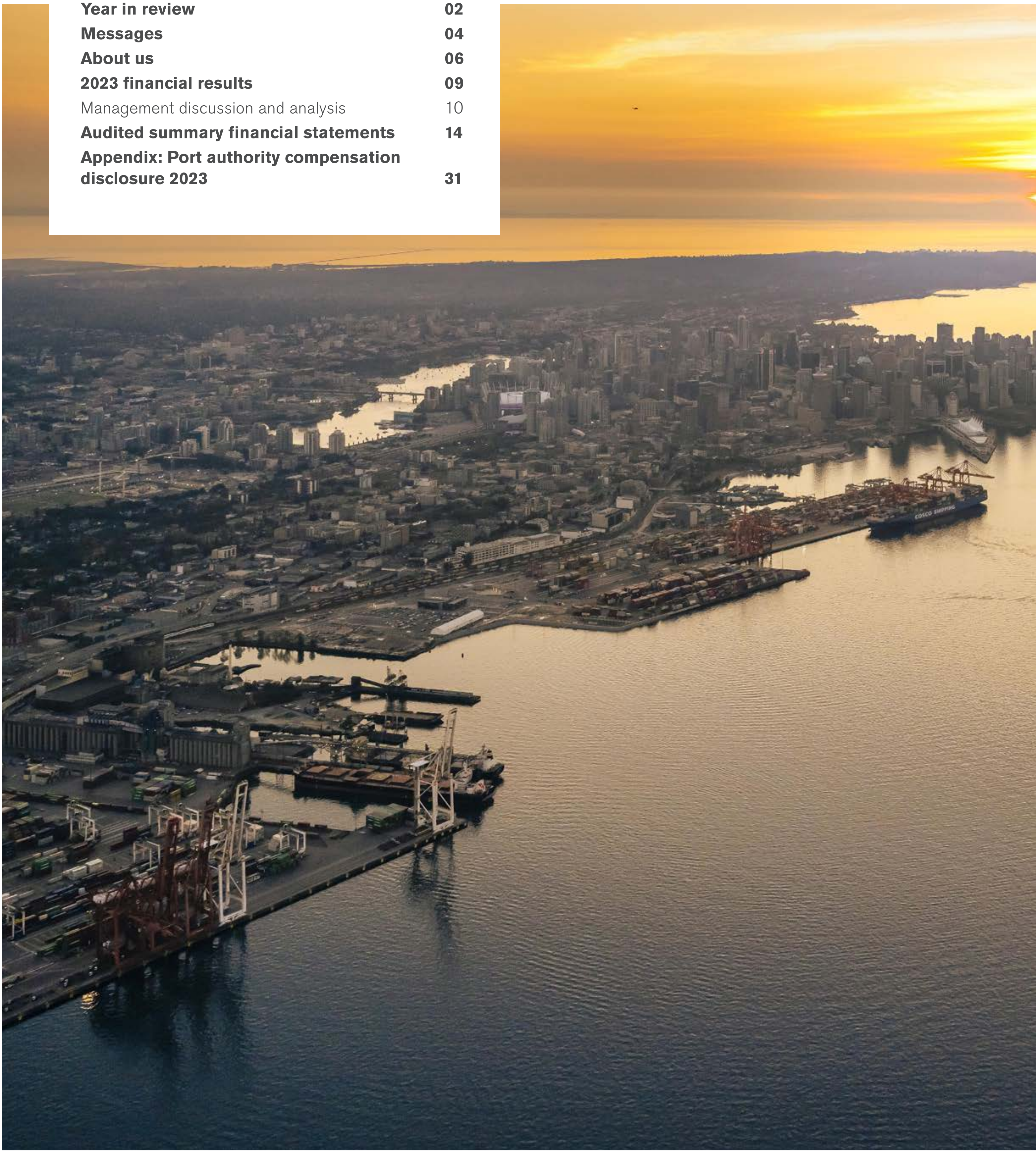
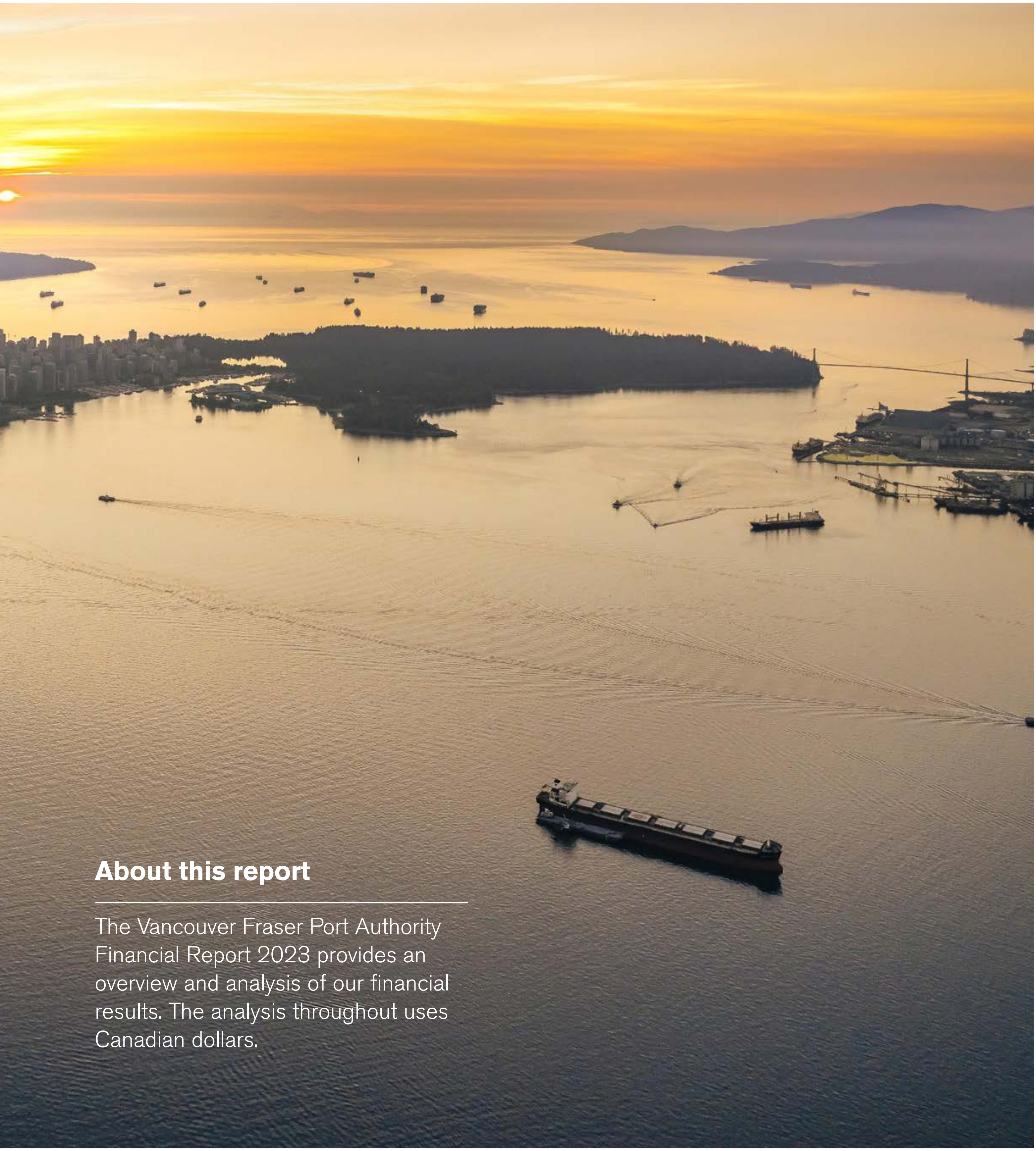
PORT of vancouver | Vancouver Fraser Port Authority

Financial report 2023

In this report





About this report

The Vancouver Fraser Port Authority Financial Report 2023 provides an overview and analysis of our financial results. The analysis throughout uses Canadian dollars.

