2024 – 2025 Annual Report

Marine Atlantic respectfully acknowledges that we operate in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq Peoples, and on the island of Ktaqmkuk, the unceded, traditional territory of the Beothuk and the Mi'kmaq Peoples. We also acknowledge Labrador as the traditional and ancestral homelands of the Innu of Nitassinan, the Inuit of Nunatsiavut, and the Inuit of NunatuKavut.

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ST.JOHN'S 2025 JEUX DU CANADA GAMES

Marine Atlantic
Marine Atlantique
OFFICIAL PARTNER
PARTENAIRE OFFICIEL

St. John's, Newfoundland and Labrador
August 8 – 25, 2025

At a Glance

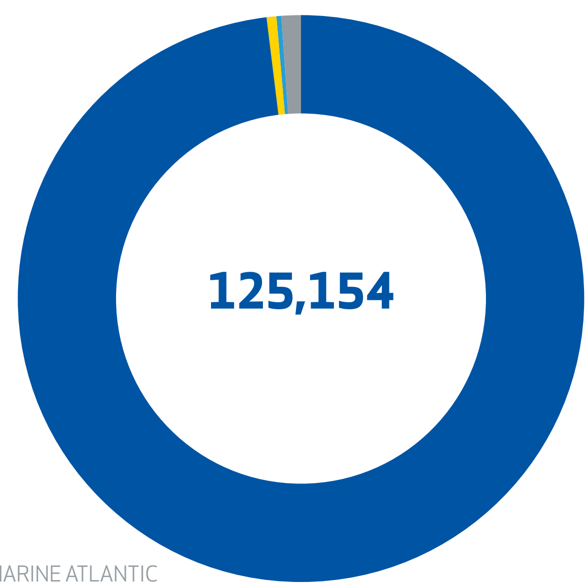
FINANCIAL OVERVIEW

Revenues

Revenues excluding gains were $12.1 million lower compared to last year and $5.3 million higher than budget. Last year, the Corporation recognized $13.9 million in revenue related to the recovery of prior period input tax credits regarding two appeal proceedings that were before the Tax Court of Canada. The commercial traffic was higher than budget and prior year. The increase in revenues was partially offset by lower passenger traffic. The Argentia service was delayed and as a result passengers were re-routed to the Gulf service. This service disruption resulted in an overall drop in passenger traffic related revenues.

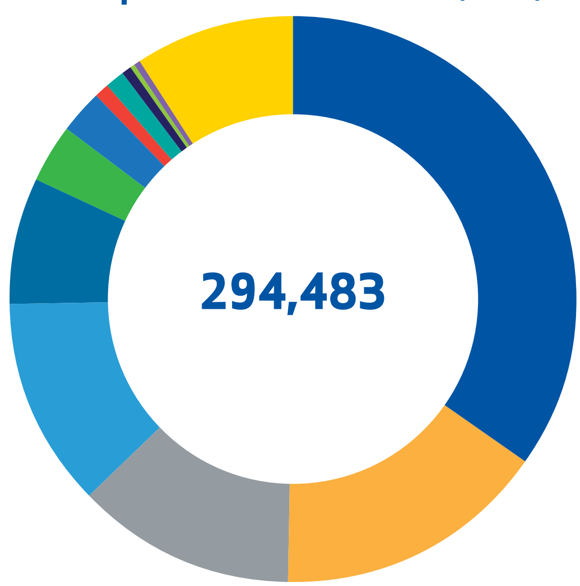
Revenues 2024/25 (in thousands)

Transportation	$122,941
Interest income	704
Foreign currency exchange gain	251
Realized gain on derivative financial instruments	1,258
Total Revenue	**$125,154**



Expenses 2024/25 (in thousands)

Wages and benefits	$125,939
Amortization	56,180
Fuel	45,248
Materials, supplies, and services	43,279
Charter fees	26,283
Repairs and maintenance	11,787
Insurance, rent, and utilities	8,903
Administrative costs	3,711
Charter importation taxes	3,223
Travel	2,079
Loss on disposal and write-downs of tangible capital assets	474
Accretion expense	983
Employee future benefits	(33,606)
Total Expenses	**$294,483**



Gains

The Corporation's gains were $2.2 million lower than budgeted and $6.2 million lower than last year. The Corporation's hedging program involves advance purchase of fuel swaps and forward exchange contracts. The price of fuel was lower than anticipated for the year resulting in lower gains. The Corporation had higher gains last year from hedging compared to this year.

OPERATING EXPENSES

Wages and Benefits

Wages and benefit costs were $8.7 million or 7.4% higher compared to fiscal year 2023/24 and $7.4 million higher than budget. The increase compared to last year and against budget were due to several factors. The *Ala'suinu* mechanical issues resulted in a delay in the start of the Argentia service. The Corporation had to re-route passengers to the Gulf service through a modified schedule. To move the additional commercial traffic, the Corporation added more capacity in the fall and winter. The corporation incurred more overtime and banked time liquidations due to staff shortages and work requirements.

Materials, Supplies and Services

Materials, supplies, and services' costs were $4.4 million or 9.2% lower compared to fiscal year 2023/24, while $2.1 million or 5.1% higher than budget. The Corporation spent $9.1 million more last year to bring the *Ala'suinu* into service. The Corporation incurred transit costs to have the newly-chartered ship delivered by a third-party last year. This was partially offset by higher costs this year for external contracted services to support operations. The Corporation incurred increased expenses compared to last year and compared to budget for professional and technical services due to inflationary pressures and operational requirements.

Repairs and Maintenance

The repairs and maintenance costs were on par with last year, although $1.2 million or 11% higher compared to budget. There were savings compared to last year due to the replacement of the aging *Atlantic Vision* with the newly-constructed *Ala'suinu*. This was offset by rising costs for parts, services, and additional work for the aging fleet. The increased spend compared to budget is mostly due to overall inflationary pressure and some additional maintenance work compared to plan.

Insurance, Rent and Utilities

Insurance, rent, and utilities were $0.2 million lower than last year while $0.3 million higher than budget. Insurance premiums were lower this year. Last year, additional insurances were required for the transit of the *Ala'suinu* to Canada. Claim costs were higher this year compared to last year and budget.

Travel

Travel costs were $0.3 million lower than the previous year and $0.1 million lower than budget. The year-over-year reduction was due a reduction in training-related travel and less travel related to the integration of the *Ala'suinu*.

Administrative Costs

Administrative costs were $0.9 million higher compared to last year and $0.4 million higher than budget. The increased costs compared to last year and budget are mainly due to compensation vouchers issued to passengers affected by the schedule changes resulting from the *Ala'suinu* mechanical issues.

FUEL

Fuel expense was $2.3 million or 5% lower than last year while $0.9 million or 2% higher compared to budget. Fuel prices were lower compared to last year and lower than budgeted. Marine diesel consumption was lower than last year due to a reduction in the number of crossings however higher than budgeted as the rate of consumption on the *Ala'suinu* was higher than anticipated.

CHARTER COSTS

Charter Fees

Charter fees were $7.2 million higher compared to last year and $0.7 million higher than budget. The Corporation returned the *Atlantic Vision* to its owners in May 2024 and took possession of the *Ala'suinu* in February 2024. The daily charter rate for the newly-constructed *Ala'suinu* is higher than the daily rate for the older *Atlantic Vision*. The variance to budget was due to the higher actual foreign exchange rates used for payment compared to budget.

82% On-Time Performance
(including weather delays)

1,692
Number of Sailings

359,320
Passengers

Charter Importation Taxes

The Corporation paid $15.6 million in non-refundable importation taxes as part of the reflagging of the *Ala'suinu* in April 2024, which was recognized as a non-financial asset and is being amortized over the duration of the charter agreement. The recognized expense for fiscal 2024/25 was $3.2 million.

LOSSES

Loss on Disposal of Tangible Capital Assets

This year, the Corporation recognized a loss of $0.47 million on the disposal and write down of long-lived assets compared to a loss of $3.91 million last year. Last year, the *Atlantic Vision* was removed from active service resulting in a write down of several leasehold improvement projects.

EMPLOYEE FUTURE BENEFITS

The Corporation retains an independent actuary to assist in calculating expenses relating to employee future benefits based on management assumptions including discount rates, mortality rates, expected rates of return on plan assets, and other provisions set out in the accounting standards for retirement and post employment benefits. This year, the Corporation recognized a recovery of $33.6 million of which $36.2 million is related to the pension plan. The pension expense is in a recovery position due to the amortization of actuarial gains, higher return on plan assets and a decrease in the valuation allowance which was required per the retirement benefits accounting standard to reduce the excess adjusted benefit asset over the expected future benefit.

