

2020 – 2021

B.C. Ferry Authority Annual Report







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B.C. Ferry Authority Fiscal 2020/21 Year End Review Report



A Message from the Chair

On behalf of the board, it is my pleasure to present the 2020/21 Annual Report of the B.C. Ferry Authority.

The 2020/21 fiscal year was a year like no other in the history of British Columbia Ferry Services Inc. I would like to begin by expressing my sincere thanks to all of the employees of BC Ferry Services for their dedication, efforts and resiliency in providing coastal ferry services during the COVID-19 pandemic. Despite the many challenges, essential ferry services continued to be delivered safely to coastal communities in British Columbia.

The public interest is always at the forefront of the Authority's oversight activities. This past year is no exception. In response to the severe impact of the pandemic on BC Ferry Services, the Province of British Columbia, BC Ferry Services and B.C. Ferry Authority worked jointly to prepare a Planning Framework document. The Framework summarized the evaluation of near, medium and longer-term impacts of COVID-19 and options to ensure BC Ferry Services can continue to provide essential ferry services to British Columbia communities while preserving the operational and financial sustainability of the coastal ferry system. It helped inform government's decision to provide a one-time \$308 million federal/provincial contribution to the company at the end of 2020. The Authority thanks the federal and provincial governments for this significant contribution.

The past year brought change in the membership of the board of the Authority. On behalf of the board, I extend sincere thanks to outgoing directors — Shelley Chrest, Eric Denhoff, Shirley Mathieson, Shona Moore, Michael Pucci and Marvin Shaffer — for their service and commitment to the Authority. I also warmly welcome new directors — Jessica Bowering, Gary Coons, David Levi, Andrew Ross and Marc Tremblay — to the Authority board and recognize the experience and expertise they bring.

Like all British Columbians, I look forward to brighter, more positive days in the year ahead.

Lecia Stewart
Chair of the Board of Directors
B.C. Ferry Authority



Context

This report is divided in two parts to provide information on activities in the fiscal year ended on March 31, 2021 and to meet the requirements in the *Coastal Ferry Act* (the “Act”):

1. Annual Report pursuant to Section 21.01(3) that describes findings made and actions that the Authority Board has taken in carrying out its oversight role.
2. Annual Report pursuant to Section 18(5) that includes other information such as audited financial statements, appointment of directors, any amendments to bylaws, remuneration of directors as well as information regarding meetings held during this fiscal year.

Overview

The B.C. Ferry Authority is established and governed by the *Coastal Ferry Act*. The Authority is a corporation without share capital that owns the single issued voting share of British Columbia Ferry Services Inc. (“BCFS”), the service provider under contract to the Province of British Columbia (the “Province”) responsible for the delivery of coastal ferry services in British Columbia. The Province is the holder of all of the preferred shares of BC Ferry Services and has no voting interest in either the Authority or BC Ferry Services Inc.

The Authority’s responsibilities are set out in the *Coastal Ferry Act*, and these are to appoint the directors of BC Ferry Services, to establish compensation plans for the directors and executives of the Company, and to oversee the strategic direction of the Company in support of the public interest, including the public’s interest in safe, reliable and affordable coastal ferry services in British Columbia.

In 2019, amendments to the *Coastal Ferry Act* added public interest consideration to the Authority’s mandate. The Authority’s revised mandate to oversee the strategic direction of BC Ferry Services in support of the public interest changed how it undertakes its work. During Fiscal Year 2021, the Authority updated its Governance Manual with new internal processes to reflect its independence from BC Ferry Services.

The Authority has adopted high standards of public and stakeholder accountability that require the Authority’s financial and operating performance, the plans it has established in respect of BCFS’ director and executive compensation, and its processes for appointing directors of the Authority and BCFS to be transparent.

Section 1

Annual Report on the B.C. Ferry Authority Oversight of the Strategic Direction of British Columbia Ferry Services Inc. in Support of the Public Interest

Introductions

Coastal ferry service is an essential service, providing a transportation lifeline for people and the movement of goods and supplies in coastal British Columbia. Like other transportation service providers and public services, the COVID-19 pandemic had a significant impact on BC Ferry Services' operations and financial outcomes. With the unprecedented issues arising from the pandemic, the Authority's public interest role had greater meaning and importance. The public interest is always at the forefront of the Authority's oversight activities, particularly during the past year. These activities are discussed in this section.

The following public interest definition, developed by the Authority in Fiscal Year 2020, continued to be used to guide its work.

Public interest:

Matters of public interest are all those policies, plans and actions of BCFS that materially affect BCFS users, ferry-dependent communities and other British Columbians and more specifically all those matters that affect customer service, the environment, the well-being of First Nations and other coastal communities, the economy, the workforce, and the long-term sustainability of the corporation.

Purpose

The purpose of this section of the annual report is to set out the actions taken by the directors of the Authority as per section 21.01 of the *Coastal Ferry Act*.

Timelines

This report covers the period for the fiscal year from April 1, 2020 to March 31, 2021.

Reporting of Action Under Section 21.01

A – COVID-19 Task Force

The Province established a COVID-19 Task Force to collaborate on understanding operating and financial impacts on BC Ferry Services caused by the pandemic and to develop options for the Company to continue to deliver essential ferry services. The Chair of the Authority Board was actively engaged on the Task Force and served as co-chair with the Chair of the BC Ferry Services Board. The initial Task Force members included senior employees of the Province and senior management of the Company.