Port of Vancouver cargo volumes

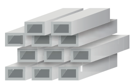
Overall cargo volumes in 2023 were up 6% to 150 million metric tonnes, compared with 141 million metric tonnes in 2022.

Autos

↑36%

Auto sector volume was 454,151 units, a 36% increase compared to 2022, driven by strong consumer demand and improved global production.

Breakbulk



↓7%

Breakbulk volume was 18 million metric tonnes, 7% lower than 2022, driven by decreased forest products and domestic miscellaneous goods volumes.

Bulk

↑11%

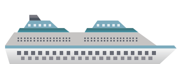
Bulk volume was 110 million metric tonnes, an 11% increase compared to 2022, largely driven by a 39% increase in grain volumes. Coal, petroleum products, and minerals volumes rose by 7%, 12%, and 7% respectively.

Container

↓12%

Container volume was three million 20-foot equivalent units (TEUs), a 12% decrease from 2022. Higher laden exports were offset by lower laden imports and empty exports.

Cruise



↑53%

Cruise passenger numbers totalled 1,243,060, a 53% increase from 2022, setting a new annual record, driven by a strong rebound in cruise demand.

Operating highlights (000s)	2019	2020	2021	2022	2023
Auto (units)	420	345	356	334	454
Breakbulk (metric tonnes)	17,165	16,731	19,793	19,828	18,497
Bulk (metric tonnes)	99,697	101,770	101,719	99,029	109,574
Containerized (metric tonnes)	26,923	26,604	24,605	22,226	21,856
Total tonnage (metric tonnes)	**144,204**	**145,451**	**146,474**	**141,416**	**150,381**
Containers (TEUs)	3,399	3,468	3,679	3,557	3,127
Cruise passengers	1,071	–	–	810	1,243

Vancouver Fraser Port Authority

Strategic capital investments

The Vancouver Fraser Port Authority invests in capital projects under our public interest mandate to support the growth of Canada's trade and help improve supply-chain efficiency while minimizing the impact of trade on local communities and the environment. Key projects in 2023 included:

Annacis Auto Terminal Optimization Project The port authority is leading the Annacis Auto Terminal Optimization Project—in partnership with Wallenius Wilhelmsen—which will improve the efficiency of the terminal's existing operations and increase its capacity to handle a greater volume of automobile imports in the future. The on-terminal rail improvements were completed at the end of March 2023, and the project is now progressing construction of a new vehicle processing centre.

Centerm Expansion Project and South Shore Access Project
The Centerm Expansion Project was completed in early 2023 and, with the completion of construction on Waterfront Road, the South Shore Access Project was completed in May 2023. The port authority delivered the project to increase capacity at the Centerm terminal, and to remove road and rail conflicts in the area to connect terminals directly to the Trans-Canada Highway.

Fraser Surrey Port Lands Transportation Improvements Project
The port authority is leading road and rail improvements within the Fraser Surrey Port Lands to alleviate traffic congestion and rail crossing delays, and to improve the ability of port tenants to move trade. Project construction began in October 2023.

Roberts Bank Terminal 2 Project The port authority is leading Roberts Bank Terminal 2 to support Canada's long-term container trade needs at the Port of Vancouver. Following a rigorous assessment process, the project reached two important milestones in 2023. In April, the Government of Canada approved the project, and in September, the Government of British Columbia issued an environmental assessment certificate.

Messages

Message from the chair, board of directors

Thanks to the hard work and dedication of its terminal operators, supply-chain partners, and workforce, the Port of Vancouver continues to power Canada's trade.

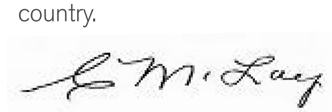
The Vancouver Fraser Port Authority's role is to enable trade through the port while protecting the environment and considering communities. The port authority's board of directors, in turn, provides oversight and strategic guidance to the port authority to help it deliver on its mandate. Each of us 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 2023, which details 2023 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.

Despite another complex and challenging year for Canada's largest port, the strong results in this report are a testament to the port and supply-chain community's exceptional work on the front lines of Canada's trade in 2023, supported by the port authority's effective stewardship of the port.

In late 2023, the board was pleased to appoint Peter Xotta as the port authority's new president and CEO, following a comprehensive executive search. Peter brings nearly 30 years of experience at the port authority and its predecessor organizations, including more than a decade of experience on the port authority's executive leadership team.

As we reflect on 2023, on behalf of the board of directors, I would like to thank the port and supply-chain community for their exceptional work through another challenging year, which has supported these strong financial results. I would also like to thank the port authority's executive leadership team and dedicated employees for their ongoing work to enable Canada's trade objectives through Vancouver's gateway to drive shared economic benefits across the country.



Catherine McLay
Chair, Board of Directors

Message from the president and CEO

In 2023, Port of Vancouver terminals and supply-chain partners met strong global demand for Canadian commodities to deliver record trade volumes through the port, despite impacts from a cooling global economy and a challenging global trade landscape, including disruptions to the Panama Canal and Red Sea trade routes, as well as a 13-day strike that affected the port's container, bulk, breakbulk, and auto terminals.

Breaking the previous cargo volume record set in 2018, terminal operators and supply-chain partners moved 150.4 million metric tonnes (MMT) of cargo in 2023, up 6% from 2022 and 2% from 2018, supported by a 12% increase in export volumes, strong auto imports, and a banner year for cruise, with a record 1.24 million passengers welcomed to Canada Place cruise terminal. While container imports softened in 2023 in line with trends across the West Coast, volumes strengthened in early 2024.

Port authority revenues increased by 17.7% in 2023, supported by strong rental and cruise results, helping enable $142 million in net capital investments through the year, centrally in infrastructure, to enhance the port's trade capacity and supply-chain resilience.

In 2023, the port authority achieved significant infrastructure milestones with the completion of the Centerm Expansion Project, in partnership with terminal operator DP World, and in securing federal and provincial approvals for the Roberts Bank Terminal 2 Project. Additionally, the port authority completed the South Shore Access Project; progressed construction on the Annacis Auto Terminal Optimization Project, in partnership with terminal operator Wallenius Wilhelmsen; and started construction on the Fraser Surrey Port Lands Transportation Improvements Project. All these projects support Canada's trade capacity, efficiency, and resilience.

Alongside the port authority's work, I'd like to thank port tenants for continuing to invest in and progress capacity and operational improvements in 2023 to drive the long-term success of their businesses and the port, including: Westshore Terminals Limited Partnership's potash export project in partnership with BHP, Trans Mountain Corp.'s upgrade and expansion project at Westridge Marine Terminal, DP World's canola oil transload facility at DP World Fraser Surrey, and Pacific Coast Terminals Co. Ltd.'s glycol expansion project.