Amortization Expense

Amortization was $5.2 million lower this year compared to last year while $12.5 million lower than budget. Amortization expense decreased due to prior year write downs relating to the *Atlantic Vision* and the timing of new projects coming into service. Amortization is lower than budget due to the difference between estimated and actual completion dates of projects. Projected useful lives for planning purposes are done in aggregate resulting in differences from actual rates of depreciation.

Accretion Expense

The Corporation has recognized an expense of $0.98 million this year compared to $0.95 million last year regarding its asset retirement obligations. The accretion expense represents the increase in the obligation due to the passage of time.

GOVERNMENT FUNDING

Government funding revenue recognized was $2.1 million higher than last year. The $18.9 million increase in operating funding was mainly due to the $15.6 million in importation taxes paid upon arrival of the *Ala'suinu* in Canada recognized as a prepaid expense and amortized over the term of the lease. Operating expenses were also higher than last year. Capital spend was $16.8 million lower than last year. Last year, there was higher spend on two major projects: the leasehold improvements to the *Ala'suinu* and the construction of the new Port aux Basques administration building.

TANGIBLE CAPITAL ASSET SPEND

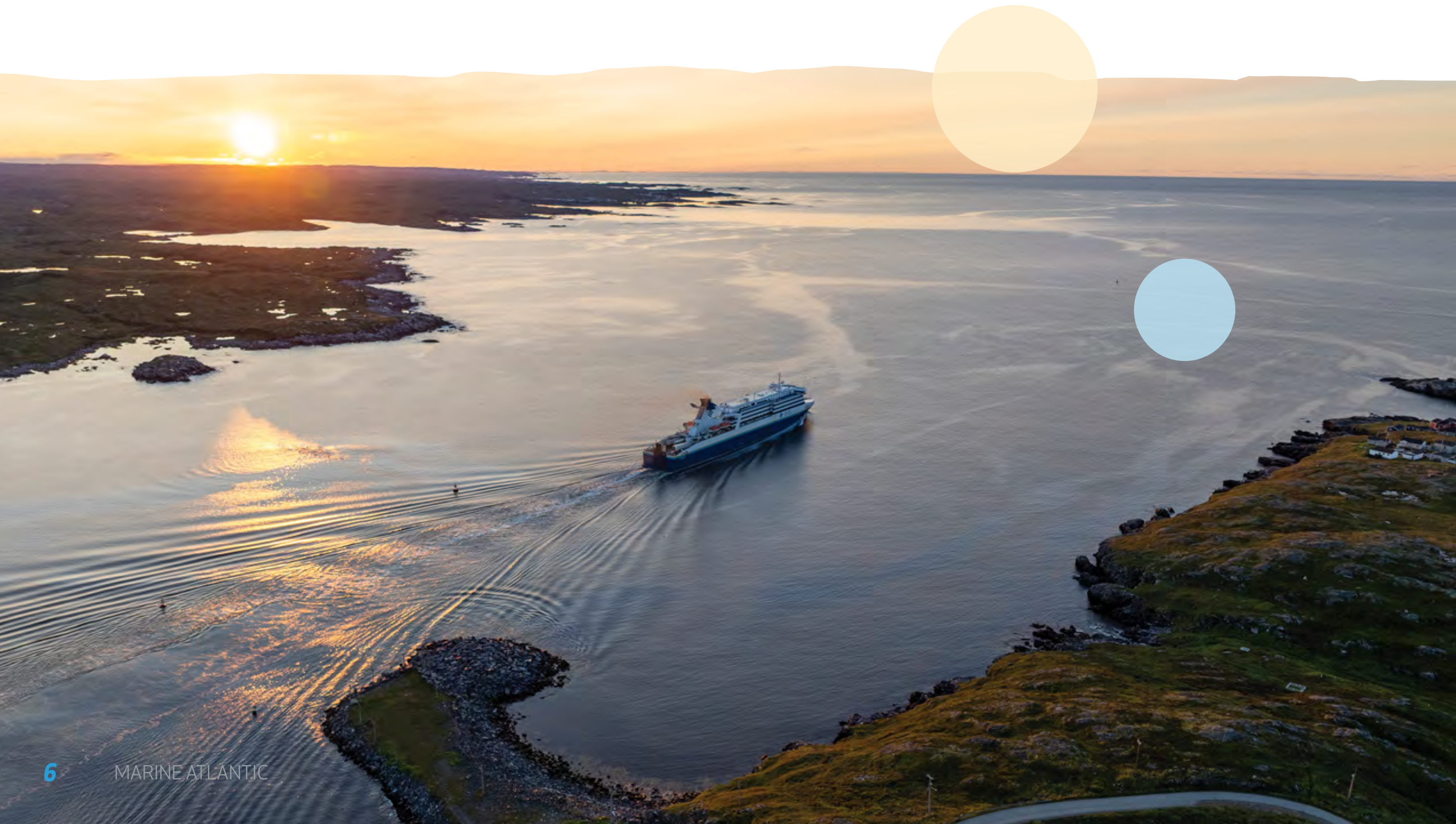
In 2024/25, the Corporation spent $46.8 million in asset renewal compared to $63.5 million last year. Of this amount, $31.6 million was spent on fleet-related projects compared to $35.2 million last year. The fleet capital focused on regular capital upgrades, capital to meet regulatory or class requirements, and leasehold improvements for the *Ala'suinu*. An additional $15.2 million was spent replacing and modernizing shore facilities and equipment, upgrading IT requirements, and investing in innovation projects compared to $28.3 million in fiscal 2023/24.

Traffic And Employees

	2024-25	2023-24	2022-23	2021-22	2020-21
Passengers	359,320	367,786	360,388	231,298	139,988
Passenger vehicles	141,582	145,257	142,645	91,336	50,449
Commercial vehicles	96,349	91,088	92,687	90,222	89,723
AEUs*	556,222	534,321	538,289	468,157	420,009
Number of single crossings	1,692	1,739	1,750	1,642	1,498
Employees (peak employment)	1,421	1,388	1,283	1,140	1,110
Employees (full-time equivalent)**	1,158	1,126	1,082	1,009	880

** 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 (2025, 2024, 2023, 2022, & 2021) [in thousands]

	2024-25	2023-24	2022-23	2021-22	2020-21
Transportation Revenue	$122,941	$121,012	$119,502	$96,182	$83,056
Interest and Other Income	704	14,692	421	79	182
Gains	1,509	7,729	12,396	8,488	4
Total Revenues	**125,154**	**143,433**	**132,319**	**104,749**	**83,242**
Operating Expenses	$195,698	$190,823	$161,182	$142,655	$128,795
Fuel	45,248	47,634	51,998	27,448	14,559
Charter Costs	29,506	19,111	15,744	15,446	16,768
Losses	474	3,930	1,834	534	11,093
Employee Future Benefits	(33,606)	(26,795)	44,373	194	688
Amortization/Accretion	57,163	62,338	57,579	57,794	60,496
Total Expenses	**294,483**	**297,041**	**332,710**	**244,071**	**232,399**
Deficit Before Government Funding	169,329	153,608	200,391	139,322	149,157
Government Funding					
Operations	147,349	128,467	90,948	93,598	109,494
Capital	46,761	63,548	40,880	37,905	31,627
Operating Surplus (deficit)	**$24,781**	**$38,407**	**$(68,563)**	**$(7,819)**	**$(8,036)**

Message from the Chair of the Board of Directors

Marine Atlantic provides a vital ferry transportation link within Canada. The ferry service transports residents, visitors, and goods supporting a connection that is an economic enabler for the national supply chain.

As per our vision statement, we are committed to being an essential, progressive transportation system that people trust to deliver.

Central to the delivery of the ferry service is our fleet. Our vessels are designed to transport a diverse traffic offering such as motorcycle group tours, a pickup truck towing a trailer containing a family's belongings, a tractor trailer transporting a fresh load of seafood to market, or a restricted truck load holding construction explosives destined for a major project. Each of these customers has a high priority for their personal and business success.

The introduction of the *Ala'suinu* is a tremendous opportunity for the thousands of people who depend on the ferry service. Significant efforts were undertaken during the planning phase of the vessel to identify requirements such as our changing climate, efforts to move to cleaner and more environmentally friendly technologies, a focus on accessibility for all customers, deck space and amenities to meet our commercial and passenger expectations, and modern crew living arrangements to provide a healthy work environment. We are proud of this new addition to our fleet.

Fleet reliability is integral to providing customers with a ferry service on which they can depend. A planned maintenance program has been developed and implemented for each of our ships with the goal of addressing the constant wear and tear of operating in a harsh environment. Therefore, fleet renewal is a continuous priority for the organization to ensure we are well-positioned to transport the traffic offering in a timely manner. During the year, we continued to work towards the replacement of the oldest ship in the fleet, the *Leif Ericson*.

