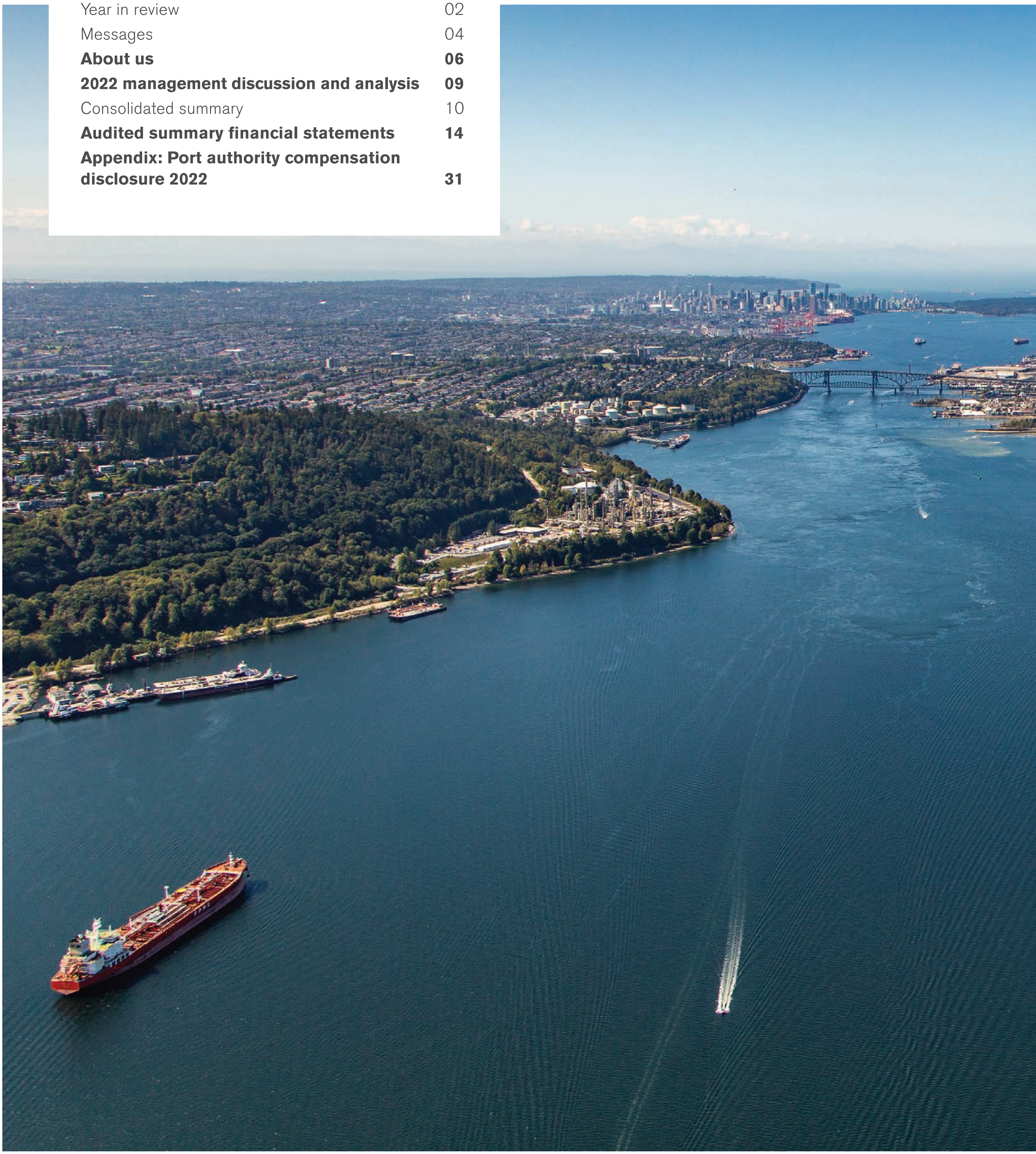
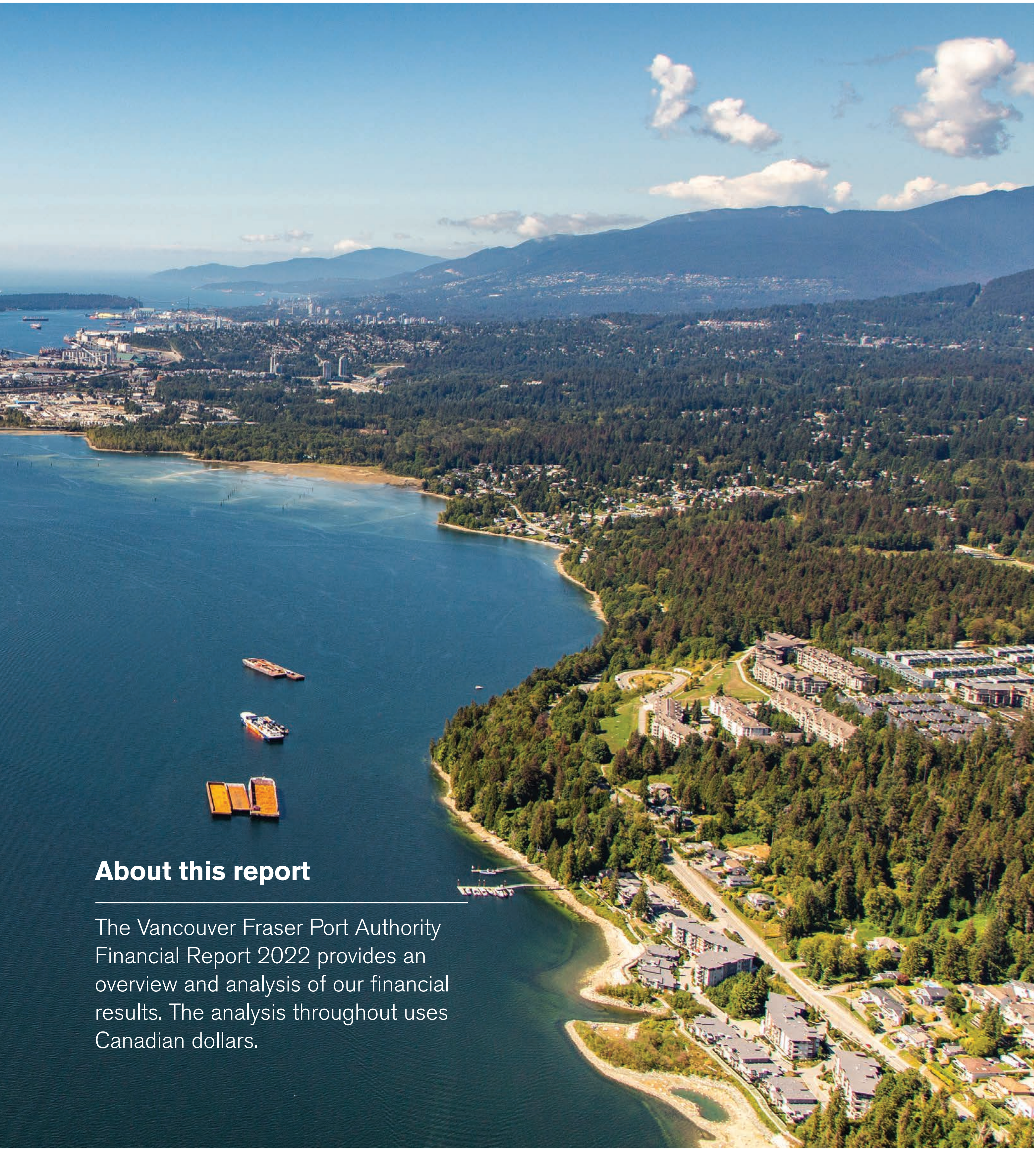
PORT of vancouver | Vancouver Fraser Port Authority

Financial report 2022

In this report





About this report

The Vancouver Fraser Port Authority Financial Report 2022 provides an overview and analysis of our financial results. The analysis throughout uses Canadian dollars.

Port of Vancouver cargo volumes

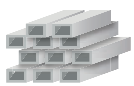
Overall cargo volume in 2022 was 141 million tonnes, which was down 3% from the 2021 volume of 146 million metric tonnes.

Autos

↓6%

Auto sector volume was 333,734 units, a 6% decrease compared to 2021, mainly driven by supply-side production and distribution issues in the first half of 2022.

Breakbulk



–

Breakbulk volume was flat at 20 million metric tonnes. Lower domestic volumes were offset by higher imports of steel products.

Bulk

↓3%

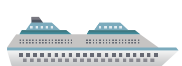
Bulk volume was 99 million metric tonnes, a 3% decrease compared to 2021, largely driven by a 23% decline in grain volumes. Coal, potash, and sulphur volumes increased by 6%, 11%, and 22% respectively.