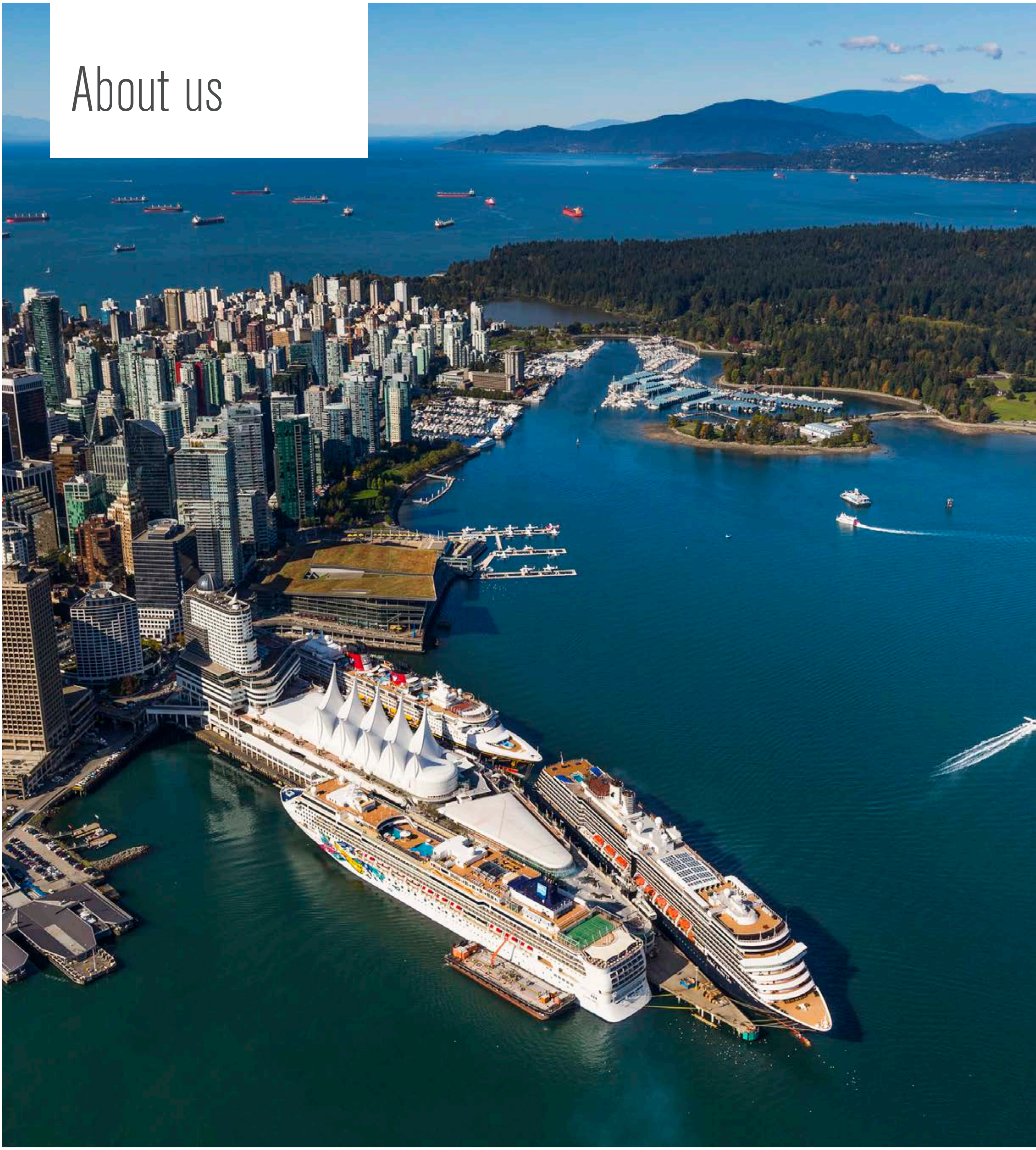
With input and collaboration from industry, in 2023 the port authority launched Connect+: a new overarching program to unify our suite of initiatives to harness data and technology to optimize port supply-chain performance. Within this portfolio, we achieved a major milestone with the launch of a centralized scheduling system for commercial ships—the first of its kind at a Canadian port—in the busy Second Narrows waterway, as we work to unlock latent marine-side trade capacity to accommodate Canada's growing trade while mitigating its environmental and social impacts.

Also in 2023, the port authority continued to deliver and collaborate with port industry on programs and initiatives to protect and enhance the environment around the port, and to make progress towards the goal we have set, in alignment with federal targets, to phase out all port emissions by 2050.

I would like to thank my outstanding team at the port authority, as well as our valued partners from industry, government, First Nations and local communities, for your ongoing collaboration in driving the success and sustainability of Canada's largest port, for the benefit of all Canadians.

Peter Xotta
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.

Our mandate is to enable Canada's trade objectives, ensuring goods are moved safely 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.

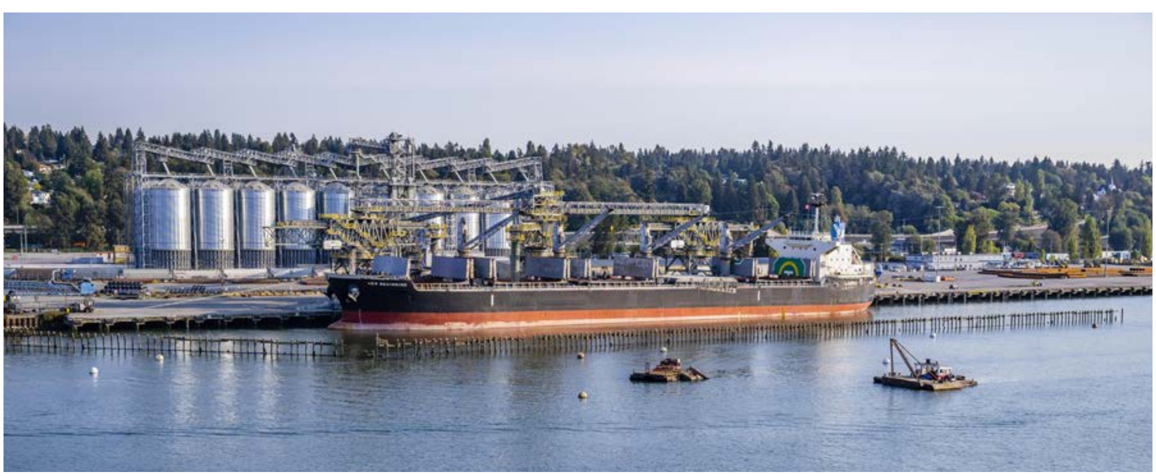
As a Canada Port Authority, we:

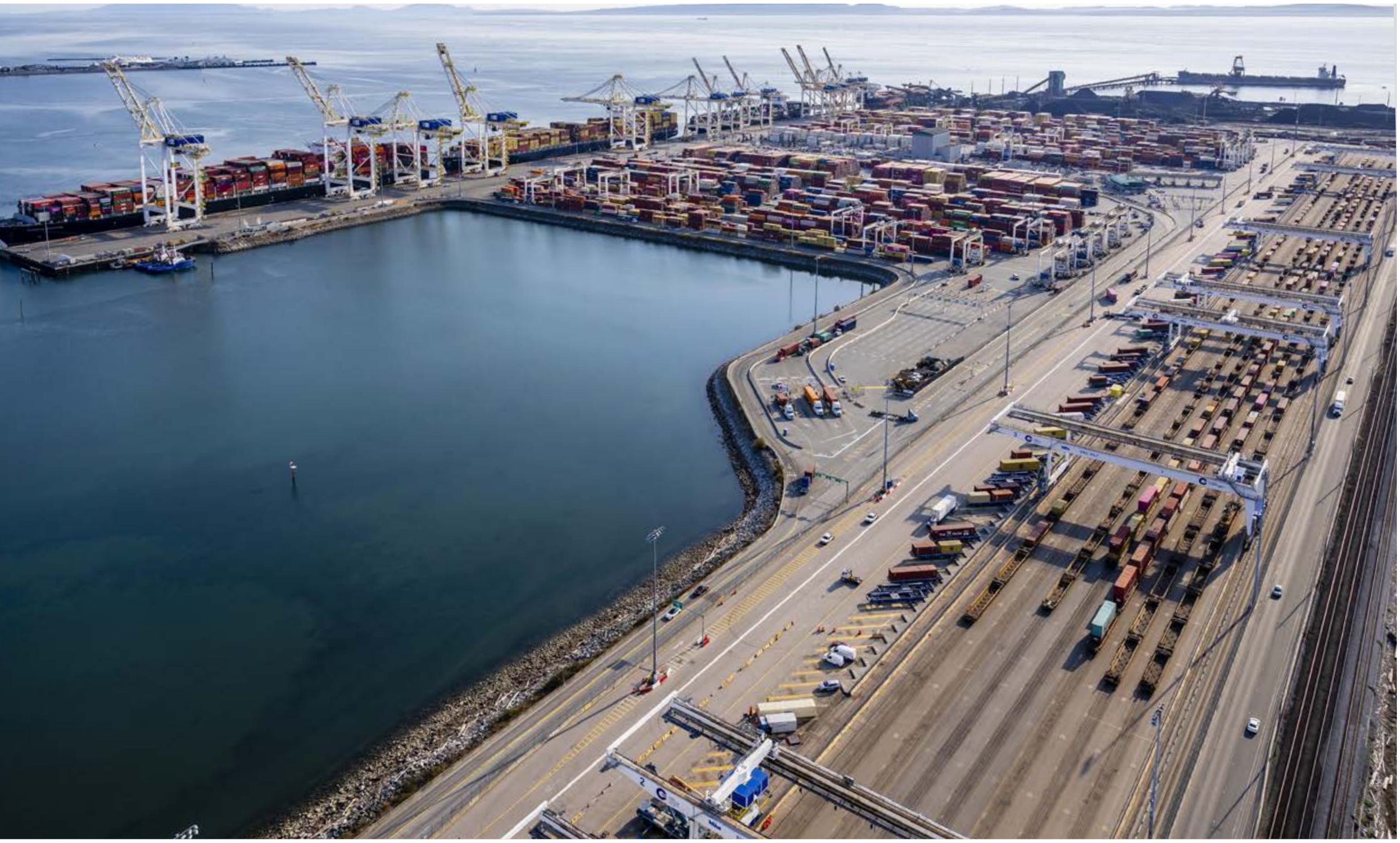
- Contribute to the competitiveness, growth, and prosperity of the Canadian economy
- Organize marine transportation services that meet port users' needs at a reasonable cost
- Provide a high level of safety and environmental protection
- Respond to local needs and priorities
- Encourage and consider input from port users and local communities

