

ANNUAL REPORT

2020-21



Marine Atlantic
Marine Atlantique

Canada



Highlights for 2020-21

NUMBER OF SAILINGS



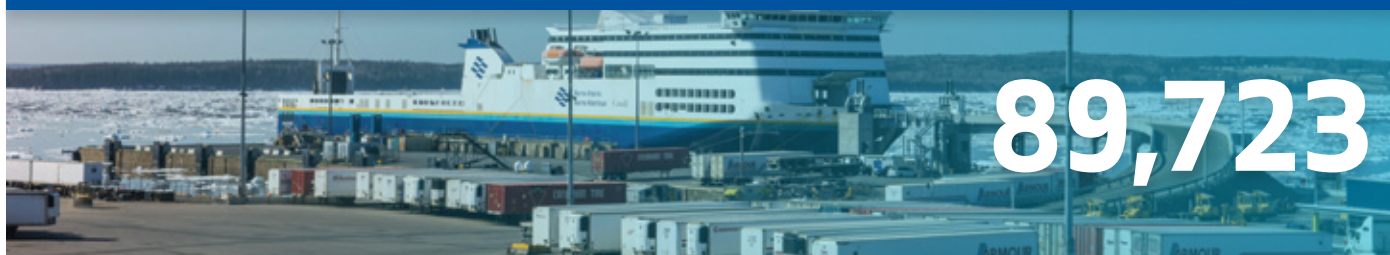
PASSENGERS



PASSENGER VEHICLES



COMMERCIAL VEHICLES



ON-TIME PERFORMANCE (EXCLUDING WEATHER DELAYS)





MARINE ATLANTIC

Table Of Contents

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS	6
MESSAGE FROM THE PRESIDENT AND CEO.....	8
OUR GUIDING PRINCIPLES – VISION, MISSION AND VALUES	11
RESPONDING TO THE COVID-19 PANDEMIC.....	12
DELIVERING AN ESSENTIAL SERVICE	15
FLEET OF VESSELS	19
FOSTERING A COMMITMENT TO DIVERSITY AND INCLUSION	21
SAFE, SECURE AND ENVIRONMENTALLY RESPONSIBLE OPERATIONS.....	29
STRENGTHENING THE SERVICE THROUGH INFRASTRUCTURE AND INNOVATION	37
CONTINUED FOCUS ON CUSTOMER EXPERIENCE	43
A COMMITTED AND SKILLED TEAM	49
SUPPORTING OUR EMPLOYEES AND GIVING BACK TO OUR COMMUNITIES	55
THE NEXT 12 MONTHS.....	59
GOVERNANCE	63
FINANCIAL OVERVIEW	68
FINANCIAL STATEMENTS	74

SOME PHOTOS IN DOCUMENT MAY HAVE BEEN TAKEN BEFORE COVID-19.

Chair of the Board of Directors

The past year has been one of the most difficult we have ever experienced. The impact that COVID-19 has had, and continues to have, on our daily lives has been significant. Our everyday activities have been interrupted, how we work, shop and play have been modified, even how we interact with our family and friends has changed dramatically. As a transportation provider, Marine Atlantic also experienced these impacts first-hand which resulted in some very difficult challenges throughout the year.

By transporting people, groceries, medical supplies, fuel, and consumer products, our team helped to keep the supply chain open when much of society was shut down. Our employees have worked tirelessly throughout the pandemic to ensure the required goods were available when needed. They helped to reunite families in very uncertain times. For their efforts, commitment, and dedication, I extend my deepest appreciation and thanks for all they have done and continue to do. Guided by our corporate values, employees at Marine Atlantic are helping all of us who live, work and travel in the region.

Our efforts throughout the pandemic have been guided by two key principles, namely protecting the health and safety of our customers and employees and maintaining the essential ferry service. Customers have recognized our efforts, and this has been reflected in our most recent customer satisfaction surveys. Despite the challenges we have faced, approximately 90

percent of customers stated that our response to the pandemic was highly favourable with the same number of people stating that they felt very safe when travelling with us.

As we look to the future, there is a promise of better times ahead and we have already begun placing a greater focus on how innovation within our organization can help us best meet the needs of our customers. During the year, we continued to move forward with the procurement of a new vessel for our service. Preliminary planning is underway for navigational improvements to Port aux Basques Harbour to enhance the service reliability of our vessels and lessen the impact of weather events. Near year-end, we received approval to construct a new administration building, a very positive initiative for our employees and operations. We also continued towards a diversity and inclusion strategy. These efforts and others are designed to enable us to be a progressive transportation service that our stakeholders trust.

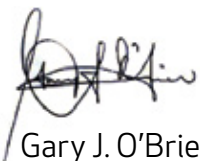
I would like to thank the Government of Canada for its support during this difficult year. Their understanding of our current challenges, and advice throughout the pandemic, has been invaluable. By working together, we will overcome this situation and become stronger through those efforts.

I also want to extend my appreciation to my Board of Directors colleagues for their efforts during the year, and recognize the appointment

of John Butler to the Board. Mr. Butler's experience and commitment are providing great insight and I look forward to working with him in the months and years ahead to further strengthen our service.

COVID-19 remains a reality and we know there are still challenges to overcome in the months ahead. We are committed to partnering with our stakeholders as we choose the best path forward. Like everyone, we are looking forward to a more positive time ahead and we are committed to providing updates related to our service improvements every step of the way. We will get through this, together.

Sincerely,

A handwritten signature in black ink, appearing to read "G. O'Brien", written over a horizontal line.

Gary J. O'Brien
Chair, Board of Directors



MESSAGE FROM THE **President and CEO**

At Marine Atlantic, we are committed to serving our customers. A simple statement that is fundamental to who we are and what we do, and is core to our decision-making processes, especially as we have been confronted with the realities of the COVID-19 pandemic over the past 12 months. Our team proved to be agile making changes along the way, based upon information and advice from health officials, to keep employees and customers safe and maintain our essential ferry service.

I am proud of the employees of Marine Atlantic. Their leadership to promote ideas for increased health and safety during the early days of the pandemic when our knowledge about the virus was limited, their adoption of the new processes to keep themselves and our customers safe, and their steadfast commitment to serving our customers and making them feel safe during their time with us demonstrated the excellence of our team. We are thankful for our employees, vital essential workers, for their commitment to keep people and goods moving between Newfoundland and Labrador and Nova Scotia. They stepped up to meet the needs of the province, no matter where they live in the region.

Through our safety measures and the efforts of our team, we were successful in transporting over 120,000 passengers during this challenging period. However, due to the nature of the pandemic, passenger traffic volumes fell by over 50 percent compared to the prior year, significantly impacting revenue. Following public health guidelines to keep employees and customers safe meant reduced passengers on each crossing and shutting down onboard services. This reduction meant a temporary reduction in our workforce. Another difficult decision taken early in the year was to suspend the 2020 summer Argientia service. I am pleased to report this service will resume for the 2021 season.

While many uncertainties remain as the world continues to battle COVID-19, we are planning for better times ahead. Highlights for the year included implementation of a rolling schedule providing customers with the ability to make their reservation up to 17 months in advance of travel, completion of two vessel drydocks with a third underway at year's end as part of our preventative maintenance program that is key to a reliable fleet, evolving our safety practices and systems including our first virtual emergency response exercise, and we moved forward with environmental initiatives as part of our Environmental Management System.

We know the months ahead remain uncertain, but we are confident there is a return to normal on the horizon. We will continue to engage with our stakeholders, focus on initiatives aimed at further strengthening our service, and prepare for the future ahead. Our efforts will be guided by our continuous commitment to serving our customers.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Murray Hupman', written in a cursive style.

Murray Hupman
President and CEO





Our Guiding Principles

VISION, MISSION AND VALUES



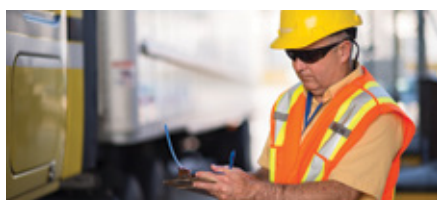
OUR VISION

An essential, progressive transportation system that people trust to deliver.

OUR MISSION

To provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner.

OUR VALUES



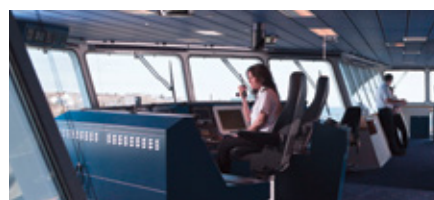
Safety

Protection of people, property and the environment is our ultimate priority



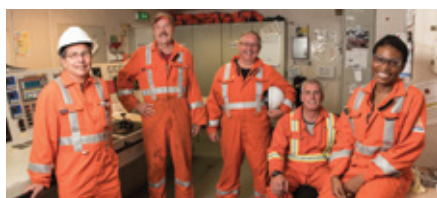
Teamwork

We work together to achieve the best outcomes for the organization



Integrity

We say what we mean and do what we say



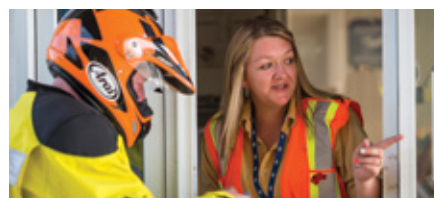
Diversity

Embracing our differences leads to better performance and helps us achieve our goals



Commitment

We are responsible for our performance and delivering on our commitments



Excellence

We take pride in delivering the best possible services



RESPONDING TO THE **COVID-19** Pandemic

COVID-19 continues to have a significant impact on transportation providers, including Marine Atlantic.

Over the past 12 months, we continually adjusted our business procedures to protect the health and safety of our customers and employees.

Protecting people and mitigating against the spread of COVID-19 resulted in numerous operational changes and adjustments during the year. Our employees have been resilient, inspirational and focused throughout this pandemic and are key to our success to date. We worked closely with the Government of Canada, as well as public health officials in the Provinces of Newfoundland and Labrador and Nova Scotia who have provided us with guidance along the way. A special thank you to health officials who provided recommendations and advice integral to our decision-making.

Through continued communication and education, workplace guidelines and protocols, and new policies and procedures, we focused on providing our customers and employees with the most current information available.

Numerous decisions and actions were taken throughout the pandemic including:



Enhanced cleaning



Introduction of passenger limits on vessels, in terminals and workplaces



Physical distancing protocols at all locations



Enhanced communication and screening of customers and employees



Isolation measures on our vessels



Installation of plexiglass barriers



Closure of restaurants, snack bars, lounges and gift shops



Provision of complimentary pre-packaged lunches to customers



Workplace closure and re-entry policies



Enhanced employee health assistance and programs

We successfully implemented public health protocols during the Atlantic Bubble that allowed increased volumes of traffic during the summer season. The combination of strict COVID-19 protocols and passenger limits well below regular capacity resulted in customers travelling safely.

With provincial and national travel restrictions in place, significant negative impacts were experienced for the tourism industry. The demand for leisure travel to and from the Province of Newfoundland and Labrador dropped dramatically which resulted in the suspension of the 2020 seasonal Argentia service. This resulted in layoffs, suspension of non-essential projects and reduced training activities.

In comparison to the previous year, Marine Atlantic's passenger traffic volumes dropped by over 50 percent. Like many other operations, we adapted to reduced customers and revenue. While challenging, these decisions were necessary to operate within budgets and to position the organization for a return to better times.

From an internal perspective, our transition to working from home for non-frontline workers during the pandemic was successful. Various initiatives for our frontline and administrative employees were implemented throughout the year to support the physical and mental well-being of our employee population. Very low positive test counts compared to the number of passengers carried combined with the internal measures implemented, including the suspension of vessel shore leave and vessel bubbles for refit activities, were recognized by public health in both Newfoundland and

Labrador and Nova Scotia and resulted in reduced isolation requirements for vessel employees. Other positive outcomes included significant reduction of paper use, enhanced video collaboration and the further digitization of operational procedures.

This was a challenging year. Thank you to our employees for everything that they do as essential workers. Thank you to our customers for their understanding and patience as we adapted, updated, and continue to update our COVID-19 protocols in response to advice and recommendations from public health officials.

Together with our employees, customers, community and business partners, we will successfully move beyond this challenging period. Stay safe!

Traffic Volumes In 2019-20 Versus 2020-21

2019-20	2020-21
Passengers 311,499	Passengers 139,988
Passenger Vehicles 120,426	Passenger Vehicles 50,449
Commercial Vehicles 82,194	Commercial Vehicles 89,723



Delivering an Essential Service



When Newfoundland joined Canada in 1949, the ferry service between the Province of Newfoundland and Labrador and the mainland was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act, 1949*) which guarantees that Canada will “maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles.

CORPORATE PROFILE

Marine Atlantic is a federal Crown Corporation tasked with fulfilling the constitutional mandate of offering freight and passenger service between Port aux Basques, Newfoundland and Labrador, and North Sydney, Nova Scotia. This service is vital to connect the Province of Newfoundland and Labrador with the rest of Canada.

Marine Atlantic operates terminals in Port aux Basques and Argentia, Newfoundland and Labrador, and North Sydney, Nova Scotia. We operate ferry services on two routes, a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service between Argentia and North Sydney.

To fulfill our mandate, Marine Atlantic operates a fleet of four ice-class ferries (ships that have additional strengthening and specifications to enable navigation through sea ice): *MV Blue Puttees*, *MV Highlanders*, *MV Atlantic Vision* and *MV Leif Ericson*. The Corporation reports annually to the Government of Canada through the Minister of Transport.

OPERATIONS

Marine Atlantic transports a diverse assortment of traffic. Daily, the Corporation transports passengers, passenger vehicles, tractor trailers and their drivers, drop trailers (trailers only - no attached truck), and other vehicles such as motorhomes, buses, motorcycles and all-terrain vehicles.

As the only year-round daily ferry service between the Island of Newfoundland and the Province of Nova Scotia, the Corporation transports goods entering and exiting the province via the commercial trucking industry. The commercial trucking industry is a significant stakeholder representing approximately 70

percent of all vehicular traffic and our service is a key element of the regional supply chain. Vitally important items including perishable foods and medical supplies are transported every day due to the nature of warehousing and just in time delivery. Local Newfoundland businesses rely on this service to maintain their supply chain to customers off the Island.

As the primary ferry service for passenger vehicle traffic on and off the Island of Newfoundland, Marine Atlantic is also a valuable transporter of people. Ferry travel supports the connection between Newfoundland and Labrador and the rest of Canada. During the summer months, Marine Atlantic transports large numbers of travellers, both resident and non-resident, playing an important role in supporting the province's tourism industry.

Marine Atlantic operates four vessels designed to meet the needs of our diverse customer base. From shipping large volumes of freight to offering modern passenger amenities, Marine Atlantic strives to provide a safe, reliable and quality travel experience.





OPERATING ENVIRONMENT

Operating year-round, Marine Atlantic's vessels sail during pleasant summer weather and harsh winter conditions. The captains and crews of our vessels are constantly monitoring weather conditions to ensure safety and passenger comfort during the voyage.

Marine Atlantic's service is influenced by its operating environment and demonstrates the requirement for modern, ice-class, well-maintained vessels, as well as highly trained and skilled employees. By its very nature, the ferry service is complex to operate with the focus on safety, reliability and customer service.

Marine Atlantic is covered by the *Transportation of Dangerous Goods Act* and the *International Marine Dangerous Goods* regulations that specify how cargo must be stowed and segregated onboard vessels. These regulations are constantly updated with new information to increase safety.