Container

↓3%

Container volume was 4 million 20-foot equivalent units (TEUs), a 3% decrease from the record volume seen in 2021.

Cruise



–

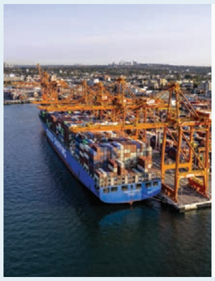
Cruise business returned in 2022 with 810,090 passengers after a two-year hiatus due to Canada-wide COVID-19 pandemic restrictions implemented by the federal government.

Operating highlights (000s)	2018	2019	2020	2021	2022
Auto (units)	425	420	345	356	334
Breakbulk (metric tonnes)	18,209	17,165	16,731	19,793	19,828
Bulk (metric tonnes)	101,795	99,697	101,770	101,719	99,029
Containerized (metric tonnes)	26,662	26,923	26,604	24,605	22,226
Total tonnage (metric tonnes)	**147,091**	**144,204**	**145,451**	**146,474**	**141,416**
Containers (TEUs)	3,396	3,399	3,468	3,679	3,557
Cruise passengers	889	1,071	–	–	810

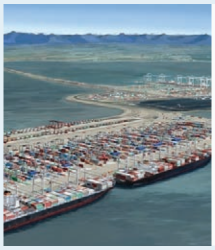
Vancouver Fraser Port Authority

Strategic capital investments

The Vancouver Fraser Port Authority continues to invest in capital projects to support the growth of Canada's trade and help address supply-chain congestion, while minimizing the impact of trade on local communities and the environment. Key projects in 2022 included:



Centerm Expansion Project and South Shore Access Project Construction at the Centerm container terminal was substantially completed in 2022, which included expanding the terminal footprint by 15%, reconfiguring the container yard, building a new operations facility, and local marine habitat improvements. Once fully optimized, the terminal's capacity will increase by 60%. Work continued on the associated South Shore Access Project, which involves improving port road and rail infrastructure around Centerm and other nearby terminals and providing direct access to the Trans-Canada Highway.



Roberts Bank Terminal 2 Project This proposed marine container terminal has been developed under the port authority's public interest mandate to meet Canada's growing trade needs. In 2022, we continued to advance environmental studies, sign additional mutual benefit agreements with Indigenous groups, and engage with industry and the community as we progress through the federal assessment process that began in 2013.

Highway 91/17 Upgrade Project The port authority contributed funding to this provincially led project that will improve traffic safety and efficiency along key provincial highway routes connected to the Roberts Bank Trade Area.

Richmond Logistics Hub This project focuses on preparing underdeveloped port land to increase capacity and improve the flow of goods through the logistics hub in Richmond. In 2022, we continued to prepare multiple sites within the hub for future development of trade-enabling facilities.

Temporary empty container storage facility Partially funded under the National Trade Corridors Fund, we developed a temporary storage site on our existing land for empty shipping containers to help clear supply-chain backlogs that resulted from rail service disruptions caused by the severe flooding in November 2021, which fully cut off the Port of Vancouver from national supply chains for eight days.

Gateway infrastructure projects In 2022, we continued to advance multiple road and rail infrastructure projects throughout the Lower Mainland, partly funded by the Government of Canada through the National Trade Corridors Fund and partly funded by industry. These projects will improve the movement of cargo in the region, help get Canadian goods to market efficiently, create well-paying jobs, and improve safety and traffic flow for communities. Construction on the Commissioner Street Road and Rail Realignment Project in Vancouver, and the rail component of the Burnaby Rail Corridor Improvements Project were completed in 2022.

Message from the chair, board of directors

As Canada's largest port, the Port of Vancouver is an economic powerhouse. The Vancouver Fraser Port Authority is federally mandated to enable trade through the port while protecting the environment and considering communities. In overseeing the port's long-term success and sustainability, the port authority fulfills a vital role for Canada's economy.

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

I am pleased to present the Vancouver Fraser Port Authority Financial Report 2022, which details 2022 trade volumes across the Port of Vancouver's diverse cargo sectors, the port authority's financial position, and the strategic capital investments the port authority has made to support Canada's long-term trade growth.

Against a backdrop of complex trade challenges in 2022, the steady results in this report are a testament to the port authority's effective stewardship of the port, in conjunction with the exceptional work by industry and the port's workforce moving goods through the port.

With Canada's west coast ports projected to run out of container capacity by the mid- to late 2020s, in 2022, the port authority continued to advance the Roberts Bank Terminal 2 Project, a proposed new container terminal in Delta, through the final stages of the federal environmental assessment process. The project is Canada's opportunity to provide timely capacity for our country's growing trade needs; to support the success of Canada's Indo-Pacific Strategy, which expands trade with a region on track to account for 50% of the world's GDP by 2040; and to strengthen reliable access to goods that Canadians use every day.

In the spring of 2023, the port authority welcomed the Government of Canada's approval of the project, which is a significant step forward for the project and towards a stronger trade future for Canada.

As we reflect on 2022, on behalf of the board of directors, I would like to thank the full port community for their remarkable work, in a challenging year, that has supported these resilient financial results. I would also like to thank Robin Silvester, his executive leadership team, and the port authority's dedicated employees for their ongoing work to advance the organization's strategic priorities, to enable Canada's trade objectives, and to benefit Canadians across the country.

Judy Rogers

Judy Rogers
Chair, Board of Directors

Message from the president and CEO

The trade landscape in 2022 remained complex, including layered supply-chain challenges and grain-sector impacts in the first half of the year, due to Canada's 2021 drought-affected harvest. Despite these headwinds, one of the Port of Vancouver's foundational strengths—the most diversified cargo-handling abilities of any port in North America—continued to provide resilience in trade flows.

Lower grain volumes through mid-year were substantially offset in the second half of the year by a strong fourth-quarter grain rebound; the second-highest annual container and potash volumes to date; and record coal volumes, resulting in 141 million metric tonnes handled through the port overall in 2022, a 3% decrease from 2021. Additionally in 2022, after a two-year hiatus due to pandemic restrictions, Vancouver's port community and tourism partners welcomed the restart of cruising in Canada for what proved to be a strong comeback season, including a record 307 cruise ship visits, a 7% increase compared to 2019.

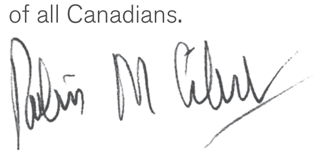
The return of cruise revenues helped drive an 11.1% increase in overall revenues and a 10.5% increase in EBITDA, helping enable the Vancouver Fraser Port Authority's $233 million in capital investments in 2022, centrally infrastructure and trade-enabling land, up from $208 million invested in 2021.

In 2022, we were pleased to have reached substantial completion of construction on the Centerm Expansion Project, also in the container sector, as well the Commissioner Street Road and Rail Alignment Project, part of a suite of nearly $1 billion in road and rail projects that we are leading, in partnership with government and industry, to strengthen the region's trade corridors.

With the coming forecasted capacity crunch at Canada's west coast container terminals, the port authority continued to advance the proposed Roberts Bank Terminal 2 (RBT2) Project, which is of vital importance to Canada's trade future through this gateway. After a public comment period ended in March 2022, we provided a final submission to the Impact Assessment Agency of Canada to show how topics raised through that period will be addressed. We continued to build positive, long-lasting relationships with Indigenous groups and were proud to have 24 RBT2-related Mutual Benefits Agreements (MBAs) with Indigenous groups in place by the end of 2022, and two additional MBAs signed in early 2023.

In April 2023, we welcomed the Government of Canada's approval of RBT2, following a rigorous environmental assessment process that started in 2013. With this landmark project milestone achieved, we will now work toward obtaining other applicable approvals and permits to advance the project and support a strong future for Canada's west coast container trade.

As we consider the future, the port's enduring role powering the Canadian economy and the port authority's strong financial results, investments, and leadership at Canada's largest port underscore the organization's unique position and capability to drive long-term trade success through this gateway, in close partnership with port industry, for the benefit of all Canadians.