The Task Force successfully collaborated in the preparation of a framework, which was developed to enable BC Ferry Services to respond to and emerge from the COVID-19 crisis in order to remain a viable transportation service provider and ensure ferry service serves the needs of coastal communities, operates in the public interest and operates in an affordable and financially sustainable manner. The framework assisted in the government's decision to provide a one-time federal/provincial contribution of \$308 million in safe restart funding to BC Ferry Services Inc.

B – BC Ferry Services Executive Compensation

In August 2020, the Province implemented a freeze on executive compensation for provincial public sector organizations, but the freeze does not apply to the independently-managed BC Ferry Services. However, the *Coastal Ferry Act* sets limits and guidelines for BC Ferry Services' executive compensation. The Authority established a Special Committee to further examine the Executive Compensation Plan and its compliance with the governing legislation. The work of this Special Committee is ongoing.

C – Strategic Planning

In Fiscal Year 2021, a Special Committee of the Board was established to look at how the Authority can ensure the public interest is properly considered in BC Ferry Services' strategic plans and delivery of core services.

The Special Committee identified six guiding principles for BC Ferry Services to consider for developing its strategic plans and future business plans. These six guiding principles do not replace the principles or goals in the Company's strategic plan. Rather, they are intended to help inform and focus BC Ferry Services on the Authority Board's priorities to achieve public interest outcomes on the Company's future strategies and actions with the public's interest in mind.

These principles are:

1. Enhancing Public Accountability

BC Ferry Services should strive to be more responsive to the travelling public and coastal communities in delivering ferry services that they rely upon. As an example, frequency and capacity of sailings on the minor routes are not always adequate from the fare payers' perspective. There are opportunities for BC Ferry Services to be more accountable to the public for the services provided.

2. Providing Access to Information on Service Standards

Providing timely access to information on ferry service standards is critical to ensure transparency, accountability and public confidence in the coastal ferry system that British Columbians rely on.

3. Ensuring Public Safety for Passengers and the General Public

Ensuring the safety of passengers, BC Ferry Services employees, and the general public is a foundational principle. The COVID-19 pandemic has reshaped safety concerns of the travelling public. Travel was curtailed or slowed and new personal safety protocols for passengers were established. In addition, safety for everyone is equally important in and outside terminals. When long lines of vehicles are waiting for a sailing, sailing waits occur, and aggressive drivers show up irrespective of the line-up being in or outside the terminal.

4. Improving Affordability for Passengers and Protecting Financial Outcomes

Keeping ferry fares affordable and achieving positive financial outcomes are equally important goals for BC Ferry Services.

5. Working with Labour as a Partner to Promote and Support Innovation

Working collaboratively with BC Ferry Services employees and organized labour is required to support innovation. The collective agreement should be viewed as an opportunity for collaboration.

6. Supporting the Economy and Community Sustainability

BC Ferry Services is an employer and job creator for thousands of people and families in the province, directly and indirectly. And BC Ferry Services plays an important role in British Columbia's economic recovery from the impact of the pandemic. In supporting the economy, BC Ferry Services should remain focused on protecting the environment and being a leader in the move to be an environmentally sustainable service. BC Ferry Services should continue its commitment to lasting and meaningful reconciliation. This includes creating opportunities for Indigenous peoples to be full partners in the economy.

These principles were included in the Special Committee's report that was provided to BC Ferry Services. The Company incorporated these six principles in drafting its current strategic plan.

Assessing BC Ferry Services' actions and performance against the goals in its strategic plan and future business plans will be important to determine if the public interest has been considered and acted upon. The Authority will require meaningful information and data at regular intervals to successfully fulfil its mandate. With the support of the BC Ferry Services Board, the Authority's next step was to start seeking information and data from BC Ferry Services and possibly other sources under the following five themes:

1. Service Delivery and Performance
2. Financial Information
3. Public Safety Information
4. Labour Relations and Innovation
5. Community Impacts

D – Authority Website

Late in Fiscal Year 2021, the Authority started work to re-design its public website to make it more modern, welcoming and functional for visitors. The new website improves the Authority's transparency and accountability to the public. It allows additional information to be easily available and posted in the future. The new website is now operational.

Section 2

Annual Report of B.C. Ferry Authority Activities

Introduction

Section 18(5) of the *Coastal Ferry Act* (the “Act”) requires the Authority to report on its activities each year. This requires reporting on appointment of directors of BC Ferry Services, BC Ferry Services’ compensation plans, appointment of Authority directors, amendments to bylaws, Authority Board meetings, remuneration of Authority directors, and the independent auditor’s report and audited financial statements.

Purpose

The purpose of this report is to meet the statutory reporting requirements of Section 18(5) of the Act.

Timelines

The timeline for this report is April 1, 2020 to March 31, 2021.

Reporting of Activities

A – Appointment of Directors

In accordance with the Act, the Authority makes its determinations on the composition of the BC Ferry Service board of directors in consideration of the skills and experience that each director holds. The Authority selects individuals for appointment or renewal of term in such a way as to ensure that, as a group, the directors of the Company are qualified candidates who hold all of the skills and all of the experience needed to oversee the operation of BC Ferry Services in an efficient and cost-effective manner. The Authority has established a profile setting out the key skills and experience that BC Ferry Services’ directors individually and collectively should possess to meet this legislative requirement. The skills and experience profile is reviewed regularly by the Authority to ensure continued alignment of the skills and experience represented on the BC Ferry Services board.

