow up to $510 million of debt at one time.

Existing credit facilities

Revolving credit facility: Early in 2020, the port authority increased its revolving credit facilities from $200 million to $500 million. The port authority renewed its $200 million credit facility with Toronto-Dominion Bank and added two new credit facilities for $150 million each from Royal Bank of Canada and Canadian Imperial Bank of Commerce. All revolving credit facilities have a five-year term expiring in March 2025. As of December 31, 2020, $20 million was drawn on these three facilities.

Letter of credit facility: The port authority holds letters of credit facilities with Toronto-Dominion Bank and Royal Bank of Canada. The facilities support various commitments relating to port-related projects and the delayed funding of the solvency deficit of our pension plan. As of December 31, 2020, letters of credit in the amount of $8.7 million were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: The subsidiary has a five-year $1.2 million unsecured demand loan with Toronto-Dominion Bank. The loan had an outstanding balance of $0.9 million as of December 31, 2020.

2020 financial results

Consolidated summary

Subsidiaries

Consolidated summary

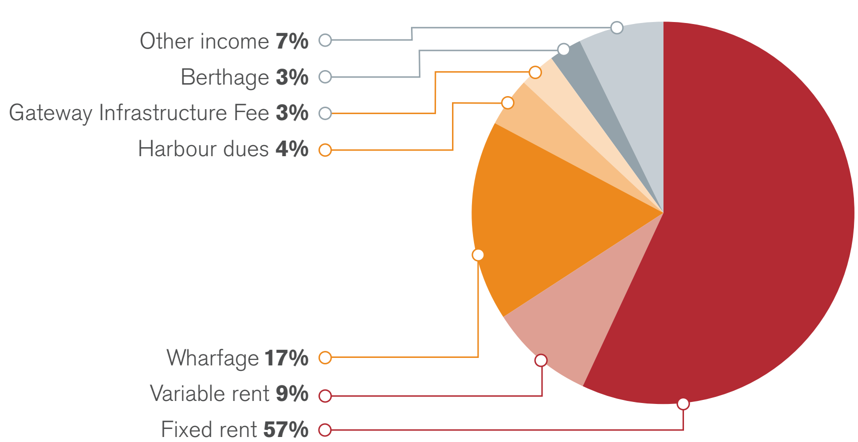
(000s)	2020	2019	Increase (decrease) $	Increase (decrease) %
Net income	$ 118,949	$ 250,856	(131,907)	(53%)
Add: Depreciation	38,351	37,860	491	1%
Add: Finance costs	2,347	5,354	(3,007)	(56%)
Add: Non-operating expenses (income)	(1,136)	(110,402)	(109,266)	(99%)
EBITDA	**158,511**	**183,668**	**(25,157)**	**(14%)**

Consolidated EBITDA decreased 14% to $159 million in 2020, primarily due to the cancellation of the 2020 cruise season and the related revenue loss from COVID-19 travel restrictions. Net income decreased 53%, mainly due to gains recorded in 2019 for a non-cash asset exchange under non-operating expenses (income).

Operating revenue

Below is a further breakout of operating revenue.

(000s)	2020	2019	Increase (decrease) $	Increase (decrease) %
Fixed rent	$ 155,869	$ 150,928	4,941	3%
Variable rent	25,552	27,710	(2,158)	(8%)
Rental income	**181,421**	**178,638**	**2,783**	**2%**
Wharfage	47,689	45,644	2,045	4%
Cruise	–	20,999	(20,999)	(100%)
Harbour dues	10,335	10,394	(59)	(1%)
Gateway Infrastructure Fee	8,720	8,569	151	2%
Berthage	7,238	6,776	462	7%
Log revenues	11	14	(3)	(21%)
Fee revenue	**73,993**	**92,396**	**(18,403)**	**(20%)**
Other revenue	**18,668**	**30,284**	**(11,616)**	**(38%)**
Operating revenue	**274,082**	**301,318**	**(27,236)**	**(9%)**



Operating revenue is comprised of rent, fees, and other income. Operating revenue for 2020 was $274 million, or 9% lower than 2019. However, when adjusted for the cancellation of the cruise season in 2020 due to COVID-19 ($21 million) and a non-cash gain on settlement included in other income in 2019 ($6 million), 2020 operating revenue was flat compared to last year.

Overall, fixed rent accounts for more than half of our operating revenues, providing protection against fluctuations in trade volumes. In 2020, rental revenue increased 2% over the prior year, mainly from fixed rent.

Fee revenue includes wharfage, cruise fees, harbour dues, Gateway Infrastructure Fees, and berthage to recover investments made to support trade activities at the port.

The following table summarizes the key drivers, methodology, and purpose of each of these fees.

Fee revenue	Calculation key driver	Details of calculation	Purpose of fee
Wharfage	Rate x unit	Unit rate applied is per thousand foot board measure (MFBM), tonne, or 20-foot equivalent unit (TEU)	To recover investments and costs associated with the provision of port infrastructure and services to handle cargo
Cruise fees	Passenger fee = rate x number of passengers Service and facilities fee = rate x overall ship length x time at berth	Rates vary for days of the week and duration of stay	To recover investments and costs associated with the provision of cruise terminal facilities, berths, and infrastructure
Harbour dues	Rate x gross registered tonne	Charged on first five calls; discounts for participating in the EcoAction Program	To recover investments and costs associated with harbour operations, as well as harbour safety, security, and cleanliness
Gateway Infrastructure Fee	Rate x unit	Unit rate applied is per MFBM, tonne, or TEU	To recover investments and costs related to infrastructure improvements in three trade areas
Berthage	Rate x overall ship length x time at berth	Unit rate applied is based on location and duration of stay	To recover investments and costs associated with the wharf apron, berth dredging, and maintenance
Truck Licensing System program charges	Licence fee based on number of trucks	Annual fee depends on the number of approved trucks	To recover investments and costs related to the Truck Licensing System program

Overall, fee revenue decreased 20% due to the cancellation of the cruise season in 2020. The decrease in cruise revenue was partially offset by increases in revenues from wharfage, berthage, and the Gateway Infrastructure Fee.

Gateway Infrastructure Fees charged on container and bulk volumes increased 2% versus last year. This fee is intended to recover investments related to infrastructure improvements in three trade areas, all of which have been completed.

Other income decreased by 38% in 2020, primarily due to a 2019 non-cash gain on settlement, and interest income from lower cash deposits and lower bank interest rates on deposits.

Operating expenses

The port authority's significant expense items are noted in the following table.

(000s)	2020	2019	Increase (decrease) $	Increase (decrease) %
Salaries and employee benefits	$ 50,870	$ 45,492	5,378	12%
Depreciation	38,351	37,860	491	1%
Other operating and administrative expenses	25,160	29,165	(4,005)	(14%)
Professional fees and consulting services	11,393	11,163	230	2%
Dredging	10,643	10,251	392	4%
Payments in lieu of taxes	5,836	6,904	(1,068)	(15%)
Maintenance and repairs	4,165	6,636	(2,471)	(37%)
Operating expenses	**146,418**	**147,471**	**(1,053)**	**(1%)**

The port authority's overall operating expenses decreased by 1% over the previous year. This change was primarily due to decreases in other operating and administrative expenses, maintenance and repairs, and payments in lieu of taxes (PILT). The cost decrease was partially offset by higher salaries and employee benefits.

Salaries and employee benefits increased by 12% due to an increase in headcount, salaries, bonuses, and pension expense.

Depreciation increased by 1%, reflecting the increasing balance of depreciable assets resulting from the port authority's continuous capital investments.

Other operating and administrative expenses decreased by 14%, mainly from a decrease in local channel dredging contributions, and from decreases in tenant-related expenditures, travel, conferences, training, and hospitality.

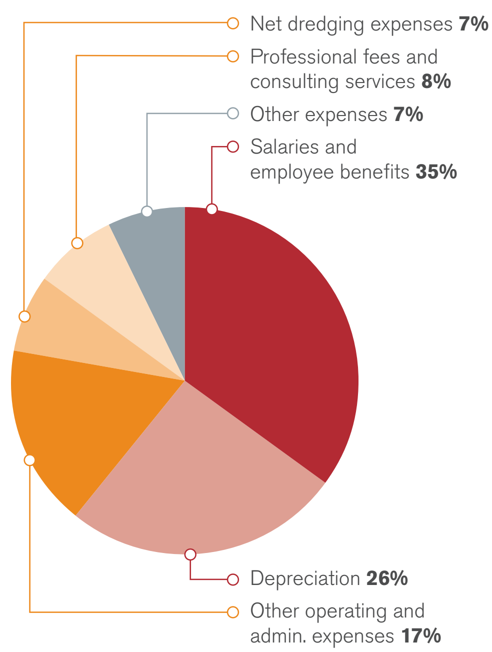
Professional fees and consulting services increased by 2%, primarily due to third-party work to help achieve the port authority's strategic and operational objectives.