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 shared 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. At the Vancouver Fraser Port Authority, 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

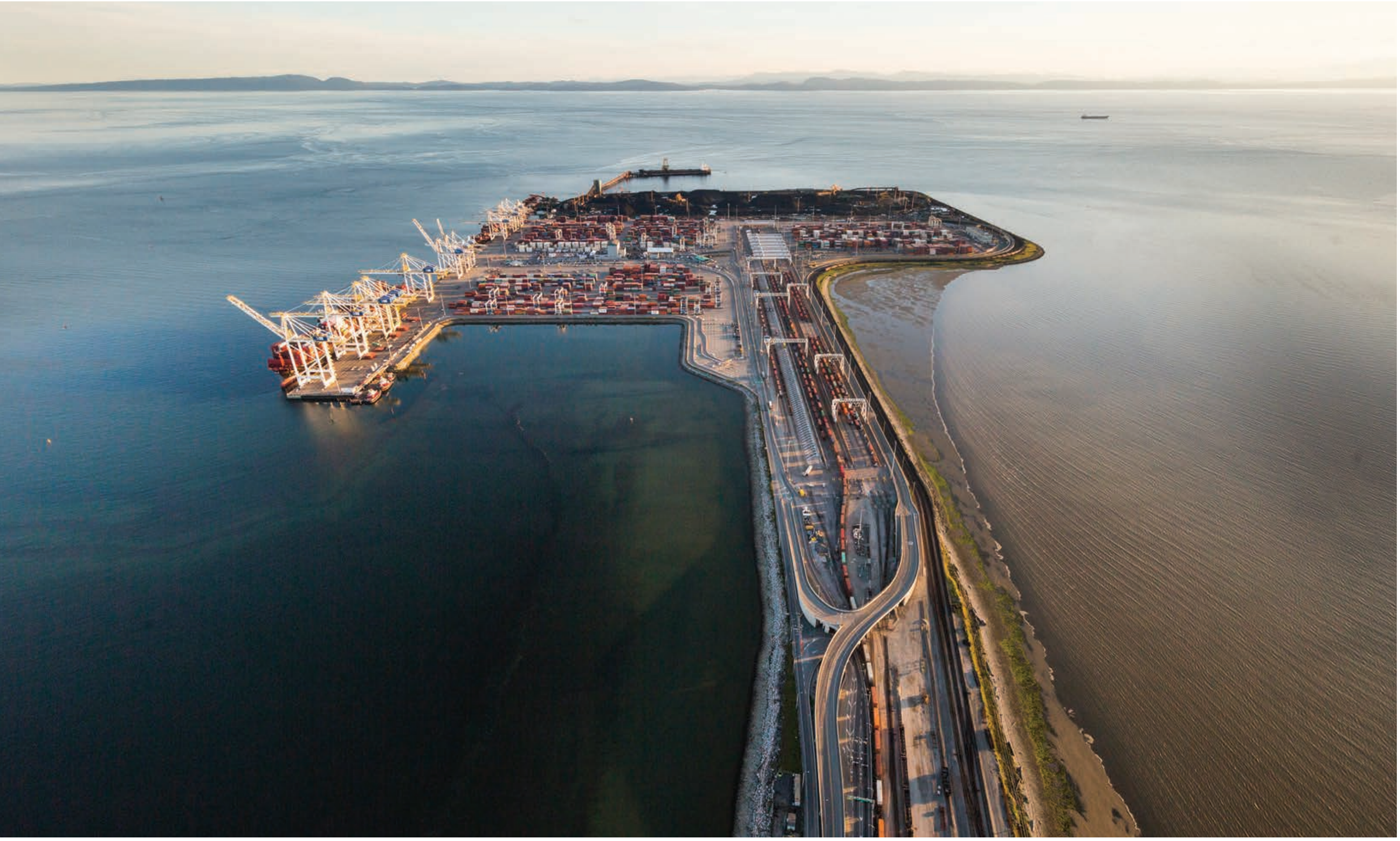
Competitive business
Effective workforce
Strategic investment and asset management

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 AA (stable) credit rating from Standard & Poor's Ratings Services. This consistent strong credit rating and stable outlook helps us attract lenders and optimize our borrowing costs in support of our investment in the gateway. In 2021, our Letters Patent was updated to increase our permitted borrowing limit from $0.51 billion to $1.03 billion. To accommodate growing trade through Canada's largest port, this increase in borrowing limit aligns with the port authority's strategic plan to continue to fund infrastructure capacity expansion within the port and the surrounding gateway.

Existing credit facilities

Committed revolving credit facilities: Subsequent to increasing our borrowing limit, in October 2021 the port authority increased its committed revolving credit facilities from $0.5 billion to $0.8 billion with three banks. All committed revolving credit facilities mature in March 2026. As of December 31, 2022, a total of $0.2 billion was drawn on these three committed revolving credit facilities.

Letter of credit: The port authority holds letters of credit under a sub-facility to support various commitments relating to port-related projects and the delayed funding of our pension plan solvency deficit. As of December 31, 2022, letters of credit in the amount of $0.01 billion were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: Under one of the bank's committed revolving credit facilities, the subsidiary has an outstanding uncommitted demand non-revolving loan that matures in March 2026. As of December 31, 2022, the outstanding balance was $0.7 million.

2022 financial results

Consolidated summary

Management discussion and analysis

Revenue

↑11.1%

Consolidated revenues increased 11.1% to $305.1 million in 2022, compared to $274.7 million in 2021.

EBITDA

↑10.5%

Consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 10.5% to $149.4 million in 2022.

Capital investment

↑12.5%

Capital investments relating to property and equipment totalled $233.4 million for 2022, compared to $207.5 million in 2021.

Financial highlights (000s)	2018	2019	2020	2021	2022
Revenue	$ 274,453	$ 301,318	$ 274,082	$ 274,671	$ 305,099
Operating expenses	$ 143,928	$ 155,510	$ 153,922	$ 179,221	$ 193,690
EBITDA	$ 166,260	$ 183,668	$ 158,511	$ 135,165	$ 149,356
Capital investments	$ 136,238	$ 190,526	$ 315,377	$ 207,511	$ 233,382

Consolidated summary

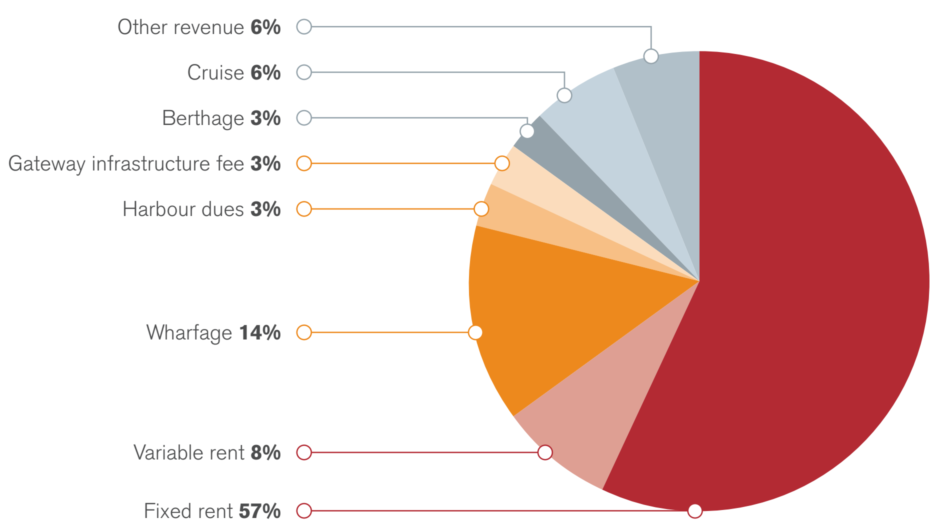
(000s)	2022	2021	Increase (decrease) $	Increase (decrease) %
Net income	$ 106,050	$ 90,438	15,612	17.3%
Add: Depreciation	37,947	39,715	(1,768)	(4.5%)
Add: Other expenses (income)	5,359	5,012	347	6.9%
EBITDA	**149,356**	**135,165**	**14,191**	**10.5%**

Consolidated EBITDA increased by 10.5% to $149 million in 2022, primarily due to the resumption of the cruise season, offset by higher internal and external costs to advance the port authority's strategic initiatives. Net income increased by 17.3% due to the higher EBITDA.

Operating revenue

Below is a further breakout of operating revenue.

(000s)	2022	2021	Increase (decrease) $	Increase (decrease) %
Fixed rent	$ 173,271	$ 156,325	16,946	10.8%
Variable rent	23,495	25,744	(2,249)	(8.7%)
Rental revenue	**196,766**	**182,069**	**14,697**	**8.1%**
Wharfage	43,265	46,606	(3,341)	(7.2%)
Cruise	17,484	–	17,484	–
Harbour dues	10,560	10,372	188	1.8%
Gateway Infrastructure Fee	8,104	9,404	(1,300)	(13.8%)
Berthage	8,713	8,025	688	8.6%
Log revenues	10	11	(1)	(9.1%)
Fee revenues	**88,136**	**74,418**	**13,718**	**18.4%**
Other revenue	**20,197**	**18,184**	**2,013**	**11.1%**
Operating revenue	**305,099**	**274,671**	**30,428**	**11.1%**



Operating revenue comprises rent, fees, and other income. Operating revenue for 2022 was $305.1 million, which is 11.1% higher than 2021.

Overall, fixed rent accounts for more than half of our operating revenues, providing protection against fluctuations in trade volumes. In 2022, rental revenue increased by 8.1% over the prior year, mainly from an increase in fixed rent.