Our responsibilities

In our role, we carry out our mandate by:

- Leasing out lands to terminal operators who move cargo through the port and other service providers who support trade
- Collecting revenue through tenant rent and various fees from port users
- Leading infrastructure projects to support trade growth
- Serving as a permitting authority for terminal expansions and other projects on port lands
- Running a suite of environmental programs
- Working closely with local communities to minimize any impacts of port activity
- Engaging and creating meaningful relationships with First Nations
- Collaborating with other agencies on port 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.

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 $500 million to $800 million with three banks. All committed revolving credit facilities mature in March 2026. As of December 31, 2023, a total of $160 million was drawn on these three committed revolving credit facilities.

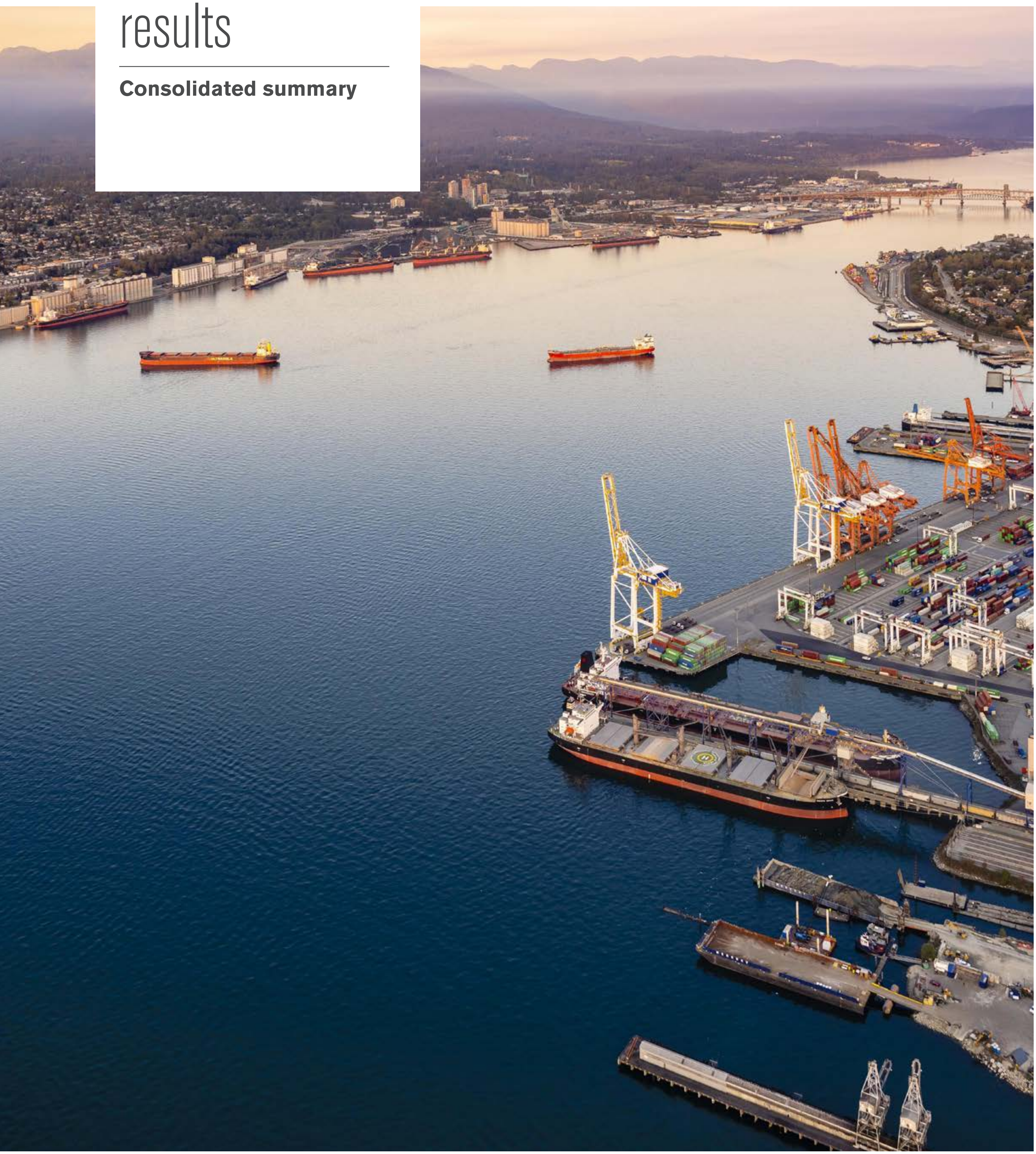
Letters of credit: The port authority holds letters of credit under a sub-facility to support various commitments relating to port-related projects and the delayed funding of our pension plan solvency deficit. As of December 31, 2023, letters of credit in the amount of $11.6 million were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: Under one of the bank's committed revolving credit facilities, the subsidiary repaid its $0.7 million outstanding uncommitted demand non-revolving loan in 2023.

2023 financial results

Consolidated summary



Management discussion and analysis

Revenue

$359 million

Consolidated revenues increased 17.7% to $359 million in 2023, compared to $305.1 million in 2022.

EBITDA

$177 million

Consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 18.8% to $177.4 million in 2023.

Capital investment

$142 million

Capital investments relating to property and equipment totalled $142.1 million in 2023, compared to $233.4 million in 2022.

Growth in revenue and EBITDA is primarily due to increases in rent and increases in fees that recover the port authority's investment in capacity development. The year-over-year decrease in capital investment is primarily due to timing of various project life cycles, which includes the completion of the Centerm Expansion Project and South Shore Access Project.