To provide safe and unimpeded access to terminals and to allow vessels to navigate through the Fraser River channel, the port authority carries out an annual maintenance dredging program to remove sediments and sand. The recovered sand is then sold and used for preload in local construction projects. The volume of sand removal and sales can vary from year to year.

Compared to 2019, net dredging expenses in 2020 increased 4%, due to higher dredging activity resulting from a larger freshet and related increased sand and gravel in the channel.

Tenants pay property taxes to municipalities on the port authority's leased properties. The port authority makes payments in lieu of taxes to local municipalities on unoccupied lands within the port authority's jurisdiction. PILT decreased by 15% in 2020 compared to 2019, primarily due to reductions in unleased property.

Maintenance and repairs decreased by 37%, primarily due to decreased cruise and other revenue-generating tenant services.



Other expenses (income)

The port authority's significant non-operating items are noted in the following table.

(000s)	2020	2019	Increase (decrease) $	Increase (decrease) %
Federal stipend	$ 7,504	$ 8,039	(535)	(7%)
Finance costs	2,347	5,354	(3,007)	(56%)
Loss (gain) on disposal of assets	242	(109,469)	109,711	100%
Investment income	(1,342)	(903)	(439)	49%
Other income	(36)	(30)	(6)	20%
Other expenses (income)	**8,715**	**(97,009)**	**105,724**	**(109%)**

The port authority's other expenses increased year over year, mainly from the 2019 gain on the disposal of assets related to a non-cash asset exchange. The port authority is exempt from income taxes, but is obligated to pay an annual federal stipend to the minister of transport under the *Canada Marine Act.*

The charge is calculated by reference to gross revenues at rates varying between 2% and 6%, depending on the gross amount determined. Federal stipend payments decreased to $7.5 million in 2020 from $8.0 million in 2019.

Subsidiaries

The *Canada Marine Act* and the Vancouver Fraser Port Authority's Letters Patent allow the use of subsidiaries to undertake certain activities that are deemed necessary to support port operations and strategic priorities.

The following table summarizes the 2020 results for each of our subsidiaries.

(000s)	Operating revenue	Operating expense	Other income (expense)	Net income (loss)
Canada Place Corporation	$ 11,862	$ 10,451	$ 42	$ 1,453
Marine Safety Holdings Ltd.	–	–	–	–
Port of Vancouver Terminals Ltd.	300	49	7	258
Port of Vancouver Ventures Ltd.	461	87	(9)	365
Port of Vancouver Enterprises Ltd.	–	1	–	(1)
Port of Vancouver Holdings Ltd.	473	264	(74)	135

Audited financial statements

To the Directors of Vancouver Fraser Port Authority and the Minister of Transport, Government of Canada

Our opinion

In our opinion, the accompanying summary consolidated financial statements of Vancouver Fraser Port Authority (VFPA) are a fair summary of the audited consolidated financial statements, on the basis described in Note 2 to the summary consolidated financial statements.

The summary consolidated financial statements

The VFPA's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2020 comprise:

- the summary consolidated statement of financial position as at December 31, 2020;
- the summary consolidated statement of comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 30, 2021.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 2.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 30, 2021

Summary consolidated statement of financial position

Vancouver Fraser Port Authority
As at December 31, 2020

(expressed in thousands of dollars)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents		**$ 64,192**	$ 242,422
Accounts receivable and other assets		**62,478**	58,253
		126,670	300,675
Long-term receivables and other assets		**70,016**	56,177
Deferred charges		**1,472**	1,568
Intangible assets – net		**112,643**	93,306
Property and equipment – net		**2,008,943**	1,749,258
		$ 2,319,744	$ 2,200,984
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 133,168**	$ 73,118
Provisions		**3,402**	4,278
Deferred revenue		**15,733**	14,870
Borrowings	4	**20,888**	100,969
		173,191	193,235
Other employee benefits		**1,492**	1,347
Accrued benefit liability		**10,437**	7,795
Provisions		**14,954**	12,539
Deferred revenue		**56,751**	43,793
Other long-term liabilities		**12,319**	7,776
		269,144	266,485
Shareholders' equity			
Contributed capital		**150,259**	150,259
Retained earnings		**1,900,341**	1,784,240
		2,050,600	1,934,499
		$ 2,319,744	$ 2,200,984
Commitments and contingent liabilities	5, 6		

Approved on behalf of the board of directors

Robin Silvester, President and CEO

Joanne McLeod, Director

The accompanying notes are an integral part of these summary consolidated financial statements.

Summary consolidated statement of comprehensive income

Vancouver Fraser Port Authority
For the year ended December 31, 2020

(expressed in thousands of dollars)

	Notes	2020	2019
Revenue			
Rental revenue		**$ 181,421**	$ 178,638
Fee revenue	7	**73,993**	92,396
Other revenue		**18,668**	30,284
		274,082	301,318
Expenses			
Wages, salaries, and benefits		**50,870**	45,492
Depreciation and amortization		**38,351**	37,860
Other operating and administrative expenses		**25,160**	29,165
Professional fees and consulting services		**11,393**	11,163
Dredging		**10,643**	10,251
Maintenance and repairs		**4,165**	6,636
Payments in lieu of taxes		**5,836**	6,904
		146,418	147,471
Income from operations		**127,664**	153,847
Other expense (income)			
Federal stipend		**7,504**	8,039
Finance costs		**2,347**	5,354
Loss (gain) on disposal of assets		**242**	(109,469)
Investment income		**(1,342)**	(903)
Other income		**(36)**	(30)
		8,715	(97,009)
Net income for the year		**118,949**	250,856
Other comprehensive loss			
Items that will not be reclassified to net income			
Actuarial losses in defined pension plans		**(2,848)**	(5,395)
Total comprehensive income for the year		**$ 116,101**	$ 245,461

The accompanying notes are an integral part of these summary consolidated financial statements.

Summary consolidated statement of changes in equity

Vancouver Fraser Port Authority
For the year ended December 31, 2020

(expressed in thousands of dollars)	Contributed capital	Retained earnings	Total
Balance – January 1, 2019	$ 150,259	$ 1,538,779	$ 1,689,038
Net income for the year	–	250,856	250,856
Other comprehensive loss			
Actuarial losses in defined benefit pension plans	–	(5,395)	(5,395)
Balance – December 31, 2019	150,259	1,784,240	1,934,499
Net income for the year	–	118,949	118,949
Other comprehensive loss			
Actuarial losses in defined benefit pension plans	–	(2,848)	(2,848)
Balance – December 31, 2020	**$ 150,259**	**$ 1,900,341**	**$ 2,050,600**

The accompanying notes are an integral part of these summary consolidated financial statements.

Summary consolidated statement of cash flows

Vancouver Fraser Port Authority
For the year ended December 31, 2020

(expressed in thousands of dollars)

	Notes	2020	2019
Cash provided by (used in)			
Operating activities			
Net income for the year		$ 118,949	$ 250,856
Adjustments to reconcile to net cash from operations			
Depreciation and amortization		38,351	37,860
Loss (gain) on disposal of assets		242	(109,469)
Gain on asset exchange settlement		–	(6,050)
Long-term lease receivable and lease payable		(5,586)	(9,704)
Provisions		(790)	2,053
Accrued employee benefits		(60)	(1,121)
Other		94	322
		151,200	164,747
Changes in non-cash working capital balances			
Accounts receivable and other assets		251	2,221
Accounts payable and accrued liabilities		899	1,094
Deferred revenue		8,667	2,875
		161,017	170,937
Investing activities			
Acquisition of property and equipment		(248,864)	(186,273)
Acquisition of intangible assets		(34,189)	(21,501)
Deposits		(8,941)	–
Government funding for property and equipment, and intangible assets		26,679	9,237
Other third-party funding for intangible assets		4,556	1,183
Net change in long-term receivables		1,194	(7,917)
Principal repayment on lease financing assets		21	20
Proceeds from disposal of property and equipment		374	496
Other		209	226
		(258,961)	(204,529)
Financing activities			
Repayments of long-term obligations		(100,000)	–
Proceeds from short-term borrowings		19,987	–
Repayments of short-term borrowings		(100)	(100)
Reduction in lease liabilities		(173)	(171)
		(80,286)	(271)
Net decrease in cash and cash equivalents		(178,230)	(33,863)
Cash and cash equivalents, beginning of year		242,422	276,285
Cash and cash equivalents, end of year		$ 64,192	$ 242,422
Supplemental cash flow information			
Interest paid		3,026	4,996
Investment interest		1,443	60

The accompanying notes are an integral part of these summary consolidated financial statements.