Another important priority for Marine Atlantic is ensuring we retain a team of highly-trained individuals required to operate and maintain the ships, service our customers, and provide the many behind the scenes administrative functions. Efforts are ongoing through recruitment and retention activities to maintain the required employee complement, with a focus of providing a psychological and physically safe and healthy work environment for all. During the year, we achieved another major milestone with the opening of our new administration building providing employees with an accessible, inclusive, community-centric, and environmentally-friendly LEED-designed facility. This building offers modern amenities and new technologies that help our employees effectively complete their tasks and achieve their daily goals.

Like so many organizations, we continue to experience increased costs due to inflation and worldwide economic pressures. I would like to thank the Minister of Transport and the Government of Canada for the policy change during the year that removed the 65 percent cost recovery requirement on the constitutional services provided by the organization. The Government of Canada continues to be a strong partner in our journey.

I want to thank our customers, especially our commercial and hospitality sectors, for their ongoing dialogue. This information is designed to help us understand your challenges and opportunities as we focus on updating our long-term service plans and we strive to continue to provide a safe, affordable, and reliable ferry service.

As the year closed, economic uncertainty was on the rise. I want to assure everyone who depends on the ferry service, directly and indirectly, that I, along with my colleagues on the Board of Directors, are committed to being a valued partner in providing this critical piece of the national transportation infrastructure network.

Sincerely,

Gary O'Brien
Chair, Board of Directors

Message from the President and CEO

Marine Atlantic is responsible for providing a safe, affordable, environmentally-responsible, and quality ferry service. Achieving this mandate requires a focused effort by our team of employees.

During the year, key projects were completed that furthered our organization's commitment to a positive workplace for all employees including the opening of a new administration building, integration of our new ship *Ala'suinu*, and the implementation of our first Pay Equity Plan. I am very proud to have been part of each of these multi-year projects that are enabling our organization's success.

In addition, Marine Atlantic introduced its first inclusion circle designed to bring employees from diverse backgrounds together to support the continued development of an inclusive work environment and introduced Indigenous learning library resources throughout the organization designed to share Indigenous stories and make Indigenous voices more accessible.

I am pleased to share that we continue to receive very favourable feedback from customers and employees about our new ship *Ala'suinu*. The ship's operational design combined with the many customer-focused features position the ship well as a valued addition to the fleet for many years to come. The vessel's crews along with our shore-based support teams are continuing to work together to maximize the vessel's features for the benefit of our customers. In the weeks immediately preceding the vessel's original in-service date, mechanical challenges resulted in the team not meeting the aggressive in-service timeline. In response to the delay, adjustments were made to the sailing schedule during the initial weeks of the summer tourism season. My sincere apologies to all our customers whose travel plans were adversely impacted by these schedule changes. Each ship in the fleet is an integral component to providing the ferry service. Thank you to all employees who worked tirelessly to transport our customers during this time and to the employees and support teams who worked to minimize the duration of this impact.

To ensure we continue to meet the needs of our customers, our fleet replacement strategy identifies vessel requirements for the future. The *Ala'suinu* was an important part of our strategy with a focus on timely vessel renewal and replacement. Our focus has now shifted to the replacement of the *Leif Ericson*, our oldest vessel. We will continue our work with the Government of Canada to ensure we have an effective and efficient fleet for our customers.

Our commitment to innovation and continuous improvement for customers is an important driver in our desire to develop a new mobile app. Once released in the upcoming fiscal year, customers will have easier digital access to make reservations and manage bookings, interact with Marine Atlantic, and enhance the overall onboard experience. From an environmental perspective, we continued the compilation of the greenhouse gas inventory and introduced new initiatives from the Environmental Management Strategy to improve our environmental performance.

We are proud of the many successes achieved during the year. We are also aware of the impacts to our customers' travel plans due to a combination of increased adverse weather events and periods of limited capacity. We are listening to our customers and interest holders to determine opportunities to address these challenges into the future.

The year ahead promises to be busy, and we are looking forward to more successes in 2025/2026. We will continue to play our part in facilitating this potential for our business and tourism partners.

Sincerely,

Murray Hupman
President and CEO

Corporate Profile

Marine Atlantic is a federal Crown Corporation tasked with providing the sole year-round daily ferry service between the Island portion of Newfoundland and Labrador and Nova Scotia providing a vital connection for the passengers and goods depending on this transportation link. The ferry service transports a diverse assortment of traffic including passengers, passenger vehicles, tractor trailers and their drivers, drop trailers (trailers only - no attached truck), and other vehicles such as motorhomes, buses, motorcycles, bicycles, and all-terrain vehicles.

The Corporation reports annually to the Government of Canada through the Minister of Transport. The requirement for the ferry service is identified through a constitutional mandate.

Marine Atlantic enables the movement of goods entering and exiting Newfoundland, via the commercial trucking industry, making it a key element of the regional and national supply chain. Vitally important items including perishable foods and medical supplies are transported daily due to the nature of warehousing and just-in-time delivery.

As the primary ferry service for passenger vehicle traffic, Marine Atlantic is a valuable transporter of people. During the summer months, the Corporation transports large numbers of travellers, both resident and non-resident, playing an important role in supporting Newfoundland and Labrador's tourism industry.

The Marine Atlantic ferry service operates 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 the mandate, the Corporation operates a fleet of four ice-class ferries (vessels that have additional strengthening and specifications to enable navigation through sea ice): the *Ala'suinu*, *Blue Puttees*, *Highlanders*, and *Leif Ericson*.

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."

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

Diversity

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

Teamwork

We work together to achieve the best outcomes for the organization

Commitment

We are responsible for our performance and delivering on our commitments

Integrity

We say what we mean and do what we say

Excellence

We take pride in delivering the best possible services

Vessel Fleet and Operations

Marine Atlantic operates four vessels designed to meet the needs of our diverse customer base. From transporting large tractor trailers to customers riding bicycles, the organization strives to provide a safe, reliable, and quality travel experience for all.

Supporting our customers with year-round service presents its challenges, especially with the increased effects of climate change. Storms are more frequent and their impacts substantial. This takes careful attention and planning by our vessel captains and crews along with supporting shore-based resources in monitoring weather patterns and sea conditions. We are focused on maintaining our ice-class vessels to high standards prioritizing passenger safety and comfort.

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 Codes and Regulations and are inspected by Transport Canada Marine Safety and Det Norske Veritas, a world-leading classification society, to ensure compliance. The Safety Management System 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. The operation of Marine Atlantic vessels is governed by various acts and regulations including the *Canada Labour Code, Transportation of Dangerous Goods Act* and Regulations, International Maritime Dangerous Goods Regulations that specify cargo stowage and segregation onboard the vessels, *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.

Ala’suinu

Joining Marine Atlantic’s fleet in 2024, this vessel was named after the Mi’kmaq word for “Traveller.” The *Ala’suinu* is a state-of-the-art ship that boasts advanced environmental technologies, incorporates the latest Canadian accessibility standards, and offers a variety of amenities to meet our customers’ needs such as passenger pods and cabins (including pet friendly cabins), food service options, seating lounges, a children’s play area, and a kennel for pets. It primarily operates on the Argentia-North Sydney service during the summer season and on the Port aux Basques-North Sydney service during the rest of the year.

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 food service options to meet customer needs. It primarily operates on the Port aux Basques–North Sydney service.

Vessel Fleet

Highlanders

The *Highlanders* joined Marine Atlantic’s fleet in 2011. Named in recognition of the distinguished military service of Nova Scotia’s Highland regiment, the 200-metre vessel meets accessibility requirements and offers a wide selection of cabins, seating areas, amenities, and food service options to meet customer needs. It primarily operates on the Port aux Basques–North Sydney service.

Leif Ericson

Introduced to Marine Atlantic’s fleet in 2001, the *Leif Ericson* is the Corporation’s primary commercial vessel on the Port aux Basques–North Sydney service. Named to mark the 1000th anniversary of Norse explorer Leif Ericson’s arrival in Newfoundland, this accessible vessel offers a variety of amenities and is primarily assigned to meet the shipping needs of commercial customers.

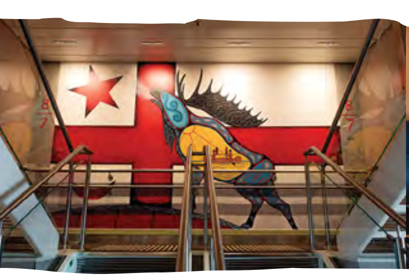
Arrival of the *Ala'suinu*

During the year, we celebrated the delivery of our newest vessel, *Ala'suinu*. The vessel has been constructed to support Marine Atlantic's commitment to the environment by lowering our carbon emissions and supporting the Government of Canada's commitment of Net Zero emissions by 2050. Through efficient engine design, the use of battery-powered support, energy efficient port interface technologies, onboard waste energy reduction and recovery systems, as well as enhanced power and thruster capability, this vessel will help us achieve these commitments. The vessel also emits less underwater noise to reduce the impact on the wildlife that share the waters in which we operate.