The Authority holds the view that a diverse board makes prudent business sense and makes for good corporate governance. Within the over-riding objective of ensuring that the board of BC Ferry Services possesses the appropriate skills and experience, the Authority also seeks to maintain a composition of talented and dedicated directors with a diverse mix of backgrounds that is reflective of the nature of the business environment in which the Company operates, and the people and the communities it serves.

The directors of BC Ferry Services in Fiscal Year 2021 are listed in Table 1.

Table 1
British Columbia Ferry Services Inc. Board of Directors
Year ended March 31, 2021

Director	Term Ending
John A. Horning, Chair	2021
Brenda J. Eaton	2022
Jan K. Grude	2021
Judith F. Sayers	2021
Bruce A. Chan	2022
Gordon M. Kukec	2022
David R. Podmore, O.B.C.	2023
Sarah A. Morgan-Silvester, O.B.C.	2024
Janine M. North	2024
Eric A. Denhoff	2024
Shona A. Moore	2024
Michael W. Pucci	2024

In Fiscal Year 2021, the Authority appointed four new directors, Eric A. Denhoff, Shona A. Moore, Janine M. North and Michael W. Pucci, each for a term ending in 2024. The Authority reappointed Sarah A. Morgan-Silvester for a second term, ending in 2024.

John A. Horning’s term, as director, ended on March 31, 2021 as he completed his maximum period as a director. The BC Ferry Services Board elected Brenda J. Eaton as the new chair effective April 1, 2021.

B – Compensation Plans

As required by the Act, the Authority has both a director compensation plan and an executive compensation plan for BC Ferry Services. The current plans are available for public view on the Authority's website: www.bcferryauthority.com

Directors' Compensation Plan

The compensation plan for the directors of BC Ferry Services was established in the fiscal year ended March 31, 2011. The remuneration limits set out in the plan were established with the assistance of an independent third-party compensation expert and with reference to the Act, which requires that the remuneration under a directors' compensation plan be consistent with the remuneration that organizations in Canada that are of a similar size and scope to BC Ferry Services provide to their directors, and not be greater than the remuneration that provincial public sector organizations in British Columbia provide to their directors. The remuneration for the directors of the Company was set by the Authority in accordance with the plan effective October 1, 2010. The directors' compensation plan and the remuneration framework for the Company's directors have remained unchanged since their establishment.

In accordance with the directors' compensation plan approved by the Authority, BC Ferry Services provides the following remuneration to its directors:

Annual Retainers	
Board Chair Retainer	\$100,000
Board Member Retainers:	
Base Retainer (all directors excluding Board Chair)	\$25,000
Vice Chair Retainer	\$8,000
A&F Committee Chair Retainer	\$8,000
Other Committee Chair Retainer	\$5,000
Committee Member Retainer (excluding Committee Chair)	\$3,000
Per Diem Fees	
Board Member Fees (all directors excluding Board Chair)	Up to \$1,200 per day

Ferry Travel Pass

Ferry Pass for directors and eligible members of their respective immediate families, for complimentary vehicle and personal travel on BC Ferries' vessels

Executive Compensation Plan

An executive compensation plan applies to the executives of the Company, as that term is defined in the Act, who in Fiscal Year 2021 were the individuals holding the positions of, or acting in a similar capacity or performing similar functions to, the Chief Executive Officer ("CEO"), Executive Vice President ("EVP"), or Vice President of BC Ferry Services. In Fiscal Year 2021, the remuneration of the Company's CEO, EVPs and Vice Presidents were governed by an executive compensation plan.

C – Appointment of B.C. Ferry Authority Directors

The composition of the board of the Authority is set out in the Act and, in Fiscal Year 2021, the board was comprised of four directors appointed by the board from nominees of four appointment areas composed of coastal regional districts, one director appointed by the board from the nominees of the BC Ferry & Marine Workers' Union, the trade union representing the employees of BC Ferry Services, and four directors appointed by the Province.

In April 2020, Marvin Shaffer, a provincial appointee, resigned and the Province appointed Eric Denhoff, effective June 22, 2020 to the Board as a replacement director to complete the term ending in 2022.

In June 2020, Shirley Mathieson, a qualified candidate from organized labour, retired as a director and the Authority appointed Andrew Ross, a qualified nominee, to complete Ms. Mathieson's term ending in 2022.

In August 2020, Eric Denhoff, Shona Moore and Michael Pucci resigned from the Board and accepted an appointment to the BC Ferry Services Board. The Province appointed Jessica Bowering and David Levi, as replacement directors for Mr. Denhoff and Ms. Moore, to complete the respective term ending in 2022. To fill the regional appointment area vacancy, the Authority appointed Gary Coons, a qualified nominee of the Northern Coastal and North Island appointment area, effective April 1, 2021.

At the end of Fiscal Year 2021, Shelley Chrest, the Central Vancouver Island and Northern Georgia Strait Appointment Area member, fulfilled her three-year term. The Authority Board appointed Marc Tremblay, a qualified nominee, as a director for this appointment area effective April 1, 2021.

The directors of the Authority in Fiscal Year 2021 are listed in Table 2. In selecting individuals to serve as directors of the Authority, two primary objectives continued to guide the board in its deliberations. The first objective was to ensure that the composition of the board continues to meet the requirements of the Act. The second was to ensure that, collectively, the board includes qualified individuals with the skills and experience necessary to ensure the sound performance of the Authority and the effective interaction and operation of the board. The skills and experience profile for the Authority board guided the board in its appointment process during the year. The profile is reviewed by the board on an annual basis to ensure it encompasses the appropriate set of skills and experience. A copy of the current profile is attached as Schedule "A" to the general bylaws of the Authority.