Financial highlights (000s)	**2019**	**2020**	**2021**	**2022**	**2023**
Revenue	$ 301,318	$ 274,082	$ 274,671	$ 305,099	$ 358,989
Operating expenses	$ 155,510	$ 153,922	$ 179,221	$ 193,690	$ 230,999
EBITDA	$ 183,668	$ 158,511	$ 135,165	$ 149,356	$ 177,442
Capital investments	$ 190,526	$ 315,377	$ 207,511	$ 233,382	$ 142,130

Consolidated summary

(000s)	**2023**	**2022**	**Increase (decrease) $**	**Increase (decrease) %**
Net income	$ 95,885	$ 106,050	(10,165)	(9.6%)
Add: Depreciation	49,452	37,947	11,505	30.3%
Add: Other expense	32,105	5,359	26,746	499.1%
EBITDA	**177,442**	**149,356**	**28,086**	**18.8%**

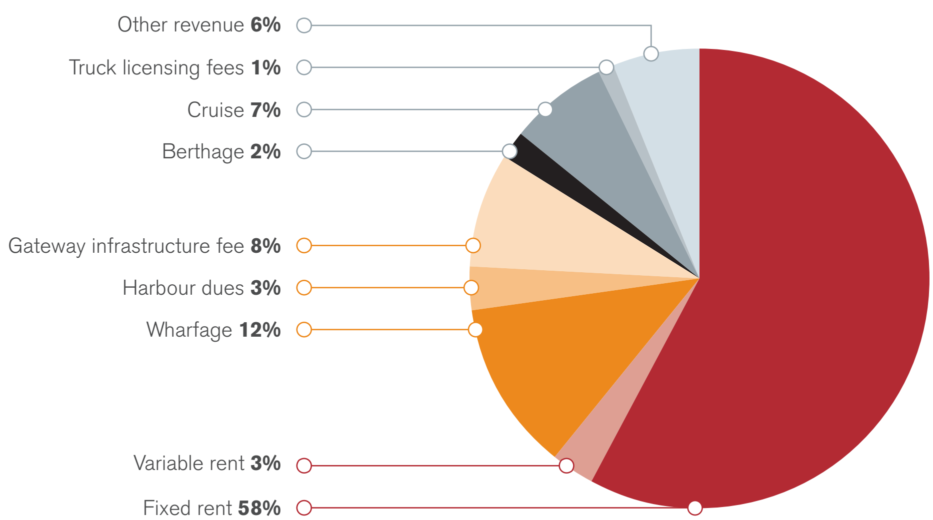
Consolidated EBITDA increased by 18.8% to $177.4 million in 2023, primarily due to higher rental and fee revenue, partially offset by higher wages, salaries, and benefits, and other operating and administrative expenses.

Net income was $95.9 million in 2023 compared to $106 million in 2022, a 9.6% decrease. The increase in EBITDA was offset by higher depreciation and an impairment loss relating to capital project assets and other restructuring costs.

Operating revenue

Below is a further breakout of operating revenue.

(000s)	2023	2022	Increase (decrease) $	Increase (decrease) %
Fixed rent	$ 207,226	$ 173,271	33,955	19.6%
Variable rent	12,579	23,495	(10,916)	(46.5%)
Rental revenue	**219,805**	**196,766**	**23,039**	**11.7%**
Wharfage	42,829	43,265	(436)	(1.0%)
Harbour dues	11,907	10,560	1,347	12.8%
Gateway Infrastructure Fee	27,005	8,104	18,901	233.2%
Berthage	6,894	8,713	(1,819)	(20.9%)
Cruise	25,976	17,484	8,492	48.6%
Truck licensing fees	4,631	4,598	33	0.7%
Log revenues	8	10	(2)	(20.0%)
Fee revenue	**119,250**	**92,734**	**26,516**	**28.6%**
Other revenue	**19,934**	**15,599**	**4,335**	**27.8%**
Operating revenue	**358,989**	**305,099**	**53,890**	**17.7%**



Operating revenue comprises rent, fees, and other income. Operating revenue increased by 17.7% to $359 million in 2023 compared to 2022. Overall, fixed rent accounts for 58% of our operating revenues, providing the port authority with a consistent and predictable revenue source. In 2023, rental revenue increased by 11.7% over the prior year, mostly due to higher fixed rent.

Fee revenue includes wharfage, harbour dues, Gateway Infrastructure Fees, berthage, cruise fees, and truck licensing fees. Fee revenue recovers ongoing operating costs and investments made to support trade activities at the port.

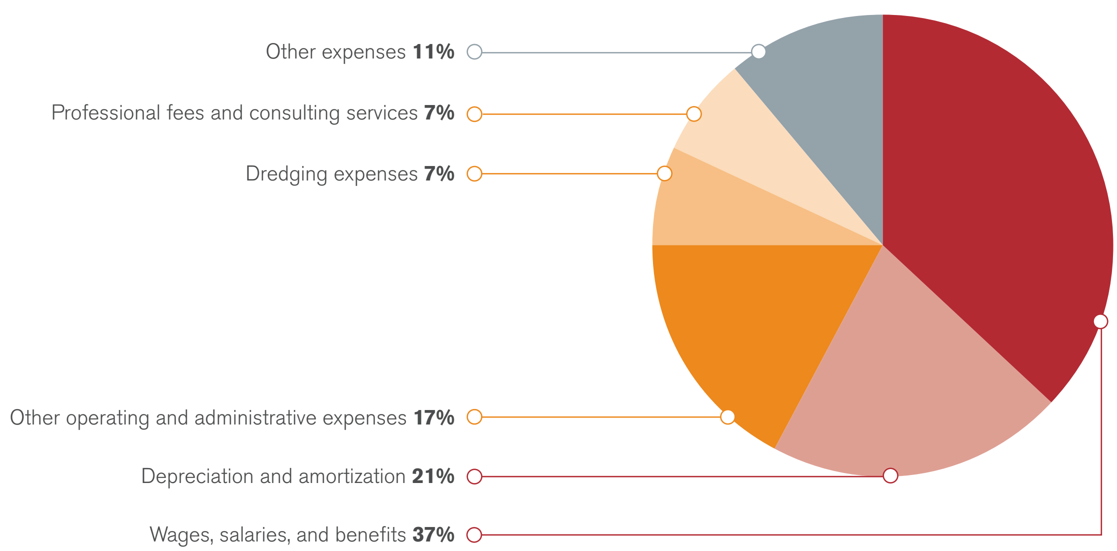
Overall, fee revenue in 2023 increased by 28.6%, primarily due to an increase in Gateway Infrastructure Fees, mostly driven by the implementation of Gateway Infrastructure Fee 2 (GIF2), effective January 1, 2023, and by an increase in cruise revenue due to the increased number of passengers.

Operating expenses

(000s)	2023	2022	Increase (decrease) $	Increase (decrease) %
Normalized operating expenses	$ 218,922	$ 193,690	25,232	13.0%
One-time and special expenses	12,077	–	12,077	n/a
Operating expenses	**230,999**	**193,690**	**37,309**	**19.3%**

The port authority's operating expenses in 2023 increased by $37.3 million or 19.3% to $231.0 million over the previous year. 2023 operating expenses include $12.1 million of one-time and special items. When normalized for these one-time and special items, operating expenses increased by $25.2 million or 13.0%. The increase was primarily due to increased depreciation and amortization driven by the completion of the Centerm Expansion and South Shore Access projects; increased staffing costs to advance the port authority's strategic initiatives and operational needs; higher information system costs relating to the Active Vessel Traffic Management Program, Truck Licensing System, and Supply Chain Visibility Program; and increased federal stipend and payments in lieu of taxes.

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 $9.2 million in 2023. The stipend is calculated by reference to gross revenues at rates varying between 2% and 6%, depending on the gross amount determined.



Audited summary financial statements

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 the 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, 2023 comprise:

- the summary consolidated statement of financial position as at December 31, 2023;
- 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 Accounting Standards). Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified opinion on the audited consolidated financial statements in our report dated April 10, 2024.