From an accessibility perspective, the vessel was built to meet the Accessible Transportation for Persons with Disabilities Regulations as well as the Canadian Standards Association (CSA) Accessible design and it includes many features to make travel easier for persons with disabilities. Some of these features include tactile indicators, infrastructure supports, colour contrasting, accessible paths of travel, turning spaces, tables, counters and washrooms, elevators to all decks, accessible entertainment systems, automatic doors, accessible signage and cabins, and visual/audible alarms.

Following the ship's arrival in April 2024, the team completed the required tasks to ready the ship for service such as the addition of corporate technology, provisioning and related activities, familiarization and training for employees responsible for all areas of the vessel, as well as all passenger services related activities.

Some operational challenges were encountered during the integration period which needed to be corrected prior to the vessel entering service. Unfortunately, this impacted the original in-service date of the vessel by approximately three weeks. Since beginning service during summer 2024, customers have provided positive feedback on the vessel and its amenities.








Ala'suinu Highlights

- Ice-Class
- Enhanced Power and Thruster Capability
- Latest Accessibility Standards
- Green Ship and Dual-Fuel Technology
- Carry up to 1,000 Passengers
- 146 Passenger Cabins
- 31 Pet-Friendly Cabins
- 40 Passenger Pods
- Food Service Options
- Seating Lounges
- Children's Play Area
- Pet Kennel

Focusing on Fleet Reliability

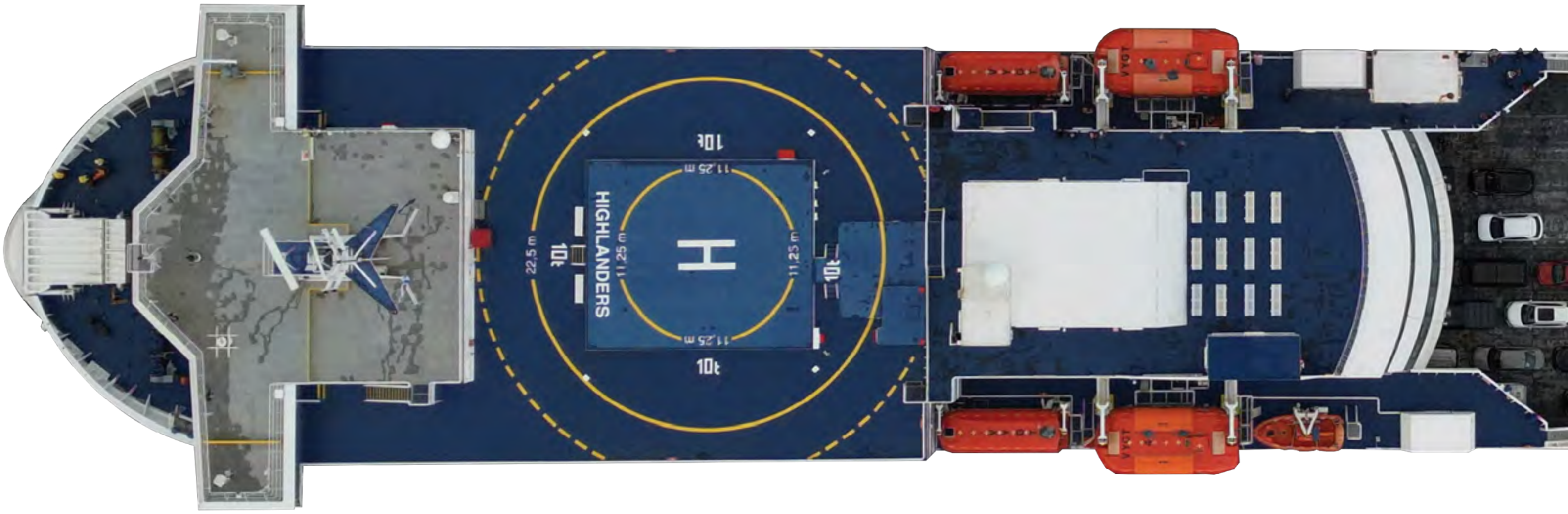
Marine Atlantic's service is in high demand year-round. This requires careful planning to allow each vessel the time needed to complete essential maintenance activities which helps lower the risk potential for mechanical disruption. Balancing the maintenance requirements of an aging fleet with capacity constraints and high customer demand is an ongoing challenge for the Corporation.

Providing the daily connection between two provinces means the vessels operate thousands of hours annually. All vessels are in operation during the summer peak months reducing to three ships for most of the remaining months of the year. This period outside peak travel time is key to providing the organization with an opportunity to complete preventative maintenance activities on each ship. Our teams plan these maintenance activities to maximize vessel reliability and provide an effective service for our customers. We are committed to a strong preventative maintenance program to maximize fleet reliability.

In 2024/2025, the *Blue Puttees* completed a drydocking that included work such as a complete overhaul of the vessel's stabilizers and rudders which help provide smoother voyages, the inspection of underwater components, bridge upgrades, upgrades to the ballast water treatment system, and the installation of new propellors to reduce fuel usage. Other key maintenance completed during the year was an extensive 72,000-hour engine overhaul to maintain engine performance. During the upcoming year, the *Highlanders* will undergo a similar 72,000-hour engine maintenance.

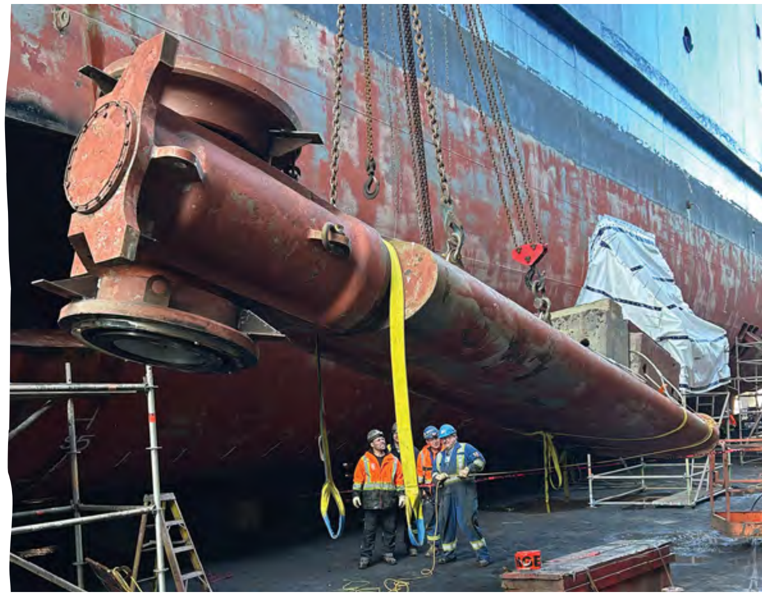
This year, the *Highlanders* underwent a complete overhaul of the main propulsion gearboxes. These gearboxes drive the shaft alternators which powers the bow thrusters which assist with maneuvering the vessel. Similar work was completed on the *Blue Puttees* in the previous fiscal year. At year end, the *Highlanders* was preparing to undergo a drydocking to complete work on its stabilizers, underwater components, and painting.

The *Leif Ericson*, the oldest vessel in the fleet, underwent a significant amount of maintenance. Major upgrades included the replacement of large sections of the drencher system piping on the vehicle deck, the installation of new main engine lube oil pumps, and servicing of turbochargers. A key highlight was the installation of a new shaft generator, a vital component that powers one of the vessel's bow thrusters. This upgrade marks a major milestone, restoring the vessel's full operational capabilities after operating under reduced weather parameters for several months while awaiting delivery and installation of these purpose-built parts.



While new to the fleet, the *Ala'suinu* also completed a maintenance period to prepare the vessel for its first winter in Canadian waters.

Our dedicated team is constantly working behind the scenes to keep our fleet in peak condition. From engine overhauls to essential safety upgrades, these efforts are critical in maintaining the reliability and efficiency of our vessels, ensuring safe and smooth operations for years to come.



26-ton stabilizer

Planning for Fleet Replacement

Ensuring the vessels are ready and able to transport the people and goods travelling via the ferry between the Island of Newfoundland and Nova Scotia is a fundamental goal for the organization. To that end, fleet maintenance and replacement is a central activity within the organization. Working with the Government of Canada, the organization identifies fleet requirements and optimal options for vessel replacement.

An effective fleet strategy ensures Marine Atlantic is well-positioned to meet the traffic demand into the future, achieve key targets including customer wait times, on-time performance, vessel reliability, emission reduction, and customer satisfaction levels. It also permits a stable and efficient fleet renewal program that ensures the appropriate fleet configuration, timely vessel renewal and replacement, better value in expenditures, staffing efficiencies, and the flexibility to meet service expectations.