The Authority believes that a diverse board serves to strengthen decision-making and enhances overall board governance. Within the overarching objective of ensuring that the board is composed of members that collectively possess the appropriate skills and experience to enable the Authority to perform its stewardship role effectively, the board, in selecting candidates for appointment, also seeks to maintain and/or enhance the diversity of background among its members.

Table 2
B.C. Ferry Authority Board of Directors
Year ended March 31, 2021

Director		Term Ending March 31
Lecia Stewart, Chair	Province of British Columbia	2022
G. Wynne Powell, Vice-Chair	Province of British Columbia	2023
Jessica Bowering ¹	Province of British Columbia	2022
Shelley L. Chrest	Central Vancouver Island and Northern Georgia Strait Appointment Area	2021
Eric A. Denhoff ²	Province of British Columbia	2022
Marlene Kowalski	Southern Vancouver Island Appointment Area	2023
David Levi ³	Province of British Columbia	2022
Shirley J. Mathieson ⁴	Organized Labour	2022
Shona A. Moore ⁵	Province of British Columbia	2022
Michael W. Pucci ⁶	Northern Coastal and North Island Appointment Area	2021
Andrew Ross ⁷	Organized Labour	2022
J. Wayne Rowe	Southern Mainland Appointment Area	2023
Marvin G. Shaffer ⁸	Province of British Columbia	2022

1. Jessica Bowering was appointed on August 19, 2020.

2. Eric Denhoff was appointed on June 22, 2020 and ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.

3. David Levi was appointed on August 19, 2020.

4. Shirley Mathieson ceased to be a director on June 23, 2020.

5. Shona Moore ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.

6. Michael Pucci ceased to be a director on August 14, 2020, to accept an appointment on the BC Ferry Services Board.

7. Andrew Ross was appointed on July 13, 2020.

8. Marvin Shaffer ceased to be director on April 27, 2020.

D – B.C. Ferry Authority General Bylaws

The general bylaws of the Authority are available for public view on the Authority's website. In Fiscal Year 2021, the Authority's Director Skills Profile was amended. The Bylaws are in process of being updated to incorporate this change.

Table 3
Summary of Meeting Outcomes
Year ended March 31, 2021

Date	Type	Outcomes ¹
April 30, 2020	Board of Directors	No resolutions passed.
May 7, 2020	Board of Directors	No resolutions passed.
June 23, 2020	Board of Directors	<ul style="list-style-type: none"> Fiscal Year 2020 audited financial statements of the Authority approved. Fiscal Year 2020 annual report of the Authority approved. Fiscal Year 2020 report on the Authority's compliance with the <i>Coastal Ferry Act</i> approved for submission to the British Columbia Ferries Commissioner. Corporate Secretary authorized to execute the shareholder's unanimous consent resolutions pertaining to matters respecting the business required to be transacted at the 2020 annual general meeting of BC Ferry Services, including amending the term for John Horning as a director of BC Ferry Services to March 31, 2021; and electing Sarah Morgan-Silvester and Janine North as directors of the company to the end of 2024. Due to the Authority's expanded mandate set out in the 2019 amendments to the <i>Coastal Ferry Act</i>, the Authority agreed to appoint an independent Corporate Secretary following the 2020 Annual General Meeting. Authority agreed to appoint up to three new directors to the BC Ferry Services Board, with such appointments determined at a future date.

E – B.C. Ferry Authority Board Meetings

In Fiscal Year 2021, the board met on 12 occasions, including the annual general meeting of the Authority held in accordance with the Act. Meetings were conducted largely through videoconference technology in keeping with social distancing and travel restrictions prompted by COVID-19. A summary of the outcomes of the meetings of the board is provided in Table 3.

Meeting attendance for board members is an important issue and one that the Authority monitors on a regular basis. In Fiscal Year 2021, meeting attendance by board members was 95 percent.