SAFETY STANDARDS AND REGULATIONS

Marine Atlantic's vessels are maintained to strict regulatory and safety standards. The vessels must comply with Transport Canada Marine Safety Statutes and Regulations, and are inspected by Transport Canada Marine Safety and DNV, a world-leading classification society, to ensure compliance with these regulations and codes. The Safety Management System of the vessels is audited independently by Class Society, Lloyd's Register, to verify compliance with the requirements of the International Safety Management Code for the Safe Operations of Ships and Pollution Prevention. Marine Atlantic is governed by various acts and regulations including the *Canada Labour Code*, *Transportation of Dangerous Goods Act* and Regulations, *International Maritime Dangerous Goods Regulations*, *Marine Liability Act* and Regulations, *Canada Shipping Act* and Regulations, *Financial Administration Act*, *Domestic Ferries Security Regulations* (DFSR) and *Sulphur Emission Control Areas* (SECA) Regulations.



Fleet of Vessels



MV BLUE PUTTEES

Proudly named after the regiment that represented Newfoundland in the Great War, this vessel joined Marine Atlantic's fleet in 2011. At approximately 200 metres in length, the vessel meets accessibility requirements and offers a wide selection of cabins, seating areas, amenities and dining choices to meet customer needs. It operates on the Port aux Basques service.



MV HIGHLANDERS

The twin ship of the *MV Blue Puttees*, the *MV Highlanders* joined Marine Atlantic's fleet in 2011. Named in recognition of the distinguished military service of the Highland regiment, the 200-metre vessel meets accessibility requirements and offers a wide selection of cabins, seating areas, amenities and dining choices to meet customer needs. It operates on the Port aux Basques service.



MV ATLANTIC VISION

Introduced to Marine Atlantic's fleet in 2009, this accessible 203-metre vessel offers a large selection of cabins, seating areas, amenities and dining choices for customers. Chartered by the Corporation, it operates on the Port aux Basques service and seasonal Argentia service.



MV LEIF ERICSON

Introduced to Marine Atlantic's fleet in 2001, the *MV Leif Ericson* is the Corporation's dedicated commercial vessel. Named to mark the 1000th anniversary of Norse explorer Leif Ericson's arrival in Newfoundland, the vessel offers a variety of amenities and is designed to meet the shipping needs of commercial customers. It operates on the Port aux Basques-North Sydney route.



We are developing policies, programs and initiatives to foster diversity and inclusion and:



Create a psychologically safe workplace free from bullying, harassment and all forms of disrespectful behaviour



Advance gender equity and equality



Create an equitable and inclusive workplace for people of all sexual orientations, gender identity, gender expression or intersex status



Create an equitable and inclusive workplace for persons with disabilities



Create an equitable and inclusive workplace for visible minorities



Create an equitable and inclusive workplace for Indigenous Peoples

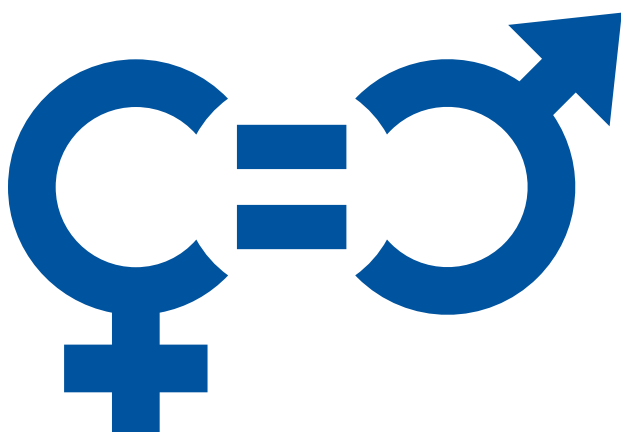
FOSTERING A COMMITMENT TO **Diversity** and Inclusion

Marine Atlantic recognizes that historical discrimination has created persistent and systemic barriers for members of underrepresented groups. Through our diversity initiatives, we are working to increase awareness and knowledge, become more diverse through our recruitment initiatives, and develop programs that provide an inclusive and safe environment where individuals feel valued. We understand that unconscious bias exists and are committed to reviewing all aspects of our organizational policies and culture to identify areas for improvement. This year, we engaged with 25 external partners who participated in the equity, diversity and inclusion engagement sessions that included those identifying as women, Aboriginal Peoples, visible minorities, persons with disabilities, and 2SLGBTQ+. A summary of that process with findings and recommendations for next steps has been developed. In the next fiscal year, we will continue our journey with a maturity assessment for the organization that will help us identify how we compare to other organizations in terms of diversity and inclusion and how we can advance. We are taking action to address past inequities which will strengthen our team who are focused on providing a quality ferry service.

GENDER EQUITY

Marine Atlantic has a strong team of highly qualified, experienced, hard working and committed women. Through the Corporation's ongoing recruitment and succession planning activities, increased participation in the Leadership Management Development Program, and greater representation on the Corporation's Senior Leadership Team, we are moving closer to our goal of gender equality at all levels of the organization. These initiatives are championed by a member of the Executive team who is responsible for overseeing gender-based initiatives.

During the year, 16 participants took part in the Women's Coaching and Mentorship Pilot Program designed to provide mentors and mentees with opportunities to learn from each other's experiences. Participant feedback has been positive noting personal and professional growth. The first-hand experience and knowledge being offered by the participants is helping to overcome real and perceived barriers to growth, and helping the Corporation further identify and address challenges confronting women in the workplace.



TOWARDS A PATH OF RECONCILIATION

Marine Atlantic acknowledges our operations in the ancestral territories of the Beothuk and Mi'kmaq Indigenous Peoples of the Island of Newfoundland, and the traditional ancestral territory of the Mi'kmaq People of Nova Scotia.

Understanding, respect, inclusion and education are key elements of Marine Atlantic's path to reconciliation with Indigenous Peoples. Through outreach, recruitment initiatives and internal education opportunities, we are taking concrete actions to better reflect and understand the cultural priorities of our Indigenous Peoples.

Through Truth and Reconciliation awareness sessions delivered by a hereditary chief and member of the Mi'kmaq Grand Council, members of the Board of Directors, senior leaders, and managers were provided with a unique opportunity to understand and ask questions regarding the history, culture and creation story of the Mi'kmaq people. These sessions generated significant positive feedback for their vast historical knowledge and educational value that left a lasting impression with our employees. These efforts will continue in the year ahead.

We are working to develop partnerships with the Mi'kmaw, Qalipu and Miawpukek First Nations, and work towards the development of equity, diversity and inclusion initiatives. One of these initiatives included information sessions for high school students in Indigenous communities highlighting career opportunities in the marine



Research has indicated that, between 2000 and 2008, Indigenous women and girls represented approximately 10% of all female homicides in Canada.

However, Indigenous women make up only 3% of the female population.

Missing and Murdered Indigenous Women and Girls

The number of missing and murdered Indigenous women, girls and LGBTQ and two-spirit people in Canada is disproportionately high. Research has indicated that, between 2000 and 2008, Indigenous women and girls represented approximately 10% of all female homicides in Canada. However, Indigenous women make up only 3% of the female population. Sadly, these numbers have increased over time. Indigenous women, girls and LGBTQ and two-spirit people continue to face life-threatening, gender-based violence, and disproportionately experience violent crimes because of hatred and racism.

In 2016, in response to the Truth and Reconciliation Commission's Call to Action #48, the Government of Canada launched the National Inquiry into Missing and Murdered Indigenous Women and Girls in order to end the violence faced by Indigenous women and girls. Between September 2016 to December 2018, the National Inquiry conducted and in-depth study and analysis on missing and murdered

Indigenous women and girls, including LGBTQ and two-spirit people, by collecting information from community-led, institutional hearings, reviewing past and current media, and conducting forensic analysis of over 1,400 witness and survivor statements. The inquiry also gathered evidence from over 1,400 witnesses and survivors of violence, the families of victims and subject-matter experts to families, survivors, Indigenous leaders, as well as federal, provincial and territorial governments of a closing ceremony in Gatineau, Quebec, on June 3, 2019.

Each year since 2006, vigils are held across Canada on October 4 to honour the lives of more than 1,300 missing and murdered Indigenous women, girls and gender diverse people, support grieving families, and create opportunities for healing.



Taking Action: What You Can Do

There are many things you can do to have an impact, and most of them cost nothing.

- Volunteer with a women's shelter or Friendship Centre.
- Call a women's shelter and ask what items you can collect in a donations drive. For example, shelters often need baby items, phone cards, socks and underwear, as well as toiletries and seasonal clothing.
- Write to the editor of your local newspaper if you want to read more about Indigenous issues, are pleased with an article or disagree with something. Newspapers track interest.
- Contact other organizations to see if you can volunteer or offer financial support.
- Organize workshops, movie nights or book clubs to discuss the issues, invite an Elder, organization or community members to speak to the issues, or ask permission to reflect their interests.
- Participate or organize a virtual remembrance Vigil on October 4. Ask others, "What are you doing on October 4?"
- Educating yourself and others is the best support of all.

Sources:

- <https://www24.hqcc.ca/missing-and-murdered-indigenous-women-and-girls>
- <https://www24.hqcc.ca/missing-and-murdered-indigenous-women-and-girls>
- <https://www24.hqcc.ca/missing-and-murdered-indigenous-women-and-girls>
- <https://www24.hqcc.ca/missing-and-murdered-indigenous-women-and-girls>

EMPLOYMENT EQUITY

Marine Atlantic is committed to Employment Equity which creates a more inclusive, flexible and respectful work environment. This includes our commitment to ensuring full participation and opportunity of the four groups designated in the *Employment Equity Act*:

Women

Aboriginal Peoples

Persons with disabilities

Members of visible minorities groups

We have made a commitment to equity, diversity and inclusion for persons of all sexual orientations, gender identities and gender expressions.

Through our Employment Equity Surveys, we receive information from our employees to determine plans and strategies to address potential barriers. This information helps us review our processes to ensure they are fair and transparent and do not have an adverse impact on any particular group, and helps measure our progress.

sector, including Marine Atlantic. In the upcoming year, these efforts will be expanded to provide additional information to Indigenous students who express an interest in a seafaring career.

As part of our continued awareness within Marine Atlantic, we recognized somber occasions such as vigils to mark Missing and Murdered Indigenous Women and Girls, and celebrating important occasions such as National Indigenous Peoples Day, National Indigenous Peoples Month and the International Day of the World's Indigenous Peoples.

We remain committed to understanding, promoting, and educating about the heritage, beliefs, cultures of all Indigenous Peoples and working to better reflect these contributions within Marine Atlantic.

ACCESSIBLE AND INCLUSIVE SERVICE

Marine Atlantic continues to place a focus on providing a positive, accessible transportation experience for persons with a disability regardless of physical or sensory impairments.

To help us achieve this goal, employees receive training in serving persons with disabilities. An Accessibility and Inclusion Advisory Committee comprised of employee representatives and external partners representing groups from the community of persons with disabilities provides feedback on our current accessibility approaches and identifies potential areas for improvement.

During the year, Marine Atlantic completed infrastructure updates, introduced enhanced procedures, and established new communications and service offerings to meet the new Accessible Transportation for Persons with Disabilities Regulations.

Marine Atlantic recognizes National AccessAbility Week, a week for Canadians to promote inclusion and accessibility in our communities and workplaces, to celebrate our progress and to be inspired to further break down accessibility barriers.



VISIBLE MINORITIES

Visible minorities have been marginalized in Canada and have faced many systemic barriers through the years. While not always obvious or intentional, these barriers have discriminated against minority groups through various services, access and opportunities.

Marine Atlantic is committed to identifying and removing these barriers from our service and workplace. Recruitment efforts are strengthening our overall service delivery through a combination of experience and culture that is truly representative of the country and regions in which we live and serve, including the

visible minority population. We will continue with our education initiatives so that our employees understand and recognize potential barriers to inclusion, including unconscious bias.

2SLGBTQ+ COMMUNITY IN OUR WORKPLACE

As a supporter of the 2SLGBTQ+ community, Marine Atlantic is committed to fostering a culture of acceptance and inclusion. Whether through participation in Pride celebrations or education programs that promote inclusion, we are committed to supporting members of this community.

We are proud to stand up and show our support for anti-bullying initiatives, including Pink Shirt Day. While pink shirts are used as a symbol, the true meaning of the day is to address and overcome bullying in our workplaces, schools, homes and the Internet. By wearing pink shirts, society is joining together to send a strong message that bullying is not acceptable and must be addressed. While COVID-19 impacted face-to-face events this year, employees were encouraged to wear pink shirts, pins and attire and hold virtual team gatherings to recognize this important day. By wearing a pink shirt, we are all saying that we care.



Canadian Centre for Diversity and Inclusion

Marine Atlantic is proud to be an employer partner with the Canadian Centre for Diversity and Inclusion, which helps promote diversity, equity, and inclusion within the workplace. Through this partnership, we are researching challenges and identifying solutions and opportunities to further strengthen our diversity and inclusion initiatives.





SAFE, SECURE AND ENVIRONMENTALLY

Responsible Operations

We are committed to the health, safety and security of our customers and employees, and protecting the environment in which we operate. Our policies and procedures are designed with these principles in mind. This remains the greatest priority at Marine Atlantic and will continue to guide everything that we do.

PANDEMIC RESPONSE

Protecting the health and safety of our employees and customers, while maintaining our essential ferry service, are our guiding principles as we navigate our way through the challenges of COVID-19. The Corporation's pandemic response was guided by its Pandemic Planning Committee and Pandemic Task Force. These teams consisted of employees from all functional areas of the Corporation.

Drawing upon the vast expertise, experience and skills of the leaders at Marine Atlantic, these committees met regularly to discuss policy and procedural changes and respond to issues throughout the year. This approach led to an engaged, prepared and informed team that was well-positioned to react to the changing realities of the pandemic and implement operational decisions based upon the advice of public health officials.

These teams will continue to respond to COVID-19 issues moving into 2021-22.

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety (OHS) influences activities throughout the organization. The policies and procedures in place have been developed by a team of employees working together to protect people, property and the environment. Our OHS committees have representation at every workplace, and our OHS Policy Committee is comprised of representatives from all levels of the organization. Together, they discuss issues and provide direction on corporate-wide safety initiatives that protect us all.

PSYCHOLOGICAL HEALTH AND SAFETY PROGRAM

Marine Atlantic is committed to the psychological health and safety of its employees. Recognizing that COVID-19 has had a significant impact on mental health across the country, the Corporation established a Healthy Workplace Advisory Committee to provide recommendations on developing strategies, initiatives and programs to help us advance towards the national standard. We will continue to work with employees through consultation, education, and communication to provide ongoing support. The vision for the psychological health and safety program will be based upon the 13 factors for psychological health and safety in the workplace.

The 13 factors of psychological health and safety (PH&S) in the workplace are:



Organizational Culture



Psychological and Social Support



Clear Leadership & Expectations



Civility & Respect



Psychological Demands



Growth & Development



Recognition & Reward



Involvement & Influence



Workload Management



Engagement



Balance



Psychological Protection



Protection of Physical Safety

SAFESTART[®] PROGRAM

Through the implementation of the SafeStart program, we are working to reduce personal injuries and improve safety communication at work, home, and play. Introduced in the previous fiscal year, this internationally recognized safety enhancement program is helping to strengthen our safety culture and performance. This year, the final modules in the program began rollout to employees as part of our enhanced training measures, including initiatives related to safely working and protecting health during the pandemic. The Safe Supervisor Training Program was launched to reinforce with supervisors the importance of safety and security responsibilities in the workplace.

CONTRACTOR MANAGEMENT PROGRAM

The Contractor Management Program provides all organizations doing work on Marine Atlantic property with comprehensive requirements from safety responsibilities to the qualifications and certifications required to undertake tasks. We continue our journey towards a safety culture of zero injuries both for our employees and on-site contractors.

ENVIRONMENTAL MANAGEMENT SYSTEM

Marine Atlantic's Environmental Management System (EMS) focuses on continued improvement of environmental performance, while minimizing the environmental impacts of our operations. The EMS incorporates all aspects of operations, including those activities conducted by contractors and lease holders within our properties. The system is designed to manage risks associated with our operations including petroleum product handling, wastewater generation, waste generation, air emissions and waste oil handling. During the year, employees received training for the EMS including risks, plans, and the daily actions to protect the environment.