The organization is currently focused on the replacement of the *Leif Ericson*. The vessel's 30-year survey was completed in fiscal year 2021/2022 which extended its useful life to 35 years. Given the long lead times required for vessel replacement and the limited supply of RoPax vessels on the market, Marine Atlantic is seeking approval and funding to proceed with the vessel's replacement. In the meantime, the Corporation is working to determine the most cost-effective options to maintain the vessel. Due to the vessel's age and difficulty in sourcing parts, this is not a long-term solution. Marine Atlantic will continue to work with the Government of Canada and look at the best options available for the replacement of this vessel.

June 25 is Day of the Seafarer – a time to reflect on the importance of seafarers. As a marine transportation provider, many of Marine Atlantic's employees are seafarers and an integral part of the success of our organization. International shipping transports more than 80 percent of global trade to peoples and communities all over the world. Shipping is the most efficient and cost-effective method of international transportation for most goods; it provides a dependable, low-cost means of transporting goods globally, facilitating commerce and helping to create prosperity among nations and peoples.

Source: Day of the Seafarer 2024

Environmental *Sustainability*

Climate change is a defining challenge for our generation as we are experiencing more intense weather events that are influencing how we live our daily lives.

From damaging winds and tidal conditions, increased precipitation, and longer duration storms, our global community must adapt and start making the necessary changes now to provide more opportunity for future generations.

At Marine Atlantic, we are experiencing these impactful changes first-hand which has influenced our operational and planning cycles. It is not too late to try and mitigate against these negative impacts and our Corporation continues to take concrete actions and implement components of our NetZero by 2050 strategy. Our commitment is to promote environmental sustainability through our actions and initiatives that will result in a sustainable, effective, and efficient service well into the future.

Greenhouse Gas Inventory

As part of our NetZero by 2050 strategy, Marine Atlantic publishes a NetZero roadmap and baseline greenhouse gas (GHG) inventory. This report highlights key performance indicators and targets, monitoring initiatives and metrics, and a performance dashboard.

An Environmental Stewardship Committee has also been established to provide guidance to ensure that the organization achieves its environmental performance objectives, fulfills its compliance obligations, and minimizes environmental impacts from operations. As part of this reporting function, we are assessing our light and heavy vehicle fleet, propane usage, vessel fuel usage, HVAC systems, fire suppression systems, and electricity usage on all Marine Atlantic properties.

Our 2024/25 report on Climate-related Risks and Opportunities can be found in Appendix A of this Annual Report.

Environmental Management System

Marine Atlantic believes in stewardship to help reduce the impact on the marine ecosystem in which we operate. Our Environmental Management System (EMS) was developed to help us improve our environmental performance and minimize the impacts of our operations, including shore and vessels. It covers areas such as our environmental policy and objectives, roles and responsibilities, training, record management, and inspection. The EMS also provides a framework of our legislative and environmental responsibilities and high-level management plans. The EMS is a living document reviewed and updated annually.

Highlights of *Marine Atlantic's Environmental Management Policy*

- A proactive approach to protecting the environment.
- Operating our facilities and vessels in an environmentally responsible manner in compliance with applicable environmental legislation.
- Providing employee training and ongoing feedback to carry out tasks in an environmentally responsible manner.
- Conduct audits to assess compliance with regulatory requirements and industry standards to inform management of environmental risks and opportunities.
- Active participation in programs that promote the principles of environmental protection.
- Encourage our customers and contractors to protect the environment.
- Follow the principles of sustainability and demonstrate responsible business practices in the use of energy, materials, and services.
- Establish meaningful environmental objectives and targets.
- Complete regular reviews of the effectiveness of our systems and processes.

Environmental Project Evaluation Tool

As part of efforts to assess projects and initiatives relating to impacts on emission targets and overall environmental performance, Marine Atlantic has developed and implemented an environmental project evaluation tool. This process is being utilized to recommend projects for inclusion in capital planning initiatives that will support NetZero opportunities.

Marine Mammal Observation Network

Since 2019, Marine Atlantic has contributed to the Marine Mammal Observation Network's data collection project. Our most recent statistics show that our vessel crews have reported 1,480 observations, a number that is constantly growing. Our data has proven to be of value in improving databases on various marine mammal species and has made considerable contributions to our comprehension of these magnificent creatures, particularly in their distribution and abundance.

Green Marine

Marine Atlantic is a participant in the Green Marine program which guides the maritime industry toward environmental excellence by encouraging the adoption of concrete measurable actions that go beyond regulatory obligations. Under this program, Marine Atlantic is evaluated against established criteria in several different categories for both vessels and terminals.

Electric Vehicles and Infrastructure

Marine Atlantic continues to implement its electric vehicle transition plan to introduce new electric vehicles and charging stations as part of its shore-based infrastructure upgrades. Charging stations have been installed at our ports with further expansion being planned. Electric powered baggage vans and electric scissor lifts are now in operation, with plans to expand into other vehicle types (i.e. shuttle buses, shunt trucks, maintenance vehicles, etc.) in the future.

Environmental Targets for Fiscal Year 2024/25

Green Marine Program

- Maintain Level 3 or better in all categories for ships
- Maintain Level 3 or better for terminals

Pollution Prevention and Regulatory Compliance

- Plan and execute annual oil spill response exercise
- Plan and execute tabletop exercises

Climate Change

- Improvement of vessel fuel efficiency by 1%
- Complete annual greenhouse gas inventory

Safety, Security, and Wellness

Providing customers, employees, and contractors with a safe and secure environment is our greatest priority.

While safety can take many forms, including physical and mental well-being, our actions are designed to mitigate against preventable accidents, reduce workplace risks, and help those requiring additional assistance. Our goal is to ensure that everyone makes it to their destination in a safe and secure manner.

Protecting Safety Throughout our Organization

Safety is a team approach at Marine Atlantic. Employees from all locations work together through collaboration, cooperation, and education to share experiences, learn from incidents, and make improvements. Through this approach, we have developed our Occupational Health and Safety network comprised of management and non-management employees whose primary focus is ensuring a healthy and safe work environment and service.

Safety and Health Week

Marine Atlantic celebrated Safety and Health Week from May 6-11. During this week, we reflect on our actions, processes, and procedures to prevent injury and illness throughout our daily lives. All of us have a role to play. Safety and Health Week promotes learning and reflection to work safe to protect our customers, colleagues, families, and communities.

Psychological Health and Safety

The establishment of a psychologically healthy and safe workplace has emerged as a critical component for the recruitment, retention, and overall health of employees. In 2022, Marine Atlantic in conjunction with Excellence Canada's Mental Health at Work Program developed a Psychological Health and Safety Program Framework, based upon the Canadian Mental Health Association's National Standard. This was followed by a three-year implementation plan to enhance psychological health and safety within the Corporation.

This year marked the final year of the implementation plan. Important steps have occurred towards the goal of a psychologically healthy and safe workplace. Led by a Psychological Health and Safety Advisory Committee, highlights of the achievements include:

- Employees participated in training and education programs aimed at building capacity to support the growth of a respectful workplace through the prevention of violence, harassment, and bullying.
- Employees received training to enhance their ability to recognize challenges and support colleagues through delivery of Mental Health First Aid and Non-Violent Crisis Intervention courses.
- The organization completes a full review of all internal and customer-related incidents of violence, harassment, and disrespectful behaviour. The goal is to implement preventative measures to reduce future incidents.
- Providing employees with improved work-life balance and time off. To that end, the organization increased recruitment activities and implemented new programs targeted towards the recruitment of key and hard to fill positions.
- The development of an organizational culture that has equity, diversity, and inclusion as a core value. This includes ongoing initiatives for continued education.
- Prioritize the Psychological Health and Safety Program as a core function at Marine Atlantic.

Moose Hide Campaign

Marine Atlantic supported the national Moose Hide Campaign. This campaign is a grassroots movement to end violence in Canada and aligns with our values to ensure our employees experience a psychologically safe workplace that is free of violence and harassment. The Moose Hide Campaign helps us envision a world where all people are free of harm, at work or at home.

MOOSE HIDE CAMPAIGN
CAMPAGNE MOOSE HIDE

Workplace Harassment and Violence Assessments

Workplace harassment, bullying, and violence can occur in the workplace. Preventing incidents of this behaviour is key to providing employees with a healthy and safe work environment in which they can thrive. A key part of identifying potential risks is through workplace harassment and violence assessments which Marine Atlantic undertakes at least every three years – including this year. The assessments help to identify potential risk areas using categories such as physical work environment, client characters, work activity/culture, and job factors. Within each risk category, the level and amount of exposure to potential harassment and violence is assessed. This enables all employees to contribute to a safer work environment for themselves and their colleagues. Based upon the survey results, the safety committees work to develop preventive measures that support employees in their workplace.