July 13, 2020	Board of Directors	<ul style="list-style-type: none"> Andrew Ross appointed to the Authority Board from qualified candidates nominated by organized labour. Due to the fiscal impact of the pandemic, the Authority respectfully asked BC Ferry Services Board to discuss with the company's executive management appropriate temporary voluntary compensation reductions of their compensation package.
August 14, 2020	Board of Directors	<ul style="list-style-type: none"> Appointment of Eric Denhoff, Shona Moore and Michael Pucci as directors of BC Ferry Services each for a term ending 2024.
August 20, 2020	Annual General Meeting	<i>Annual General Meeting open to the public held in Victoria, British Columbia.</i>
September 10, 2020	Board of Directors	<ul style="list-style-type: none"> Recommendations that conditions be placed on BC Ferry Services regarding approval of government funding related to the pandemic. Appointment of G. Wynne Powell as Vice Chair of the Authority Board, effective immediately.
November 10, 2020	Board of Directors	<ul style="list-style-type: none"> Special Committee was established to consider strategic planning for the Authority and provide input to BC Ferry Services strategic planning process. Approved updates to the Authority's Governance Manual regarding directors' code of conduct and process for establishing and approving BC Ferry Services Executive Compensation Plan. Fiscal Year 2022 operating budget of the Authority approved.
December 15, 2020	Board of Directors	<ul style="list-style-type: none"> Approved updates to sections of the Authority's Governance Manual that required revisions. Authority's strategic guidance document was approved. The Special Committee's report on strategic planning was approved to be shared with BC Ferry Services for development of the company's next strategic plan, as well as requesting periodic information from the company in order to monitor and assess achievements against the strategic plan and whether the public interest has been properly considered.
February 11, 2021	Board of Directors	<ul style="list-style-type: none"> Intention to not fill a BC Ferry Services director position at this time when Director John A. Horning completes his full term on March 31, 2021. Special Committee was established to review the BC Ferry Services Executive Compensation Plan and bring forward recommendations for consideration. BC Ferry Services Board was requested to not make any changes to executive compensation until the review was completed. Approved final updates to the Authority's Governance Manual that required revisions.
February 18, 2021	Board of Directors	<i>No resolutions passed.</i>
March 25, 2021	Board of Directors	<ul style="list-style-type: none"> Appointment of Lecia Stewart as Chair of the Authority Board effective April 1, 2021. Gary Coons appointed to the Authority Board from qualified candidates nominated by the Northern Coastal and North Island Appointment Area, effective April 1, 2021 for a three-year term. Marc Tremblay appointed to the Authority Board from qualified candidates nominated by the Central Vancouver Island and Northern Georgia Strait Appointment Area, effective April 1, 2021 for a three-year term. Fiscal Year 2020 terms of engagement of the external auditor approved. Special Committee was established to review the BC Ferry Services Board size, composition and skills set before making any decision on re-appointment or new appointment to the company's Board. Time and location of the 2021 annual general meeting of the Authority confirmed.

1. Meeting outcomes are resolutions passed by the board.

F – Remuneration of B.C. Ferry Authority Directors

An outline of the current remuneration framework for directors of the Authority is provided in Table 4. The framework, which was set by the board effective October 1, 2010, is regularly reviewed and has remained unchanged since that date. The amount each director received for remuneration and expenses in Fiscal Year 2021 is set out in Table 5.

Table 4

B.C. Ferry Authority Director Remuneration Framework
Year ended March 31, 2021

Annual Retainers	
Board Chair Retainer	\$25,000
Board Member Retainers:	
Base Retainer (all directors excluding Board Chair)	\$6,250
Committee Chair Retainer ¹	\$2,000
Committee Member Retainer ¹	\$750
Per Diem Fees²	
Board Member Fees (all directors excluding Board Chair)	Up to \$1,200 per day

Ferry Travel Pass

Ferry Pass for directors and eligible members of their respective immediate families, for complimentary vehicle and personal travel on BC Ferries' vessels

1. There currently are no standing committees of the board.
2. Directors are also eligible for reimbursement of reasonable expenses incurred on board-related business.

Table 5

B.C. Ferry Authority Director Remuneration and Expenses
Year ended March 31, 2021

Director	Remuneration ¹ (\$)	Expenses Reimbursed (\$)
Lecia Stewart, Chair	25,113.28	852.44
G. Wynne Powell	17,133.43	200.26
Jessica Bowering	11,855.00	Nil
Shelley L. Chrest	18,465.63	Nil
Eric A. Denhoff	2,841.68	Nil
Marlene Kowalski	18,205.48	Nil
David Levi	11,850.95	10.15
Shirley J. Mathieson	2,762.52	Nil
Shona A. Moore	6,549.20	Nil
Michael W. Pucci	8,231.90	Nil
Andrew Ross	13,517.38	681.07
J. Wayne Rowe	17,515.68	Nil
Marvin Shaffer	528.84	Nil

1. Remuneration includes retainers, per diem fees and taxable income from the ferry travel pass program.

G – Remuneration of BC Ferry Services Board Directors

The amount each BC Ferry Services Board director received for remuneration and expenses in Fiscal Year 2021 is set out in Table 6.

Table 6

B.C. Ferry Services Board Director Remuneration and Expenses
Year ended March 31, 2021

Director	Remuneration ¹ (\$)	Expenses Reimbursed (\$)
John A. Horning, Chair	106,324	4,322.07
Brenda J. Eaton	52,950	Nil
Bruce A. Chan	52,950	484.00
Eric A. Denhoff ²	27,639	Nil
Jan K. Grude	62,061	105.77
Gordon M. Kukec	51,600	278.70
Shona A. Moore ²	30,622	Nil
Sarah A. Morgan-Silvester, O.B.C.	56,514	Nil
Janine M. North ³	42,262	Nil
David R. Podmore, O.B.C.	55,571	4,670.38
Michael W. Pucci ²	29,942	Nil
Judith F. Sayers	51,072	363.30

1. Remuneration includes retainers, per diem fees and taxable income from the ferry travel pass program.
2. Eric Denhoff, Shona Moore and Michael Pucci were appointed to the BC Ferry Services Board effective August 14, 2020.
3. Janine North was appointed to the BC Ferry Services Board effective June 23, 2020.