Fee revenue includes wharfage, cruise fees, harbour dues, Gateway Infrastructure Fees, and berthage. This revenue recovers ongoing operating costs and 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 in 2022 increased by $13.7 million from an increase in cruise, partially offset by a decrease in wharfage and Gateway Infrastructure Fees. There was no cruise season in 2021, as the federal government had prohibited cruise ships in Canadian waters due to the COVID-19 pandemic. Wharfage fees decreased by $3.3 million from lower volumes during the year.

Other revenue increased by 11.1% in 2022, primarily due to higher interest revenue on cash balances from higher rates.

Operating expenses

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

(000s)	2022	2021	Increase (decrease) $	Increase (decrease) %
Salaries and employee benefits	$ 64,681	$ 60,887	3,794	6.2%
Depreciation	37,947	39,715	(1,768)	(4.5%)
Other operating and administrative expenses	35,025	29,823	5,202	17.4%
Professional fees and consulting services	18,583	19,824	(1,241)	(6.3%)
Dredging	14,898	10,860	4,038	37.2%
Payments in lieu of taxes	8,557	7,201	1,356	18.8%
Maintenance and repairs	5,875	3,395	2,480	73.0%
Federal stipend	8,124	7,516	608	8.1%
Operating expenses	**193,690**	**179,221**	**14,469**	**8.1%**

The port authority's operating expenses increased by 8.1% over the previous year. This change was primarily due to salaries and employee benefits, other operating and administrative expenses, and higher dredging volumes.

Salaries and employee benefits increased by $3.8 million due to inflationary salary increases, an increase in head count to advance the port authority's strategic initiatives and operational needs, and increases in salaries and bonuses.

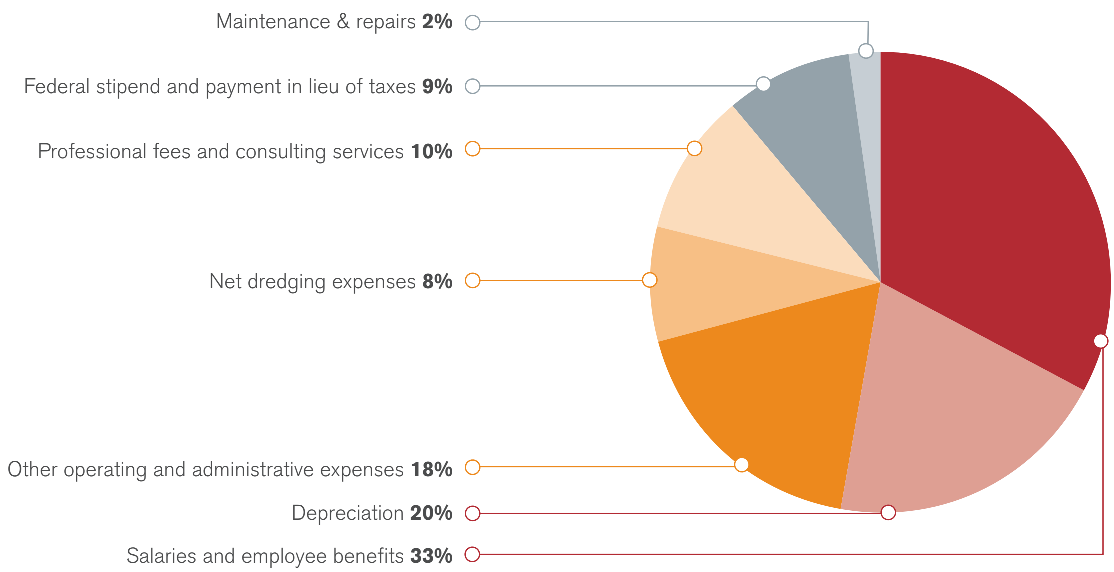
Other operating and administrative expenses increased by $5.2 million, mainly from an increase in cruise-related costs and higher information system costs.

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 sediment 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 2021, net dredging expenses in 2022 increased by $4.0 million, due to higher dredging activity resulting from higher fuel costs, a larger freshet, and related increased sand and gravel in the channel.

Repair and maintenance increased by $2.5 million, primarily due to increased cruise-related maintenance and repairs, and other revenue-generating tenant services.

The port authority is exempt from income taxes, but it is obligated to pay an annual federal stipend to the minister of transport under the *Canada Marine Act* of $8.1 million in 2022. The stipend is calculated by reference to gross revenues at rates varying between 2% and 6%, depending on the gross amount determined.



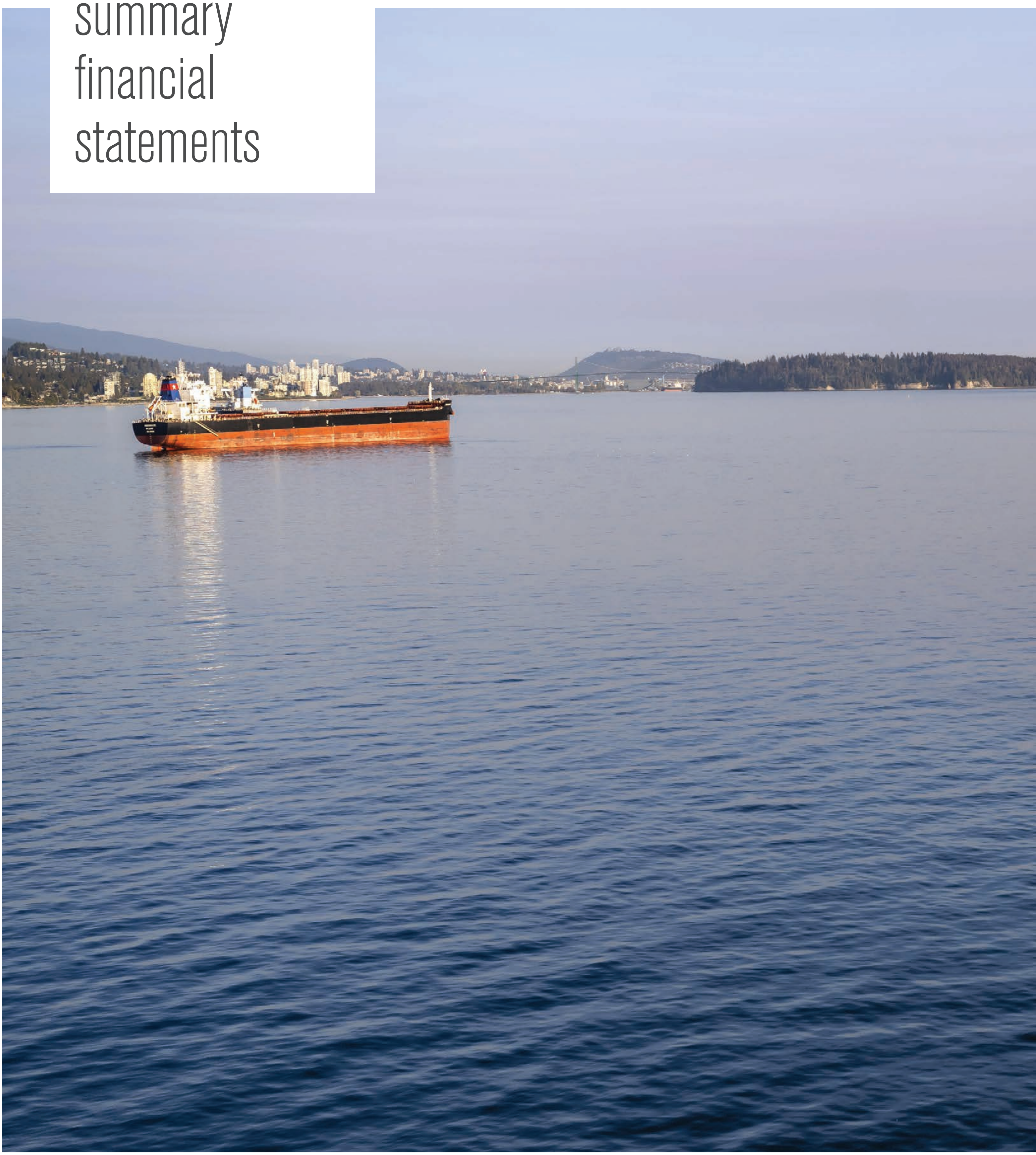
Other expenses (income)

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

(000s)	2022	2021	Increase (decrease) $	Increase (decrease) %
Finance costs	$ 2,508	$ 1,313	1,195	91.0%
Investment income	(1,168)	(1,261)	93	(7.4%)
Loss (gain) on disposal of assets	4,005	498	3,507	n/a
Other expenses (income)	14	4,462	(4,448)	(99.7%)
Other expenses	**5,359**	**5,012**	**347**	**6.9%**

The port authority's other expenses increased by $0.3 million over the previous year, primarily due to the loss on disposal of assets offset by non-recurring costs in 2021.