Notes to the summary consolidated financial statements

Vancouver Fraser Port Authority
December 31, 2020

(figures in tables are expressed in thousands of dollars)

1. General information

The Vancouver Fraser Port Authority (VFPA) is a non-share capital, financially self-sufficient authority established on January 1, 2008 by the Government of Canada pursuant to the *Canada Marine Act* (Act). The address of the VFPA's registered office is 100 – 999 Canada Place, Vancouver, B.C. The VFPA is the federal agency responsible for the stewardship of the Port of Vancouver. Consistent with all Canada Port Authorities, the VFPA is accountable to the federal minister of transport, and operates pursuant to the Act with a mandate to enable Canada's trade through the Port of Vancouver, while protecting the environment and considering local communities. The VFPA has control over the use of port land and water, which includes more than 16,000 hectares of water, over 1,000 hectares of land, and approximately 350 kilometres of shoreline. Located on the southwest coast of British Columbia in Canada, the Port of Vancouver extends from Roberts Bank and the Fraser River up to and including Burrard Inlet, bordering 16 municipalities and intersecting the traditional territories and treaty lands of several Coast Salish First Nations.

The VFPA and its wholly owned subsidiaries, Canada Place Corporation (CPC), Port of Vancouver Ventures Ltd. (PoVV), Port of Vancouver Holdings Ltd. (PoVH), Port of Vancouver Enterprises Ltd. (PoVE), Port of Vancouver Terminals Ltd. (PoVT), and Marine Safety Holdings Ltd. (MSH), are exempt from income taxes as the VFPA, on a consolidated basis, pays a gross revenue charge (federal stipend) as required per the Letters Patent under the authority of the Act.

2. Basis of presentation and significant accounting policies

a) Basis of presentation

The VFPA has prepared the summary consolidated financial statements using the following criteria:

- The summary consolidated financial statements include a statement for each statement included in the audited consolidated financial statements and certain note disclosures, which are presented in thousands of Canadian dollars unless otherwise indicated
- Information in the summary consolidated financial statements agrees with the related information in the completed set of audited consolidated financial statements
- Major subtotals, totals and comparative information from the audited consolidated financial statements are included
- The summary consolidated financial statements contain the information from the audited consolidated financial statements dealing with matters having a pervasive or otherwise significant effect on the summary consolidated financial statements

b) Audited financial statements

- The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS)
- The audited consolidated financial statements were approved for issue by the Vancouver Fraser Port Authority's board of directors on March 30, 2021
- The summary consolidated financial statements were approved for issue by the Vancouver Fraser Port Authority's board of directors on April 30, 2021

c) Consolidation

These summary consolidated financial statements consolidate the accounts of the VFPA and its subsidiaries. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities over which the VFPA has control. For accounting purposes, control is defined as (i) the power to govern the financial and operating policies of the subsidiary; (ii) exposure, or rights, to variable returns from involvement with the subsidiary; and (iii) the ability to use its power over the subsidiary to affect its returns.

2. Basis of presentation and significant accounting policies (Continued)

d) Cash and cash equivalents

Cash and cash equivalents include cash on deposit with banks and short-term deposits with maturities of 90 days or less when acquired.

e) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset or a financial liability.

i) Financial assets

Initial recognition and measurement

When first recognized, financial assets are classified as either amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification when first recognized depends on the financial asset's contractual cash flow characteristics and the VFPA's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the VFPA initially measures a financial asset at its fair value.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)". This assessment is referred to as the SPPI test and is performed at an instrument level. The VFPA's business model refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The VFPA's financial assets are subsequently measured at amortized cost if both of the following conditions are met:

- The financial asset is held intending to collect contractual cash flows
- The contractual terms of the financial asset have specified dates for cash flows that are solely payments of principal and interest

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired. The VFPA's financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and other assets, and long-term receivables and other assets. The VFPA does not have any financial assets classified as fair value through OCI or fair value through profit or loss.

Impairment of financial assets

The VFPA assesses at year end whether a financial asset or a group of financial assets is impaired. The VFPA recognizes an allowance for expected credit losses (ECLs) for all financial assets held at amortized cost. ECLs are based on the difference between the contractual cash flows due according to the contract and cash flows that the VFPA expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). Where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining period of exposure (a lifetime ECL).

For trade receivables, the VFPA applies a simplified approach in calculating ECLs and recognizes impairment based on lifetime ECLs at each reporting date. The VFPA's historical credit loss experience is adjusted for forward-looking factors specific to the debtors or economic environment. Any subsequent changes in the lifetime ECL will be recognized immediately in the summary consolidated statement of comprehensive income.

2. Basis of presentation and significant accounting policies (Continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost or fair value through the profit and loss. Financial liabilities are designated as held-for trading on initial recognition or it is a derivative and are measured at fair value and the net gains and losses including interest expense are recognized in the profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in the profit or loss. Any gains or loss on derecognition are also recognized in profit or loss.

Subsequent measurement

The VFPA's financial liabilities are subsequently measured as follows:

- Accounts payable and accrued liabilities, other long-term liabilities and provisions at amortized cost using the effective interest method
- Borrowings at amortized cost. Differences between the proceeds (net of transaction costs) and the redemption value are recognized in the summary consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method.
- Other financial liabilities at amortized cost are non-derivative financial liabilities with fixed or determinable payments. They are included in current liabilities if payment is due within one year or less from the reporting date and non-current liabilities if payment is due greater than one year from the reporting date.

g) Intangible assets

i) Gateway infrastructure

The VFPA incurs costs associated with the development of gateway infrastructure assets such as overpasses and road expansions to support trade. Costs can include construction, engineering, project management, and other direct project costs less any third-party contributions.

The VFPA does not control or maintain the asset on completion, but receives fees to recover its costs incurred. As the VFPA has the ability to set those fees, the gateway investment costs are recognized as intangible assets when capitalization criteria are met. Accordingly, these assets are recorded on the books as a finite lived intangible asset and are amortized over the period that fees are collected.

ii) Computer software

Computer software costs are capitalized as intangible assets if they are identifiable, separable, or arise from contractual or legal rights and are amortized over their estimated useful lives of five years or less. Costs associated with maintaining computer software programs are recognized as an expense when incurred.

h) Property and equipment

Property and equipment are initially recorded at cost including borrowing costs less accumulated amortization and impairment losses. Costs that are directly attributable to the acquisition of the asset are capitalized and can include land survey costs, materials, contractor expenses, internal labour, site restoration or removal costs. Costs continue to be capitalized until the asset is ready for use with subsequent costs capitalized only when it is probable that future economic benefits associated with the item will flow to the VFPA.

Property includes federal property and other property that belong to Canada. Federal property is registered to Her Majesty the Queen and other property is registered to the VFPA. The VFPA manages the properties as an agent of the Crown and is responsible for performing the necessary maintenance, restoration, and replacement of the federal property that it manages. Federal property cannot be pledged as collateral while other property can be pledged as collateral. At December 31, 2020, property and equipment net book value of $2.0 billion included $1.4 billion of federal property and $0.6 billion of other property. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

2. Basis of presentation and significant accounting policies (Continued)

Depreciation commences when the asset is available for use and is recognized in the summary consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the VFPA will obtain ownership by the end of the lease term. Land and habitat bank assets are not depreciated.

The assets' residual values and useful lives are reviewed at minimum annually, and adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the summary consolidated statement of comprehensive income.

The useful lives for each class of property and equipment are as follows:

Dredging	4–40 years
Berthing structures, buildings, roads, and surfaces	10–75 years
Utilities	10–50 years
Machinery and equipment	3–25 years
Office furniture and equipment	3–10 years
Leasehold improvements, and right-of-use	Term of lease

i) Leases

At lease inception, VFPA determines if it has the right to control the asset and accordingly recognizes a right of use asset with a corresponding lease liability. The right of use asset is depreciated over the term of the lease and the lease liability is amortized using the effective interest rate method. Transaction costs related to the leases are classified as deferred charges and is amortized over the lease term. If the lease is less than 12 months or has a lower dollar value, the lease is expensed on a straight-line basis over the lease term. There were no significant changes to accounting for leases as a lessor except where VFPA is an intermediate lessor as it will account for its interest in the head and sub-lease separately and determine if it has a right of use asset by referencing the head lease.

j) Impairment of non-financial assets

The VFPA performs impairment tests on property and equipment and intangible assets when events or circumstances occur that indicate the asset(s) may not be recoverable. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

When impairment indicators are identified, the recoverable amount of the cash-generating unit is determined. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the cash-generating unit carrying value exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

k) Provisions

Provisions can include those for environmental restoration, leased site restoration, local channel dredging contributions, and legal claims. Provisions are recognized when the VFPA has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money. Changes in the provision are recognized in the summary consolidated statement of comprehensive income within other operating and administrative expenses and the unwinding of the discount is recognized in the summary consolidated statement of comprehensive income as a finance cost.

l) Payments in lieu of taxes (PILT)

Payments are estimated by the VFPA in accordance with the Payments in Lieu of Taxes Act. Accruals are re-evaluated each year and changes, if any, are made in the current period's summary consolidated financial statements based on the best available information, including the results, if any, of appraisals by an independent consulting firm. PILT is paid on all unoccupied (dry) land and all submerged lands in the Burrard Inlet, Fraser River, and Roberts Bank except for Indian Arm and the navigation channels.