Independent Auditors' Report

To the Board of Directors, B.C. Ferry Authority

Opinion

We have audited the financial statements of B.C. Ferry Authority ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of comprehensive (loss) income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants

Victoria, Canada

July 13, 2021

Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	As at March 31	
	2021	2020
Assets		
Investment in British Columbia Ferry Services Inc.	606,848	550,623
Total assets	606,848	550,623
Equity		
Invested in common share of British Columbia Ferry Services Inc.	1	1
Contributed surplus of British Columbia Ferry Services Inc.	25,000	25,000
Accumulated undistributed earnings of British Columbia Ferry Services Inc.	581,847	525,622
Total equity	606,848	550,623

Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars)

	Years ended March 31	
	2021	2020
Earnings (loss)		
Share in earnings (losses) of British Columbia Ferry Services Inc. (note 3)	56,225	(12,218)
Total earnings (loss)	56,225	(12,218)
Expenses		
Administration	176	229
Recovery from British Columbia Ferry Services Inc. (note 4)	(176)	(229)
Total expenses	-	-
Total comprehensive (loss) income	56,225	(12,218)

See accompanying notes to the financial statements.

Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Years ended March 31	
	2021	2020
Cash flows from operating activities		
Net earnings (loss)	56,225	(12,218)
Items not affecting cash		
Share in (earnings) losses of British Columbia Ferry Services Inc. (note 3)	(56,225)	12,218
Net increase in cash	-	-

Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Invested in BCFS	Contributed surplus of BCFS	Accumulated undistributed earnings of BCFS	Total equity
Balance as at April 1, 2019	1	25,000	537,840	562,841
Total comprehensive loss	-	-	(12,218)	(12,218)
Balance as at March 31, 2020	1	25,000	525,622	550,623
Total comprehensive income	-	-	56,225	56,225
Balance as at March 31, 2021	1	25,000	581,847	606,848

See accompanying notes to the financial statements

Notes to the Financial Statements

Years ended March 31, 2021 and 2020

(Tabular amounts expressed in thousands of Canadian dollars)

British Columbia Ferry Authority (the "Authority") was established by the *Coastal Ferry Act* (British Columbia) (the "Act") on April 1, 2003, as a corporation without share capital. The Act specifies that the Authority is governed by a board of nine directors. The directors of the Authority appoint replacements for outgoing directors for five of the positions as follows:

- four appointed from nominees of qualified individuals, as defined in the Act, provided to the board by each of the four appointment areas consisting of those coastal regional districts that the Lieutenant Governor in Council of British Columbia may prescribe, with one director appointed from each area;
- one appointed from nominees of qualified individuals provided by the trade union representing the employees of British Columbia Ferry Services Inc. ("BCFS").

The Lieutenant Governor in Council of British Columbia appoints the other four directors from qualified Authority candidates.

The Authority's primary purposes are set out in the Act and are to hold the single-issued common voting share of BCFS, a company incorporated under the Company Act (British Columbia) by way of conversion on April 2, 2003, and which now validly exists under the Business Corporations Act (British Columbia), to appoint the directors of BCFS, to establish a compensation plan for the directors of BCFS, to approve an executive compensation plan for the executives of BCFS, and to oversee the strategic direction of BCFS in support of the public interest. BCFS' primary business is the provision of coastal ferry services in British Columbia. The Province of British Columbia (the "Province") contributed the initial capital to the Authority to fund the purchase of the BCFS common share. The Act provides that upon a sale of the common share of BCFS held by the Authority, the Authority shall repay the Province its initial contribution and be dissolved. The Act also provides that upon dissolution of the Authority, all remaining assets of the Authority, if any, vest in the Province. As

part of his annual report to the Lieutenant Governor in Council, the British Columbia Ferries Commissioner is required by the Act to issue an opinion on the performance of the Authority in carrying out its legislated responsibilities.

Historically, BCFS' business is seasonal in nature, with the highest activity in the summer (second quarter) and the lowest activity in the winter (fourth quarter), due to the high number of leisure travellers and their preference for travel during the summer months. BCFS also takes advantage of the low activity during the winter months to perform a significant portion of the required annual maintenance on vessels and at terminals. However, given the impact of the novel coronavirus ("COVID-19") pandemic, the normal seasonal pattern did not occur in Fiscal Year 2021; certain revenues, expenses, and balance sheet items tied directly to sales and operating activities were significantly impacted by the drop in vehicle and passenger traffic. Refer to Note 7 for information on a one-time contribution of \$308.0 million received from the Province, following the Contribution Agreement signed with the Province in November 2020 ("Safe Restart Funding Agreement"). The purpose of the funding is to provide relief from the operating fiscal impacts of COVID-19, and help ensure that the BCFS continues to deliver essential ferry services to coastal communities through pandemic recovery while avoiding service reductions and minimizing fare increases.

The Authority cannot predict the full impact of the COVID-19 pandemic, the future timing of when conditions might improve, and when BCFS' traffic will return to normal levels.

BCFS' principal priorities are protecting passengers and employees aboard the vessels, terminals and in all workplaces, and adhering to the COVID-19 directives and guidance provided by the Province and Transport Canada while providing essential ferry services. BCFS has implemented measures to mitigate risk to the travelling public and to prevent the spread of the virus, which in turn resulted in reduced capacity on select routes.

1. Accounting policies

A – Basis of preparation:

The Authority is a corporation domiciled in Canada. The address of the Authority's registered office is Suite 500, 1321 Blanshard Street, Victoria, BC, Canada, V8W 0B7.

These financial statements represent the annual statements of the Authority as at and for the years ended March 31, 2021 and 2020, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In accordance with IFRS, the Authority has provided

comparative financial information and applied the same accounting policies throughout all periods presented unless otherwise indicated.