Audited summary financial statements




ΑΛΦΑ ΓΟΥΪΣΝΤΟΜ
ΠΕΙΡΑΙΑΣ

To the Directors of the 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 and its subsidiaries (together, the VFPA) are consistent, in all material respects, with 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, 2022 comprise:

- the summary consolidated statement of financial position as at December 31, 2022;
- 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 as issued by the International Accounting Standards Board (IFRS). 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 31, 2023. That report also includes an Emphasis of matter paragraph that draws attention to note 2(r) in the audited consolidated financial statements, which describes the restatement of certain comparative information.

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 to the summary consolidated financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with 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
March 31, 2023

Summary consolidated statement of financial position

Vancouver Fraser Port Authority
As at December 31, 2022

(expressed in thousands of Canadian dollars)

	2022	2021 (Restated – note 2(s))
Assets		
Current assets		
Cash and cash equivalents	**$ 80,874**	$ 80,445
Accounts receivable and other assets	**53,325**	55,884
	134,199	136,329
Non-current assets		
Long-term receivables and other assets	**66,717**	72,886
Deferred charges	**3,090**	1,872
Intangible assets	**157,500**	137,145
Property and equipment	**2,324,530**	2,151,678
Total assets	**$ 2,686,036**	$ 2,499,910
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 102,654**	$ 109,553
Provisions	**6,451**	7,999
Deferred revenue	**21,309**	16,609
Borrowings (note 4)	**701**	801
	131,115	134,962
Non-current liabilities		
Other employee benefits	**1,615**	1,648
Net benefit liability	**2,951**	4,981
Provisions	**12,316**	10,650
Deferred revenue	**72,868**	74,779
Borrowings (note 4)	**199,656**	114,942
Other long-term liabilities	**10,919**	11,605
Total liabilities	**431,440**	353,567
Shareholders' equity		
Contributed capital	**150,259**	150,259
Retained earnings	**2,104,337**	1,996,084
Total shareholders' equity	**2,254,596**	2,146,343
Total liabilities and shareholders' equity	**$ 2,686,036**	$ 2,499,910

Commitments and contingent liabilities (notes 5 and 6)

Approved on behalf of the board of directors

Robin Silvester, President and CEO

Bruce Chan, 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, 2022

(expressed in thousands of Canadian dollars)

	2022	2021
Revenue		
Rental revenue	**$ 196,766**	$ 182,069
Fee revenue	**88,136**	74,418
Other revenue	**20,197**	18,184
	305,099	274,671
Expenses		
Wages, salaries, and benefits	**64,681**	60,887
Depreciation and amortization	**37,947**	39,715
Other operating and administrative expenses	**35,025**	29,823
Professional fees and consulting services	**18,583**	19,824
Dredging expenses	**14,898**	10,860
Repairs and maintenance	**5,875**	3,395
Payments in lieu of taxes	**8,557**	7,201
Federal stipend	**8,124**	7,516
	193,690	179,221
Income from operations	**111,409**	95,450
Other expense (income)		
Finance costs	**2,508**	1,313
Loss on disposal of assets	**4,005**	498
Investment income	**(1,168)**	(1,261)
Other loss	**14**	4,462
	5,359	5,012
Net income	**106,050**	90,438
Other comprehensive income		
Item that will not be reclassified to net income		
Actuarial gains in defined benefit pension plans	**2,203**	5,305
Total comprehensive income	**$ 108,253**	$ 95,743

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, 2022

(expressed in thousands of Canadian dollars)	Contributed capital	Retained earnings	Total
Balance – December 31, 2020	$ 150,259	$ 1,900,341	$ 2,050,600
Net income	–	90,438	90,438
Other comprehensive income			
Actuarial gains in defined benefit pension plans	–	5,305	5,305
Balance – December 31, 2021	150,259	1,996,084	2,146,343
Net income	–	106,050	106,050
Other comprehensive income			
Actuarial gains in defined benefit pension plans	–	2,203	2,203
Balance – December 31, 2022	**$ 150,259**	**$ 2,104,337**	**$ 2,254,596**

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, 2022

(expressed in thousands of Canadian dollars)

	2022	2021 (Restated – note 2(s))
Cash provided by (used in)		
Operating activities		
Net income	**$ 106,050**	$ 90,438
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	**37,947**	39,715
Loss on disposal of assets	**4,005**	498
Provisions	**(1,754)**	568
Net employee benefits	**138**	6
Other	**558**	84
	146,944	131,309
Changes in non-cash operating working capital:		
Accounts receivable and other assets	**(2,916)**	(3,514)
Accounts payable and accrued liabilities	**5,065**	(35,741)
Deferred revenue	**5,500**	30,486
Long-term lease receivable and lease liability	**(5,660)**	(3,908)
	148,933	118,632
Investing activities		
Acquisitions and construction of property and equipment	**(224,379)**	(201,226)
Acquisitions of intangible assets	**(34,374)**	(65,139)
Deposits	**–**	(1,840)
Government funding for property and equipment, and intangible assets	**19,324**	58,642
Other third-party funding for intangible assets	**5,363**	3,974
Net change in long-term receivables	**951**	865
Principal repayment on lease financing assets	**–**	23
Proceeds from disposal of property and equipment	**–**	144
Other	**193**	205
	(232,922)	(204,352)
Financing activities		
Repayments of short-term borrowings	**(100)**	(100)
Proceeds from long-term borrowings	**94,714**	104,955
Repayments of long-term borrowings	**(10,000)**	(10,000)
Payments of lease liabilities	**(196)**	(197)
	84,418	94,658
Increase in cash and cash equivalents	**429**	8,938
Cash and cash equivalents, beginning of year	**80,445**	71,507
Cash and cash equivalents, end of year	**$ 80,874**	$ 80,445
Supplemental cash flow information		
Interest paid	**4,649**	890
Investment income received	**1,269**	1,414

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, 2022

(figures in the tables are expressed in thousands of Canadian dollars)

1. Nature of operations

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, British Columbia. 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, Canada, the Port of Vancouver extends from Roberts Bank and the Fraser River up to and including Burrard Inlet, bordering 16 Lower Mainland municipalities, one Treaty First Nation, and borders and intersects the asserted and established territories 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), Marine Safety Holdings Ltd. (MSH), 1359792 B.C. Ltd., and 1381641 B.C. Ltd. 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) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)
- The audited consolidated financial statements and summary consolidated financial statements were approved and authorized for issue by the VFPA board of directors on March 31, 2023

c) Consolidation

These summary consolidated financial statements consolidate the accounts of the VFPA and its wholly owned subsidiaries. Subsidiaries are all entities over which the VFPA has control. The VFPA controls an entity when it has power to govern the financial and operating policies of the entity; it is exposed to, or has rights to variable returns from performance of the entity, and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date that VFPA obtains control and continues to be consolidated until the date that such control ceases to exist.

All intercompany balances and transactions are eliminated on consolidation. The financial statements of subsidiaries are prepared for the same reporting period as the VFPA, using consistent accounting policies.

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

d) Cash and cash equivalents

Cash and cash equivalents include cash on deposit with banks, short-term deposits with maturities of 90 days or less, and demand deposits with restrictions from third party contracts when acquired that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Financial assets are classified as measured at either amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial assets and the VFPA's business model for managing those financial assets.

Recognition and measurement

At amortized cost

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. With the exception of trade receivables that do not contain a significant financing component, these financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collecting contractual cash flows, where those cash flows solely represent payments of principal and interest using the effective interest method less any impairment as described below. The effective interest method calculates the amortized cost of a financial asset and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the VFPA has transferred substantially all the risks and rewards of ownership. Gains or losses are recognized in net income when the financial asset is derecognized or impaired.

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 recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost. At the end of each year, the loss allowance for the financial assets, except for trade receivables without a significant financing component, is measured at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If it is determined that the credit risk on a financial asset has not increased significantly, the VFPA measures the loss allowance for that financial asset at an amount equal to the 12-month ECL.

For trade receivables without a significant financing component, the VFPA applies a simplified approach and uses a provisions matrix, which is based on the VFPA's historical credit loss experience and forward-looking information, to estimate and recognize the lifetime ECL. 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

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss.

Financial assets and financial liabilities are presented on a net basis when the VFPA has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Recognition and measurement

At amortized cost

The VFPA's financial liabilities measured at amortized cost include accounts payable and accrued liabilities, provisions, other long-term liabilities, borrowings and other non-derivative financial liabilities, and are recognized on the date at which the VFPA becomes a party to the contractual arrangement. 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 profit and loss. Financial liabilities are recognized initially at fair value including discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire. Gains or losses are recognized in net income when the financial liability is derecognized.

The VFPA does not have any financial liabilities classified as fair value through profit or loss.