2. Basis of presentation and significant accounting policies (Continued)

m) Employee future benefits

The VFPA maintains defined contribution, defined benefit, and other benefit plans for its employees. The VFPA's contributions to the defined contribution plans are expensed as the related services are provided. The VFPA also maintains other non-funded benefits for eligible employees. The VFPA accrues in its accounts annually the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years.

For the defined benefit plans, the asset or liability recognized in the summary consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The measurement date for the defined benefit plans is December 31.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income (loss) in the period in which they arise.

Past service costs are recognized immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are charged to accumulated other comprehensive income and amortized to the summary consolidated statement of comprehensive income on a straight-line basis over the vesting period.

n) Revenue recognition

i) Rental revenue

The VFPA leases property to customers, primarily for shipping terminals or other supply chain support services. Fixed lease revenue is recognized on a straight-line basis over the term of the lease. Contingent based lease revenue is recognized periodically, based on lessee cargo volumes, or other revenues as stipulated in the respective agreements. Deferred revenue represents cash received in advance of the revenue recognition criteria being met.

ii) Fee revenue

The VFPA provides port services to customers, primarily access to the harbour and shipping terminals. Revenue for services is recognized at a single point in time, based on a vessel's arrival or departure.

iii) Other revenue

The VFPA provides various other customer services and earns interest on cash held in banks. These revenues are recognized in the period the services are provided or period in which interest is earned.

o) River dredgeate and dredging

Costs of removing river dredgeate to maintain navigable waterways to a standard of depth are expensed. However, costs of river dredgeate removed from the waterway for maintenance, placed on the VFPA property, and which betters that property, are capitalized.

Dredging costs that deepen navigable waterways to establish a new standard of depth for future economic benefit are capitalized. Proceeds from the sale of river dredgeate derived from maintenance are recorded as a reduction of the expense. If proceeds are derived from dredgeate originally placed on the VFPA property as a betterment, the proceeds are recorded as a reduction of property and equipment.

p) Federal stipend

Under the Act, the VFPA is obligated to pay annually to the federal minister of transport a charge to maintain its Letters Patent in good standing. The charge is calculated by reference to gross revenue at rates on a sliding scale varying between 2% and 6% depending on the gross amount.

q) Government grants and contributions

Government grants and contributions, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the VFPA will comply with the conditions attached to them and the grants will be received. Government grants and contributions related to assets are presented in the summary consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and lower depreciation in the summary consolidated statement of comprehensive income.

2. Basis of presentation and significant accounting policies (Continued)

r) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever can be more reliably measured, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly because of the transaction. When the fair value of a non-monetary transaction cannot be accurately measured or the transaction lacks commercial substance, it is recorded at the carrying value of the asset given up adjusted by the fair value of any monetary consideration received or given.

s) Comparative figures

Certain comparative figures have been reclassified to conform to the summary consolidated financial statement presentation adopted in the current year.

3. Critical accounting judgments and estimates

The VFPA makes judgments, estimates, and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Property and equipment and intangible assets

The VFPA makes judgments as to whether certain costs are directly attributable to property and equipment and intangible assets warrant capitalization. The VFPA also makes judgments in terms of assessing the likelihood and probability that capital projects will proceed.

The VFPA assesses annually whether there are any indicators that items of property and equipment and intangible assets may be impaired. If indicators of impairment exist, the recoverable amounts of cash-generating units is determined to be the higher of the fair value less costs to sell and value in use. These recoverable amount calculations require the use of estimates including, but not limited to, discount rates and future cash flows.

The VFPA also estimates the useful lives of its assets and residual values, which will impact the amount of depreciation or amortization recorded in the period.

b) Employee future benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include discount rate, inflation rate, salary growth rate, mortality rate, and medical cost trend rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The VFPA determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the VFPA considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

c) Environmental liabilities

The VFPA has contingent liabilities and provisions for environmental restoration requirements at a number of its properties. The nature, extent, timing, and cost of cleanup of these properties are based on management's best estimates, with input from third-party specialists, where applicable. Provisions recognized in the VFPA's summary consolidated statement of financial position are discounted using an appropriate risk-free rate.

VFPA's environmental staff keeps track of contaminated or possibly contaminated properties during the year, and are part of the team conducting due diligence on all property acquisitions. At year-end, each property is assessed for possible environmental provisions in accordance with International Accounting Standards (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets. The provision does not include restoration costs on leased properties where tenants are obligated to incur the costs and have sufficient financial capacity to fulfill their lease obligations. Uncertainty exists over actual environmental restoration costs to be incurred due to the estimates involved in performing the assessment.

4. Borrowings

		2020		2019
PoVT demand loan	**$**	**901**	$	1,001
Revolving credit facilities		**19,987**		–
Series A Debentures		**–**		99,968
	$	**20,888**	$	100,969

a) Bank loans and letters of credits

The VFPA has available three revolving credit facilities totaling $500 million with Toronto-Dominion Bank, Royal Bank of Canada, and Canadian Imperial Bank of Commerce that may be drawn in either Canadian or United States dollars. The revolving facilities are unsecured and bear interest at the banks' prime rate less a margin, at bankers' acceptance rates or Libor based loans plus a margin at the VFPA's option. The VFPA pays average fees of 0.35% per annum on bankers' acceptances and letters of credit issued and average standby fees at an annual rate of 0.10% calculated on the unused, authorized portion of the facility. Amounts outstanding may be repaid at any time without penalty and must be repaid by March 2025. As at December 31, 2020, the VFPA had a total of $20 million drawn against the revolving facilities (2019 – $nil).

As at December 31, 2020, the VFPA has a total of $8.7 million in letters of credit outstanding (2019 – $8.6 million).

PoVT has an unsecured demand loan outstanding for $0.9 million with Toronto Dominion Bank that bears interest at the Canadian prime rate less 0.85% per annum. Minimum quarterly principal repayments of $25,000 are required, and amounts outstanding may be repaid at any time without penalty and must be repaid by March 2025.

b) Series A Debentures

In 2010, the VFPA issued Series A Debentures that were unsecured with interest at 4.63% payable semi-annually that was fully repaid on April 20, 2020, the due date.

5. Commitments

The capital project and operating commitments that are estimated to exceed $1 million as at December 31, 2020 is $462 million.

6. Contingent liabilities

The VFPA has entered into several long-term agreements with arm's length parties that require future payments to be made when certain events have occurred. The future payments that can be reasonably estimated approximate $14.6 million and will be accrued as liabilities in the summary consolidated financial statements if these events occur in the future.

7. Gateway infrastructure program

The VFPA and its partners are leveraging provincial and federal government funding for a generational investment in supply-chain infrastructure improvements. The Gateway Infrastructure Program (GIP) is a $717 million investment in supply chain improvements beyond traditional port activities and lands. The VFPA and industry contributions of the GIP is $167 million, under a series of improvements in three locations:

	Total VFPA and industry contributions	Industry funded portion (90%)	VFPA portion (10%)
North Shore trade area	$ 59,000	$ 53,100	$ 5,900
South Shore trade area	58,000	52,200	5,800
Roberts Bank rail corridor	50,000	45,000	5,000
	$ 167,000	$ 150,300	$ 16,700

In order to recover the 90% industry funded portion, the Gateway Infrastructure Fee was instituted effective January 1, 2011. Below are the fees collected and expenditures made in 2020 and to date:

	Current year				Total to date			
	North Shore trade area	South Shore trade area	Roberts Bank rail corridor	Total	North Shore trade area	South Shore trade area	Roberts Bank rail corridor	Total
Gateway infrastructure fee (revenue)	$ 2,633	$ 3,954	$ 2,133	$ 8,720	$ 25,063	$ 30,538	$ 21,456	$ 77,057
Gateway infrastructure program (expenditures)	–	–	300	300	36,654	55,601	40,835	133,090
Less: Industry funded portion (90%)	–	–	(270)	(270)	(32,989)	(50,041)	(36,752)	(119,782)
VFPA portion (10%)	$ –	$ –	$ 30	$ 30	$ 3,665	$ 5,560	$ 4,083	$ 13,308

Appendix: Port authority compensation disclosure 2020

Director and corporate governance

Governance

The governing directors of the Vancouver Fraser Port Authority are appointed by the following four bodies:

- Federal government appoints eight members, seven of whom are recommended by port users
- Province of British Columbia appoints one member
- Prairie provinces of Alberta, Saskatchewan, and Manitoba collectively appoint one member
- 16 municipalities that border the port authority's jurisdiction collectively appoint one member

Once appointed to the board, members have a fiduciary obligation to represent the best interests of the port authority. The eleven members of the board of directors offer a broad range of experience and expertise.