These financial statements are prepared in accordance with IAS 27 Separate Financial Statements and therefore do not consolidate the results of the Authority's wholly-owned subsidiary, BCFS. The Authority has elected to account for its investment in BCFS using the equity method. Under the equity method the original cost of the investment is adjusted for the Authority's share of post-acquisition earnings or losses, dividends and any other post-acquisition changes in the equity of BCFS.

These financial statements have been prepared using the historical cost method except that changes in the investment in BCFS may include fair value movements in owned land, head office land under lease and certain financial assets and liabilities, including derivatives.

These financial statements are presented in Canadian dollars which

B – Use of estimates and judgements:

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting methods and the amounts recognized in the financial statements. These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in the circumstances. They therefore serve as

is the Authority's functional currency. All tabular financial data is presented in Canadian dollars and rounded to the nearest thousand, unless otherwise stated.

These financial statements were approved by the Board of Directors on July 13, 2021.

the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

C – Taxes:

The Authority is a "Tax Exempt Corporation" as described in the **Income Tax Act** (Canada) and as such is exempt from federal and provincial income taxes.

2. Adoption of new and amended standards

Future changes in accounting policies, which may impact BCFS:

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, **Insurance Contracts**, which will replace IFRS 4, **Insurance Contracts**.

On March 17, 2020, the IASB has decided that, due to the responses received from stakeholders, the effective date of the Standard will be deferred to annual reporting periods beginning on or after January 1, 2023.

In June 2020, the IASB issued Amendments to IFRS 17. The objective of the amendments is to assist entities implementing the Standard, while not unduly disrupting implementation or diminishing the usefulness of the information provided by applying IFRS 17. The Authority will evaluate the potential impact on its financial statements as further information becomes available.

Exposure Draft, Regulatory Assets and Regulatory Liabilities:

In January 2021, the IASB issued the exposure draft, **Regulatory Assets and Regulatory Liabilities**, which, if finalized as a new IFRS Standard, will replace IFRS 14, **Regulatory Deferral Accounts**. IFRS 14 **Regulatory**

Deferral Accounts, addresses the accounting for regulatory deferral accounts; however, it does not allow the recognition of regulatory assets and regulatory liabilities that result from the regulated price cap setting process for entities, such as the Authority, that had already transitioned to IFRS. As a result, the Authority's share of earnings from BCFS includes income or loss from fuel surcharges or rebates, and increases or decreases in fuel prices from those approved price caps of BCFS.

The exposure draft proposes a new accounting model under which an entity, subject to rate regulation that meets the scope criteria, would recognise regulatory assets and regulatory liabilities. This accounting model would align the total income recognized in a period under IFRS Standards with the total allowed compensation the entity is permitted to earn by the rate regulator. The key proposal in the exposure draft is that an entity that is subject to rate regulation would report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

The IASB expects that the application of the proposals would improve the information provided to users about the financial performance and financial position of entities subject to rate regulation. The IASB has requested comments on the exposure draft by July 30, 2021.

3. Share in earnings (losses) of BCFS

The distributable earnings of BCFS consist of the current period total comprehensive income, less amounts reclassified from equity and any dividends paid in the current period and less a reserve for undeclared preferred share dividends, if any.

	Years ended March 31	
	2021	2020
Net earnings of BCFS	20,972	28,777
Other comprehensive gain (loss):		
Items that are or may be reclassified subsequently to net earnings	13,707	(36,451)
Items that will not be reclassified to net earnings	14,042	5,653
Total comprehensive income (loss)	48,721	(2,021)
Realized hedge losses (gains) recognized on fuel swaps	13,294	(4,407)
Hedge losses on interest rate forward contracts reclassified to net earnings	248	248
Dividends paid on 8% cumulative preferred shares	(6,038)	(6,038)
Share in (loss) earnings of British Columbia Ferry Services Inc.	56,225	(12,218)

4. Recovery from BCFS

In accordance with the Act, BCFS is responsible for paying any expenses that are incurred by the Authority.

5. Subsidiary supplemental information

The consolidated financial position and operating results for BCFS and its wholly-owned subsidiaries are summarized below:

	As at March 31	
	2021	2020
Assets:		
Current assets	508,611	356,592
Non-current assets	1,954,977	2,003,925
Total assets	2,463,588	2,360,517
Liabilities:		
Current liabilities	276,039	219,991
Long-term debt and other non-current liabilities	1,505,224	1,514,426
Total liabilities	1,781,263	1,734,417
Equity:		
Share capital (a)	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	562,679	547,745
Equity before reserves	663,157	648,223
Reserves (b.i)	19,168	(22,123)
Total equity including reserves	682,325	626,100
Total liabilities and equity	2,463,588	2,360,517

Years ended March 31

	2021	2020
Revenue	865,346	941,394
Expenses	844,374	912,617
Net earnings	20,972	28,777
Other comprehensive income (loss) (b.ii)	27,749	(30,798)
Total comprehensive income (loss)	48,721	(2,021)

A – The share capital of BCFS consists of:

(i) – Authorized:

- 1,000,000 Class A voting common shares, without par value
- 1 Class B voting common share, without par value
- 80,000 Class C non-voting, 8% cumulative preferred shares, with a par value of \$1,000 per share, convertible to Class A shares upon the sale of the outstanding Class B share by the initial shareholder. Special rights attached to the Class C shares restrict the Group's ability to issue shares and to declare dividends.

(ii) – Issued and outstanding:

As at March 31

	2021		2020	
	Number of shares	Amount \$	Number of shares	Amount \$
Class B, common	1	1	1	1
Class C, preferred	75,477	75,477	75,477	75,477
		75,478		75,478

The outstanding Class B common share is held by the Authority, and the Class C preferred shares are held by the Province.