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 all assets 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 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 less accumulated amortization and impairment losses, if any. Costs that are directly attributable to the acquisition of the asset are capitalized and include land survey costs, materials, contractor expenses, internal labour, borrowing costs on qualifying assets, and site restoration or removal costs. Costs continue to be capitalized until the asset is available for use with subsequent costs capitalized only when it is probable that future economic benefits associated with the item will flow to the VFPA.

The VFPA capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on the VFPA's borrowings. Qualifying assets are considered those that take a substantial period of time to construct.

At December 31, 2022, property and equipment net book value of $2.3 billion included $1.7 billion of federal property and $0.6 billion of other property.

When parts of an item of property and equipment have different estimated 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 on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in the summary consolidated statement of comprehensive income. Land, habitat bank assets, and construction-in-progress are not depreciated.

Estimating the appropriate useful lives of assets requires judgment and is generally based on estimates of life characteristics of similar assets. The assets' residual values, method of depreciation, and estimated useful lives are reviewed at minimum annually, and adjusted on a prospective basis if appropriate.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses on disposal or retirement of the property and equipment are determined by comparing the net disposal proceeds with the carrying amount of the assets and are recognized in the summary consolidated statement of comprehensive income.

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

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

i) Leases

Where the VFPA is a lessee, at the inception of a contract, the 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 initially measured at cost, which includes the initial lease liability, any lease payments made at or before commencement date less any lease incentives received, any initial direct costs, and restoration costs. It is depreciated on a straight-line basis over the shorter of the lease term and its estimated useful life. The lease liability is initially measured at the present value of the future unavoidable lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the VFPA uses the incremental borrowing rate of the legal entity entering into the lease contract. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. Transaction costs related to the leases are classified as deferred charges and are 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.

Where the VFPA is a lessor, on initial identification of a lease contract, the VFPA determines whether the contract is a finance lease or an operating lease. A lease is classified as a financing lease if substantially all of the risks and rewards of owning the asset are transferred to the customer; otherwise, it is classified as an operating lease. Lease payments received by the VFPA under operating leases are recognized as lease revenue within rental revenue on a straight-line basis over the lease term.

Where the VFPA is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. If the sublease is classified as a finance lease, the right-of-use asset relating to the head lease is derecognized and a finance lease receivable in the sublease is recognized.

j) Impairment of non-financial assets

At the end of each year, the VFPA reviews the carrying amount of its non-financial assets including property and equipment and intangible assets to determine whether there is any indication of impairment. When an indication of impairment exists, the recoverable amount of the non-financial asset is estimated. For the purposes of assessing impairment, non-financial assets are grouped at the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU).

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in net income.

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

k) Provisions

Provisions include those for environmental restoration, leased site restoration, local channel dredging contributions, and legal claims. A provision is recognized when the VFPA has a present legal or constructive obligation as a result of a past event, 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 and the risks specific to the liability. Changes in the provision are recognized within other operating and administrative expenses in the summary consolidated statement of comprehensive income and the unwinding of the discount is recognized within finance costs in the summary consolidated statement of comprehensive income.

l) Payments in lieu of taxes

Payments in lieu of taxes (PILT) 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 are paid on all unoccupied land and all submerged lands in the Burrard Inlet, Fraser River, and Roberts Bank, except for Indian Arm and the navigation channels.

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 pension 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 pension 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 year 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 at the end of each year on 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 obligation. The measurement date for the defined benefit pension plans is December 31.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income or loss.

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

n) Revenue recognition

The VFPA recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the VFPA is entitled to consideration resulting from completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation.

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's cargo volumes, or other revenue as stipulated in the respective agreements. Cash received in advance is deferred and recognized as revenue when the revenue recognition criteria are met.

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

ii) Fee revenue

The VFPA provides port services to customers, primarily for access to the harbour and shipping terminals. Revenue for port services is recognized at a 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. This revenue is recognized in the period the services are provided or the 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 provides betterment to that property, are capitalized. Effective January 1, 2022, the VFPA adopted amendment to International Accounting Standards (IAS) 16 – *Property, Plant and Equipment*. This standard requires the net proceeds from selling any items produced while bringing an item of property, plant, and equipment to the condition necessary for it to be capable of operating in the manner intended by management together with the cost of producing these items, to be recognized in profit and loss. The adoption of the amendments did not have a significant impact on the summary consolidated financial statements.

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 revenue.

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

The VFPA recognizes government grants and contributions, including non-monetary grants at fair value, when there is reasonable assurance that any conditions attached to them will be met and the grants will be received. Government grants and contributions related to capital assets are deducted from the carrying amount of the related asset and recognized in net income over the estimated useful life of the related asset as a reduced depreciation expense in the summary consolidated statement of comprehensive income.

r) Non-monetary transactions

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 amount of the asset given up adjusted by the fair value of any monetary consideration received or given.

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

s) Restatement of comparative figures

During the year, the VFPA retroactively restated its financial statements for the adoption of the IFRS Interpretation Committee agenda decision on IAS 7 – *Statement of cash flows* and for presentation of borrowings as a result of a review of the existing revolving credit facility agreements (together, the credit agreements). On the adoption of IFRIC decisions for IAS 7 – *Statement of cash flows*, restricted cash that met the definition of demand deposits with restrictions arising from a third-party contract was reclassified to cash and cash equivalents from accounts receivable and other assets and long-term receivables and other assets (December 31, 2022 – $10.9 million). With respect to the VFPA's borrowings, the VFPA determined that under certain terms of the credit agreements the lending financial institutions are obligated to renew any outstanding borrowing amounts up to the March 2026 maturity date of the facilities at VFPA's full discretion so long as the VFPA borrowings remain in compliance with terms of the credit agreements. As a result, the borrowings have been retroactively restated from current liabilities to long-term liabilities and the summary consolidated statement of cash flows has been restated to present proceeds on borrowing and repayments on a gross basis. The impact to the VFPA's opening summary consolidated statement of financial position (January 1, 2021) was a reclassification of $20 million from current liabilities to long-term liabilities and $5.4 million from accounts receivable and other assets to cash and cash equivalents.

The financial impact from adoption of IFRIC decisions on IAS 7 – *Statement of cash flows* and clarification of the credit agreements at December 31, 2021 is as follows:

Consolidated statements of financial position

	As previously reported	Adjustment	As restated
Assets:			
Current assets			
Cash and cash equivalents	$ 70,683	$ 9,762	$ 80,445
Accounts receivable and other assets	63,502	(7,618)	55,884
Long term assets			
Long-term receivables and other assets	75,030	(2,144)	72,886
Liabilities			
Current liabilities			
Borrowings	115,743	(114,942)	801
Non-current liabilities			
Borrowings	–	114,942	114,942

Consolidated statements of cash flows

	As previously reported	Adjustment	As restated
Operating activities			
Accounts receivable and other assets	$ (5,741)	$ 2,227	$ (3,514)
Investing activities			
Net change on long-term receivables	645	220	865
Financing activities			
Proceeds from issuance of short-term borrowings	94,955	(94,955)	–
Proceeds from long-term borrowings	–	104,955	104,955
Repayment of long-term borrowings	–	(10,000)	(10,000)
Cash and cash equivalents – Beginning of year	$ 64,192	$ 7,315	$ 71,507
Cash and cash equivalents – End of year	$ 70,683	$ 9,762	$ 80,445

3. Critical accounting judgments and estimates

The preparation of the VFPA's summary consolidated financial statements requires management to make judgments in the application of accounting policies, and estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities at the date of the summary consolidated financial statements. Actual results may differ from those judgments, estimates, and assumptions.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected. 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 as follows:

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 whether a capital project is more likely than not to proceed, such as Roberts Bank Terminal 2. This can include assessments with respect to required approvals and permits. The Roberts Bank Terminal 2 project is currently awaiting a decision on a federal environmental assessment approval, which is expected to be made during the next financial year. Additional approvals and permits will also be required to advance the project. Management has made the assessment that it is more likely than not to receive these approvals and permits.

If the required approvals and permits are not obtained, a decrease in the carrying value of the VFPA's property and equipment could range up to 13%.

The VFPA assesses whether there are any indications that items of property and equipment and intangible assets may be impaired. If indications of impairment exist, the 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 clean-up 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.

The 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 the end of each year, each property is assessed for possible environmental provisions in accordance with 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

	2022	2021 (Restated – note 2(s))
Revolving credit facilities	**$ 199,656**	$ 114,942
Demand loan	**701**	801
	200,357	115,743
Less: Current portion	**(701)**	(801)
	$ 199,656	$ 114,942

a) Revolving credit facilities

The VFPA has available three revolving credit facilities totalling $800 million (2021 – $800 million) with the 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 credit facilities are unsecured and bear interest at the banks' prime rate less a spread or bankers' acceptance rates and have a five-year term expiring in March 2026. The VFPA pays average fees of 0.39% per annum on bankers' acceptances and letters of credit issued and average standby fees of 0.10% per annum on the unused, authorized portion of the facility. Outstanding amounts may be repaid at any time without penalty and can be renewed at the VFPA's discretion up to the facility maturity as long as the VFPA is in compliant with terms of the credit agreements. As at December 31, 2022, the VFPA had a total of $200 million (2021 – $115 million) drawn against the revolving credit facilities by way of short-term bankers' acceptances.