OIL POLLUTION EMERGENCY PLAN AND OIL SPILL RESPONSE EXERCISES

The Corporation conducts an annual Oil Pollution Emergency Plan (OPEP) exercise and Oil Spill Response exercise to practice, inspect and audit our response plans and processes at the oil handling facility in Port aux Basques, and port operations in North Sydney and Argentia. These activities position the Corporation to respond in the event of a petroleum-based discharge into the harbour. As a marine operation, we must continually be prepared and update our plans based upon the latest procedures, new technologies and changing regulations. As an example, a capital project was completed during the year to automate our vessel fueling and fuel tanker offloading operations. This will improve the overall risk factors associated with these routine activities, thus adding further environmental protection.



ANNUAL EMERGENCY PREPAREDNESS EXERCISE

Each year, Marine Atlantic conducts a tabletop Emergency Preparedness Exercise to test plans and procedures and assess how we would respond in the event of a real emergency. This year's exercise, held virtually, included our largest participation to date. Drawing upon the experience of internal and external participants, the simulated cyber emergency provided learning opportunities to enable the Corporation to continue strengthening its Emergency Response Plan.



CYBERSECURITY

Like all organizations, Marine Atlantic faces a wide range of threats to information, and new threats are emerging as technology advances. Having an effective cybersecurity program is a key pillar to ensuring the protection of corporate information, and for the protection of Marine Atlantic's employees and customers. The Corporation is committed to ensuring that its cyber program is dynamic and able to adjust as the threats continue to change. Like most organizations, Marine Atlantic saw an increase in cyber threats during the pandemic; however, through the work of employees and partners we were able to ensure the organization was protected. As it relates to cybersecurity, we understand that staying status quo means falling behind and are continuing to mature our cyber program. The organization recently developed a multi-year cybersecurity program based on an industry standard framework. Through this program, Marine Atlantic continues to introduce new processes and technologies to ensure the organization remains protected from cyber threats.

Marine Atlantic's EMS is designed to:

- Improve environmental performance
 - Protect the environment by preventing or mitigating adverse environmental impacts
 - Help maintain environmental awareness
-

Green Marine Key Performance Indicators include:



Reducing the risk of introducing invasive species



Implementing measures to reduce port activity impacts



Environmental Leadership



Reducing greenhouse gas emissions



Using cleaner fuels



Responsible handling of oily fluids



Prevention of spills and leakages



Reducing underwater noise



Strengthening waste management activities



GREEN MARINE ENVIRONMENTAL PROGRAM

Marine Atlantic is a member of the Green Marine Environmental Certification Program. The voluntary program, designed for the North American marine industry, focuses on reducing the environmental footprint by undertaking concrete and measurable actions. Founded in 2007, it stems from the maritime industry’s desire to exceed regulatory requirements. It is a rigorous, transparent and inclusive program that targets environmental issues such as greenhouse gases, community impacts, and water and land pollution. Marine Atlantic achieved Level Three Green Marine certification for its vessels, terminals and office buildings.

Did you know?

Marine Atlantic completes in excess of 14,000 random searches of people and vehicles each year as part of our security regulatory responsibilities to protect our customers, employees and infrastructure.

MARINE MAMMAL MANAGEMENT PLAN

Marine Atlantic is committed to sharing the Cabot Strait with the many marine mammals that call these waters home. To guide our activities and reduce our impact on marine life, the organization implemented a Marine Mammal Management Plan. As part of the plan, measures have been taken to reduce underwater noise and vessel bridge staff have been trained to spot, document and regularly report marine mammal sightings to the Department of Fisheries and Oceans and the Marine Mammal Observation Network. This information is used by researchers to better understand the distribution and health of various mammal populations and produce updated mariner guides for our regional ocean environment.

Marine Atlantic also recognizes the migratory patterns of the North Atlantic Right Whale and is in regular contact with Transport Canada regarding regulations and restrictions to protect the whales. Should a Marine Atlantic vessel enter a designated speed reduction zone, or a whale be spotted in our operational zones, our fleet will reduce speeds and comply with all notification procedures.

Did you know?

The long-finned pilot whale was the species most reported by our ships in 2020-21.





WASTE EDUCATION AND MANAGEMENT

Marine Atlantic continues with its waste education initiatives and management program to positively influence the attitudes and behaviours of employees and customers as it relates to waste disposal and recycling activities. With an ongoing commitment to diverting more waste, positive changes are taking place with a growing acceptance that we all must do more to protect our environment.



STRENGTHENING THE SERVICE THROUGH **Infrastructure** and Innovation

We are focused on being a progressive, innovative organization that provides a high-quality service. Fleet renewal, shore-based infrastructure upgrades, and adopting advanced technology and innovative ways of doing business are included in our efforts to offer an efficient, effective and reliable service. While COVID-19 did impact many of our activities and projects during the year, significant progress was made on several important priorities for the Corporation.

FLEET RENEWAL

In 2019-20, Marine Atlantic released a Request for Qualifications (RFQ) resulting in shortlisted applicants who would be eligible to participate in the Request for Proposals (RFP) stage.

The Corporation's fleet renewal process and efforts to procure a new vessel continued throughout 2020-21. Two proponents moved to the RFP phase. The successful proponent will have the option to enter into a charter agreement for 60 months for the supply of the vessel. Marine Atlantic will have the option to buy the vessel at the end of the charter period.

Our new vessel is key to our long-term planning and future fleet renewal. The COVID-19 pandemic has reinforced the essential nature of our service for passengers and the supply chain connection between Newfoundland and Labrador and the rest of the country. This new vessel will be an important element of helping us to fulfil this essential mandate for the future.

Our passengers, commercial customers and employees have changing needs and a new, modern and efficient vessel with updated amenities is an important next step. The goal is for the new vessel to enter service in the 2023-24 fiscal year.

Similar to our existing fleet, the new vessel will be a ro-pax design with the ability to carry commercial freight and offer passenger amenities. The RFP process is being overseen by a fairness monitor, an independent consultant that acts as an objective, third-party observer.

Marine Atlantic operates a four-vessel fleet. The Corporation works closely with the Government of Canada to balance the needs of its customers and its service, and continually evaluates its fleet requirements based upon a range of factors including projected traffic volumes and regional economic indicators.



VESSEL DRYDOCKS

Despite the challenges associated with COVID-19, Marine Atlantic's team successfully completed drydock and refit activities for the *MV Highlanders* and *MV Atlantic Vision*. Working with all parties, health and safety plans were developed to allow the necessary work to take place, while mitigating against the potential spread of COVID-19. Marine Atlantic undertakes refits every year as part of our preventative maintenance program and Transport Canada regulations. These activities are vital to our efforts of maintaining a reliable fleet.

The *MV Leif Ericson's* 30-year survey also commenced during the year. A 30-year class survey is the most extensive a vessel will go through, with the vessel undergoing inspections of all key systems and updates completed, as required, to maintain regulatory compliance.

PORT AUX BASQUES NAVIGATIONAL IMPROVEMENTS

The improvement of Port aux Basques Harbour is a key strategic initiative for Marine Atlantic. With the support of the Town of Channel-Port aux Basques, the organization is proposing the removal of Vardy's Island to improve the navigational elements of the harbour, enhance the safety of our vessels in more challenging weather and lessen the impact of weather events.

As part of this process, preliminary due diligence was undertaken during the year to investigate the geological and environmental aspects of the Island, and a consultation process was initiated with local stakeholders to better understand their perspective. This preliminary work will provide valuable information as part of our ongoing work and inform decisions should we progress to a future stage of the project.



PORT AUX BASQUES ADMINISTRATION FACILITY

In recent years, administration-based employees in Port aux Basques have faced infrastructure challenges. To help address the issues, the Corporation leased additional space to accommodate all administration-based employees. While upgrades have been made to the Marine Atlantic-owned facility, leased space is still required to address overcrowding. Late in the fiscal year, Marine Atlantic received approval to move forward with the construction of a new administration building expected to be ready for occupancy in fiscal year 2023-24.



TICKET BOOTH UPGRADES

With construction completed in the previous fiscal year, the new ticket booths in Port aux Basques officially opened during the year. The ticket booths are designed to meet current and future traffic flow requirements.



SHUNT TRUCK REFURBISHMENT

Shunt trucks are a specially designed piece of equipment integral to our operation as they are used to move drop trailers, which represents nearly 50 percent of all commercial traffic, on and off the vessels. In 2019, the manufacturing of these specialized pieces of equipment was discontinued placing a potential financial challenge on the organization. Throughout the year, the dedicated Maintenance team embarked on a key project to overhaul the shunt truck fleet to extend its life, beginning with the oldest trucks. These efforts are resulting in a renewed fleet at a fraction of the cost to replace, thus providing savings and strengthening our operations to better serve our customers.

INNOVATION STRATEGY

Innovation generates new ideas that benefits the Corporation and our customers. During the year, the organization put in place an Innovation Steering Committee to guide activities and initiatives designed to develop a culture that enables a progressive organization. The innovation strategy will focus on promoting greater efficiency, process improvement, and modernization to enhance the overall customer experience. Through push and pull innovation that promotes creativity and engagement with our employees and customers, we are poised to bring forward new ideas that will strengthen the service.



FUEL AUTOMATION PROGRAM

Fuel automation will improve the efficiency of the ship loading and offloading fuel program. Through the replacement of manual systems with automated systems, the addition of local control stations and a central control system, improvements are being made from an operational, safety and environmental perspective with real-time monitoring activities.

BUSINESS ENHANCEMENTS

Marine Atlantic continued its multi-year business change project, designed to improve business processes throughout the organization, replace end of life technology and improve information sharing.

To date, each new process introduced focused on upgrades to aging systems and building a scalable and personalized experience for employees, empowering them to access their own information and complete online requests. Overall, it has provided the Corporation the ability to improve data quality and reporting as well as modernize processes and systems.

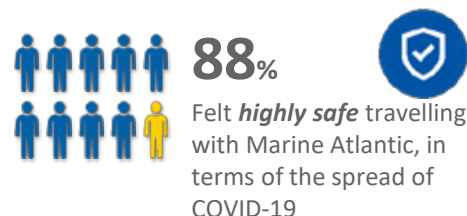
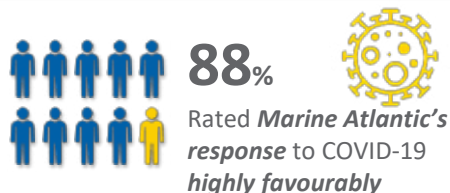
Innovation continues to be an important part of our decision-making processes, including the introduction of our automated mooring system.





Passenger Experience During the Pandemic Results

December 2020

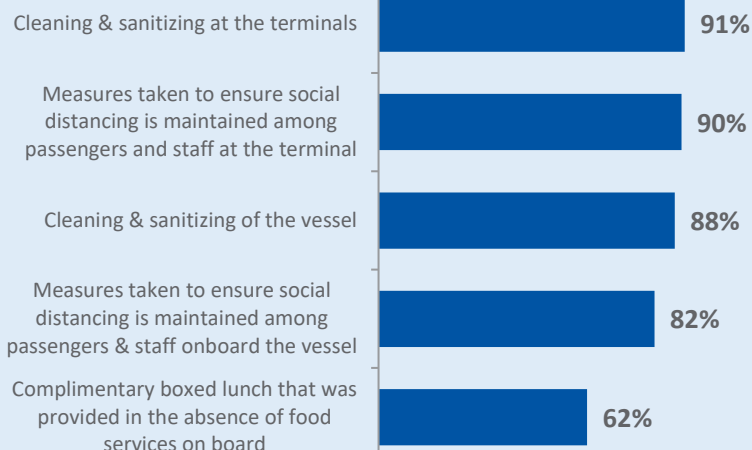


Unaided Key Reasons (n=525)

- 25% Doing a good job/No issues
- 23% Good safety protocols/
Enforcing safety measures
- 23% Good social distancing
- 15% Very organized
- 15% Provided a boxed meal



Satisfaction with COVID-19 Measures



Support of Measures Marine Atlantic Has Taken During the COVID-19 Pandemic

- 97% Requirement to wear a face mask, unless there is a medical exemption
- 93% Staggered boarding to limit the number of passengers on stairs and elevators
- 91% Reduced number of people allowed in the terminals
- 89% Reduced passenger capacity on board
- 89% Screening for COVID-19 at the terminals
- 85% Closure of bars on board
- 85% Closure of gift shops
- 82% Having to stay in cabins or passenger lounge while on board
- 75% Not being permitted in the pet kennel area
- 67% Closure of restaurants and snack bars on board
- 58% Not being permitted on outside decks

Satisfaction with Travel Experience



Trip Purpose

10%
Business

90%
Personal

Methodology:

- Telephone survey with random sample of 600 passengers who travelled from August 1 to September 30, 2020.
- Scores include *top-3 positive* responses (8, 9 or 10) on a 10-point scale.

FOCUSING EFFORTS TO STRENGTHEN

The Customer Experience

Delivering high quality, strengthened customer-focused service during a pandemic can present challenges. Guided by our goal of protecting the health and safety of people, new policies and procedures were implemented to prevent the spread of COVID-19. These changes resulted in a different experience for customers travelling on the ferry throughout the year; however, customer feedback indicated significant support and appreciation for these measures.



98%

customers highly satisfied with the courtesy of front-line employees

95%

customers likely to recommend Marine Atlantic to family and friends

91%

customers highly satisfied with the onboard experience

83%

customers highly satisfied with the reliability of Marine Atlantic's service

Due to COVID-19, survey results were limited based upon reduced passenger numbers and available data.

ENGAGING IN BOTH OFFICIAL LANGUAGES

As a federal Crown Corporation, Marine Atlantic is committed to providing customers with the option of receiving service in either of Canada's two official languages. As part of that commitment, Marine Atlantic is part of the advisory committee that reports to the Official Languages Centre of Excellence and works with the Office of the Commissioner of Official Languages, Treasury Board and the Department of Canadian Heritage to report and meet our requirements under the *Official Languages Act*. The Corporation has training programs in place for bilingual employees and is committed to delivering service effectively in both official languages.

The Corporation initiated an Official Languages Steering Committee during the year to guide the development of an Official Languages Action Plan. The development of this plan, which will continue in the upcoming fiscal year, will outline processes and procedures to maintain regulatory compliance and meet the expectations of our official language minority communities and French-speaking customers.

ROLLING SCHEDULE

Feedback received from customers and industry partners is a key element for continued improvements. One area of feedback related to enhanced booking options. This included a longer advance booking period allowing customers to plan their leisure travel farther in advance,

aligning with overall planning activities and securing their preferred sailing and amenities. To achieve this, the Corporation introduced a rolling schedule providing customers with the option of making reservations up to 17 months prior to travelling. Released during the year, the increased advance booking opportunity provides customers with additional planning options when they are ready to resume their leisure travel when pandemic conditions permit.

REDESIGNED WEBSITE

We are continually looking at ways to improve, including updating our website to meet customer expectations. Data indicated that many visitors to the website proceed directly to the booking option. Therefore, during the year the passenger and commercial schedule pages were redesigned to enhance the overall user experience. This more efficient process is making the overall experience more effective and enjoyable for our customers.



ARGENTIA FERRY SERVICE

Due to the pandemic and related travel restrictions, Marine Atlantic made the difficult decision to temporarily suspend the Argentia service for the 2020 summer season. The service will resume for the summer 2021 season providing two crossings per week, with the ability to add additional capacity should it be needed. Our teams, in consultation with public health officials, continue to plan for the season ahead.

COMPLIMENTARY DIGITAL PUBLICATION SERVICE

Marine Atlantic continues to offer a complimentary digital publication service at our terminals providing customers an opportunity to download a wide selection of newspapers and magazines before their sailing. Customers keep the publication as another exciting entertainment option as part of their adventure.