Board members are appointed for terms of up to three years and are eligible for reappointment, but cannot serve more than nine consecutive years on the board.

The board of directors meets six times per year, usually for one full day. Members also attend a two-day retreat to discuss strategic issues.

Mandate of the board of directors

The board's role is one of governance and oversight of the port authority. The board operates by delegating to management certain authorities, such as spending, and by reserving certain powers to itself. The board's governance role involves reviewing and approving the port authority's:

- Corporate vision, mission, values, and goals
- Strategic planning process and direction
- Land use plan
- Business and annual operating and capital plans
- Goals and objectives for corporate performance
- Material risks

The board also reviews and approves:

- A board succession planning process
- The hiring, compensation, and planning succession of the CEO

Ethics and diversity

The code of conduct for directors and officers of the port authority establishes clear rules regarding conflicts of interest, inside information, outside employment, and more, and board members must disclose any potential or real conflicts of interest.

The nominating committee, which recommends candidates for seven of the board positions, has adopted a policy where they endeavour to achieve gender parity and to reflect Canada's diversity.

Board member's biographies

The following biographies are for board members as of May 17, 2021:

Judy Rogers

Ms. Rogers has been a board member and served as chair on several provincial Crown corporations and not-for-profit organizations. She held the role of city manager of the City of Vancouver from 1999 to 2008. In addition, Ms. Rogers runs a consulting firm, advising private, public, and Crown corporations in government affairs and communications.

Chair of the board: Attended six of six meetings in 2020

Tenure: Four years | Since December 14, 2017

Appointed by the federal government on the recommendation of the nominating committee.

Jim Belsheim

Mr. Belsheim is the former president of Neptune Bulk Terminals Canada Ltd. and held senior positions in the B.C. forest industry. He holds or has held several chair roles in the non-profit and industry sectors, including the United Way of Lower Mainland, the Marine Transportation Advisory Council, and the BC Chamber of Commerce.

Member of the board: No meetings in 2020

Tenure: Less than one year | Since December 11, 2020

Appointed by the federal government on the recommendation of the nominating committee.

Bruce Chan

Mr. Chan serves on several boards and spent nearly 20 years in a variety of senior positions with international marine transportation firm Teekay Corporation. Prior to that, Mr. Chan was with Ernst & Young, LLC in Vancouver.

Member of the board: Attended six of six meetings in 2020

Chair of the Human Resources, Compensation & Safety Committee: Attended six of six meetings

Member of the Audit and Risk Management Committee: Attended seven of seven meetings

Tenure: Two years | Since May 14, 2019

Appointed by the federal government on the recommendation of the nominating committee.

Mike Corrigan

Mr. Corrigan is the chief executive officer of Interferry Inc., a global trade association representing the world-wide ferry industry. He was the chief executive officer and chief operating officer of B.C. Ferries and held various senior management roles at WestCoast Energy.

Member of the board: Attended six of six meetings in 2020

Member of the Major Capital Project Committee: Attended six of six meetings

Member of the Audit and Risk Management Committee: Attended seven of seven meetings

Tenure: Three years | Since June 29, 2018

Appointed by the federal government on the recommendation of the nominating committee.

Ken Georgetti

Mr. Georgetti is the principal at Montrose Consulting and has over 30 years of legislative and policy experience in labour relations and government policy. He is president emeritus of the Canadian Labour Congress and former president of the BC Federation of Labour.

Member of the board: Attended six of six meetings in 2020

Member of the Major Capital Project Committee: Attended six of six meetings

Member of the Human Resources, Compensation and Safety Committee: Attended six of six meetings

Tenure: Two years | Since May 18, 2019

Appointed by the province of British Columbia.

Chief Clarence Louie

Chief Louie is the chief of the Osoyoos Indian Band, and chief executive officer of the Osoyoos Indian Band Development Corporation, which has become a multi-faceted corporation that owns and manages 11 businesses and five joint ventures and employs one thousand people.

Member of the board: Attended six of six meetings in 2020

Member of the Major Capital Project Committee: Attended six of six meetings

Member of the Governance and External Relations Committee: Attended five of six meetings

Tenure: Two years | Since March 25, 2019

Appointed by the federal government on the recommendation of the nominating committee.

Catherine McLay

Ms. McLay is a former chief financial officer and executive vice president finance and corporate services with TransLink. She worked in the forest sector in several senior executive roles at Canfor and Howe Sound Pulp and Paper and is or has been a member of several health, non-profit, and corporate boards.

Member of the board: Attended six of six meetings in 2020

Chair of the Major Capital Project Committee: Attended six of six meetings

Member of the Audit and Risk Management Committee: Attended seven of seven meetings

Tenure: Three years | Since June 17, 2017

Appointed by the federal government on the recommendation of the nominating committee.

Joanne McLeod

Ms. McLeod is a former financial executive with Westcoast Energy Inc. and worked in corporate banking for the Canadian Imperial Bank of Commerce in the energy, regulated businesses, and government sectors. She has served on several non-profit, financial institution, and other boards.

Member of the board: Attended six of six meetings in 2020

Chair of the Audit and Risk Management Committee: Attended seven of seven meetings

Member of the Governance and External Relations Committee: Attended six of six meetings

Tenure: Three years | Since December 20, 2017

Appointed by the federal government on the recommendation of the nominating committee.

Craig Munroe

Mr. Munroe is a partner at Pulver Crawford Munroe LLP and has been practicing law for 20 years, advising companies in the resource, transportation, marine, construction, and retail industries. He has served at the executive level in several organizations and been a member of several boards.

Member of the board: Attended six of six meetings in 2020

Chair of the Governance and External Relations Committee: Attended six of six meetings

Member of the Human Resources, Compensation and Safety Committee: Attended six of six meetings

Tenure: Three years | Since November 9, 2017

Appointed by the federal government.

Darrell Mussatto

Darrell Mussatto served as mayor of the City of North Vancouver for 13 years from 2005 until 2018 and was a city councillor for 12 years. He contributed to the Mayors' plan, was a director on the E-COMM 911 board, and chair of the Metro Vancouver Utilities Committee.

Member of the board: Attended four of six meetings in 2020

Tenure: One year | Since June 1, 2020

Appointed by the 16 municipalities adjacent to the port authority's jurisdiction.

Brant Randles

Mr. Randles was the president and director of Louis Dreyfus Company (LDC) Canada ULC, a leading global merchant and processor of agricultural goods. He has been an executive member of the Western Grain Elevator Association.

Member of the board: Attended no meetings in 2020

Tenure: Less than one year | Since March 1, 2021

Appointed by the provinces of Alberta, Saskatchewan, and Manitoba.

For the full biographies of each board member, see our website.

Continuing development

The Governance and External Relations Committee oversees director development. Opportunities for development include presentations by senior executives about emerging issues and topics relevant to our business, operations, and the regulatory environment, as well as information packages developed to enhance the directors' understanding of a particular subject matter. External experts are also invited from time to time to speak on various topics.

In typical years, the board organizes site visits for directors to gain additional insights into various aspects of port business and global operations. Directors are also encouraged to participate in outside professional development programs, both related to the specifics of the port and supply chain environment, and more generally related to governance and areas linked to our overall strategic focus.

Committee chairs may also coordinate education sessions on specific topics for their committee members.

Board committee overview

Committees of the board meet at least six times per year.

The Audit and Risk Management Committee assists the board of directors in fulfilling its obligations and oversight responsibilities relating to financial planning, financial aspects of employee pension plans, the audit process, the special examination process, financial reporting, the system of corporate controls, and risk management.

The Human Resources, Compensation and Safety Committee assists with all matters relating to human resources, including but not limited to, chief executive officer evaluation and compensation, management development, succession planning, compensation philosophy, significant human resources policies, employee pension plan structure issues, and the health and safety program for the organization.

The Major Capital Projects Committee assists with matters relating to major capital projects, including providing strategic direction and guidance.