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
April 10, 2024

Summary consolidated statements of financial position

Vancouver Fraser Port Authority
As at December 31, 2023 and 2022

(expressed in thousands of Canadian dollars)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	**$ 72,598**	$ 80,874
Accounts receivable and other assets	**53,050**	53,325
	125,648	134,199
Non-current assets		
Long-term receivables and other assets	**61,581**	66,717
Deferred charges	**2,834**	3,090
Intangible assets	**164,682**	157,500
Property and equipment	**2,376,983**	2,324,530
Total assets	**$ 2,731,728**	$ 2,686,036
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 80,278**	$ 102,654
Provisions	**17,376**	6,451
Deferred revenue	**22,427**	21,309
Borrowings (note 5)	**–**	701
	120,081	131,115
Non-current liabilities		
Other employee benefits	**1,819**	1,615
Net benefit liability	**3,869**	2,951
Provisions	**12,414**	12,316
Deferred revenue	**72,584**	72,868
Borrowings (note 5)	**159,624**	199,656
Other long-term liabilities	**11,857**	10,919
Total liabilities	**382,248**	431,440
Shareholders' equity		
Contributed capital	**150,259**	150,259
Retained earnings	**2,199,221**	2,104,337
Total shareholders' equity	**2,349,480**	2,254,596
Total liabilities and shareholders' equity	**$ 2,731,728**	$ 2,686,036

Commitments and contingent liabilities (notes 6 and 7)

Approved on behalf of the board of directors

Peter Xotta, President and CEO

Bruce Chan, Director

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

Summary consolidated statements of comprehensive income

Vancouver Fraser Port Authority
For the years ended December 31, 2023 and 2022

(expressed in thousands of Canadian dollars)

	2023	2022
Revenue		
Rental revenue	$ 219,805	$ 196,766
Fee revenue	119,250	92,734
Other revenue	19,934	15,599
	358,989	305,099
Expenses		
Wages, salaries, and benefits	86,033	64,681
Depreciation and amortization	49,452	37,947
Other operating and administrative expenses	40,017	35,025
Professional fees and consulting services	15,452	18,583
Dredging expenses	15,468	14,898
Repairs and maintenance	6,225	5,875
Payments in lieu of taxes	9,144	8,557
Federal stipend	9,208	8,124
	230,999	193,690
Income from operations	127,990	111,409
Other expense (income)		
Impairment and other restructuring costs	31,806	–
Finance costs	3,009	2,508
(Gain) Loss on disposal of assets	(1,457)	4,005
Investment income	(1,229)	(1,168)
Other (income) loss	(24)	14
	32,105	5,359
Net income	95,885	106,050
Other comprehensive income (loss)		
Item that will not be reclassified to net income		
Actuarial (loss) gain in defined benefit pension plans	(1,001)	2,203
Total comprehensive income	$ 94,884	$ 108,253

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

Summary consolidated statements of changes in equity

Vancouver Fraser Port Authority
For the years ended December 31, 2023 and 2022

(expressed in thousands of Canadian dollars)	Contributed capital	Retained earnings	Total
Balance – December 31, 2021	$ 150,259	$ 1,996,084	$ 2,146,343
Net income	–	106,050	106,050
Other comprehensive income			
Actuarial gain in defined benefit pension plans	–	2,203	2,203
Balance – December 31, 2022	150,259	2,104,337	2,254,596
Net income	–	95,885	95,885
Other comprehensive loss			
Actuarial loss in defined benefit pension plans	–	(1,001)	(1,001)
Balance – December 31, 2023	**$ 150,259**	**$ 2,199,221**	**$ 2,349,480**

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

Summary consolidated statements of cash flows

Vancouver Fraser Port Authority
For the years ended December 31, 2023 and 2022

(expressed in thousands of Canadian dollars)

	2023	2022
Cash provided by (used in)		
Operating activities		
Net income	**$ 95,885**	$ 106,050
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	**49,452**	37,947
(Gain) Loss on disposal of assets	**(1,457)**	4,005
Impairment and other restructuring costs	**31,806**	–
Provisions	**(191)**	(1,754)
Net employee benefits	**121**	138
Other	**231**	558
	175,847	146,944
Changes in non-cash operating working capital:		
Accounts receivable and other assets	**(14,669)**	(2,916)
Accounts payable and accrued liabilities	**4,687**	5,065
Deferred revenue	**767**	5,500
Long-term lease receivable	**6,744**	(5,660)
	173,376	148,933
Investing activities		
Acquisitions and construction of property and equipment	**(138,085)**	(224,379)
Acquisitions of intangible assets	**(42,133)**	(34,374)
Government funding for property and equipment, and intangible assets	**31,744**	19,324
Other third-party funding for property and equipment, and intangible assets	**6,344**	5,363
Net change on long-term receivables	**1,035**	951
Other	**340**	193
	(140,755)	(232,922)
Financing activities		
Repayments of short-term borrowings	**(701)**	(100)
Proceeds from long-term borrowings	**49,968**	94,714
Repayments of long-term borrowings	**(90,000)**	(10,000)
Payments of lease liabilities	**(164)**	(196)
	(40,897)	84,418
(Decrease) Increase in cash and cash equivalents	**(8,276)**	429
Cash and cash equivalents – beginning of year	**80,874**	80,445
Cash and cash equivalents – end of year	**$ 72,598**	$ 80,874
Supplemental cash flow information		
Interest paid	**11,643**	4,649
Investment income received	**5,354**	1,269

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, 2023 and 2022

(figures in 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, more than 1,500 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 Indigenous groups.

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 material 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 as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 April 10, 2024

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 material 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 statements of comprehensive income.

2. Basis of presentation and material 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.

For certain assets, the VFPA does not control or maintain them 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 finite lived intangible assets 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.

For certain assets associated with gateway infrastructure, the VFPA has control or ownership of them on completion. As the VFPA has the ability to set those fees and receives fees to recover its costs incurred, the costs are recognized as property and equipment assets when capitalization criteria are met. Accordingly, these assets are recorded as finite lived physical assets and are amortized over the estimated useful lives.

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, 2023, property and equipment net book value of $2.4 billion included $1.7 billion of federal property and $0.7 billion of other property.

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

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.

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 statements 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. In 2023, the range of estimated useful lives for capital dredging was changed from 4 to 40 years to 4 to 75 years; and the range of estimated useful lives for machinery and equipment was changed from 3 to 25 years to 3 to 30 years—both due to the addition of new assets with extended useful lives upon completion of a project.

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 statements of comprehensive income.

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

Capital dredging	4 to 75 years
Berthing structures, buildings, roads, and surfaces	10 to 75 years
Utilities	10 to 50 years
Machinery and equipment	3 to 30 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).

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

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.

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 statements of comprehensive income and the unwinding of the discount is recognized within finance costs in the summary consolidated statements 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 statements 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 statements 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.

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

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.

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. 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.

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 within other 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 revenue 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 statements 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.

s) Comparative figures

Certain comparative figures have been reclassified for current year's presentation.

3. Accounting policy developments

a) Initial application of accounting standards, amendments, and interpretations

The VFPA has adopted the amendments to International Accounting Standards (IAS) 1 – *Presentation of financial statements* to disclose the material accounting policy information rather than significant accounting policy information, effective for annual periods beginning on or after January 1, 2023. Management used judgment to determine that information is material if, when considered together with other information included in these financial statements, it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of financial information.

b) Accounting standards, amendments, and interpretations issued but not yet adopted

A number of new accounting standards, amendments to standards, and interpretations of standards have been issued by IFRS Accounting Standards but are not yet effective for the year ended December 31, 2023. The VFPA does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies and future summary consolidated financial statements.

4. 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. In 2023, the federal and British Columbia provincial government granted environmental assessment approvals to the Roberts Bank Terminal 2 project, subject to certain conditions. Additional approvals and permits will also be required to advance the project before reaching a final investment decision. Management has made the assessment that it is more likely than not to receive these approvals and permits.

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.

4. Critical accounting judgments and estimates (Continued)

c) Environmental liabilities

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

5. Borrowings

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

	2023	2022
Revolving credit facilities	**$ 159,624**	$ 199,656
Demand loan	**–**	701
	159,624	200,357
Less: Current portion	**–**	701
	$ 159,624	$ 199,656

a) Revolving credit facilities

The VFPA has committed revolving credit facilities totalling $800 million (2022 – $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 at maturity can be renewed at the VFPA's discretion up to the facility expiry as long as the VFPA is in compliant with terms of the credit agreements. As at December 31, 2023, the VFPA had a total of $160 million (2022 – $200 million) drawn against the revolving credit facilities by way of short-term bankers' acceptances.

As at December 31, 2023, the VFPA had a total of $11.6 million (2022 – $11.3 million) in letters of credit outstanding.

b) Demand loan

The PoVT has an unsecured demand loan that bears interest at the Canadian prime rate less 0.85% per annum. Minimum quarterly principal repayments of $25,000 are required. During 2023, the PoVT fully repaid its unsecured demand loan. As at December 31, 2023, there was no demand loan outstanding.

6. Commitments

As at December 31, 2023, the VFPA had operating commitments of $26.6 million (2022 – $23.8 million) and capital commitments of $73.2 million (2022 – $169.3 million).