SIMPLIFYING CUSTOMER CONTACT

To simplify customers' experience when contacting Marine Atlantic, the Corporation moved to a single toll-free number for all calls related to Reservations and Customer Relations. Customers wishing to speak to a representative regarding any part of their booking or travel experience now call 1-800-341-7981.

RECOGNIZING OUR COMMERCIAL CUSTOMERS

As essential workers during the pandemic, we recognize and appreciate the vital role the commercial trucking industry are playing during the COVID-19 pandemic. As valued customers of our service, Marine Atlantic undertook measures to protect their health and safety, including the introduction of single berth cabins for commercial drivers as they continue delivering vital goods during the pandemic.

Building upon events from previous years, the Corporation also initiated commercial appreciation events that provided drivers a small token of our appreciation for all that they do to keep vital goods moving between provinces. The Corporation also partnered with not-for-profit groups to provide hot meals for drivers during the most difficult periods of the pandemic.

PARTNERING WITH THE TOURISM INDUSTRY

While travel-related events were limited during the year, we continue to be a proud partner in the region's tourism industry. Through in-person and virtual support of various tourism initiatives, including Hospitality Newfoundland and Labrador events, we are working with our industry partners to develop strategies to attract more visitors to our region.



CUSTOMER COMMUNICATIONS

Customer Contact System

Whether there is a schedule advisory, announcement or other important information regarding upcoming travel, our customer contact system promotes efficient and timely communication. Customers receive direct communications via telephone and e-mail updates.

Social Media

Social media provides an opportunity to share information and interact with customers in a manner that best meets their needs. The Corporation's social media presence continues to grow each year through its Twitter, Facebook, Instagram, YouTube, and LinkedIn accounts as well as the Marine Atlantic blog. Social media platforms are a popular avenue in communicating directly with customers.



@MAferries
@MAnavires



@marineatlanticferries
@MAnavires



@maferries
@manavires



Marine Atlantic
Marine Atlantique



Marine Atlantic
Marine Atlantique

Digital Signage

Terminal and onboard digital signage also provides customers with important information regarding operations, schedules, weather, promotions, services, and amenities.





A Committed and Skilled Team

The talent, strength, commitment and dedication of our employees was on full display during the 2020-21 fiscal year as they worked to overcome the challenges associated with the COVID-19 pandemic. Through a team approach, our employees stepped up to provide a safe and healthy environment focused on maintaining the essential link and supply chain. Through new initiatives, strengthened policies and training programs, our employees will continue to be the strength of the operation for the future.

CANADA LABOUR CODE UPDATES

Marine Atlantic is committed to meeting the provisions outlined in the updated Canada Labour Code. The amendment to the legislation, commonly referred to as Bill C-65, focuses on protecting employees from harassment and violence through:

- The prevention of incidents
- Effective response should an incident occur
- Supports for employees impacted by harassment and violence

A new Workplace Harassment and Violence Policy and action plan is in place. The policy will guide the organization's actions towards our goal of creating a workplace where no

employee is subjected to workplace harassment and violence. It also includes procedures to effectively respond to incidents of harassment and violence should they occur.

In the upcoming fiscal year, workplace assessments will be completed to identify risks of harassment and violence. Preventive measures will be put in place to mitigate risks identified. Training is a key element of the plan with employee, investigator and mediator, and enhanced reporting training planned as part of the action plan.

EMPLOYMENT EQUITY SURVEY

During the year, all employees were encouraged to participate in the confidential employee employment equity survey to provide an accurate picture of the composition of the current workforce. This data will form the basis of equity, diversity and inclusion goals and employment equity programs, and enable evaluation of the progress towards creating an equitable and diverse workforce.

EMPLOYEE ENGAGEMENT SURVEY/FOCUS GROUPS

The Corporation conducts employee engagement surveys every three years to provide valuable insight related to strengths and identify areas where improvement is possible. The results of the previous year's survey were compiled and shared with employees, with a series of focus groups

undertaken to promote additional consultation. Due to COVID-19, virtual sessions were held which resulted in lower participation. As a result, a follow-up survey specific to harassment and bullying in the workplace was issued and closed at the end of the fiscal year. Based on this feedback, an action plan will be developed to address identified issues.

SENIOR LEADERSHIP TRAINING PROGRAMS

Leadership Management Development Program

Marine Atlantic's Leadership Management Development Program (LMDP) combines internationally accepted best practices in leadership and management with hands-on learning opportunities. Individuals are provided with materials and training opportunities related to management, leadership and core competency skills that are important for personal and professional growth. One of the objectives of the program is to encourage employees to consider future leadership roles and the skills developed during the program provides the foundation for current and future positions. The program, designed for virtual delivery, continued throughout the year despite challenges associated with COVID-19.

Senior Leadership Development Program

Based upon the success of the LMDP, the Senior Leadership Development Program (SLDP) was launched during the year. This program follows a format similar to the LMDP

and focuses on the continued development of more experienced managers. Participants prepare for sessions through the review of reading materials, attend monthly online sessions, and discuss issues through a facilitated virtual dialogue.

EMPLOYEE TRAINING

Marine Atlantic recognizes the importance of having a highly skilled and talented workforce. Our team requires continuous regulatory training to meet the requirements of a safety-focused industry. While recruitment and retention initiatives help to attract great employees, growing the skills of our team through professional development and training make us a stronger organization. To encourage professional growth, the Corporation offers training and educational opportunities, including access to financial and related resources for career development purposes. Through programs such as the Educational Financial Assistance Program, the Corporation is committed to growing internal talent and providing employees with new skills and opportunities for professional and career advancement.

While COVID-19 impacted training activities during the initial months of the pandemic, the Corporation and employees adjusted to enable training to proceed and certification requirements to be met.

MYHEALTH WELLNESS PROGRAM

The MyHealth Wellness Program is focused on improving employee health and wellness. With enhanced access to medical professionals, support programs, and activities, employees are encouraged to adopt and sustain healthy behaviours that will improve physical, mental and emotional well-being.

As an addition to the various aspects and initiatives of the program, an online Facebook group was launched during the year to help employees support one another during the COVID-19 pandemic and assist with their overall wellness journey. Designed to inspire and motivate, along with sharing information from our Occupational Health Team on physical health and mental well-being, the group has proven popular with employees.



EMPLOYEE COMMUNICATIONS

MyPort

Marine Atlantic is committed to sharing information and educating its employees through various channels. In addition to internal e-mail and print notices, the Corporation uses its branded mediums such as MyPort Intranet, MyPort TV and MyPort Magazine.

MyPort Intranet

MyPort Intranet is designed to be a mobile-friendly, one-stop location for employees requiring information about their work and work-life. A repository for employee-focused information, it is also fully compatible with the payroll and time and attendance systems and allows employees access to their personal information. Throughout the pandemic, it was also used as a tool to update important COVID-19 information, such as processes and procedures, making it an efficient access point for employees to view the information they needed.

MyPort TV

Marine Atlantic uses its employee digital signage channel to connect with its dispersed, primarily mobile employee population. Using television screens at all locations, the platform connects employees with short, up-to-date information and includes everything from corporate announcements and safety tips to employee achievements and resources. This technology was used to share information and promote positive health messaging and combined with

efforts to minimize unnecessary movement of this essential workforce during the pandemic to protect employees.

MyPort Magazine

MyPort Magazine is Marine Atlantic's employee newsletter. The magazine features news and updates, education regarding policies and programs, recognition and understanding of diversity and culturally important events, and profiles of our employees and initiatives throughout the organization. During the year, a new reader was introduced to provide an improved experience for the user. The nature of the magazine also shifted from print to digital during the pandemic to protect against the spread of COVID-19, which has also helped reduce our paper usage and environmental footprint.

AWARDS AND DISTINCTION

Recognizing the work and accomplishments of employees is a priority within Marine Atlantic. The Corporation's award recognition program includes Ripple Awards, Awards of Distinction, and the President's Award, which are presented to employees who show tremendous commitment and display corporate values through their actions in the workplace and community. The Volunteer of the Year award is presented to an employee who is making a difference in their community through volunteer activities. An additional award, the Bright Ideas Award, rewards employees who bring forward ideas that help improve how Marine Atlantic does business.



This year' Distinction Awards were presented to Roxanne Seymour, Karen Devoe, Paul Organ, Karen Coleman and the Employees of the Port aux Basques Terminal.





SUPPORTING OUR EMPLOYEES AND **Giving Back to our Communities**

We are a proud supporter of our communities and our employees are strong volunteers in the regions in which they live; a reflection of the Corporate values that guide our activities every day. Through donations to not-for-profit groups, sponsorships of community events, and supporting the initiatives that are important to our employees, we are committed to helping individuals and groups achieve success. While the COVID-19 pandemic significantly impacted most of our annual sponsorship activities and events, the Corporation was pleased to lend our support and sponsorship to a number of worthwhile initiatives during the year.

SCHOLARSHIPS

Marine Atlantic is committed to building the skills of potential employees and the recruitment of high school graduates and post-secondary students for positions within the Corporation.

The annual scholarship program awards dependent children of employees or pensioners with funds for post-secondary education on a merit basis. The program provides up to four \$2,000 university entrance scholarships and four \$1,000 technical college entrance scholarships. Marine Atlantic also provides four \$1,500 scholarships annually to

students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute, and partners with the Institute and the Nova Scotia Community College for a cadet program.

EDUCATIONAL PARTNERSHIPS

We are proud to partner with the educational institutions in our communities to provide students with hands-on learning opportunities. Through partnerships on our vessels, at our terminals and in our administration facilities, we are providing students with a first-hand look at the many career options available in the marine industry. These opportunities have included students from Nova Scotia Community College's Nautical Institute who are provided work experience opportunities towards their diplomas, as well as sailing opportunities as part of a new on-vessel study tour.

COMMUNITY INVESTMENT

With COVID-19 impacting many of the community events and initiatives traditionally supported by Marine Atlantic, the Corporation placed an emphasis on opportunities and partnerships that supported safety, health and overall well-being. This included donations to local foodbanks in all our locations, as well as a variety of initiatives with the primary purpose of helping people during a difficult year. We are looking forward to a post-pandemic period in which our community partners can once again undertake the initiatives that are so important to the people, groups and regions they serve.



Volunteer of the Year Award Recipients

TRAVIS STONE

Travis Stone has been curling for 24 years and his love for the sport has led him to make a significant commitment to the Sydney Curling Club. For more than 7 years, Travis has been a member of the Board of Directors for the Club and is currently the President. He has been an instrumental element in the Club's growth over the last few years, making it one of the most successful in Nova Scotia.

Travis's leadership has attracted more diversity into the Club and now includes visually impaired curling, wheelchair curling, Special Olympics curling, international student curling events, elementary school groups, women's events, youth curling, and senior curling.

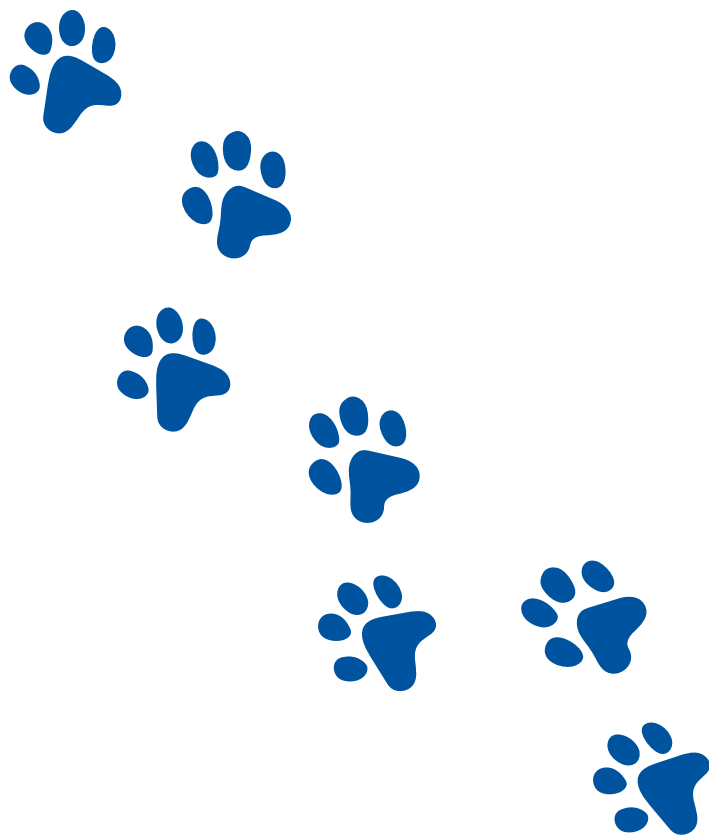
Travis's commitment, excellence, integrity, and passion for the work he does with the Sydney Curling Club is evident. Travis is a wonderful ambassador for Marine Atlantic in the community.



LORETTA AND EUGENE BATTISTE

Wife and husband, Loretta and Eugene Battiste, have made an extraordinary commitment to their community of Port aux Basques by helping to rescue stray and abandoned cats, many with health issues. By converting areas on their property, they house and nurse the rescued animals back to good health. They also help locate homes for the abandoned cats and kittens. Since 2017, Loretta and Eugene have rescued approximately 1000 cats and kittens, with 850 finding new homes.

Through their selfless acts, they are bettering their community and helping animals in distress.





A FORWARD-LOOKING PERSPECTIVE **to the Next 12 Months**

With the promise of vaccine to protect employees and customers, we are looking forward to a post COVID-19 period. While the pandemic has significantly influenced our operations, passenger levels and business decisions over the past 12 months, we are hopeful that a return to normalcy is just around the corner. For Marine Atlantic, we have already begun post-pandemic planning and implemented strategies that will meet the transportation and shipping needs of our customers through an effective and efficient service.

Our fleet renewal activities continued without pause during the year and we anticipate the selection of a construction partner in the next fiscal year. The MV *Leif Ericson* will complete its 30-year survey and discussions will continue with the Government of Canada regarding the lease arrangement for the MV *Atlantic Vision*.

We will continue our due diligence activities related to improving Port aux Basques Harbour and the potential removal of Vardy's Island. The Port aux Basques Harbour improvement Project includes reviewing all potential environmental considerations and consulting with local

stakeholders. We will also be moving forward with the construction of a new administration building in Port aux Basques to better serve our employees and operations.

Our focus on innovation will continue to evolve during the year. With a formalized innovation steering committee in place, we will actively welcome input and new ideas, and undertake evaluation activities to ensure we implement processes and initiatives that are modern and effective for our service and customers. Our focus on improving our business processes and efficiency will also continue as we move programs to our new Enterprise Resource Planning system.

We will continue our learning and education to promote inclusion and actively recruit to better reflect a diverse Corporation representing groups identified in the *Employment Equity Act*. Our commitment to changes in the Canada Labour Code through Bill C-65 will also continue with ongoing anti-harassment education programs and policies that promote a respectful workplace that protects employees. There is no place for discrimination, bullying or harassment at Marine Atlantic.

Safety and a commitment to protecting the environment will remain priorities in everything we do. Through our safety management system and environmental management plans, we will be undertaking initiatives that focus on the protection of people, property and the environment.

With the introduction of our new rolling schedule, we are hopeful customers will begin planning their post-pandemic travel with greater comfort. We will continue with our customer surveys and feedback to determine where additional enhancements can be made to the overall customer journey.

Through effective stakeholder engagement and corporate governance, we are confident that Marine Atlantic will emerge from COVID-19 challenges prepared and focused for the future. The pandemic has once again reinforced the vital role we play in transporting people and supplies on a daily basis. We will be ready to meet the needs of our customers, stakeholders, government and community partners, through a strong and dedicated service. While there will be challenges ahead, our team is committed to working hard, staying strong to overcome obstacles to provide the ferry service upon which our customers rely.







Governance

Marine Atlantic's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day activities of the Corporation. Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality and efficient interprovincial ferry system for our customers, governed by a strong set of corporate values.