As at December 31, 2022, the VFPA has a total of $11.3 million (2021 – $10.4 million) in letters of credit outstanding.

b) Demand loan

PoVT has an unsecured demand loan outstanding for $0.7 million with the 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 fully repaid by March 2026.

5. Commitments

As at December 31, 2022, the VFPA has operating commitments of $23.8 million (2021 – $17.5 million) and capital commitments of $169.3 million (2021 – $239.8 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 VFPA also has monetary disputes with arm's length parties in the ordinary course of its operations. The estimated future payments that can be reasonably estimated are approximately $35.7 million and will be accrued as liabilities in the summary consolidated financial statements if certain events occur in the future.

7. Gateway Infrastructure Program

The Gateway Infrastructure Program (GIP) is a $717 million investment in supply-chain improvements for 17 projects beyond traditional port activities and lands, where the majority of the projects were substantially completed in 2018. Funding for the projects was provided by the federal and provincial governments, other partners and the VFPA and industry for the areas noted below. The VFPA and industry contributed $167 million towards the project funding, of which a Gateway Infrastructure Fee was implemented on January 1, 2011 in order to recover 90% of the funding. The fees collected and expenditures made towards these projects has been summarized below.

a) VFPA and industry funding details

	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

b) Gateway Infrastructure Fee collected and total project expenditures

	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)	$ 3,850	$ 2,487	$ 1,767	$ 8,104	$ 32,068	$ 36,627	$ 25,870	$ 94,565
Gateway infrastructure program (expenditures)	–	–	–	–	36,654	55,601	40,822	133,077
Less: industry funded portion (90%)	–	–	–	–	(32,989)	(50,041)	(36,740)	(119,770)
VFPA portion (10%)	$ –	$ –	$ –	$ –	$ 3,665	$ 5,560	$ 4,082	$ 13,307

Appendix: Port authority compensation disclosure 2022

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 Alberta, Saskatchewan, and Manitoba collectively appoint one member
- Sixteen 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 11 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 for 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 president and 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 members' biographies

The following biographies are for board members as of May 17, 2022:

Judy Rogers

Judy has been a board member and served as chair of 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.

Chair of the board: Attended six of six meetings in 2022, plus all the committee meetings

Tenure: Since December 14, 2017

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

James Belsheim

James 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: Attended six of six board meetings in 2022, plus committee meetings, as required

Member of the governance and external relations committee

Member of the human resources, compensation and safety committee

Tenure: Since December 11, 2020

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

Bruce Chan

Bruce 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, he was with Ernst & Young, LLC in Vancouver.

Member of the board: Attended six of six meetings in 2022, plus committee meetings, as required

Chair of the audit and risk management committee

Member of the governance and external relations committee

Tenure: Since May 14, 2019

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

Mike Corrigan

Mike is the chief executive officer of Interferry Inc., a global trade association representing the worldwide ferry industry. He was the chief executive officer and chief operating officer of BC Ferries and held various senior management roles at Westcoast Energy.

Member of the board: Attended six of six meetings in 2022, plus committee meetings, as required

Chair of the major capital projects committee

Member of the audit and risk management committee

Tenure: Since June 29, 2018

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

Ken Georgetti

Ken 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 2022, plus committee meetings, as required

Member of the major capital projects committee

Member of the human resources, compensation and safety committee

Tenure: Since May 18, 2019

Appointed by the province of British Columbia

Chief Clarence Louie

Clarence 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 13 businesses and six joint ventures and employs 500 people.

Member of the board: Attended six of six meetings in 2022, plus committee meetings, as required

Member of the major capital projects committee

Member of the governance and external relations committee

Tenure: Since March 25, 2019

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

Catherine McLay

Catherine 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 2022, plus committee meetings, as required

Chair of the human resources, compensation and safety committee

Member of the audit and risk management committee

Tenure: Since June 17, 2017

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

Joanne McLeod

Joanne 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.

Vice chair of the board: Attended six of six meetings in 2022, plus committee meetings, as required

Member of the audit and risk management committee

Member of the governance and external relations committee

Tenure: Since December 20, 2017

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

Craig Munroe

Craig is a partner at Pulver Crawford Munroe LLP and has been practising 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 2022, plus committee meetings, as required

Member of the major capital projects committee

Member of the human resources, compensation and safety committee

Tenure: Since November 9, 2017

Appointed by the federal government

Darrell Mussatto

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

Member of the board: Attended six of six meetings in 2022, plus committee meetings, as required

Chair of the governance and external relations committee

Member of the human resources, compensation and safety committee

Tenure: Since June 1, 2020

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

Brant Randles

Brant 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 five of six meetings in 2022, plus committee meetings, as required

Member of the major capital projects committee

Member of the audit and risk management committee

Tenure: 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 board 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 at committee meetings 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 external 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 board evaluation process; develops and recommends the board of director profile, recruitment profile, and succession plan; and administers the board code of conduct. The committee also provides oversight and guidance with respect to the port authority's relationships with key Indigenous groups and stakeholders, including government, special interest groups, tenants, and other customers, in areas with the greatest impact.

Committee members

As of December 31, 2022, the board composition was 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				
James Belsheim	M		M		M
Bruce Chan	M	C			M
Mike Corrigan	M	M		C	
Ken Georgetti	M		M	M	
Chief Clarence Louie	M			M	M
Catherine McLay	M	M	C		
Joanne McLeod	VC	M			M
Craig Munroe	M		M	M	
Darrell Mussatto	M		M		C
Brant Randles	M	M		M	

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

Director compensation

In '000s of Canadian dollars

Name	Annual retainer[1]	Other fees	Total
Judy Rogers	180	–	180
James Belsheim	45	50	95
Bruce Chan	53	46	99
Mike Corrigan	53	60	113
Ken Georgetti	45	48	93
Chief Clarence Louie	45	54	99
Catherine McLay	53	49	102
Joanne McLeod	70	50	120
Craig Munroe	45	55	100
Darrell Mussatto	53	52	105
Brant Randles	45	60	105
Total	**687**	**524**	**1,211**

[1]Excludes 2021 retainer adjustments

Compensation review

Consistent with the executive compensation review completed in early 2021, the governance and external relations committee completed a director compensation review in early 2022. Prior to this review, the most recent comprehensive director compensation review occurred in 2015. The board considers director compensation on an annual basis and, from time to time, retains an external consultant to conduct a compensation review. The next review is expected to occur in 2024.

The 2022 director compensation review followed a similar approach to the 2021 executive compensation review. Director compensation was benchmarked relative to a public sector peer group and a private sector peer group; this set of comparables was similar to the set used for the purposes of the executive compensation review (see comparator companies on page 39), with a focus on the port authority's closest peers. Ultimately, the board decided that a weighting of 80% public sector/20% private sector reflected the talent pool for the directors. Compared to the weighting applied to executive pay, this weighting reflects the talent pool as more provincial or national, rather than national and international for executives, and less aligned to publicly traded organizations compared to executives.

Due to a delay in the completion of the review as a result of other strategic and COVID-related priorities, the adjustments were approved and paid in 2022 and were retroactive to January 1, 2021.

Letter from the chair of the board

Dear stakeholders,

2022 key highlights

In 2022, strong global demand for Canadian resources supported trade through the Port of Vancouver, Canada's largest port, despite trade impacts from ongoing and complex supply-chain challenges and the poor 2021 Canadian grain harvest. Within these challenging dynamics, the Vancouver Fraser Port Authority continued to deliver on its strategic agenda thanks to the dedication of its employees, most of whom returned to partial in-office work in 2022 after working remotely for two years due to the COVID-19 pandemic, and thanks to the resourcefulness and hard work of the entire port community, who kept cargo flowing for Canada and Canadians through another difficult year.

One of the port's foundational strengths—the most diversified cargo-handling abilities of any port in North America—continued to provide resilience in trade flows despite the year's headwinds. A strong fourth-quarter grain rebound, the second-highest annual container and potash volumes to date, and record coal volumes helped offset grain-sector declines through mid-year, resulting in 141 million metric tonnes handled through the port overall, a 3% decrease from 2021. After a two-year hiatus due to pandemic restrictions, in April 2022, Vancouver's port community and tourism partners welcomed the restart of cruising in Canada for what proved to be a strong comeback season at the Port of Vancouver, including a record 307 cruise ship visits, a 6% increase compared to 2019. The port authority and Vancouver cruise stakeholders played a leading role in the national discussions on ensuring a safe resumption of cruise business in Canada.