Marine Atlantic's Respectful Workplace Policy

Marine Atlantic's Respectful Workplace Policy focuses on three key objectives to achieve a harassment and violence-free workplace:

1. Prevention of incidents
2. Effective response if, or when, an incident occurs
3. Supports for employees impacted by harassment and violence

Employee and Family Assistance Program (EFAP)

Marine Atlantic is committed to supporting the mental health and overall well-being of our employees and believes in the importance of having ongoing support to build and sustain personal resiliency. Marine Atlantic's EFAP provides employees with access to qualified support for mental, physical, social, and financial well-being, 24 hours a day, 7 days a week. Employees have access to resources and tools on topics ranging from family and life to health, money, and work. Program advisors are available to provide expert advice, resources, and referrals.

Move WELL Work WELL
SEPT 22 - 28, 2024

The MyHealth Wellness Program

Focused on improving health and wellness, employees are provided with enhanced access to medical professionals, support programs, and activities. Employees are encouraged and provided with opportunities to adopt and sustain healthy behaviours that will improve physical, mental, and emotional well-being.

Move Well, Work Well week is an annual event in Newfoundland and Labrador to raise awareness about musculoskeletal injuries and find practical solutions for prevention in workplaces. Employees participated in educational sessions regarding the importance of stretching and proper body mechanics.

Preparing for Emergencies Through Training and Practice

Each year, emergency preparedness exercises are held to provide employees with the opportunity to learn best practices related to emergency response activities and situations that relate to the ferry industry. This year's exercise provided learning opportunities to first-time and returning participants along with partners in other agencies.

Protecting Against Cyber Intrusions

As cyber activity grows in all aspects of our lives, so do the activities of people looking to exploit the digital assets available in businesses and personal interactions. Marine Atlantic's cybersecurity program focuses on protecting the integrity of our organization's data and information systems. The team utilizes a variety of reference sources such as the International Maritime Organization (IMO) to assess cyber risks and correlate those within Marine Atlantic's existing safety management systems. Marine Atlantic works with multiple third parties, including the Canadian Centre for Cyber Security to monitor and manage cyber risk. Additionally, Marine Atlantic works with its Class Society to maintain the necessary cyber certifications and partner with external entities to implement technologies and best practices. Employees participate in ongoing education and training to complement the cybersecurity planning process and together we are working diligently to protect against unauthorized access to systems and information.

Innovation: Modernizing the Customer's Journey

Through investment in innovation, Marine Atlantic is committed to providing customers with advanced infrastructure, business processes, and technologies. Our goals are to increase operational efficiency, improve the quality of information, integrate systems, and information sharing in a safe and secure manner.

Innovating for an Improved Customer Experience

Customer expectations are continuously evolving. Marine Atlantic is committed to keeping abreast of current trends through an innovation agenda that meets customers' changing needs and expectations, that are influenced by such factors as climate change, artificial intelligence, cybersecurity, and others. Marine Atlantic's Innovation Strategic Plan is designed to focus on technology, people, and process with the goals of increasing efficiency, improving internal processes, modernizing internal and external touchpoints, automation where appropriate, and enhancing the overall customer experience.

Through our technology projects, we are prioritizing a data management and analytics strategy to enable the digitization of additional business process workflows. From a customer perspective, there is a continued focus on improvements to the corporate website, specifically areas utilized by commercial customers.

Our Innovation Strategy

Corporate Pillars	Operational Excellence		Customer Value		Public Trust
Corporate Objectives	Utilize modern and emerging technologies to improve processes and to enhance the customer experience.	Innovate to provide a modern, sustainable, and effective service.		Improve information management and analytics.	Create a culture of engaged and motivated employees.

Innovation Pillars

The Innovation Horizon	Staying ahead of trends in the public sector and transportation sector will help ensure MAI is ready to embrace and proactively plan for future innovation opportunities and mitigate potential risks on the horizon.
Building a Culture of Innovation	Ensuring diverse and innovative thinking occurs and that the grassroots level is valued.
Modernizing the Customer Journey	Driving efficiencies and process improvements in all aspects of the customer journey/life cycle.
Unleashing the Value of Information	Maximizing the value from information/data to drive decision making, enable efficiencies and break down information silos.
Enabling the Modern Workplace	Enabling smart workplace and the mobile employee.
Environmental Stewardship	Innovative opportunities that support the climate change and environmental goals of the organization.

91%
customers highly satisfied with the courtesy of staff onboard

90%
customers highly satisfied with the courtesy of staff at the terminal

90%
customers likely to recommend Marine Atlantic to family and friends

87%
customers told us that their expectations were met or exceeded

76%
customers highly satisfied with the onboard experience

67%
customers positively assess the reliability of Marine Atlantic's service

Listening to our Customers

Receiving customer feedback is essential to understanding our strengths and identifying areas for improvement. As such, Marine Atlantic undertook several customer outreach initiatives during the year designed to gather an objective perspective on our service. This included commercial outreach, attendance at various industry events, and formal customer research initiatives. These initiatives are laying the groundwork to develop a renewed commercial customer strategy that will position the organization to better serve commercial customers. Marine Atlantic will also continue strategic partnerships with groups such as the Atlantic Provinces Trucking Association (APTA), Newfoundland and Labrador Tourism, Hospitality Newfoundland and Labrador, Parks Canada, and the Newfoundland and Labrador Outfitters Association.

Passenger and Crew Cabin Lock Upgrades

During the year, new locks were installed on vessel cabin doors across the fleet to modernize the cabin check-in process. The new tap mechanism replaced the previous magnetic stripe process thereby better aligning with hotel experiences.

Leif Ericson Pet-Friendly Cabins

Many commercial customers spend long hours on the road, and sometimes, this includes their pets. To support commercial customers and their furry companions, six pet-friendly cabins were established for the use of commercial drivers on the *Leif Ericson*. All vessels now provide customers with pet-friendly cabin options.

Mobile App

Through much planning, design, and development, Marine Atlantic is moving forward with a new mobile app designed to enhance the experience for commercial and passenger customers. This innovative app is a significant step forward in our ongoing journey to modernize and improve customer service. The mobile application will be rolled out in multiple releases, each bringing new features and improvements. Once officially launched in the coming fiscal year, customers will be able to make reservations, access real-time travel information, and enjoy a more digitized check-in and onboard experience.

Accessibility and Inclusivity

Marine Atlantic recognizes that an accessible and inclusive service that meets the needs of all travellers, regardless of disability, is essential to our day-to-day operations. To that end, the organization follows the Accessible Transportation for Persons with Disabilities Regulations.

The organization strives to provide an obstacle free environment for customers during their travels, knowing there is always room for improvement. We are committed to listening to feedback and making change wherever possible. As part of this process, members of the team meet regularly with our external Accessibility and Inclusion Advisory Committee to discuss ongoing and emerging topics related to accessibility. During the year, discussions with the committee included the most inclusive approach to accessibility requests received during the booking process, upcoming improvements to digital offerings, and a review of processes used for loading of customer traffic located in blue zones. Valued feedback from persons representing a variety of community-focused accessibility organizations provide helpful insight which is utilized in infrastructure design and process offerings.

Marine Atlantic, working with our vendors, continues to enhance the accessibility and user experience of our online presence. During the year, the organization transitioned from PDF versions of our accessibility plan and progress reports to a web-based format. The new format that will be used for all future publications has increased accessibility features. A full overview of our accessible services, plans, and progress reports is available on the Marine Atlantic website.

Accessibility Features on the Ala'suinu

Tactile Indicators

Accessible Signage

Handrails Throughout the Vessel

Contrasting Colours

Accessible Paths of Travel and Spaces

Moveable Arm Rests, Transfer Seats, Mobility Aids

Accessible Tables

Elevators to All Decks

Accessible Washrooms, Cabins, Entertainment Systems

Visual/Audio Alarms

Website Accessibility

The Marine Atlantic website design and online booking system assumes the use of screen readers ensuring web pages are easy to navigate. Screen readers enable people with sight loss to use computers and other electronic devices by reading the text on the screen in a computerized voice. It assists with web pages, applications, documents, emails, and more.

AccessAbility Week May 28-June 3, 2024

This year's focus for AccessAbility Week was understanding episodic disabilities. These disabilities occur because of medical conditions or illnesses that are chronic, prolonged, and often lifelong but have unpredictable episodes of symptoms leading to disability. They can happen at any time and are usually unpredictable, vary in length and can vary from mild to severe.

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 participates in an 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*.

Discount and Brand Campaigns

Marine Atlantic continued its annual program of discount campaigns during the year to attract additional passenger traffic, both new and returning customers, during the shoulder seasons. These campaigns partner with the Province of Newfoundland and Labrador and the Newfoundland and Labrador Outfitters Association to increase awareness. This year's campaigns included a fall discount, a Black Friday/Cyber Monday flash sale, and a spring discount campaign which remain popular with customers. The Corporation also promotes brand awareness on a year-round basis through an "always on" Google search campaign.