Marine Atlantic is governed by a 10-person Board of Directors. The independent directors are chosen and appointed for specific terms by the Government of Canada. The President and CEO is also a member of the Board.

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Marine Atlantic Inc. Acquisition Authorization Act* both provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision, mission statement, and values, further direct both the Board and management in their decision-making. Finally, the National Marine Policy provides critical direction and restraint, as it requires that Marine Atlantic focus its efforts on operating the gulf ferry service.

The Board has a strong commitment to good corporate governance and stakeholder engagement. It also provides prudent fiscal direction and guidance to the management

team, ensuring effective budgeting and financial management, as well as management of corporate risks.

WORKING TO ETHICAL STANDARDS

The Corporation prides itself on maintaining high ethical standards while operating in a fiscally responsible manner. The management team adheres to conflict of interest guidelines to deliver on the corporate mandate in an ethical manner, and all employees are guided by Marine Atlantic's values along with the Public Sector Code of Ethics. The Corporation also has a Disclosure of Wrongdoings policy which outlines ways for employees to report behaviour that is outside of ethical and corporate values.

COMMITTEES OF THE BOARD

The Board's standing committees engage and support its efforts through several governance responsibilities including Audit; Governance, Risk and Strategy; Human Resources, Health, Safety and Environment; and Pension Management.

Audit Committee

The Audit Committee is mandated to provide the Board advice and services in the areas of financial management and reporting, internal control, information systems and management, procurement and internal/external audit practices.

Governance, Risk and Strategy Committee

The Governance, Risk and Strategy Committee is mandated to provide the Board advice and services in areas of strategic planning, enterprise risk management, governance, ethics and corporate social responsibility. It has a strong commitment to providing good corporate governance and effective stakeholder engagement.

Human Resources, Health, Safety and Environment Committee

The Human Resources, Health, Safety and Environment Committee is mandated to provide the Board advice and services in the areas of human resources, health, safety and the environment.

Pension Management

The Pension Management Committee is mandated to provide the Board advice and services in the stewardship of pension plans for the employees of Marine Atlantic Inc. The Marine Atlantic Pension Plan has secured annuities to reduce the financial risk to the plan. These annuities cover approximately 57 percent of total assets. The buy-in annuities remain assets of the plan and pensioners continue to be paid from the pension fund.



BOARD AND COMMITTEE MEMBERSHIP MARCH 31, 2021



Gary J. O'Brien

Channel-Port aux Basques, NL

Board Chair

Note – Board Chair sits on all Committees



Carla Arsenault

Sydney River, NS

Chair - Governance, Risk
and Strategy Committee

Member – Pension Management Committee

Member – Audit Committee



Murray Hupman

North Sydney, NS

Ex-officio member of the Board

Ex-officio member of Governance,
Risk and Strategy Committee

Ex-officio member of Human Resources,
Health, Safety and Environment Committee

Ex-officio member of Audit Committee



Janie Bussey, Q.C.

Logy Bay, NL

Chair – Human Resources, Health,
Safety and Environment Committee

Member – Governance, Risk
and Strategy Committee



John Butler (effective November 18, 2020)
St. John's, NL

Member – Human Resources, Health,
Safety and Environment Committee
Member – Audit Committee



James Doody
St. John's, NL

Chair – Pension Management Committee
Member – Governance, Risk and
Strategy Committee



Brent Chaffey
Saint David's, NL

Member – Pension Management Committee
Member – Human Resources, Health,
Safety and Environment Committee



Owen Fitzgerald
Sydney, NS

Member – Audit Committee
Member – Human Resources, Health,
Safety and Environment Committee



Craig Priddle, CPA

Corner Brook, NL

Chair – Audit Committee

Member – Governance, Risk
and Strategy Committee

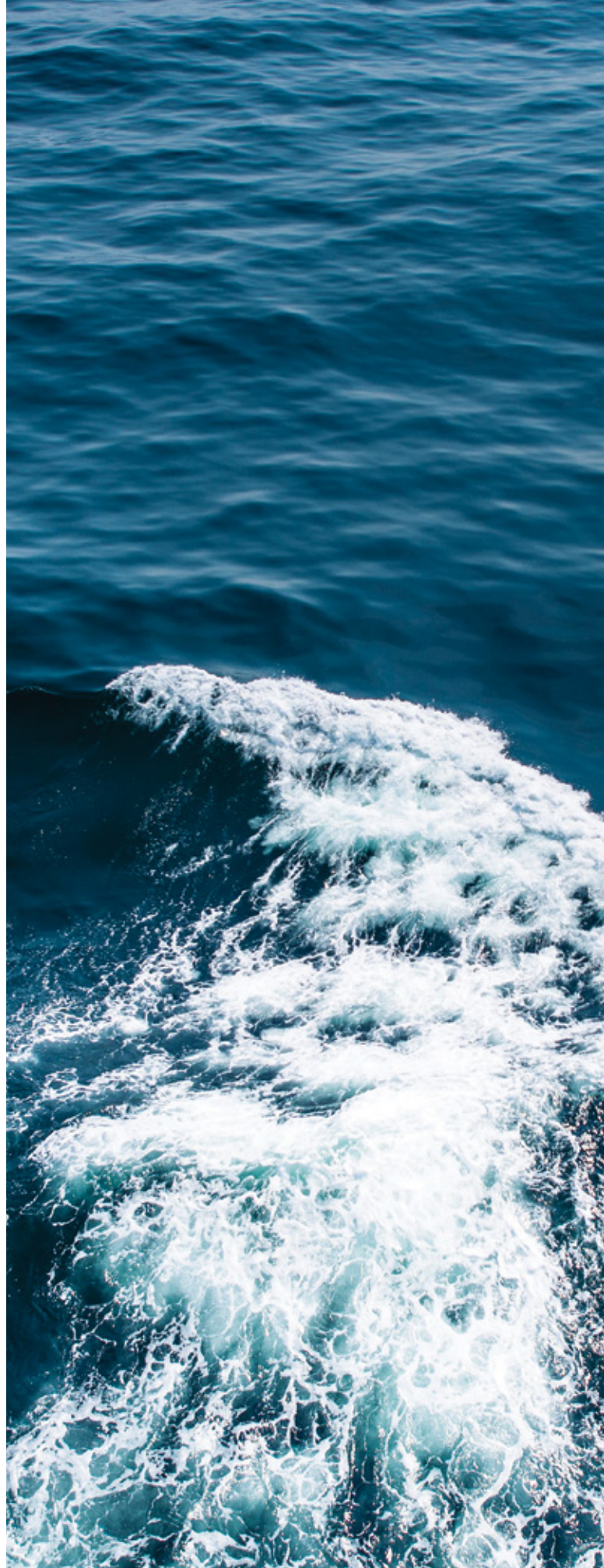


Ann-Margret White

St. John's, NL

Member – Audit Committee

Member – Human Resources, Health,
Safety and Environment Committee



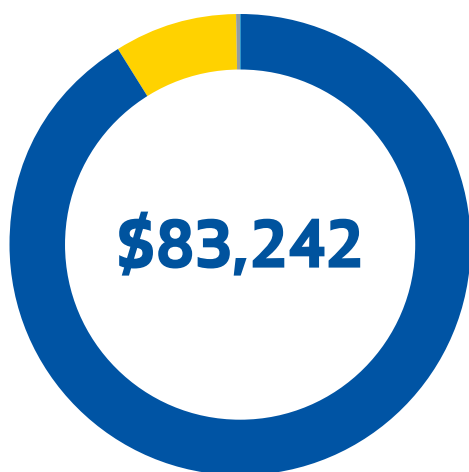
Financial Overview

As a federal Crown Corporation, Marine Atlantic receives an annual subsidy from its shareholder, the Government of Canada, through Transport Canada. In 2020/21 the Corporation spent \$219 million; \$83 million was generated via customer tariffs and other ancillary revenue; and \$135.6 million was received via subsidy. The Corporation's cost recovery was 55.2 per cent compared to 63.7 per cent last year. Due to the significant financial impacts of COVID-19, the Corporation did not meet the target of 65% set by our shareholder.

REVENUES 2020/21 (IN THOUSANDS)

Transportation revenue	75,976
Fuel surcharge revenue	7,080
Other income	182
Foreign currency exchange gain	4

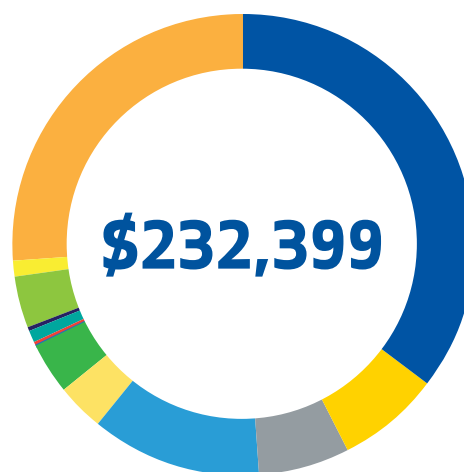
TOTAL \$83,242



EXPENSES 2020/21 (IN THOUSANDS)

Wages and benefits	82,589
Charter fees	16,768
Fuel	14,559
Materials, supplies and services	27,463
Repairs and maintenance	8,146
Insurance, rent and utilities	8,072
Travel	254
Administrative costs	843
Fleet Renewal costs	1,428
Employee future benefits	688
Loss on derivative financial instruments	8,493
Loss on disposal of tangible capital assets	2,600
Amortization	60,496

TOTAL \$232,399



COVID-19 FINANCIAL IMPACTS

The Corporation's financial results for the year were significantly affected by the COVID-19 pandemic. The pandemic resulted in material differences in revenues and expenses compared to the prior year.

Passenger and passenger related vehicle traffic volumes were negatively affected by the pandemic as provincial health authority measures limited interprovincial travel to essential and exempt individuals for most of the year.

The Corporation implemented several safety protocols. This included physical distancing procedures such as the erection of physical barriers in public facing areas, health screening procedures, establishment of sanitizing stations, the requirement for passengers and staff to wear protective face coverings, and additional cleaning protocols.

Passenger capacity per crossing was reduced by more than fifty percent and onboard food services was discontinued. The Corporation also suspended the seasonal Argentia service.

The Corporation's approved budget was created during the early stages of the pandemic, a time of much uncertainty. The passenger traffic results were significantly higher compared to the estimates although lower than the prior year. There was a temporary relaxing of interprovincial travel through the summer months resulting in the opening of the "Atlantic Bubble" and commercial traffic exceeded expectations.

REVENUE

Revenues were \$22.4 million or twenty-one per cent lower compared to last year. Passenger traffic decreased by 55%. The pandemic resulted in travel restrictions that limited travel to essential and exempted individuals, except for the summer and fall period when restrictions were reduced for passengers in the Atlantic provinces. This was partially offset by a 9% increase in commercial traffic. A number of the factors contributing to this increase is included below. The stimulus programs of both the federal and provincial governments assisted businesses and individuals in their financial requirements. A change in buying behaviour due to the pandemic resulting in increases in on-line shopping and home renovation projects. The shut down of Newfoundland and Labrador's only oil refinery changed the supply chain logistic for propane. Finally, the reduction in capacity offering of a major commercial carrier from the island of Newfoundland resulted in some businesses utilizing the Corporation for some of their freight requirements.

OPERATING EXPENSES

Wages and Benefits

Wages and benefit costs were \$11.4 million or twelve per cent lower compared to fiscal year 2019-20. The regulator for passenger ferries in Canada required operators to implement pandemic safety protocols which lowered passenger limits for the vessels. This resulted in a reduction in employee requirements throughout the organization. Furthermore, there were temporary lay offs of some shore-based employees due to changing work requirements.

Materials, Supplies and Services

Materials, supplies, and services' costs were \$0.6 million or 2% higher compared to the fiscal 2019/20. Higher software support costs were mostly offset by lower consumables costs related to the reduction in passengers and employees.

Repairs and Maintenance

The repairs and maintenance costs were \$0.4 million or 5% higher compared to prior year. The overall maintenance program was affected by COVID-19. The spring dry dockings were deferred to the fall/winter period resulting in additional maintenance activity. Costs for parts and services were also higher due to COVID-19 safety protocols requirements and the pandemic impacts on the global supply chain.

Insurance, Rent and Utilities

Insurance, rent and utilities were \$0.5 million or 7% higher than last year. The Corporation's insurance costs were higher as the industry adjusted to impacts of the pandemic. The Corporation's premium increases were however, lower compared to the general market due to claim history and mitigation strategies.

Travel

Travel costs were \$1.1 million or 81% lower compared to last year. With the travel restrictions imposed by the federal and provincial health authorities due to the pandemic, all corporate travel was limited to essential requirements. The Corporation utilized virtual meeting technology and developed and facilitated online training programs for staff.

Administrative Costs

Administrative costs were \$1.0 million lower compared to last year. The Corporation scaled back marketing and recruitment activities in response to the pandemic.

FUEL

Fuel expense was \$13.8 million lower than last year. The global pandemic resulted in historically low fuel prices this year. The Corporation's cost per litre for vessel fuel was significantly lower than last year. In addition, with the suspension of the Argentia service and lower traffic on the Gulf service, fewer trips were offered resulting in lower fuel consumption.

LOSSES

Realized Loss on Derivatives

The Corporation's realized loss on derivatives relate to the Corporation's hedging program that involves advance purchase of fuel swaps and forward exchange contracts. Realized losses on derivatives were \$8.4 million higher this year compared to last year. The significant drop in the global oil market at the outset of the pandemic resulted in large losses at time of settlement for current year fuel swap contracts purchased in prior years. In addition, the Corporation terminated and settled contracts relating to the next fiscal year and reset its positions at lower prices.

Loss on Disposal of Tangible capital assets

The Corporation recognized a loss of \$2.6 million on the disposal and scrapping of long-lived assets.

CHARTER FEES

Charter fees were \$2.3 million higher than last year. The increase was due to a higher daily charter rate for the MV Atlantic Vision at the time of renewal.

FLEET RENEWAL COSTS

The Corporation spent \$1.4 million in fleet renewal costs compared to \$1.7 million last year. External resources were contracted in year to assist in the Corporation's multi-year new vessel procurement project.

EMPLOYEE FUTURE BENEFITS

The Corporation retains an independent actuary to assist in calculating expenses relating to employee future benefits on the basis of management assumptions. This year the expense increased by \$0.2 million. These estimates are based on various assumptions such as discount rates, mortality rates and expected rates of return on plan assets. Higher pension benefits expenses were partially offset by lower non-pension benefits compared to last year.

AMORTIZATION

Amortization was \$8.5 million higher this year compared to last year. The increased amount is the result of significant capital investments made over the last number of years becoming active and depreciating.

GOVERNMENT FUNDING

Government funding revenue recognized was \$7.8 million higher than last year. Government funding for operations was \$26.3 million higher due to the large decrease in revenue resulting from COVID-19. Funding for capital projects was \$18.5 million lower. The Corporation deferred several capital projects due to funding pressures. The Corporation requested and received approval to re-allocate capital funding to operating funding to cover the operating deficit.

TANGIBLE CAPITAL ASSETS

In 2020-21, the Corporation spent \$31.6 million in asset renewal compared to \$50.1 million last year. \$24.1 million was spent on fleet-related projects compared to \$19.2 million last year.

An additional \$7.5 million was spent replacing and modernizing shore facilities and equipment compared to \$30.8 million in fiscal 2019-20.

TRAFFIC AND EMPLOYEES

	2020-21	2019-20	2018-19	2017-18	2016-17
Passengers	139,988	311,499	307,758	328,594	326,796
Passenger vehicles	50,449	120,426	115,972	122,444	120,314
Commercial vehicles	89,723	82,194	87,739	91,396	94,459
AEU's*	420,009	470,095	486,407	510,673	522,360
Number of single crossings	1,498	1,632	1,634	1,685	1,701
Employees (peak employment)	1,110	1,276	1,319	1,259	1,282
Employees (full-time equivalent)**	880	1,063	1,089	1,097	1,068

* AEU or Auto Equivalent Unit is the length of an average passenger automobile .