The return of cruise revenues helped drive an 11.1% increase in overall revenues and a 10.5% increase in EBITDA, helping enable the port authority's $233 million in capital investments in 2022, centrally infrastructure and trade-enabling land, up from $208 million invested in 2021. Despite the challenging trade landscape in both 2021 and 2022, the port authority's capital investment in both years was an increase over the port authority's 10-year historical average of annual investment, as it leads projects to enhance the port's trade capacity and supply-chain resilience, for the benefit of Canadians across the country.

Through 2022, significant progress was made on the nearly $1 billion of infrastructure projects under development that the port authority is advancing in partnership with government and industry to meet demand for growing trade, enhance supply-chain resilience, and deliver on our federal mandate to enable Canada's trade objectives through the port. Major 2022 milestones included completion of construction on the Centerm Expansion Project, which is designed to optimize land use and deliver 60% more trade capacity through a 15% expansion in terminal footprint plus terminal reconfiguration, as well as completion of the Commissioner Street Road and Rail Alignment Project, which is the second National Trade Corridors Fund-supported project in the Vancouver gateway to achieve completion, following completion of the Mountain Highway Underpass Project in 2021.

With Canada's west coast ports projected to run out of container capacity by the mid- to late-2020s, in 2022, the port authority continued to advance the Roberts Bank Terminal 2 Project, a proposed new container terminal in Delta, through the final stages of the federal environmental assessment process. The project is Canada's opportunity to provide timely capacity for our country's growing trade needs, support the success of Canada's Indo-Pacific Strategy to expand trade with a region on track to account for 50% of the world's GDP by 2040, and strengthen reliable access to goods Canadians use every day.

In March 2022, the Impact Assessment Agency of Canada (IAAC) concluded a public comment period on our information request response and on the draft conditions for the project. The port authority provided a final submission to IAAC to show how topics raised during the public comment period—such as project need, benefits, and enhanced mitigation measures to protect key species—will be addressed. Through the year, the port authority continued to build positive, long-lasting relationships with Indigenous groups to ensure the project is guided by Indigenous knowledge, relationships, and environmental and cultural stewardship.

In April 2023, the port authority welcomed the Government of Canada's approval of the project, following a rigorous environmental assessment process that started in 2013. With this landmark project milestone achieved, the port authority will now work toward obtaining other applicable approvals and permits to advance the project and support a strong trade future for Canada and Canadians.

Alongside its work to unlock trade capacity and enhance supply-chain resilience, in 2022 the port authority continued to advance a suite of environmental programs at the port to protect and enhance the environment around the port. The port authority is also working towards a goal of a reduction in carbon emissions from its own activities of 40% by 2030 and to zero port-related carbon emissions by 2050, aligned with Canada's targets. The port authority worked towards achieving its internal target for 2030 in 2022 with the commissioning of new energy-efficient boilers in Canada Place. Aligned with the longer-term goals, the port authority was pleased to partner with the Province of British Columbia and several port stakeholders to fund the testing of low-emission fuels and technologies across the port through the Low-Emission Technology Initiative.

From a biodiversity perspective, the collaborative, world-leading Enhancing Cetacean Habitat and Observation (ECHO) Program led by the port authority coordinated underwater noise reduction measures across the largest geographical areas to date: 80 nautical miles of the Salish Sea, covering nearly 50% of all southern resident killer whale critical habitat that overlaps with shipping lanes. In addition, in 2022, a record-breaking 86% of all large commercial ships participated in program measures to support quieter seas and healthier whales.

The following compensation discussion and analysis outlines the board and port authority's pay-for-performance philosophy and compensation programs.

Sincerely,

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, 2022):

- Robin Silvester, president and chief executive officer (CEO)
- Victor Pang, chief financial officer (CFO)
- Peter Xotta, vice president, operations and supply chain
- Cliff Stewart, vice president, infrastructure
- Duncan Wilson, vice president, environment and external affairs

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 2022 the human resources, compensation and safety committee met eight 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 has engaged Hugessen Consulting as an independent compensation advisor to the board and to support the board in a review of its approach to board and executive compensation. Hugessen Consulting provides no other services to the port authority.

In 2021, the committee, with support from its advisor Hugessen Consulting, reviewed, in normal course, the executive compensation philosophy, pay levels, and incentive programs. In 2022, the committee required only limited support from Hugessen Consulting, as the executive and director compensation reviews are conducted on a three-year cycle, with the next review planned for 2024.

Compensation review

In March 2021, the board reaffirmed compensation for the port authority's 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 $275 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 federal 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 (railroads, 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
- Since its amalgamation in 2008 the port authority's execution of its federal mandate—as set out by the *Canada Marine Act*—and capital investments have contributed to international trade growth of approximately 40%, 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:

Indigenous and stakeholder engagement: The port authority engages with many Indigenous groups and a wide range of stakeholders, including 16 municipalities that border the Port of Vancouver, 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 dynamic, 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 fulfill its mandate to enable Canada's trade through the Port of Vancouver. This includes proactively 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, as well as Canadian and global businesses.

Infrastructure development: The port authority is undertaking and leading significant infrastructure development projects, both on and off port lands, to support trade growth. These projects require complex collaboration and negotiation with a broad range of government, industry stakeholders, and Indigenous groups. In recent years, more than half of the $1 billion in planned project investments has been invested in trade-enabling infrastructure, excluding the Roberts Bank Terminal 2 Project estimated at $3 billion.

Development of digital infrastructure and gateway data utility: The port authority is leading the development of data and digitization initiatives to improve data exchange between supply-chain partners, with the goal of providing enhanced operational visibility and supply-chain reliability, as well as the optimization of trade network capacity. These initiatives will also give gateway stakeholders an aggregate view of operations, enabling fact-based decision-making for medium-term operations planning and long-term infrastructure development in the gateway. The supply-chain visibility platform (SCVP) is the first step in this development, with the creation of a data management system that will aggregate data for all goods movement and provide a single platform for new applications focused on optimizing supply-chain operations at the Port of Vancouver. The Active Vessel Traffic Management (AVTM) Program is the first optimization tool in this system. It provides better use of anchor management and visibility, and planning for vessel movements in the gateway.

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. This work ensures the smooth flow of cargo in and out of the port and the prevention of incidents. It also enables the direct, indirect, and induced employment—supported by ongoing operations at and related to 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 more than 35 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 current 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, and infrastructure development, as well as stakeholder, government, and Indigenous engagement and consultation. The port authority seeks executive talent both nationally and internationally to ensure candidates have the required skills and experience. 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 (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)
BC Hydro (provincial Crown)	WPT Industrial REIT (real estate)
Hydro-Québec (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 president and CEO and executives are compared to their equivalent one level lower in the corresponding organization (e.g., port authority's president and 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 the following chart) 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 president and CEO, set the president and CEO's short-term objectives, and assess president and 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 president and CEO's annual performance plan and by the president and CEO for the executive performance plans; the objectives may include, but are not limited to, port performance, overall cargo capacity, sector development, environment, and Indigenous relations
- **10% individual:** Categories may 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

Since 2019, the president and CEO and all executives have been 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:

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 annual medium-term incentive awards.

The 2019–2021 grant awarded in 2022 (referred to as "2022 Grant") focused 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 and port authority to meet Canada's trade objectives. Container capacity on Canada's west coast is projected to be exhausted by the mid- to late 2020s, and rail network capacity being delivered through gateway projects is essential to grow trade across all sectors over the coming decade.

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 transitioned from the defined benefit pension plan into the defined contribution pension plan arrangements that are available to other members of the executive team. When he retires from the port authority, he will be paid a prorated 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.

2022 realized management compensation tables

In '000s of dollars

Name and position	Fiscal year-end	Salary A	Annual incentive B	Medium-term incentive (paid) C	Pension benefits[1] D	Other benefits E	Total compensation A+B+C+D+E
R. Silvester, president and CEO	2022	725	437	399	104	12	1,677
V. Pang, chief financial officer	2022	419	202	165	53	12	851
P. Xotta, vice president, operations and supply chain	2022	401	212	170	–	12	795
C. Stewart, vice president, infrastructure	2022	419	207	165	53	12	856
D. Wilson, vice president, environment and external affairs	2022	387	168	132	46	12	745
		2,351	**1,226**	**1,031**	**256**	**60**	**4,924**

[1] 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 transitioned in December 2022 out of the defined benefit pension plan arrangement.

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. 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
Collaboration
Continuous improvement
Customer responsiveness

Vancouver Fraser Port Authority
100 The Pointe, 999 Canada Place
Vancouver, B.C. V6C 3T4 Canada
t: 1.604.665.9000
f: 1.866.284.4271
e: info@portvancouver.com

portvancouver.com

Canadä

Design: Letterbox