7. 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 estimated future payments that can be reasonably estimated are approximately $108.9 million (2022 – $35.7 million) and will be accrued as liabilities in the summary consolidated financial statements if certain events occur in the future. The VFPA also has monetary disputes with arm's-length parties in the ordinary course of its operations. In addition, shoreline restoration and remediation at the Fraser Richmond Lands may be required to meet regulatory requirements. The costs are not readily determinable.

8. Gateway Infrastructure Program

a) Gateway Infrastructure Fee

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

The Gateway Infrastructure Program is a $717 million investment in supply-chain improvements for 17 capital 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, the VFPA, and industry for the areas noted below. The VFPA and the 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 have been summarized below.

i) 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 trade area	50,000	45,000	5,000
	$ 167,000	$ 150,300	$ 16,700

ii) Gateway Infrastructure Fee collected and total project expenditures

	Current year				Total to date			
	North Shore trade area	South Shore trade area	Roberts Bank trade area	Total	North Shore trade area	South Shore trade area	Roberts Bank trade area	Total
Gateway infrastructure fee revenue	$ 3,199	$ 3,752	$ 1,596	$ 8,547	$ 35,267	$ 40,379	$ 27,466	$ 103,112
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

8. Gateway Infrastructure Program (Continued)

b) Gateway Infrastructure Fee 2

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

The VFPA is supporting the development of infrastructure projects and initiatives in the areas noted below to increase efficiency and productivity in the supply chain. Gateway Infrastructure Fee 2 was implemented on January 1, 2023, in order to recover 90% of its investments and costs associated with the Gateway Infrastructure Program from users who will benefit from the trade area infrastructure improvements. The fees collected and expenditures made towards these projects have been summarized below.

i) Gateway Infrastructure Fee collected and total project expenditures

	Current year					
	North Shore trade area	South Shore trade area	Roberts Bank trade area	Fraser River trade area	Second Narrows East area	Total
Gateway infrastructure fee revenue	$ 3,469	$ 7,883	$ 4,921	$ 2,185	$ –	$ 18,458
Gateway infrastructure program expenditures	559	7,608	13,476	7,568	315	29,526
Less: industry funded portion (90%)	(503)	(6,847)	(12,128)	(6,811)	(284)	(26,573)
VFPA portion (10%)	$ 56	$ 761	$ 1,348	$ 757	$ 31	$ 2,953

	Total to date					
	North Shore trade area	South Shore trade area	Roberts Bank trade area	Fraser River trade area	Second Narrows East area	Total
Gateway infrastructure fee revenue	$ 3,469	$ 7,883	$ 4,921	$ 2,185	$ –	$ 18,458
Gateway infrastructure program expenditures	12,891	88,643	68,928	20,407	6,035	196,904
Less: industry funded portion (90%)	(11,602)	(79,779)	(62,035)	(18,366)	(5,432)	177,214
VFPA portion (10%)	$ 1,289	$ 8,864	$ 6,893	$ 2,041	$ 603	$ 19,690

Appendix: Port authority compensation disclosure 2023

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 to itself. The board's governance role involves reviewing and approving the port authority's:

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

The board also reviews and approves:

- A board succession planning process
- The hiring, compensation, and planning succession of the 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 member's biographies

The following biographies are for board members as of December 31, 2023:

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.

Chair of the board: Attended six of six meetings in 2023, plus all the committee meetings

Tenure: Since June 17, 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 2023, plus committee meetings, as required

Chair of the major capital projects and port efficiency committee

Member of the audit and risk management 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 2023, 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.

Vice chair of the board: Attended six of six meetings in 2023, plus committee meetings, as required

Member of the governance and external relations 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 2023, plus committee meetings, as required

Member of the major capital projects and port efficiency 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

Chief Clarence Louie is the chief of the Osoyoos Indian Band, and chief executive officer of the Osoyoos Indian Band Development Corporation, which has become a multi-faceted corporation that owns and manages 13 businesses and five joint ventures and employs 500 people.

Member of the board: Attended five of six meetings in 2023, plus committee meetings, as required

Member of the major capital projects and port efficiency 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

Craig Munroe

Craig is a partner at Pulver Crawford Munroe LLP and has been practising law for 25 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 2023, plus committee meetings, as required

Chair of the governance and external relations 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 9-1-1 board, and chair of the Metro Vancouver Utilities Committee.

Member of the board: Attended six of six meetings in 2023, plus committee meetings, as required

Member of the major capital projects and port efficiency 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 2023, plus committee meetings, as required

Chair of the human resources, compensation and safety 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 and port efficiency committee assists with matters relating to major capital projects and supply chain and port efficiency, including providing strategic direction.

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, 2023, the board composition was as follows:

Name	Board	Audit and risk management committee	Human resources, compensation and safety committee	Major capital projects and port efficiency committee	Governance and external relations committee
Catherine McLay[1]	C				
James Belsheim[2]	M	M		C	
Bruce Chan	M	C			M
Mike Corrigan[3]	VC	M			M
Ken Georgetti	M		M	M	
Chief Clarence Louie	M			M	M
Craig Munroe[4]	M		M		C
Darrell Mussatto	M		M	M	
Brant Randles[5]	M	M	C		
Judy Rogers[6]	C				
Joanne McLeod[7]	VC	M			M

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

[1]Appointed chair of the board on July 1, 2023.
[2]Appointed chair of the major capital projects and port efficiency committee on August 1, 2023.
[3]Appointed vice chair on July 1, 2023.
[4]Appointed chair of the governance and external relations committee on August 1, 2023.
[5]Appointed chair of the human resources, compensation and safety committee on August 1, 2023.
[6]Left the board on June 30, 2023.
[7]Left the board on July 31, 2023.

Director compensation

In '000s of Canadian dollars

Name	Annual retainer	Other fees	Total
James Belsheim	48	70	118
Bruce Chan	53	76	129
Mike Corrigan	62	110	172
Ken Georgetti	45	90	135
Chief Clarence Louie	45	66	111
Catherine McLay	107	78	185
Joanne McLeod	45	54	99
Craig Munroe	48	66	114
Darrell Mussatto	50	81	131
Brant Randles	50	98	148
Judy Rogers	105	31	136
Total	**658**	**820**	**1,478**

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 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 that were approved in early 2022 were paid retroactively as of January 1, 2021.

Letter from the chair of the board

Dear stakeholders,

2023 key highlights

In 2023, strong global demand for Canadian resources and the hard work of the entire Port of Vancouver community supported trade through the port, despite impacts from a cooling economy, a 13-day strike affecting the port and other challenges. Through another complex year, the Vancouver Fraser Port Authority continued to deliver on our strategic agenda thanks to the dedication of our employees and the valued collaboration of our partners.

Total cargo volumes through the port increased 6% in 2023, as terminal operators and supply-chain partners moved a record 150.4 million metric tonnes (MMT) of cargo, supported by a 12% increase in export volumes, strong auto imports, and a banner year for cruise, with a record 1.24 million passengers welcomed to Canada Place cruise terminal. At the same time, container imports softened in line with trends seen across the West Coast.

Supported by strong rental and cruise revenues, port authority revenues increased by 17.7% in 2023, helping enable the port authority's $142 million in net capital investments through the year, centrally in infrastructure, as the port authority leads projects to enhance the port's trade capacity and supply-chain resilience for the benefit of Canadians across the country.

In 2023, the port authority achieved significant infrastructure milestones with the completion of the Centerm Expansion Project, in partnership with terminal operator DP World, and in securing federal and provincial approvals for the Roberts Bank Terminal 2 Project. Additionally, the port authority completed the South Shore Access Project; progressed construction on the Annacis Auto Terminal Optimization Project, in partnership with terminal operator Wallenius Wilhelmsen; and started construction on the Fraser Surrey Port Lands Transportation Improvements Project. All these projects support Canada's trade capacity, efficiency, and resilience.