**Full-time equivalent (FTE) employees are calculated by dividing actual labour hours by the standard hours in a work year (2,080).

FINANCIAL OVERVIEW TABLE

Year ended March 31 (2021, 2020, 2019, 2018 & 2017 (in thousands))

	2020-21	2019-20	2018-19	2017-18	2016-17
Transportation Revenue	\$75,976	\$93,746	\$96,568	\$100,474	\$99,227
Fuel surcharge	7,080	11,650	11,976	10,510	10,411
Other income	182	229	254	584	502
Gains	4	-	3,020	1,047	3,777
	83,242	105,625	111,818	112,615	113,917
Operating expenses	127,367	139,287	137,282	143,254	137,682
Fuel	14,559	28,341	31,498	27,793	19,108
Losses	11,093	306	1,260	202	2,566
Charter costs	16,768	14,468	13,652	13,403	12,920
Fleet Renewal costs	1,428	1,727	-	-	-
Employee Future benefits	688	516	4,809	7,389	9,025
Amortization	60,496	52,025	50,033	45,166	39,144
	232,399	236,670	238,534	237,207	220,445
Deficit before government funding	149,157	131,045	126,716	124,592	106,528
Government funding					
Operations	109,494	83,239	75,977	85,800	61,203
Capital	31,627	50,076	49,691	60,958	37,598
Recovery of vessel decommissioning costs					
Operating surplus (deficit)	\$(8,036)	\$2,270	\$(1,048)	\$22,166	\$(7,727)
ASSETS:					
Total assets	\$607,185	\$606,974	\$614,540	\$623,777	\$591,552

Financial Statements of

MARINE ATLANTIC INC.

For the year ended
March 31, 2021

MARINE ATLANTIC INC.

Table of Contents

For the year ended March 31, 2021

	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Remeasurement Gains and Losses	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flow	6
Notes to the Financial Statements	7 - 32

MARINE ATLANTIC INC.

Management's Responsibility for Financial Reporting

The preparation and presentation of the financial statements is the responsibility of Marine Atlantic Inc.'s (the "Corporation") management. These financial statements have been prepared in accordance with Canadian public sector accounting standards. These standards have been applied using management's best estimates and judgments that are considered appropriate to the Corporation's circumstances. Management obtains actuarial reports in support of amounts recorded in relation to the pension plan and accrued obligations for post-employment and non-pension post-retirement benefits.

Management is responsible for the reliability and integrity of the financial statements, including the notes to the financial statements and other financial information contained in the annual report. Management is also responsible for maintaining books of account, information systems, systems of financial and management control and an internal audit program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available; that assets are safeguarded and controlled; that resources are managed efficiently; and that transactions are conducted in accordance with relevant legislation and the articles of incorporation and by-laws of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, on behalf of the Board, fulfills this responsibility. The Audit Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements. The Corporation has an internal audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, audits the Corporation's financial statements and reports to the Minister responsible for Marine Atlantic Inc. The independent auditor has full and unrestricted access to the Audit Committee to discuss the audit and related findings.

The financial statements and the annual report have been approved by the Board of Directors.



Shawn Leamon, CPA, CGA
Vice President of Finance



Murray Hupman, P.Eng.
President and CEO

St. John's, Canada
June 14, 2021



INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Marine Atlantic Inc., which comprise the statement of financial position as at 31 March 2021, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marine Atlantic Inc. as at 31 March 2021, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Marine Atlantic Inc. 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Canadian public sector accounting standards, 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 Marine Atlantic Inc.'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 Marine Atlantic Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Marine Atlantic Inc.'s financial reporting process.

Auditor's 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 auditor's 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 these 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 Marine Atlantic Inc.'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 Marine Atlantic Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Marine Atlantic Inc. 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.

We 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Marine Atlantic Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act*, the *Canada Business Corporations Act* and regulations, the articles of incorporation and by-laws of Marine Atlantic Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Marine Atlantic Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Marine Atlantic Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Marine Atlantic Inc. to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Mathieu Le Sage, CPA, CGA
Principal
for the Auditor General of Canada

Halifax, Canada
14 June 2021

MARINE ATLANTIC INC.

Statement of Financial Position

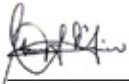
As at March 31, 2021
(in thousands of dollars)

	2021	2020
Financial assets		
Cash (Note 4)	\$ 10,648	\$ 11,202
Accounts receivable (Note 13(a))	6,595	6,712
Receivable from Government of Canada (Note 5)	13,899	8,966
Inventories held for resale (Note 6)	362	325
Derivative financial instruments (Note 12)	2,897	11
Accrued pension asset (Note 8)	156,014	145,652
	<u>190,415</u>	<u>172,868</u>
Liabilities		
Accounts payable and accrued liabilities (Notes 7 and 13(c))	31,839	24,957
Derivative financial instruments (Notes 12 and 13(c))	2,532	9,801
Deferred revenue	2,851	3,287
Payable to Government of Canada (Note 5)	29	583
Accrued vacation pay	5,932	6,259
Accrued pension liability (Note 8)	2,951	2,829
Accrued liability for non-pension post-retirement benefits (Note 9)	51,363	51,092
Accrued liability for post-employment benefits (Note 10)	11,452	11,665
	<u>108,949</u>	<u>110,473</u>
Net financial assets	<u>81,466</u>	<u>62,395</u>
Non-financial assets		
Tangible capital assets (Note 11)	387,925	419,393
Inventories held for consumption (Note 6)	22,436	11,985
Prepaid expenses	6,409	2,728
	<u>416,770</u>	<u>434,106</u>
Accumulated surplus (Note 14)	<u>\$ 498,236</u>	<u>\$ 496,501</u>

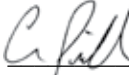
Contractual obligations (Note 16)
Contingencies (Notes 17 and 18)

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

On behalf of the Board of Directors:



Director



Director

MARINE ATLANTIC INC.**Statement of Operations**

For the year ended March 31, 2021

(in thousands of dollars)

	2021		2020
	Budget	Actual	Actual
	(Note 19)		
Revenues			
Transportation	\$ 48,842	\$ 75,976	\$ 93,746
Fuel surcharge	4,545	7,080	11,650
Other income	150	182	229
Foreign currency exchange gain	-	4	-
	<u>53,537</u>	<u>83,242</u>	<u>105,625</u>
Expenditures			
Wages and benefits	82,861	82,589	93,942
Charter fees	16,825	16,768	14,468
Fuel	13,558	14,559	28,341
Materials, supplies and services	17,635	27,463	26,872
Repairs and maintenance	8,758	8,146	7,729
Insurance, rent and utilities	8,354	8,072	7,566
Travel	841	254	1,367
Administrative costs	1,655	843	1,811
Fleet renewal costs	2,500	1,428	1,727
Employee future benefits (Notes 8, 9 and 10)	470	688	516
Foreign currency exchange loss		-	10
Realized loss on derivative financial instruments	5,500	8,493	55
Loss on disposal of tangible capital assets		2,600	241
Amortization (Note 11)	52,850	60,496	52,025
	<u>211,807</u>	<u>232,399</u>	<u>236,670</u>
Deficit before government funding	(158,270)	(149,157)	(131,045)
Government funding (Note 5)			
Operations	109,831	109,494	83,239
Capital	32,746	31,627	50,076
	<u>142,577</u>	<u>141,121</u>	<u>133,315</u>
Operating (deficit) surplus	(15,693)	(8,036)	2,270
Accumulated operating surplus, beginning of year	504,865	504,865	502,595
Accumulated operating surplus, end of year (Note 14)	<u>\$ 489,172</u>	<u>\$ 496,829</u>	<u>\$ 504,865</u>

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

MARINE ATLANTIC INC.
Statement of Remeasurement Gains and Losses

For the year ended March 31, 2021
(in thousands of dollars)

	2021	2020
Accumulated remeasurement (losses) gains, beginning of year	\$ (8,364)	\$ 2,976
Remeasurement gains (losses) arising during the year		
Unrealized (loss) gain on foreign exchange of cash	(384)	271
Unrealized gain (loss) on derivatives	1,662	(11,666)
Reclassifications to the statement of operations		
Realized loss on derivatives	8,493	55
Net remeasurement gains (losses) for the year	9,771	(11,340)
Accumulated remeasurement gains (losses), end of year (Note 14)	\$ 1,407	\$ (8,364)

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

MARINE ATLANTIC INC.
Statement of Change in Net Financial Assets

For the year ended March 31, 2021

(in thousands of dollars)

	2021		2020
	Budget	Actual	Actual
	(Note 19)		
Operating (deficit) surplus	\$ (15,693)	\$ (8,036)	\$ 2,270
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(32,746)	(31,627)	(50,076)
Amortization of tangible capital assets (Note 11)	52,850	60,495	52,025
Loss on disposal of tangible capital assets		2,600	241
Proceeds on disposal of tangible capital assets		-	5
Decrease in tangible capital assets	20,104	31,468	2,195
Change in other non-financial assets			
Acquisition of inventories held for consumption	(12,669)	(26,916)	(24,314)
Use of inventories held for consumption	14,112	16,465	30,777
Purchase of prepaid expenses	(16,825)	(19,122)	(17,916)
Use of prepaid expenses	16,825	15,441	18,533
Decrease (increase) in other non-financial assets	1,443	(14,132)	7,080
Net remeasurement gains (losses)	9,790	9,771	(11,340)
Increase in net financial assets	15,644	19,071	205
Net financial assets, beginning of year	62,395	62,395	62,190
Net financial assets, end of year	\$ 78,039	\$ 81,466	\$ 62,395

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

MARINE ATLANTIC INC.**Statement of Cash Flow**

For the year ended March 31, 2021

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Operating transactions		
Cash receipts from customers	\$ 83,406	\$ 104,262
Other income received	186	229
Government funding - operations	104,679	84,065
Government funding - capital	30,955	51,277
Cash payments to suppliers	(95,795)	(89,108)
Cash payments to and on behalf of employees	(81,772)	(91,491)
Cash paid for employee future benefits	(10,873)	(10,644)
	<u>30,786</u>	<u>48,590</u>
Capital transactions		
Purchase of tangible capital assets	(30,956)	(51,277)
Proceeds on disposal of tangible capital assets	-	5
	<u>(30,956)</u>	<u>(51,272)</u>
(Decrease) Increase from effect of exchange rate changes on cash	(384)	271
Net decrease in cash	(554)	(2,411)
Cash, beginning of year	11,202	13,613
Cash, end of year	<u>\$ 10,648</u>	<u>\$ 11,202</u>
Cash consists of:		
Restricted cash	\$ 6,641	\$ 7,013
Unrestricted cash	4,007	4,189
	<u>\$ 10,648</u>	<u>\$ 11,202</u>

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

MARINE ATLANTIC INC.

Notes to the Financial Statements

For the year ended March 31, 2021
(in thousands of dollars)

1. NATURE OF OPERATIONS AND AUTHORITY

Marine Atlantic Inc. is incorporated under the *Canada Business Corporations Act*. The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown Corporation. Marine Atlantic Inc. is a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*. The Corporation is not an agent of Her Majesty. In accordance with the *Marine Atlantic Inc. Acquisition Authorization Act*, the Corporation's articles restrict its business to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. As a result of the *National Marine Policy* (1995), the mandate was narrowed to the operation of the ferry system. The Corporation considers this to be its sole program. The corporate mission is "to provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner." The Corporation operates a ferry service between Nova Scotia and Newfoundland and Labrador. This service encompasses the year-round ferry service between North Sydney, Nova Scotia and Port aux Basques, Newfoundland and Labrador (constitutional route) and the seasonal summer service between North Sydney, Nova Scotia and Argentia, Newfoundland and Labrador (non-constitutional route). The Corporation operates its service with one chartered and three corporate-owned vessels. It owns terminals in North Sydney, Nova Scotia; Port aux Basques and Argentia, Newfoundland and Labrador.

The Corporation receives funding for its operations from the Government of Canada to the extent that the cost of providing ferry services is not recovered from commercial revenues. The acquisition of tangible capital assets is subject to approval of parliamentary appropriations. The Corporation is economically dependent on the Government of Canada.

The Corporation's Board of Directors is responsible for price changes across all services, including to a maximum of five percent per year on constitutional fares. The Corporation also sets a fuel surcharge based on the annual cost recovery target.

In December 2014, the Corporation was issued a directive (P.C. 2014-1382) pursuant to section 89 of the *Financial Administration Act*, as follows:

- (a) To ensure that the pension plan will provide:
 - i. a 50:50 current service cost-sharing ratio between employee and employer for pension contributions for all members by December 31, 2017, and
 - ii. for any employee hired after January 1, 2015, the normal age of retirement be raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and
- (b) To outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

Member contribution rates were adjusted gradually to meet the 50:50 current service cost-sharing ratio target rate by January 1, 2017. Since then the cost-sharing ratio is reviewed annually at each actuarial valuation. As of December 31, 2020, this ratio was 47:53 between employees and the Corporation and employee contributions are adjusted each January 1st to bring the cost-sharing ratio to 50:50. The Corporation has amended its policies such that the normal age of retirement for employees hired after January 1, 2015 was raised to 65 years of age.

MARINE ATLANTIC INC.

Notes to the Financial Statements

For the year ended March 31, 2021
(in thousands of dollars)

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The Corporation implemented new policies and revised existing policies and procedures effective July 1, 2016 and has been compliant with the directive since then.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian public sector accounting standards. All figures are stated in thousands of dollars except for the authorized share capital.

(a) Government funding

The Corporation receives government funding to finance its current cash requirements, related to operating expenses in excess of commercial revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all eligibility criteria have been met by the Corporation. Any difference between amounts provided and amounts authorized and eligible represents a receivable from (payable to) the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

(b) Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the end of each reporting period. Changes in fair value are recognized in the statement of remeasurement gains and losses until the derivative financial instrument is derecognized, at which point the accumulated remeasurement gain (loss) is reversed and reclassified to the statement of operations. Derivatives are derecognized at the expiry date of the derivative contract. Transaction costs are expensed as incurred.

(c) Insurance claims receivable

Accounts receivable includes recoverable insurance claims which are recognized when the Corporation has received confirmation that the claim will be accepted and paid by the insurance underwriter.

(d) Inventory

Inventories include fuel, valued at the lower of historical or replacement cost, and spare parts used for consumption onboard vessels, valued at historical cost.

(e) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at cost less accumulated amortization.

MARINE ATLANTIC INC.

Notes to the Financial Statements

For the year ended March 31, 2021
(in thousands of dollars)

Vessels include corporate owned vessels and vessel projects, shore facilities include terminal buildings, stevedore buildings, docks and related infrastructure. Equipment includes computer hardware and software, furniture, and vehicles.

Major spare parts are accounted for as tangible capital assets and are not amortized until they are put into use. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

The cost of work in progress includes materials, direct labour and overhead. Amounts included in work in progress are transferred to the appropriate tangible capital asset classification when available and ready for use and are then amortized.

Amortization is calculated at rates sufficient to write off the cost, less any residual value, of tangible capital assets over their estimated useful lives on a straight-line basis. The cost, less any residual value, of capital vessel projects are amortized over the lesser of the useful life of the asset or the useful life of the vessel.

Estimated useful lives and amortization methods are reviewed annually. The rates for significant classes of tangible capital assets are as follows:

Vessels	5% to 10%
Shore Facilities	2.5% to 5%
Equipment	10% to 25%
Leasehold Improvements	Shorter of term of lease agreement or the asset's useful life

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, the cost of the asset is written down to residual value, if any. Write-downs are not reversed.