National Trucking Week

From September 1-7, Marine Atlantic recognizes National Trucking Week, highlighting the dedication and commitment of the individuals who enable the region's economy. The commercial trucking industry is an important customer base and a key partner to ensure goods are transported on and off the Island of Newfoundland. From groceries to medical supplies, electronics to construction materials, truck drivers play a pivotal role in maintaining the flow of essential items that sustain thousands of daily lives.

Customer Communications and Digital Marketing

Providing customers with timely information enables them to plan their travel and reserve the ferry crossing that best meets their needs. Our customer contact system and website, designed to efficiently share timely communication with passengers and commercial customers, received upgrades and enhancements throughout the year.

The information is also shared on our X (Twitter), Facebook, Instagram, YouTube, and LinkedIn social media accounts, as well as terminal and onboard digital signage.

@maferries
@manavires

Marine Atlantic
Marine Atlantique

@MAferries
@MAnavires

Marine Atlantic
Marine Atlantique

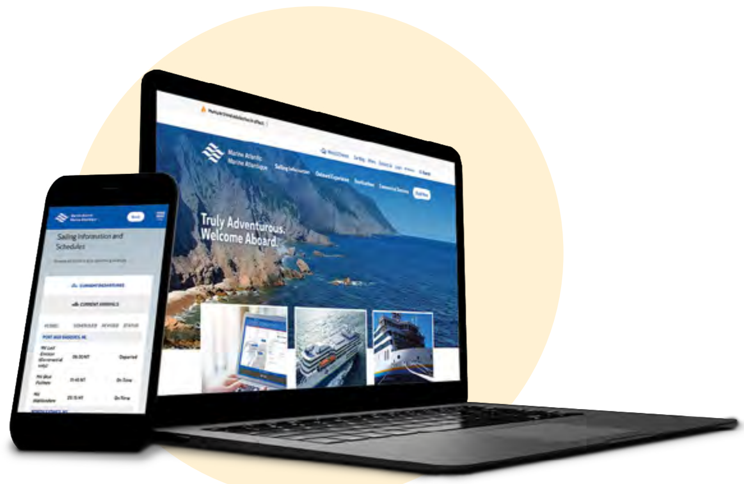
@marineatlanticferries
@MAnavires

Good Samaritan Award

Marine Atlantic is proud to proud to partner with the APTA to recognize commercial drivers who go above and beyond to help others through the Good Samaritan Award. This year's award was presented to Andrii Stefishyn from Sunbury Transport who helped save a life. Congratulations to Andrii for their exceptional service and contribution.

Proud to Support our Regional Tourism Industry

Through sponsorship events with tourism associations, government agencies, and not-for-profit groups, trade shows and promotional activities, Marine Atlantic is a proud participant and supporter of our region's efforts to increase the regional tourism industry.



Our People
Today and Tomorrow

The team at Marine Atlantic is committed to providing a reliable and quality ferry service to every customer who travels with us. Together, the combined strength and skills of our team through ongoing training, competitive compensation and benefits packages, as well as continued recruitment programs are designed to retain the team who are focused on meeting the needs and expectations of customers in a safe and respectful manner.

Pay Equity Plan

The *Pay Equity Act* is an important part of the Government of Canada's commitment to closing the gender wage gap and ensuring that workers receive equal pay for work of equal value. It provides for long-term, sustainable changes ensuring women's work is valued and compensated fairly, now and in the future.

In adherence with the *Act*, Marine Atlantic released its Pay Equity Plan during the year. Both management and employee representatives helped to guide the development of the plan which advances the Corporation's commitment to equitable compensation regardless of gender.

New Administration Building

Marine Atlantic's newest facility opened during the year addressing space and infrastructure challenges in the Port aux Basques area and providing a consolidated administrative function. The new facility is an important element in the Corporation's vision for a healthy, accessible, inclusive, and environmentally friendly workplace for employees.

The facility incorporates modern amenities and new environmental technologies, including electric vehicle charging stations and solar panels. The building's structural design includes energy efficient tilt panel construction, window glazing, and sturdy weather-resistant materials designed to require less maintenance. Design and construction follow the Leader in Energy Efficient Design (LEED) certification requirements, with a goal of achieving LEED Silver.

Congratulations to the many employees who participated in the project team and provided insight and guidance as part of the construction and integration phases.

A Diverse and Inclusive Workforce

Marine Atlantic is committed to a diverse and inclusive workforce where employees can thrive regardless of race, religion, disability, sexual orientation, or gender. A diverse and inclusive workplace promotes better decision-making which results in a stronger ferry service. Our goal is to foster an environment where all cultural perspectives are respected, and individuals are free to be who they are. We strive to be a safe and equitable employer and are committed to eliminating barriers, intentional or systemic. Through various initiatives, including training and learning resources, we are investing in diversity, equity, and inclusion that will make us a strong and welcoming environment for everyone who works and travels with Marine Atlantic.

Celebrating Pride

Each year, communities of all sizes across the country hold events in celebration of the triumphs and challenges overcome by people who are a part of the 2SLGBTQIA+ community. While progress has been made over the last five decades, there are still new and emerging challenges that must be addressed. At Marine Atlantic, employees celebrate and participate in pride events throughout the region, and we make financial and in-person contributions to these activities.

Marine Atlantic continues to work to advance equity, diversity, and inclusion for all equity-deserving groups with the following objectives:

- Develop and implement an action plan to foster diversity, equity, and inclusion in the workforce, helping make positive contributions to social inclusion and workforce participation.
- Create a psychologically safe and healthy workplace free from bullying, harassment, and all forms of disrespectful behaviour.
- Create policies and programs that advance gender equality in the workplace.
- Create a workplace which is fair, safe, and inclusive for 2SLGBTQIA+ individuals and all people regardless of their sexual orientation, gender identity/expression, or intersex status.
- Strengthen Marine Atlantic's partnership with Indigenous communities to collaborate on initiatives to create a workplace which is representative, fair, safe, and inclusive for Indigenous peoples.
- Create a workplace which is fair, safe, accessible, and inclusive for persons with disabilities.
- Create a workplace which is fair, safe, and inclusive for members of racialized communities.

Pronoun Pins

Marine Atlantic is proud to offer employees the option of displaying their pronouns in both French and English. Displaying pronouns acts as an active offer to others to share their own pronouns, promoting greater acceptance and understanding.

Indigenous Learning Libraries

In recognition of National Day for Truth and Reconciliation this year, Marine Atlantic introduced Indigenous Learning Libraries at various locations throughout the organization. These libraries are designed to introduce new opportunities for employees to access Indigenous stories and make Indigenous voices more accessible. Each library contains books and podcasts written and developed by Indigenous authors who share experiences and stories, some of which describe painful events and how colonial activities have influenced their lives. Learning about Indigenous culture and experiences is vital to our collective reconciliation journey.

Recognizing National Indigenous Peoples Day and National Day for Truth and Reconciliation

Marine Atlantic recognizes both National Indigenous Peoples Day (June 21) and National Day for Truth and Reconciliation (September 30) to acknowledge the vibrance, resilience, and contributions of Indigenous Peoples in Canada. Through education, we encourage employees to learn about the Mi'kmaq, Beothuk, Innu, and Inuit Peoples who are the First People of our region.

Inclusion Circle

Employee Resource Groups and Inclusion Circles

Recognizing that employees are committed to participation in initiatives surrounding diversity, equity, and inclusion, the launch of a network of employee-led groups occurred during the year providing members of equity-deserving groups and allies an opportunity to create safe spaces, create meaningful culture change, and grow personal and career goals and achievements. These groups and inclusion circles will bring people together in a positive way to network, show each other support, and create a positive workplace atmosphere.

Goals of the Inclusion Circle

- Provide employees with a true sense of ownership over diversity, equity, and inclusion initiatives
- A sense of accomplishment and belonging
- Build connections with others
- Contribute to an inclusive culture
- Personal and professional growth and development
- Mentoring and networking opportunities

A Focus on Education and Growth

Lifelong learning through continued education and training is fundamental for growth. Continuous training and employee growth is vital to any successful organization and is a corporate priority at Marine Atlantic. The Corporation invests in training initiatives that are designed to promote personal and professional opportunities as well as required regulatory training for work tasks. Through the Corporation's online learning portal and Educational Financial Assistance Program, employees can upgrade their skills designed to open opportunities for advancement.

Leadership Orientation Pilot Program

A pilot Leadership Orientation Program was developed during the year and is set to be introduced in the upcoming fiscal year. This program targets new or promoted supervisors and managers to provide initial exposure to key duties required daily such as safety, human resources, finance, and customer experience. The goal is to offer the program to all new supervisors and managers.