The Governance and External Relations Committee develops and recommends corporate governance principles, makes recommendations regarding the size, composition and charters of board committees, assists with the annual self-evaluation process, develops and recommends the board of director profile, recruitment profile, and succession plan, develops and oversees a process to respond to appointing bodies' enquiries regarding potential board candidates as appropriate, and administers the board code of conduct. The committee also provides oversight and guidance with respect to the port authority's relationships with key stakeholders, such as governments, First Nations, special interest groups, tenants, and other customers, in areas with the greatest impact.

Committee members

For the period of January 1, 2020 to December 31, 2020, the board and board committee composition were as follows:

Name	Board	Audit and Risk Management Committee	Human Resources, Compensation and Safety Committee	Major Capital Projects Committee	Governance and External Relations Committee
Judy Rogers	C				
Jim Belsheim[1]	M				
Bruce Chan	M	M	C[2]		
Mike Corrigan	M	M		M	
Ken Georgetti	M		M	M	
Chief Clarence Louie	M			M	M
Catherine McLay	M	M		C	
Joanne McLeod	M	C			M
Craig Munroe	M		M		C
Darrell Mussatto[3]	M				
Penny Priddy[4]	M		M		M
Lisa Ethans[5]	M	M			M
Carmen Loberg[6]	VC		M		

Legend: C: chair, VC: vice-chair, M: member

Darrell Mussatto, Jim Belsheim, and Brant Randles joined the board on June 1, 2020, December 11, 2020, and March 1, 2021, respectively.

[1] Appointed to the board on December 11, 2020. [2] Appointed chair of the Human Resources, Compensation and Safety Committee on January 1, 2020. [3] Appointed to the board on June 1, 2020. [4] Left the board on May 31, 2020. [5] Left the board on December 10, 2020. [6] Carmen Loberg left the board on February 28, 2021. During 2020 he was co-chair of the Human Resources, Compensation and Safety Committee from January 1, 2020 to June 30, 2020.

Director compensation

The board meets six times per year and each committee meets six to eight times per year. The following table summarizes 2020 actual board compensation and travel fee reimbursement.

Name	Annual Retainer	Other Fees	Total
Judy Rogers	$100,000	$30,250	$130,250
Bruce Chan	$22,333	$23,250	$45,583
Mike Corrigan	$15,000	$23,750	$38,750
Ken Georgetti	$15,000	$19,500	$34,500
Chief Clarence Louie	$15,000	$20,000	$35,000
Catherine McLay	$23,000	$24,000	$47,000
Joanne McLeod	$23,000	$23,000	$46,000
Craig Munroe	$23,000	$26,000	$49,000
Darrell Mussatto	$7,500	$11,000	$18,500
Penny Priddy	$7,500	$9,500	$17,000
Lisa Ethans	$15,000	$18,750	$33,750
Carmen Loberg	$29,667	$47,250	$76,917
Total	**$296,000**	**$276,250**	**$572,250**

Letter from the chair of the board

Dear stakeholders,

2020 key highlights

As for so many organizations, the port authority and the Port of Vancouver were impacted by the COVID-19 pandemic, but the port proved remarkably resilient, due to the actions of the port authority and many other organizations and stakeholders that collectively contribute to the success of the port system. In the space of three days in March, the port authority facilitated moving more than 300 employees to work from home. Thanks to the dedication of our people, the port authority was able to continue to advance our strategic agenda through the year largely as planned.

Despite significant initial drops in the first half of the year, by the end of the year overall cargo through the port had rebounded to exceed 2019 levels by 1%, with grain, potash, and container cargo all reaching new record levels. Due to the federal government cancellation of cruise visits to Canadian ports, the cruise sector was of course heavily impacted by pandemic restrictions.

While the loss of the cruise season due to COVID-19 negatively impacted the financial results of the port authority, strength in other sectors meant the port authority was only modestly affected by the pandemic downturn in comparison with many other organizations. When removing the impact of the loss of the cruise season, 2020 financial performance was generally consistent with 2019 results.

The robust financial results delivered despite COVID-19 enabled the port authority to continue to advance our large capital project agenda. Total capital investment in 2020 was $315 million, which represents a significant and planned increase compared to prior years and was 2.3 times the historical average annual investment of $140 million for 2016 to 2019.

Keeping development and construction work going on our capital project agenda is essential to ensuring future capacity for trade through the port and provided much needed support to the local economy during the more challenging phases of the pandemic. Significant progress was made on the construction phase of the $500 million Centerm Expansion Project and related South Shore Access Project, and the $1 billion suite of road and rail projects beyond the port continued to move through the stakeholder agreement, design, permitting, and procurement phases. The port authority continued the community engagement work that is a critical underpinning of the public support for port and trade growth with a rapid and successful pivot to online engagement methods.

Seven years after the commencement of the federal environmental assessment process, the Roberts Bank Terminal 2 Project reached a major milestone when the independent review panel issued its report in March. The project team is now developing additional mitigations in accordance with the panel's recommendations and in a response to an information request from the Impact Assessment Agency, and is making significant positive progress in our project-related First Nations consultation work.

The port authority also moved our many environmental programs forward with a particular highlight being the successful geographic expansion of the ECHO Program to reduce underwater noise from port-related marine traffic.

Review and update of executive compensation approach

Starting in 2018 as the latest in a periodic process, the board conducted a detailed executive compensation review. The overarching objectives were to:

1. Improve alignment to best practices and adequately reflect the complexity of the port authority
2. Enhance alignment of compensation to port authority and individual performance
3. Better ensure retention for the high-performing executive team through the medium-term future given the significant capital projects program

The board engaged external advisor Hugessen Consulting to support a review of the CEO's compensation. A revised comparator peer group, pay philosophy, and incentive design were introduced in 2019, the most notable changes of which included a shift from non-performance compensation components (e.g., pension and other compensation) to a performance-based incentive program for the CEO.

In 2019, further work was undertaken to address compensation of the full executive team, resulting in the introduction of a medium-term incentive plan similar to the CEO plan to align priorities and unify team culture. In 2020, updated employment agreements were signed with each executive.

In 2021 and with continued support of the external advisor, the board reviewed and further updated the compensation approach and pay philosophy and positioning, refreshed the method to determine the comparator peer groups and their composition, and updated pay benchmarking.

Conclusion

The following compensation discussion and analysis elaborates on the board and the port authority's pay-for-performance philosophy and compensation programs discussed in this letter.

Yours truly,

Judy Rogers
Chair of the board

Compensation discussion and analysis

The following compensation discussion and analysis outlines information on the Vancouver Fraser Port Authority's executive compensation philosophy, applicable processes used in determining compensation, and actual compensation paid to the following top executive officers (as of December 31, 2020):

- Robin Silvester, president and chief executive officer (CEO)
- Victor Pang, chief financial officer
- Peter Xotta, vice president, planning and operations
- Cliff Stewart, vice president, infrastructure
- Tom Corsie, vice president, real estate

Compensation oversight, governance, and risk management

Committee overview

The board and the Human Resources, Compensation and Safety Committee have oversight of the executive compensation philosophy, the overall compensation provisions for the senior leadership team, the specific compensation recommendations for the president and CEO, and associated risks. The committee also reviews and approves the port authority's incentive plans and related performance metrics with input from the Major Capital Projects Committee.

In conducting its mandate, in 2020 the Human Resources, Compensation and Safety Committee met six times and each meeting included an in-camera session.

External independent advisor

As part of its regular review of the executive compensation program, the committee uses outside compensation experts as a resource when necessary. Since 2018, the committee engaged Hugessen Consulting as an independent compensation advisor to the board and to support the board in a review of its approach to executive compensation. Hugessen Consulting provides no other services to the port authority.

From 2018 to 2020, the committee used Hugessen Consulting services to support refinement of the executive compensation philosophy and programs to further align with market and best practices. The workstream included:

- Identifying the market for executive talent (determining comparator peer group and data sets in consideration of the port authority's mandate and complexity and the port's size, both in Canada and globally)
- Determining an appropriate pay level including a review of the pay mix (e.g., fixed vs. variable) and the alignment of pay with performance through adjustments to incentive plans
- Increasing the effectiveness of the pay programs by focusing on simplification and aligning realizable compensation with successful execution of the strategic plan
- Aligning total compensation to typical practices

Compensation review

Beginning in 2018, the board undertook a thorough review of compensation for the executive team with the help of the external advisor and led by the board chair. In March 2021, the board reaffirmed compensation for the executives as presented below.