(f) Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the benefits accrue to employees for expected retirement projections.

i) Accrued pension asset (liability)

The Corporation maintains, through a trustee, a registered defined benefit pension plan covering substantially all employees, an unfunded supplementary retirement arrangement for senior managers hired prior to March 1, 2001, and an unfunded supplementary retirement arrangement adopted in 2006 for designated positions providing benefits for service since 2004. Eligibility under the latter supplementary arrangement was extended to benefits accrued for service since 2009 for all members of the registered defined benefit pension plan who are affected by the maximum pension payable by the registered plan. Benefits are generally based on employees' length of service and final or best average earnings for all benefits.

The cost of pensions is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, inflation, and retirement ages of employees. The discount rate used to calculate the interest cost on the pension obligations is based on the expected return on plan assets for the registered pension plan and a proxy for the cost of borrowing for the other plans.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable on the measurement date, for each major asset class and the target asset mix specified in the plan's investment policy. A market-related value of plan assets is used for purposes of the financial statements, and the expected return on plan assets is based thereon. The market-related value of plan assets is determined using a method which amortizes gains or losses relative to the expected return over five years. Actuarial gains or losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets and from changes in the pension obligations due to changes in actuarial assumptions used or actual experience differing from that which is expected based on the assumptions.

Actuarial gains and losses for the registered pension plan and for the supplementary retirement arrangement adopted in 2006 are amortized over the estimated average remaining service period of the members. Actuarial gains and losses for the former supplementary retirement arrangements are amortized over the average life expectancy of plan members.

Adjustments for plan amendments, net of offsetting unamortized actuarial gains and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of the members covered by the registered pension plan and the supplementary retirement arrangement adopted in 2006 is 10.2 years (2020 – 9.5 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 12.2 years (2020 – 13.4 years).

ii) Non-pension post retirement benefits

The Corporation provides life insurance and health and dental care benefits to current and retired employees. Union and non-union/management employees become eligible for basic and optional life insurance the first of the month following 60 days of continuous employment. Union employees become eligible for extended health and dental benefits the first of the month following the attainment of 1,040 hours of work and non-union/management employees become eligible the first of the month following date of hire.

The cost of non-pension post-retirement benefits is actuarially determined using management's best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates. The costs associated with retired employees are accrued. The costs for current employees are expensed as they are incurred.

Adjustments arising from actuarial gains and losses are amortized over the estimated average remaining service period of the related employee group.

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.4 years (2020 – 11.4 years). Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

iii) Post employment benefits

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers' compensation liabilities incurred. The cost of workers' compensation liabilities is actuarially determined using the net present value of liabilities for work-related injuries of current and former employees when awards are approved by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador; Workplace Health, Safety and Compensation Commission of New Brunswick; or Workers Compensation Commission of Prince Edward Island; or legislative amendments are made and the anticipated future costs can be reasonably calculated. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions.

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 10.0 years (2020 – 10.0 years).

(g) Revenue recognition

Transportation revenue and fuel surcharges are recognized when ferry services are provided. The Corporation requires customers to pay in advance when booking a reservation. The amounts received are recorded as deferred revenue and are recognized as revenue when ferry services are provided. Interest income is recognized as it is earned, and collection is reasonably assured.

(h) Expenses

Expenses are recorded on an accrual basis. Expenses for the operations of the Corporation are recognized when goods or services are received.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

(i) Prepaid expenses

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payments under the terms of lease agreements.

(j) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the financial statement date. Revenues and expenses are translated using exchange rates in effect at the date of the transaction. Commitments and contingencies denominated in foreign currencies are translated at exchange rates in effect at the financial statement date. An unrealized exchange gain or loss that arises prior to settlement is recorded in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of unrealized gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

(k) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements, and a reasonable estimate of the loss can be made, an estimated liability is accrued, and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(l) Contingent assets

Contingent assets are possible assets arising from existing conditions involving uncertainty, which will be resolved by a future confirming event. The existence of a contingent asset is disclosed in the notes to the financial statements if the occurrence of the future event is likely. If the occurrence of the confirming event is unlikely or not determinable the contingent asset is not disclosed in the notes to the financial statements.

(m) Measurement uncertainty

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include accrued pension asset, accrued pension liability, non-pension post-retirement benefits and post-employment benefits, useful lives of tangible capital assets, derivatives and litigation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates. The COVID-19 pandemic has continued to increase market volatility. This increases uncertainty when measuring financial instruments such as derivatives based on oil prices as well as the market value of investments held by the pension plan.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In August 2018, the Public Sector Accounting Board issued PS 3280, Asset retirement obligations, which establishes principles on how to account for and report legal obligations associated with the retirement of tangible capital assets. An asset retirement obligation is recognized when all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The mandatory effective date of this standard has been deferred and is now effective for fiscal years beginning on or after April 1, 2022. The Corporation is currently assessing the impact that this standard will have on its financial statements and there will be no early adoption. The impact is not known at this time.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

4. CASH

Cash includes restricted cash consisting of cash denominated in Euros held in an escrow account with a German bank as security for the charter of the passenger and freight ferry – the MV *Atlantic Vision*. The total balance denominated in Euros is €4,500 (2020 - €4,500), which translates to \$6,641 Canadian dollars at March 31, 2021 (2020 - \$7,013). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

An amendment to the charter agreement was signed May 15, 2020 to extend the agreement for a further two (2) years to November 14, 2022.

5. (RECEIVABLE FROM) PAYABLE TO GOVERNMENT OF CANADA

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of operations in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has a different surplus (deficit) for the year on a government funding basis than on a generally accepted accounting principles basis.

	2021	2020
Payable to Government of Canada, beginning of year	\$ 583	\$ 2,994
(Receivable from) Government of Canada, beginning of year	(8,966)	(13,404)
Net receivable, beginning of year	(8,383)	(10,410)
Parliamentary appropriations received during the year	135,634	135,342
Recognized during the year:		
Government funding - operations	(109,494)	(83,239)
Government funding - capital	(31,627)	(50,076)
Government funding surplus (deficit)	(5,487)	2,027
(Receivable from) Government of Canada, end of year	(13,899)	(8,966)
Payable to Government of Canada, end of year	29	583
Net receivable, end of year	\$ (13,870)	\$ (8,383)

6. INVENTORIES

	2021	2020
Inventories held for consumption		
Fuel inventory	\$ 11,992	\$ 3,438
Vessel spare parts - ship based	5,669	5,088
Vessel spare parts - shore based	4,775	3,459
	22,436	11,985
Inventories held for resale		
Catering inventory	362	325
Total inventories	\$ 22,798	\$ 12,310

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

For the year ended March 31, 2021 inventories expensed during the year amounted to \$17,926 (2020 - \$32,373). During the year, the Corporation has written down \$483 (2020 - \$1,783) of inventory.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accounts payable	\$ 16,881	\$ 11,576
Accrued liabilities	4,636	3,859
Wages and benefits payable	8,916	8,088
Government remittances payable	1,406	1,434
Accounts payable and accrued liabilities	\$ 31,839	\$ 24,957

Amounts due to other government organizations of \$197 (2020 - \$230) are payable on demand and are non-interest bearing.

8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of the plan's assets for accounting purposes as at the measurement date (December 31, 2019 for the year ended March 31, 2021, and December 31, 2018 for the year ended March 31, 2020). The most recent actuarial valuation for funding purposes was completed in 2019 and is as of December 31, 2018.

Based on the actuarial valuations and projections to December 31, the summary of the principal valuation results, in aggregate, is as follows:

	2021	2020
Accrued benefit obligation		
Balance, beginning of year	\$ 702,522	\$ 685,627
Current service cost	7,544	7,258
Employee contributions	6,794	7,540
Interest costs	26,195	27,463
Benefits paid	(35,047)	(36,192)
Actuarial loss	28,259	10,826
Balance, end of year	\$ 736,267	\$ 702,522
Market-related value of plan assets		
Balance, beginning of year	\$ 865,414	\$ 848,551
Return on plan assets	68,059	37,321
Employer contributions	7,881	8,194
Employee contributions	6,794	7,540
Benefits paid	(35,047)	(36,192)
Balance, end of year	\$ 913,101	\$ 865,414

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

The following presents the financial position of the Corporation's pension arrangements:

	2021		2020	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	\$ 913,101	\$ -	\$ 865,414	\$ -
Pension obligations (actuarial value)	732,473	3,795	698,812	3,709
Surplus (deficit) end of year	180,628	(3,795)	166,602	(3,709)
Unamortized net actuarial (gains)	(26,484)	810	(22,913)	844
Employer contributions during year for measurement date to March 31	1,870	34	1,963	36
Accrued pension asset (liability)	\$ 156,014	\$ (2,951)	\$ 145,652	\$ (2,829)

The following presents a summary of pension contributions and benefit payments during the year:

	2021		2020	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	\$ 7,637	\$ 151	\$ 7,992	\$ 156
Employee	6,794	-	7,540	-
Total contributions	\$ 14,431	\$ 151	\$ 15,532	\$ 156
Benefits paid	\$ 34,896	\$ 151	\$ 36,036	\$ 156

The pension costs are comprised of the following:

	2021		2020	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Determination of pension costs for the year are calculated as:				
Current period benefit cost	\$ 14,213	125	\$ 14,681	117
Amortization of net actuarial losses	(1,680)	85	(2,047)	71
Employee contributions	(6,794)	-	(7,540)	-
Retirement benefit expense	5,739	210	5,094	188
Interest on pension obligations	26,135	61	27,392	71
Expected return on plan assets	(34,600)	-	(36,234)	
Retirement benefit interest (revenue) expense	(8,465)	61	(8,842)	71
Pension costs (revenue)	\$ (2,726)	\$ 271	\$ (3,748)	\$ 259

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

The registered pension plan is a defined benefit pension plan. The pension formula for current active members of the plan provides a pension, for each year of allowable service up to a maximum of 35 years, equal to 1.6% of best or final average earnings up to the average maximum pensionable earnings under the Canada Pension Plan, plus 2% of best or final average earnings in excess of the average maximum pensionable earnings under the Canada Pension Plan. The plan provides for possible indexation adjustments for pension and survivor benefits payable during a calendar year following the third anniversary of the member's retirement or death, whichever occurs first. The indexation adjustment is calculated as the annual increase in the Consumer Price Index less 3%, subject to a maximum annual increase of 3%. No indexation adjustment is provided if the annual increase in the Consumer Price Index is below 3%.

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at March 31, 2021, was 3% in debt securities, 29% in equity securities, and 57% in annuities (2020— 22%, 21%, and 47% respectively).

The market value of plan assets is \$463,152(2020 - \$455,134); in addition, the actuarially determined value of the buy-in annuities is \$ 493,493 (2020 - \$402,988). The actual gain on the market value of plan assets was \$87,600 or 19.2% (2020 – \$20,377 or 4.8%) and the actual return on the market-related value of plan assets was \$68,059 or 7.9% (2020- \$37,321 or 4.4%).

Gains and losses incurred are as follows: gain on market-related value of plan assets \$20,198 (2020 - \$1,323); actuarial loss on registered plan accrued benefit obligation \$28,209 (2020 – loss of \$10,428); actuarial loss on supplementary arrangements accrued benefit obligation \$50 (2020 – loss of \$399).

The significant assumptions are:

	2021	2020
Pension obligations		
Discount rate – registered plan	5.25%	5.00%
Discount rate – supplementary arrangements	1.13%	1.75%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%
Pension costs		
Discount rate – registered plan	5.00%	5.40%
Discount rate – supplementary arrangements	1.75%	2.15%
Expected return on assets	5.00%	5.40%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%

9. ACCRUED LIABILITY FOR NON-PENSION POST-RETIREMENT BENEFITS

The Corporation provides life insurance and health and dental care benefits to retirees. The present value of this unfunded benefit plan for current and future retirees is determined by the Corporation's independent actuary on the basis of management assumptions. An actuarial valuation was conducted as of December 31, 2019 for the year ended March 31, 2021 and December 31, 2019 for the year ended March 31, 2020 and the valuation was extrapolated for accounting purposes to March 31st. The

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

statement of operations includes a charge of \$805 (2020 - \$1,692) for non-pension post-retirement benefits for the cost of these benefits during the period.

The following presents the financial position of the Corporation's non-pension post-retirement benefits at March 31:

	2021	2019
Obligation for non-pension post-retirement benefits (actuarial value)	\$ (44,935)	\$ (37,978)
Unamortized net actuarial (gain)	(6,615)	(13,277)
Employer contributions during the year from measurement date to March 31	187	163
Accrued benefit liability for non-pension post-retirement benefits	\$ (51,363)	\$ (51,092)

The following presents a summary of contributions and benefit payments in the year:

	2021	2020
Employer contributions	\$ 534	\$ 510
Benefits paid	\$ 534	\$ 510

The non-pension post-retirement benefit costs are comprised of following:

	2021	2020
Determination of non-pension post-retirement benefit cost for the year are calculated as:		
Current period benefit cost	\$ 1,628	\$ 1,888
Interest on obligations	687	900
Amortization of net actuarial (gains)	(1,510)	(1,096)
Non-pension post-retirement benefit costs	\$ 805	\$ 1,692

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

The significant assumptions are:

	2021	2020
Non-pension post-retirement benefits obligations		
Discount rate	1.13%	1.75%
Rate of compensation increase	3.50%	3.50%
Initial weighted-average health care trend rate	4.80%	4.90%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040
Inflation rate	2.00%	2.00%
Non-pension post-retirement benefits costs		
Discount rate	1.75%	2.15%
Rate of compensation increase	3.50%	3.50%
Initial weighted-average health care trend rate	4.80%	4.90%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040
Inflation rate	2.00%	2.00%

10. ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS (WORKERS' COMPENSATION AND OTHER BENEFITS)

The Corporation's accrued obligation for workers' compensation benefits represents the unfunded liability for the costs of self-insured benefits specified and administered by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador, the Workplace Health, Safety and Compensation Commission of New Brunswick and the Workers Compensation Board of Prince Edward Island for work-related injuries of current and former employees.

The actuarially determined liability consists of an obligation for known awarded disability and survivor pensions, an obligation for all other potential future awards for past claims and other costs consisting of temporary compensation, health care expenses, rehabilitation costs and related administration costs charged by the various provincial commissions/board. These amounts are presented on a net present value basis taking into account inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The most recent actuarial valuation for accounting purposes for workers' compensation benefits was conducted as of December 31, 2017 and extrapolated to the measurement dates of December 31, 2020.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

The following presents the financial position of the Corporation's post-employment benefits at March 31:

	2021	2020
Obligation for post-employment benefits (actuarial value)	\$ (16,499)	\$ (15,775)
Unamortized net actuarial losses	4,320	3,798
Employer contributions during the year from measurement date to March 31	727	312
Accrued benefit liability for post-employment benefits	\$ (11,452)	\$ (11,665)

The following presents a summary of benefit payments in the year:

	2021	2020
Benefits paid	\$ 2,551	\$ 1,989

The post-employment benefit costs included in the statement of operations are comprised of the following:

	2021	2020
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	\$ 1,399	\$ 1,400
Interest on obligations	284	344
Amortization of net actuarial losses	655	569
Post-employment benefit costs	\$ 2,338	\$ 2,313

The significant assumptions are:

	2021	2020
Post-employment benefits obligations		
Discount rate	1.13%	1.75%
Increase in average industrial wage	2.75%	2.75%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	4.00%
Post-employment benefits costs		
Discount rate	1.13%	1.75%
Increase in average industrial wage	2.75%	2.75%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	4.00%

For the year ended March 31, 2021, the Corporation paid \$ 645(2020 - \$595) in premiums to the Workers' Compensation Board of Nova Scotia which are included in wages and benefits in the

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

statement of operations. These premiums represent the workers' compensation costs for Nova Scotia employees given that the Corporation is assessed on an event basis.