More broadly across the port, in 2023, port tenants continued to strengthen the port's trade infrastructure by investing in terminal capacity and operational enhancements. Key tenant-led projects progressed in 2023 include: Westshore Terminals Limited Partnership's potash export project in partnership with BHP, Trans Mountain Pipeline ULC's upgrade and expansion project at Westridge Marine Terminal, DP World's canola oil transload facility at DP World Fraser Surrey, and Pacific Coast Terminals Co. Ltd.'s glycol expansion project.

As the port authority works alongside industry to harness data and technology to enable port supply chains' capacity, efficiency, and reliability, in 2023, we launched Connect+: a new overarching program to unify our suite of supply chain optimization and digitalization initiatives. As one example of this work, since 2021, we have been developing the Active Vessel Traffic Management Program to meet Canada's growing marine-side trade capacity needs while reducing environmental and social impacts of trade. In 2023, we achieved a key program milestone with the launch of a centralized scheduling system for commercial ships—the first of its kind at a Canadian port—in the busy Second Narrows waterway; we expect to extend the system to additional areas of the port's jurisdiction in later program phases.

Alongside work to unlock trade capacity and enhance supply-chain resilience, the port authority continued to deliver and collaborate with port industry on programs and initiatives to protect and enhance the environment around the port, and to make progress towards the goal we have set, in alignment with federal targets, to phase out all port emissions by 2050.

As part of our work to support decarbonization, we partner with BC Hydro through the Energy Action Initiative to support terminal operators and port tenants in advancing energy conservation and electrification of their operations. In 2022 and 2023, the initiative delivered 11 port tenant energy conservation projects, saving over 6.3 gigawatt hours of electricity—enough to annually power about 650 houses. As another example, the Low-Emission Technology Initiative, a $3 million joint funding partnership between the Government of B.C. and the port authority, has supported a number of industry-led pilots of low- and zero-emission fuels and technologies across the port since 2020, resulting in the adoption of these fuels and technologies into port operations on an ongoing basis, supporting decarbonization goals.

From a biodiversity perspective, the collaborative, world-leading Enhancing Cetacean Habitat and Observation (ECHO) Program that the port authority leads delivered its seventh season of large-scale threat reduction measures to support the recovery of at-risk whales, with ship operators on 87% of all ship transits participating in program measures to support quieter seas and healthier whales. Program measures have been shown to reduce underwater noise by up to 50%, and new research by the program also shows that the program's ship slowdowns can reduce the risk of whale strikes by up to nearly 30% and reduce local area emissions by up to 25%.

With the Port of Vancouver's jurisdiction intersecting the traditional and treaty lands of more than 35 Coast Salish Indigenous groups, the port authority continues to work to develop and strengthen relationships with local First Nations to support collaborative work and advance reconciliation. In 2023, we continued to implement relationship agreements signed with Musqueam Indian Band and Tsawwassen First Nation in 2021, and worked to advance additional relationship agreements with local First Nations.

From a corporate perspective, in 2023, the port authority launched our first organization-wide Accessibility Plan as part of broader work to continue to enhance diversity, equity and inclusion in our own offices and in our work with external partners, tenants and port customers.

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

Sincerely,

Catherine McLay
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, 2023):

- Peter Xotta, president and chief executive officer (CEO)
- Victor Pang, chief financial officer (CFO)
- Cliff Stewart, vice president, infrastructure
- Duncan Wilson, vice president, environment and external affairs
- Parm Hari, vice president, people, process and performance

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 2023 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. From 2018 to 2023, the committee engaged Hugessen Consulting as an independent compensation advisor to the board and to support the board in a review of its approach to 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. In 2024, the committee engaged Southlea in preparation for the executive and director compensation review, which is conducted on a three-year cycle, with the next review for the executive planned for 2024. The director compensation review has been postponed until 2025.

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 140 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 fulfil 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 governments, 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. Active vessel traffic management 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, 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)	CPKC* (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 chart below) and actuals may fluctuate above or below the target based on at-risk performance against objectives.

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

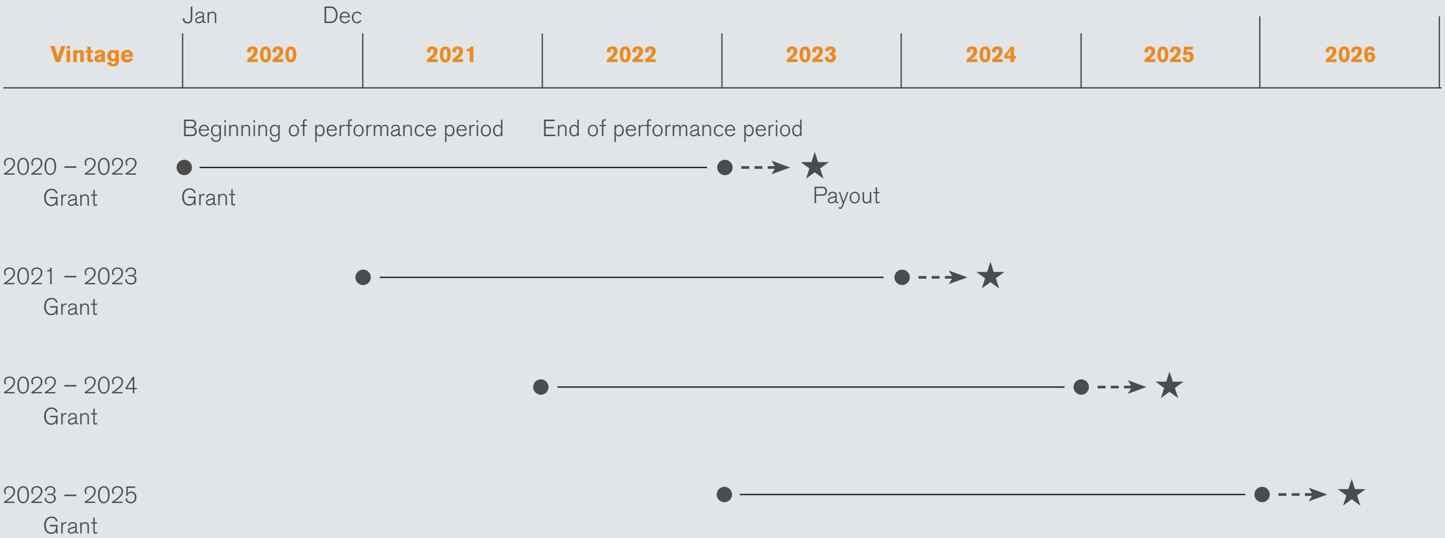
The committee and board review executives' short-term objectives as proposed by the president and CEO, set the president and CEO's short-term objectives, and assess president and CEO performance.

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 not be limited to the following areas: 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 are eligible for a three-year cash incentive based on corporate performance. Executives have a predetermined target value that will fluctuate based on performance. The awards and payment are staggered as follows:



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 2020–2022 grant awarded in 2023 (referred to as "2023 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 mid-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 pro-rated lump sum retiring allowance based on the pension payments that would have been made to him under the defined benefit pension plan had he retired on December 1, 2022. The retiring allowance is capped and will not increase if he continues working after December 1, 2025.

2023 realized management compensation tables

In '000s of dollars

Name and position	Fiscal year-end	Salary A	Annual incentive B	Medium-term incentive C	Pension benefits[1] D	Other benefits E	Total compensation A+B+C+D+E
P. Xotta, president and CEO[2]	2023	436	217	281	–	13	947
V. Pang, chief financial officer[3]	2023	453	211	270	63	138	1,135
C. Stewart, vice president, infrastructure	2023	453	217	270	63	13	1,016
D. Wilson, vice president, environment and external affairs	2023	419	179	231	56	13	898
P. Hari, vice president, people, process and performance	2023	406	180	–	40	15	641
		2,167	**1,004**	**1,052**	**222**	**192**	**4,637**

[1] Pension benefits represent the cash-based consideration for each incumbent
[2] P. Xotta was appointed president and CEO on December 4, 2023; vice president operations and supply chain from January 1 to December 3, 2023
[3] V. Pang was appointed interim president and CEO from July 1 to December 3, 2023

Retirement plans

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

Defined benefit pension plans

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

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

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

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

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

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

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