In developing and assessing the compensation philosophy for the port authority, the board considers the role of the port authority and the Port of Vancouver in the larger Canadian trade agenda:

- The Port of Vancouver is by far the largest in Canada (roughly the size of the next five largest ports in Canada combined) and one of the top 30 ports worldwide by tonnage of cargo handled, enabling annual trade of more than $200 billion in goods with more than 170 trading economies and generating more than 115,000 supply chain related jobs
- The port is a major enabler of Canada's trade, which is key to Canada's economic development by connecting Canada to global trade markets
- At arm's length to the government, the port authority is financially self-sufficient and governed by a board with input to the appointing entities provided by key stakeholders
- The port authority is responsible for purchasing, creating, managing, and leasing the federal lands that make up the Port of Vancouver to independent terminal operators who handle trade through the port, and by providing marine, road, and other infrastructure to support port growth and function
- The port authority operates in a commercial market environment like private sector port stakeholders and users (transportation companies, terminal operators, commodity producers), suppliers (rail roads, land transportation companies) and competitors (other North American ports)
- The port authority is a major real estate developer and owner, managing the largest industrial land portfolio in the Lower Mainland of B.C. and securing new land necessary to support Canada's trade objectives in a highly limited and competitive real estate market
- Over the last decade, the port authority's execution of our federal mandate—as set out by the *Canada Marine Act*—and capital investments have contributed to international trade growth of 43%, well above the growth rate of the Canadian economy.

In this context, the board also considers the port authority to have operating and governance aspects that are typical of both a large public sector crown corporation as well as a large Canadian private sector company. The board also considers the major responsibilities of management to include:

- **Stakeholder engagement:** The Port of Vancouver has a wide range of stakeholders including communities, First Nations, 16 municipalities that border the port and many others with key economic ties to the port, provincial governments (B.C., Prairies), national regulatory bodies, transportation companies, port tenants, and other Canadian and international private companies. Competing interests of the various stakeholders are constant, and monitoring and balancing these interests are key to the port's success.
- **Trade enabler and economic driver:** The port authority must be cognizant of international commercial trends and demand to enable Canada's economy to thrive. This includes pro-actively sustaining the supply chain of the port through land management, supply chain capacity analysis, and strategic project developments. This role also involves interacting with multiple levels of government and local and global businesses.
- **Infrastructure development:** The port authority is undertaking and leading significant infrastructure development projects, both on and off the port, to support trade and cargo growth. These projects require complex collaboration and negotiation with a broad range of government, industry, and First Nation stakeholders. In recent years, projects worth over $500 million have been completed, and $1 billion dollars will be spent on projects currently in progress, not including the Roberts Bank Terminal 2 Project, estimated at $3 billion.
- **Facilities management:** The port authority must actively set policy and manage certain common-use operations, including marine operations, common roadways, and safety and security of the port system. This work ensures the smooth flow of cargo, the prevention of incidents, and the direct employment supported by ongoing operations at the Port of Vancouver of more than 115,000 jobs.
- **Indigenous consultation:** The port authority is responsible for federal Indigenous consultation on project development, requiring ongoing interaction and relationship-building with over 40 First Nations
- **Environmental protection:** The port authority has the federal responsibility for tenant project and environmental reviews, compliance monitoring, and delivering a range of environmental programs, which often require significant collaboration or involve challenging circumstances, such as public opposition

Executive compensation philosophy

In 2021, the board approved the most recent version of the executive compensation philosophy for the port authority, which seeks to align individual executive performance with the port authority's long-term business strategy and supports the achievement of the following objectives:

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

The board considers a broad market for executive talent to reflect the skills and experience required to execute on the strategic plan and effectively operate the port authority, including an understanding of international affairs and global economics, environmental and sustainability management, legal and regulatory management, public accountability, infrastructure development, as well as stakeholder, government, and Indigenous engagement and consultation. These skills and experience are beyond typical industry experience found in Canada. The executive compensation philosophy is now weighted towards variable and at risk pay based on a combination of individual performance and the port authority's corporate performance, measured through the executive annual short-term and medium-term incentive plan programs.

Comparator companies

The board reviewed and selected the comparator peer organizations with input from the independent compensation advisor. The comparator group is comprised of organizations similar to the port authority and/or with which the port authority competes for executives in the market, including port and airport authorities, terminal operators and stevedoring companies, engineering and construction firms, Crown corporations, and organizations engaged in real estate development and management.

There are few direct comparators to the port authority owing to the size and complexity of the Port of Vancouver and the talent market of executives, so the board identified, reviewed, and approved a public sector peer group and a private sector peer group as follows:

Public sector peer group: Includes 15 companies representing a range of commercial public sector organizations focusing on large and nationally/provincially relevant federal agencies, trade enabling/economic driver organizations, other Crown corporations competing for talent with the private sector, U.S. port authorities, and organizations with complex stakeholder engagement requirements, where pay data is publicly available.

Private sector peer group: Includes 17 companies representing a range of Canadian publicly traded companies of comparable size in the transportation, real estate, construction, utilities, and railroad sectors, with which the port authority is competing for talent.

Public sector	Private sector
Greater Toronto Airports Authority (authority)	Cargojet (transportation)
Vancouver Airport Authority (YVR) (authority)	Chorus Aviation (transportation)
Port of Los Angeles (authority)	Logistec (transportation)
Port of Seattle (authority)	CN* (transportation)
Georgia Ports Authority (authority)	CP* (transportation)
Port of Long Beach (authority)	Granite REIT (real estate)
Port Authority of New York and New Jersey (authority)	Summit Industrial REIT (real estate)
B.C. Hydro (provincial Crown)	WPT Industrial REIT (real estate)
Hydro-Quebec (provincial Crown)	Stantec (construction)
Ontario Power Generation (provincial Crown)	Badger Daylighting (construction)
Enmax (municipal Crown)	Aecon Group (construction)
EPCOR (municipal Crown)	Bird Construction (construction)
Bank of Canada (federal Crown)	TransAlta (energy)
Canada Mortgage and Housing Corporation (federal Crown)	Capital Power (energy)
NAV Canada (federal Crown)	Boralex (energy)
	Superior Plus (energy)
	Pembina* (energy)

** For these organizations, given their size, the CEO and executives are compared to their equivalent one level lower in the corresponding organization (e.g., port authority's CEO is compared to a CEO direct report at CN)*

Pay positioning

To reflect the nature of the port authority, the board approved a weighted target total compensation pay position consisting of two-thirds public sector peer group compensation median and one-third private sector peer group compensation median. This pay position was further validated with a check on the relative position of port authority executive pay compared to the public sector peer group. Aiming for pay positioning at the market median of the weighted comparator groups (public and private), the executive pay position is also between the median and 75% of the public sector group, which recognizes the relative size and complexity of the port, among other factors.

While total executive compensation is targeted at median of the weighted comparator groups, the annual short-term incentive plan and medium-term incentive plan provide the opportunity for executives to realize compensation above and below median commensurate with port authority and individual performance.

The board reviewed the total compensation paid by the comparator organizations to positions comparable to those at the port authority and analyzed the findings. With this information, in combination with role-specific information relative to the market, the board reaffirmed the target total compensation for each executive position, which includes a mix of base salary, incentive compensation, and benefits.

Overview of key elements of compensation

The port authority executive compensation program consists of the following elements:

- Base salary
- Short-term incentive plan: Annual cash-based performance-based compensation
- Medium-term incentive plan: Three-year cash-based performance-based compensation
- Pension benefits and other perquisites

In 2019, the committee revised the incentive structure, reviewing the mix of compensation to increase weight on performance-based compensation and reduce overall weight of guaranteed compensation (e.g., base salary, pension, and other benefits).

Base salary

Base salaries are determined according to the executive's overall responsibilities, experience, and individual performance and are reviewed annually by the committee.

Short-term incentive plan

Through the short-term incentive plan, executives are eligible to earn an annual cash incentive based on corporate and individual performance. Executives have a predetermined target value (see chart below) and actuals may fluctuate above or below the target based on at-risk performance against objectives.

The executive short-term incentive plan is aligned with the port authority's strategy and business plan. Individual incentive payments are determined through a combination of individual performance and corporate performance objectives measured through the corporate scorecard and annual performance goals and reviewed on an annual basis.