11. TANGIBLE CAPITAL ASSETS

Cost 2021					
	Opening Balance	Additions	Transfers	Disposals	Closing Balance
Vessel	\$ 422,250	\$ 7,560	\$ 5,498	\$ -	\$ 435,308
Shore facilities	236,406	2,200	25,272	(11,945)	\$ 251,933
Leasehold improvements	45,157	4,078	1,600	-	\$ 50,835
Equipment	73,387	850	10,207	(4,836)	\$ 79,608
Work in progress	48,817	16,939	(42,577)	(119)	\$ 23,060
	\$ 826,017	\$ 31,627	\$ -	\$ (16,900)	\$ 840,744

Accumulated Amortization 2021				
	Opening Balance	Amortization Expense	Disposals	Closing Balance
Vessel	\$ 237,514	\$ 30,555	\$ -	\$ 268,069
Shore facilities	95,130	12,202	(9,888)	\$ 97,444
Leasehold improvements	39,725	5,512	-	\$ 45,237
Equipment	34,255	12,227	(4,411)	\$ 42,071
Work in progress	-	-	-	\$ -
	\$ 406,624	\$ 60,496	\$ (14,299)	\$ 452,821

Cost 2020					
	Opening Balance	Additions	Transfers	Disposals	Closing Balance
Vessel	\$ 408,017	\$ 5,775	\$ 8,458	\$ -	\$ 422,250
Shore facilities	219,974	517	16,485	(570)	236,406
Leasehold improvements	37,043	6,290	1,824	-	45,157
Equipment	49,157	2,612	21,645	(27)	73,387
Work in progress	62,347	34,882	(48,412)	-	48,817
	\$ 776,538	\$ 50,076	\$ -	\$ (597)	\$ 826,017

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

Accumulated Amortization 2020					
	Beginning Balance	Amortization Expense	Disposals		Ending Balance
Vessels	\$ 205,805	\$ 31,709	\$	\$	237,514
Shore facilities	84,900	10,558	(328)		95,130
Leasehold improvements	36,588	3,137	-		39,725
Equipment	27,657	6,621	(23)		34,255
	\$ 354,950	\$ 52,025	-	(351)	- (406,624)

	Net Book Value 2021	Net Book Value 2020
Vessel	\$ 167,240	\$ 184,736
Shore facilities	154,489	141,276
Leasehold improvements	5,598	5,432
Equipment	37,538	39,132
Work in progress	23,060	48,817
	\$ 387,925	\$ 419,393

12. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at amortized cost or at fair value are as follows:

	2021		2020	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Financial assets				
Cash	\$	\$ 10,648	\$	\$ 11,202
Accounts receivable		6,595		6,712
Derivative financial instruments	2,897		11	
	\$ 2,897	\$ 17,243	\$ 11	\$ 17,914
Financial liabilities				
Accounts payable and accrued liabilities other than government remittances payable	\$	\$ 30,432	\$	\$ 23,523
Derivative financial instruments	2,532		9,801	
	\$ 2,532	\$ 30,432	\$ 9,801	\$ 23,523

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

(b) Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The methods used to establish the fair values of the Corporation's derivative financial assets and derivative financial liabilities at March 31, 2021, which are all classified as level 2, are based on quoted prices for similar assets or liabilities or modeled using inputs that are observable. The fair value of the derivative financial instruments is estimated at the discounted unrealized gain or loss calculated based on market prices at March 31, which generally reflects the estimated amount that the Corporation would receive or pay to terminate the contracts at the financial statement date. The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of the derivative financial instruments.

(c) Derivatives

The derivative financial instruments used by the Corporation, and measured at fair value, include swaps which are typically a commodity or price swap where parties exchange payments in cash based on changes in the price of the commodity (#2 heating oil) or a market index while fixing the price effectively paid for fuel.

The Corporation uses foreign exchange forwards which are contractual agreements to buy foreign currency at a specified price and date in the future. The Euro foreign exchange forwards are related to lease payments for the MV *Atlantic Vision*.

All derivatives have a monthly settlement schedule. At March 31, the Corporation had the following derivative financial instruments with positive fair values:

		2021		2020	
	Period	Fixed Price per Unit (Note)	Notional Quantity (Note)	Fair value	Fair value
Crude swap - #2 heating oil	2022	1.824-1.8715	5,376	\$ 2,122	\$ -
Crude swap - #2 heating oil	2023	1.808-2.069	2,268	653	
Crude swap - #2 heating oil	2024	1.9775-1.9925	588	122	-
				\$ 2,897	\$ -

Note: – Quantities are based on gallons; prices are per US gallon.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

		2021		2020	
	Period	Forward	Notional	Fair value	Fair value
		Rate	Quantity		
		CAD/EURO	(Euros)		
Foreign exchange forwards	2021	-	-	\$ -	\$ 11
				\$ -	\$ 11

At March 31, the Corporation had the following derivative financial instruments with negative fair values:

		2021		2020	
	Period	Fixed Price	Notional	Fair Value	Fair Value
		per Unit	Quantity		
		(Note)	(Note)		
Crude swap - #2 heating oil	2021	-	-	\$ -	\$ (6,338)
Crude swap - #2 heating oil	2022	-	-	-	(2,990)
Crude swap - #2 heating oil	2023	2.2861-3.1497	2,058	(752)	(472)
Crude swap - #2 heating oil	2024	2.242-3.1997	1,428	(781)	-
				\$ (1,533)	\$ (9,800)

Note: – Quantities are based on gallons; prices are per US gallon.

		2021		2020	
	Period	Forward	Notional	Fair value	Fair value
		Rate	Quantity		
		CAD/EURO	(Euros)		
Foreign exchange forwards	2021	-	-	\$ -	\$ (1)
Foreign exchange forwards	2022	1.5685	9,533	(845)	-
Foreign exchange forwards	2023	1.5155	6,272	(154)	-
				\$ (999)	\$ (1)

13. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors is responsible for developing and monitoring the Corporation's risk management policies.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and corporate policies, aims to

MARINE ATLANTIC INC.

Notes to the Financial Statements

For the year ended March 31, 2021
(in thousands of dollars)

develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Corporate Governance, Risk and Strategy Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

The Corporation is primarily exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments in the normal course of business.

Credit risk: Risk that a third party to a financial instrument may fail to meet its obligations under the terms of the financial instrument.

Market risk: Risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. The Corporation is exposed to currency risk, interest rate risk and commodity price risk.

Liquidity risk: Risk that the Corporation may encounter difficulty in raising funds to meet commitments associated with financial instruments.

This note presents information about the exposure to each of the above risks, including the Corporation's objectives, policies, and processes for measuring and managing each risk. Further quantitative disclosures are included throughout these financial statements. COVID-19 has increased the Corporation's exposure to risk. Additional activities, processes and procedures were put into place to mitigate the risks associated with the pandemic.

(a) Credit risk

The carrying amount of cash, accounts receivable and derivatives represents the Corporation's maximum exposure to credit risk. The Corporation minimizes credit risk on cash and derivative financial instruments by dealing only with reputable and credit worthy financial institutions. The Corporation's exposure to credit risk on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk and requires assessing and monitoring of counterparty credit risk. Due to the pandemic, we implemented enhanced monitoring of trade accounts to identify the potential risk of defaults. There was no increase in allowance for doubtful accounts.

Cash

Cash other than restricted cash is held in a Canadian chartered bank. Restricted cash is held in a Euro-denominated escrow account in a German bank. The designation of this bank as escrow agent was imposed as a condition of a vessel charter agreement. As the vessel's owner is bound under a number of security instruments, the vessel's owner was obliged to use this bank to hold the escrow funds.

At March 31, 2021, the German bank holds a baseline credit assessment of ba2, a guaranteed long-term rating of Baa2, and an unguaranteed short-term rating of P-2 from Moody's.

Accounts receivable

The Corporation's total accounts receivable is \$6,595 as at March 31, 2021 (2020 - \$6,712) and consists of trade receivables of \$3,547 (2020 - \$4,333) and other accounts receivable of \$3,048 (2020 - \$2,379) of which \$0 (2020 - 602) is recoverable insurance claims.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

Trade accounts receivable are incurred in the normal course of business and are due on demand. The Corporation provides services to numerous customers. However, five customers represent 52% of the trade receivables (2020 - six customers represented 57% of the trade receivables). The Corporation does not consider there to be any significant credit risk associated with accounts receivable.

As at March 31, 2021, approximately 1.1% (2020 – 1.2%) of trade accounts receivables were over 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts was \$32 at March 31, 2021 (2020 - \$46). The allowance for doubtful accounts is based on an account by account analysis that considers the aging of the account and the current creditworthiness of the customer.

Details of the Corporation's trade accounts receivable at March 31 are as follows:

	2021	2020
Current	\$ 3,198	\$ 3,649
1-30 days past due	340	676
31-120 days past due	(1)	(3)
121 days past due	42	57
	3,579	4,379
Less: Allowance for doubtful accounts	(32)	(46)
Trade accounts receivable, net	\$ 3,547	\$ 4,333

Derivatives

The Corporation's derivative financial instruments are contracted with Canadian chartered banks which are credit worthy counterparties. The Corporation considers that it is exposed to minimal credit risk in the event of non-performance as the counterparty is considered to be of high credit quality.

(b) Market risk

(i) Currency risk

Currency risk arises due to fluctuations in foreign currency rates. The Corporation uses derivatives (foreign exchange forwards) to manage this risk. The Corporation makes monthly lease payments for the charter of the MV *Atlantic Vision* in the amount of 765 to 840 Euros over the term of the lease. To minimize this risk, the Corporation purchased forward contracts for 100% of the amount of the monthly lease payments to November 2022. The Corporation has reduced exposure to currency risk given that these lease payments have been hedged. A fluctuation of 5% in foreign currency rates would not have a significant impact on the financial statements.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate for the Corporation's cash balances varies based on changes in the prime rate. The Corporation has no significant exposure to interest rate risk. A variation of 1% in the interest rate would affect the amount of investment income earned on cash balances but would not have a significant impact on the financial statements.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

(iii) Commodity fuel price risk

In order to manage the risk associated with increased fuel price variation, the Corporation enters into heating oil derivative contracts (swaps) with financial intermediaries. The objectives of the Corporation's fuel hedging policy are to stabilize fuel budget variances and the fuel surcharges charged to customers. A 10% increase in the market price of derivatives for the year ended March 31, 2021 would decrease crude oil derivative liabilities by \$774 and increase crude oil derivative assets by \$1,840, while a 10% decrease would have an equal and opposite effect. The market volatility from COVID-19 resulted in large losses for current year fuel derivative contracts. The Corporation reset its portfolio based on revised fuel consumption estimates. The Corporation also terminated many contracts at a loss due to the drop in oil prices and entered into new contracts at lower prices.

(c) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Corporation's reputation.

Due to the budgeted revenue decline from COVID-19 travel restrictions, the Corporation deferred several capital projects and worked with the Shareholder to re-allocate capital funding to operations. This enabled the Corporation to maintain sufficient liquidity for operations in order to continue to operate under its mandate.

The Corporation strives to maintain sufficient resources to meet expected operational expenses for a period of 30 days plus a reserve. This includes the servicing of financial obligations but excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Corporation prepares cash flow forecasts that are regularly monitored by management and the Board of Directors. The forecasts are adjusted as necessary to reflect expected cash inflows and outflows to ensure the adequacy of cash to meet financial obligations. The Corporation receives government funding on a monthly basis.

The Corporation's bank has provided an irrevocable letter of credit on the Corporation's behalf in favour of the Workplace Health, Safety and Compensation Commission of New Brunswick to guarantee payment of future liabilities in the amount of \$4,200 (2020 - \$4,200) for an indefinite period. The Corporation receives approval from the Minister of Finance on an annual basis to enter into the letter of credit.

The carrying amount of accounts payable and accrued liabilities other than government remittances payable and derivative financial liabilities represents the Corporation's exposure to liquidity risk. The Corporation's carrying value of accounts payable and accrued liabilities other than government remittances was \$30,433 (2020 - \$23,523). The carrying value of accounts payable as at March 31, 2021 was \$16,881 (2020 - \$11,576) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of \$13,551 as at March 31, 2021 (2020 - \$11,947).

The following table summarizes the contractual maturities for accounts payable and accrued liabilities other than government remittances payable and derivative financial liabilities as at March 31:

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

2021					
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	\$ 30,432	-	-	-	\$ 30,432
Derivative financial liabilities	\$ 144	279	423	1,686	\$ 2,532

2020					
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	\$ 23,523	-	-	-	\$ 23,523
Derivative financial liabilities	\$ 836	2,977	2,527	3,461	\$ 9,801

14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2021	2020
Accumulated operating surplus	\$ 496,829	\$ 504,865
Accumulated remeasurement gains	1,407	(8,364)
Accumulated surplus	\$ 498,236	\$ 496,501

Accumulated operating surplus includes share capital in the amount of \$258,530 (2020 - \$258,530). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no-par value. As at March 31, 2021, 517,061,000 shares (2020 - 517,061,000 shares) at \$0.50 per share (2020 - \$0.50 per share) have been issued and fully paid.

15. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. Related parties also include key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Corporation. This includes the senior leadership team, and members of the Board of Directors and their close family members.

The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions to those adopted if the parties were dealing at arm's length. In addition, transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Corporation incurred expenses of \$1,661 (2020 - \$1,486) with other related parties, which include the accounts payable as described in note 7. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the Crown land on which the terminals sit free of charge by Transport Canada. No amount is recorded since the fair value related to the use of these lands received free of charge is not reliably measurable.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

16. CONTRACTUAL OBLIGATIONS

- (a) The following table presents the contractual obligations of the Corporation (2020 - \$2,228).

	Capital	Operating	Total
2021-22	\$ 4,819	\$ 597	\$ 5,416
2022-23	-	112	112
	\$ 4,819	\$ 709	\$ 5,528

- (b) The Corporation leases certain facilities and equipment. As well, the Corporation has a charter agreement for the MV *Atlantic Vision*. The minimum future annual lease payments are as follows:

Year	Charter	Other	Total
2021/2022	15,580	185	15,765
2022/2023	10,319	1	10,320
	\$ 25,899	186	\$ 26,085

The chartered vessel is accounted for as an operating lease; therefore, no liabilities are recognized on the statement of financial position.

17. CONTINGENT LIABILITIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2021, the Corporation is in receipt of claims estimated at \$87 (2020 - \$5) where the occurrence of the confirming future event is considered likely and this amount has been accrued in the financial statements. There are additional claims estimated at \$105 (2020 - \$50) where the occurrence of the confirming future event is not determinable, and this amount has not been accrued. These estimates are derived based on management's judgment and maximum exposures which are limited due to insurance deductibles which are in place.

18. CONTINGENT ASSETS

The Corporation has two appeal proceedings before the Tax Court of Canada arising under the *Excise Tax Act* in regard to input tax credits (ITCs) claimed during the audit period of January 2006 to January 2012. The Corporation has determined that it is likely to receive \$9,814 (2020 - \$6,600) in net ITCs for that period and another \$4,168 in ITCs for the post-audit period to March 31, 2021 (2020- \$3,583).

19. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the corporate planning process and approved by the Board of Directors. The Corporation has not exceeded its total expenditure or investing authority limits in the year. The Corporation's approved budget was created during the early stages of the pandemic. This was a time of much uncertainty.

Revenue was \$29.7 million higher than budgeted. The traffic results were significantly higher compared to the estimates although lower than the prior year. There was a temporary relaxing of

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

interprovincial travel through the summer and fall (Atlantic Bubble). In addition, Commercial traffic exceeded expectations.

Materials supplies and services was \$9.8 million higher. The largest variance in this category relates to Software application support. Expenses related to a move to cloud-based software and the fees for annual updates to the software were higher than originally estimated.

The originally approved budget for employee future benefits was \$10,010, which was based upon estimated cash payments. The Corporation adjusted the budgeted employee future benefits figure on the statement of operations using the accrual method to \$470, consistent with PSAS.

Amortization expense was higher than budgeted because of the transfer of completed projects into service.