(iii) – Dividends:

Dividends on the Class C cumulative preferred shares, if declared, are payable annually on March 31 of each year. All dividend entitlements to date have been paid.

B – Other comprehensive income (loss):

(i) — Continuity of reserves:

	Land revaluation reserves	Employee future benefit revaluation reserves	Fuel swap reserves	Interest rate forward contract reserves	Total
Balance as at April 1, 2019	16,879	(5,969)	8,138	(6,214)	12,834
Land revaluation	5,779	-	-	-	5,779
Actuarial losses on post-employment benefit obligations	-	(126)	-	-	(126)
Derivatives designated as cash flow hedges:					
Net change in fair value	-	-	(36,451)	-	(36,451)
Realized gains	-	-	(4,407)	-	(4,407)
Amortization of losses	-	-	-	248	248
Balance as at March 31, 2020	22,658	(6,095)	(32,720)	(5,966)	(22,123)
Land revaluation	15,849	-	-	-	15,849
Actuarial losses on post-employment benefit obligations	-	(1,807)	-	-	(1,807)
Derivatives designated as cash flow hedges:					
Net change in fair value	-	-	13,707	-	13,707
Realized losses	-	-	13,294	-	13,294
Amortization of losses	-	-	-	248	248
Balance as at March 31, 2021	38,507	(7,902)	(5,719)	(5,718)	(19,168)

(ii) — Other comprehensive income (loss):

	Years ended March 31	
	2021	2020
Items that are or may be reclassified subsequently to net earnings:		
Hedge gains (losses) on fuel swaps	13,707	(36,451)
Items that will not be reclassified to net earnings:		
Land revaluations	15,849	5,779
Actuarial losses on post-employment benefit obligations	(1,807)	(126)
Total other comprehensive income (loss)	27,749	(30,798)

Other comprehensive income (loss) of BCFS includes:

- In cash flow hedging relationships, the effective portion of the change in the fair values of the derivatives.
- Fair value increases of owned land and head office land, except to the extent that such an increase represents a reversal of an amount previously recognized in net earnings or loss. Fair value decreases are recognized in net earnings or loss to the extent the decrease exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation.
- Actuarial gains and losses on employee future benefits which are not reclassified to net earnings or loss in subsequent periods.

6. Related party transactions

Management compensation:

The compensation of the Authority's directors and executive officers during the year is as follows:

	Years ended March 31	
	2021	2020
Short-term benefits	2,003	2,347
Post-employment benefits	106	861
Total	2,109	3,208

7. Safe Restart Funding

In December 2020, BCFS received a contribution of \$308.0 million from the Province under the Safe Restart Funding Agreement.

The contribution consists of the following three components:

- Base Operating Relief - \$280.0 million in respect of the estimated operational fiscal impact or loss of earnings in fiscal years 2021 and 2022 due to COVID-19;
- Fare Increase Relief - \$24.0 million in respect of the estimated revenue losses during the term of the Safe Restart Funding Agreement from limiting fare increases to an average of 2.3% in each of fiscal years 2022, 2023 and 2024; and
- Discretionary Sailing Relief - \$4.0 million in respect of the estimated costs of discretionary sailings in fiscal years 2022, 2023 and 2024.

The revenue recognition of the contribution is consistent with its submission to the Province from August 2020 which was based on the estimated loss of earnings in relation to the above three components for fiscal years 2021 to 2024, and reflects the normal seasonal pattern of earnings.

BCFS recognized \$186.0 million of the contribution in the statement of profit or loss for the year ended March 31, 2021.

If BCFS did not recognize \$186.0 million of the Safe restart funding, the Authority's share in the loss of BCFS for the year ended March 31, 2021 would have been \$129.8 million, \$117.6 million lower than the prior year period as detailed below:

Effect of Safe restart funding on the Authority's Share in earnings of BCFS	Years ended March 31		
	2021	2020	Increase (Decrease)
The Authority's Share in the earnings (loss) of BCFS	56,225	(12,218)	68,443
Safe restart funding	(186,000)	-	(186,000)
The Authority's Share in the loss of BCFS excluding Safe restart funding	(129,775)	(12,218)	(117,557)

B.C. Ferry Authority

Board of Directors

(Year ended March 31, 2021)

Lecia Stewart, Chair

G. Wynne Powell, Vice Chair

Jessica Bowering

(effective August 19, 2020)

Shelley L. Chrest

Eric L. Denhoff

(effective June 22, 2020 to August 14, 2020)

Marlene Kowalski

David Levi

(effective on August 19, 2020)

Shirley J. Mathieson

(ceased to be a director on June 23, 2020)

Shona A. Moore

(ceased to be a director on August 14, 2020)

Michael W. Pucci

(ceased to be a director on August 14, 2020)

Andrew Ross

(effective July 13, 2020)

J. Wayne Rowe

Marvin Shaffer

(ceased to be a director on April 27, 2020)

Officers

(Year ended March 31, 2021)

Jason W. Barabash

Corporate Secretary

(to August 20, 2020)

Katherine Kirby

Corporate Secretary

(effective August 21, 2020 to September 22, 2020)

Richard Simpson

Corporate Secretary

(September 23, 2020 to November 20, 2020)

Toby Louie

Corporate Secretary

(effective November 21, 2020)