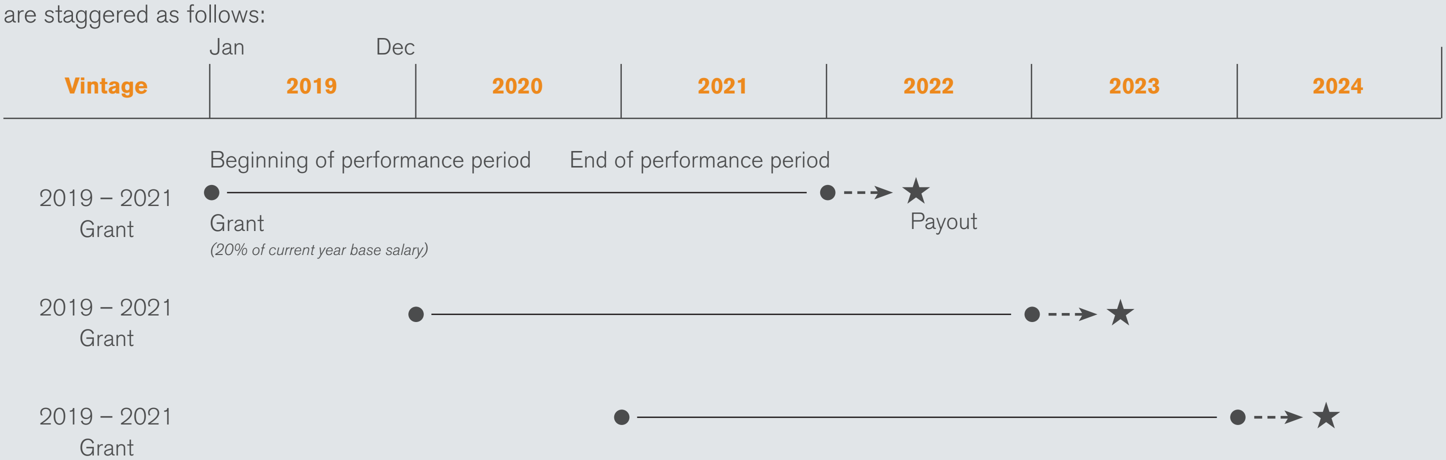
The committee and board review executives' short-term objectives as proposed by the CEO, set the CEO's short-term objectives, and assess CEO performance.

The short-term incentive plan is designed as follows:

- **30% corporate balanced scorecard:** Combination of financial and non-financial metrics; reviewed annually by the board
- **60% strategic:** Objectives as agreed by the board for the CEO's annual performance plan and by the CEO for the executive performance plans. The objectives may include, but not be limited to the following areas: port performance, overall cargo capacity, sector development, environment, and First Nations relations.
- **10% individual:** Categories will vary by role, are agreed annually in performance plan discussions, and may include: culture and engagement, succession planning and staff development, and individual contribution

Medium-term incentive plan

In 2019, the Human Resources, Compensation and Safety Committee implemented the medium-term incentive plan to replace a previous version that applied only to the CEO. Through the plan, the CEO and executives are eligible for a three-year cash incentive based on corporate performance. Executives have a predetermined target value that will fluctuate based on performance. The awards and payment are staggered as follows:



Payments for 2018-2020 CEO medium-term incentive plan are presented in the summary compensation table.

The medium-term incentive plan aligns executive compensation with completion of longer-term initiatives necessary to the port authority's strategic plan and the larger success of the port. To ensure the port authority retains and motivates key talent over the span of these multi-year projects, all executives are eligible for the 2019-2021 and future medium-term incentive plan grants.

The 2019-2021 and 2020-2022 grants awarded in 2020 (referred to as "2020 Grant") focuses on strategic capital projects to build urgently needed container capacity (the Centerm Expansion Project and Roberts Bank Terminal 2 Project) and road and rail projects throughout the gateway. Collectively these projects are critical to the ability of the port to meet Canada's trade objectives. Container capacity on Canada's west coast is projected to be exhausted by the late 2020s, and rail network capacity being delivered through gateway projects is essential to grow trade across all sectors over the coming decade. For reference, a previous gateway road and rail program delivered between 2010 and 2020 was foundational to the 43% growth in international cargo volume through the gateway, roughly equivalent to the annual volume handled by the Port of Montreal, Canada's second-largest port.

Pension benefits and other perquisites

Executives of the port authority are provided with the same structure of group benefit coverage available to all employees, including life and disability, medical, extended health, and dental insurance, and a health spending account.

Executives are entitled, unless grandfathered in a legacy defined benefit pension plan, to a registered retirement savings plan (RRSP) contribution and standard health/insurance benefits consistent with the broad employee base and private sector practices. As part of the evolution of pay mix, the board reaffirmed this distinctly different (and lower) emphasis on defined benefit pension plans in favour of the incentive plans.

In 2020, in alignment with the revised compensation philosophy, the port authority amended eligibility and availability of executive retirement plans to ensure cost and liability management and to transition some value formerly accounted for in pension plans to performance-based incentives.

Mr. Xotta's defined benefit pension plan benefit is capped based on his 2019 salary and target bonus for that year. In December 2022 he will transition from the defined benefit pension plan into the defined contribution pension plan arrangements available to other members of the executive team. When he retires from the port authority, he will be paid a pro-rated lump sum retiring allowance based on the pension payments that would have been made to him under the defined benefit pension plan had he retired on December 1, 2022. The retiring allowance is capped and will not increase if he continues working after December 1, 2025.

Realized compensation summary

In '000s of dollars Name and position	Fiscal year-end (Dec 31)	Salary[7] A	Annual incentive B	Medium-term incentive (paid) C	Pension benefits[8] D	Other benefits E	Total compensation A+B+C+D+E
R. Silvester, president and CEO	2020	587	391	148	75	16	1,217
V. Pang, chief financial officer	2020	391	140	–	45	16	592
P. Xotta, vice president, planning and operations	2020	387	144	–	–	27	559
C. Stewart, vice president, infrastructure	2020	391	140	–	45	16	591
T. Corsie, vice president, real estate	2020	362	96	–	26	16	499
		2,117	**910**	**148**	**190**	**91**	**3,458**

[7] Excludes 2019 base salary adjustments. [8] Pension benefits represent the cash-based consideration for each incumbent. For P. Xotta, there were no cash-based payments made due to his participation in the defined-benefit pension plan; note he will be transitioning in December 2022, as discussed in the "Pension benefits and other perquisites" section of this document.

Retirement plans

While no longer open to new entrants, the port authority sponsors a number of legacy retirement plans, several of which relate to former port authorities—including the Fraser River, North Fraser, and Vancouver port authorities that were amalgamated to form the Vancouver Fraser Port Authority in 2007—and are closed to new members. Details of the retirement plans are set out below.

Defined benefit pension plans

Employees hired by the former Vancouver Port Authority prior to March 1, 1999 and currently employed by the Vancouver Fraser Port Authority, are members of the Vancouver Port Authority defined benefit pension plan. One of the current members of the executive team is a member of this plan. Employees' contributions are 4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, plus 7.5% of pensionable earnings that are in excess of the year's maximum pensionable earnings. The amount of an employee's pension is based on 2% of the average of the best five years of pensionable earnings (defined as salary and bonus) multiplied by credited years of service up to a maximum of 35 years. The annual pension payable is indexed based on increases in the Consumer Price Index.

The Vancouver Fraser Port Authority also provides a supplemental pension plan for defined benefit pension plan members. The supplemental pension plan provides pension benefits in excess of the maximum permitted under the current tax rules that apply to the basic pension plans. The supplemental pension plan provides for employer and employee contributions, in accordance with the terms of the plan; the employer contributes the additional amounts required to provide the threshold benefit for each plan. The normal retirement age under the basic pension plans and the supplemental pension plan is 65. Members are eligible to retire with an unreduced pension when they have attained age 60 and completed at least two years of membership service or attained age 55 and have at least 30 years of membership service.

Defined contribution plans (group registered retirement savings plan and defined contribution pension plan)

On March 1, 1999, the Vancouver Port Authority ceased participation in the federal superannuation plan; following that date, all employees hired became members of the Vancouver Fraser Port Authority's group registered retirement savings plan. Employee contributions are from 1% to 7% of annual earnings (defined as salary and incentive payments), and the Vancouver Fraser Port Authority makes a matching contribution equal to the total employee contributions.

Employees hired by the former Fraser River Port Authority on or before December 31, 2007 who became employees of the Vancouver Fraser Port Authority as a result of the port authorities' amalgamation are members of the Fraser River Port Authority defined contribution pension plan. Employee contributions are from 5% to 7% of annual earnings (defined as salary and bonus), and the Vancouver Fraser Port Authority makes a matching contribution equal to the total required contributions of the employee.

The port authority also provides a supplemental non-registered savings plan for all employees who are members of the defined contribution plans and are restricted by the registered retirement savings plan contribution limit. The defined contribution supplemental pension plan provides for an employer–employee match for contributions that are in excess of the maximum allowable as a deduction under the *Income Tax Act.* The port authority also contributes an additional amount equal to $3 for every $7 combined for employee and employer contributions.

Our mission

To enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities.

Our vision

For the Port of Vancouver to be the world's most sustainable port.

Our definition of a sustainable port

A sustainable port delivers economic prosperity through trade, maintains a healthy environment, and enables thriving communities through collective accountability, meaningful dialogue, and shared aspirations.

Our values

Accountability
Continuous improvement
Collaboration
Customer responsiveness

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