Bridge Watch Pilot Program

During the year, Marine Atlantic facilitated the offering of a Bridge Watch pilot program. The internal program gained considerable interest from candidates. The group of 12 individuals who successfully participated in the program increased gender diversity within the organization's Deck Department personnel.

Healthy Food – Healthy Employees

Marine Atlantic's vessel-based employees work and live onboard the vessel for two weeks per month making the daily crew menu a central part of the onboard experience. During the year, a new menu was introduced placing a greater focus on offering more options to meet cultural and health-conscious food choices for an increasingly diverse workforce. The new menu features an array of healthy foods as well as gluten-free and vegetarian options. The goal is to provide all employees with better choices for a healthier lifestyle.

Ala'suinu Training and Familiarization

Welcoming a new vessel to the fleet requires significant training and familiarization. In the months leading up to the arrival of the *Ala'suinu*, a comprehensive training and familiarization program was developed to successfully integrate the vessel into the fleet. These activities consisted of e-learning, live virtual training, in-person training, and technical and simulator training. Crew members also joined the *Ala'suinu* during its transit to Canada to familiarize with the various aspects of the ship. The *Ala'suinu*'s introduction to our fleet was a success through effective best-in-class training and familiarization activities.

Recruitment

The marine industry is a highly-skilled sector with competition from around the world. Marine Atlantic, like other marine operators, has experienced recruitment challenges in certain operational areas and has worked diligently through recruitment and retention strategies to overcome these obstacles. Through signing incentives, sponsorship programs, employee referrals, and succession planning, we have been successful in addressing some of these challenges.

Partnership agreements are in place with the Marine Institute at Memorial University and the Nova Scotia Community College Nautical Institute for a Cadet Officer Scholarship program. This has resulted in navigation and engineering cadets accepting job offers with signing or tuition support incentives to complete sea phase placements, with a commitment for employment upon graduation.

In addition, the organization participates in numerous events seeking to share the many exciting opportunities within the marine industry and the benefits of working with Marine Atlantic. A couple of these events included the Marine Career Expo in St. John's sponsored by the Canadian Marine Careers Foundation and information sessions at the Nova Scotia Community College's Nautical Institute in Port Hawkesbury. Both events were targeted directly at graduating students who were planning their next career steps within the marine industry.

Pink Shirt Day - Let Kindness Grow

Marine Atlantic recognizes and participates in Pink Shirt Day on February 26. Employees are encouraged to wear pink shirts to promote anti-bullying in the workplace and our communities. In honour of this year's theme, "Let Kindness Grow," employees were provided with wildflower seed paper, acknowledging that a community of kindness takes work and effort to grow, like a garden. Pink shirt stickers and kindness posters were also distributed throughout the Corporation.

Waves of Wisdom

The Waves of Wisdom Program is a knowledge sharing initiative for women and gender diverse employees. The program emphasizes mutual learning, supports professional and personal development, helping individuals grow while shaping and guiding their peers in leadership.

Scholarships

Marine Atlantic is proud to support the post-secondary pursuits of possible future employees through annual scholarships to students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute, as well as a partnership with the Centre Scolaire in Cape Breton offering Francophone students post-secondary scholarship opportunities.

Marine Month

Focusing on immediate and longer-term recruitment, Marine Atlantic participated in Marine Month activities in partnership with the Canadian Marine Careers Foundation and Canadian Geographic Education. This initiative educates students about the exciting opportunities within the Canadian marine industry and with Marine Atlantic. The program targets youth in grades 5-12 and provides live virtual sessions and engaging classroom activities. Congratulations to Ellen MacNeil, one of Marine Atlantic's Chief Cooks, who presented to over 60 classes across the country and gave details regarding her career journey and experiences.

Investing in People and Communities

On a daily basis, employees display their passion for a wide range of causes and initiatives through their volunteerism, fundraising activities and knowledge sharing. Marine Atlantic proudly supported a variety of projects that align with our corporate values and strengthen causes and organizations that play a key role in bettering our communities.

Holiday Giving

The Iris Kirby House is a shelter and safe haven for women and children experiencing domestic violence. Employees donated daily use items to the organization to assist in bringing comfort and joy in their time of need.

The Every Woman's Centre promotes, develops, and supports the enhancement of women's lives. Employees donated funds to support the Adopt-a-Family Christmas Program that enables the organization to make Christmas magic happen for low-income families.

Employees also participated in the Stockings for Seniors project donating Christmas stockings filled with goodies for seniors in the community.

WISE Day Camp

WISE Day Camp is held in Cape Breton and targeted towards girls ages 9-12, promoting an interest in STEM (science, technology, engineering, and mathematics). Marine Atlantic representatives participated in the event, providing campers with an overview of the marine industry.

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 functions of the Corporation.

Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality, and efficient interprovincial ferry service 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 *Canada Business Corporations 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.

The Board has a strong commitment to good corporate governance and interest holder 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. The Board is responsible for the stewardship of the Pension Plan for the employees of Marine Atlantic Inc.

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 Value and Ethics Code for the Public Service. The Corporation also has a Disclosure of Wrongdoings policy established in accordance with the *Public Servants Disclosure Protection Act* which outlines ways for employees and former employees to report wrongdoings.

Committees of the Board

The Board's standing committees engage and support its efforts through several governance responsibilities including Audit and Finance; Governance, Risk and Strategy; Human Resources; and Innovation and Infrastructure.

Audit and Finance Committee

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

Human Resources Committee

The Human Resources Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of Human Resources.

Innovation and Infrastructure Committee

The Innovation and Infrastructure Committee is mandated to monitor and provide oversight on behalf of the Board of Directors in the areas of customer service, innovation, IT/IM, capital projects, safety and environmental management, and fleet management.

Governance, Risk and Strategy Committee

The Governance, Risk and Strategy Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of strategic planning, enterprise risk management, governance, ethics, and corporate social responsibility.

Board and Committee Membership – March 31, 2025

Gary O'Brien (he/him)

Channel-Port aux Basques, NL

Chair
Board of Directors

Chair
Governance, Risk and Strategy Committee

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Member
Human Resources Committee

Murray Hupman (he/him)

Channel-Port aux Basques, NL

Ex-officio member of the Board

Ex-officio Member
Innovation and Infrastructure Committee

Ex-officio Member
Governance, Risk and Strategy Committee

Ex-officio Member
Human Resources Committee

Carla Arsenault (she/her)

Sydney River, NS

Chair
Innovation and Infrastructure Committee

Member
Governance, Risk and Strategy Committee

John Butler (he/him)

St. John's, NL

Member
Human Resources Committee

Member
Innovation and Infrastructure Committee

Randolph Drover (he/him)

Bishop's Falls, NL

Member
Audit and Finance Committee

Member
Human Resources Committee

Owen Fitzgerald (he/him)

Sydney, NS

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Lynn Kendall (she/her)

Corner Brook, NL

Chair
Human Resources Committee

Member
Governance, Risk and Strategy Committee

Craig Priddle, CPA (he/him)

Corner Brook, NL

Chair
Audit and Finance Committee

Member
Governance, Risk and Strategy Committee

Jennifer Warren (she/her)

St. John's, NL

Member
Audit and Finance Committee

Member
Human Resources Committee

Ann-Margaret White (she/her)

St. John's, NL

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Board of Directors Compensation and Reimbursements, and Attendance

Board Members	Retainer Earned	Per Diems	Travel or Training Reimbursements	Value of any other taxable benefit*	Total
Arsenault, Carla	$4,700.00	$11,130.00	$3,280.58	$-	$19,110.58
Butler, John J.	$4,700.00	$8,990.00	$4,721.19	$-	$18,411.19
Drover, Randolph (Randy)	$4,700.00	$10,540.00	$5,275.93	$-	$20,515.93
Fitzgerald, Owen	$4,700.00	$9,920.00	$680.51	$-	$15,300.51
Kendall, Lynn	$4,700.00	$8,500.00	$1,666.60	$-	$14,866.60
O'Brien, Gary	$9,400.00	$28,500.00	$10,570.36	$-	$48,470.36

Priddle, Craig	$4,700.00	$19,050.00	$3,457.23	$-	$27,207.23
Warren, Jennifer	$4,700.00	$8,990.00	$2,149.41	$-	$15,839.41
White, Ann-Margret	$4,700.00	$7,130.00	$1,038.20	$-	$12,868.20
TOTAL	**$47,000.00**	**$112,750.00**	**$32,840.01**	**$-**	**$192,590.01**

Committee Meetings

Board Members	Board Meetings	Audit and Finance	Innovation and Infrastructure	Governance, Risk and Strategy	Human Resources	Training or Recruitment # of days
	10 meetings	10 meetings	5 meetings	4 meetings	6 meetings	
Arsenault, Carla	9	0	5	4	0	2
Butler, John J.	10	0	5	0	6	2
Drover, Randolph (Randy)	10	10	0	0	6	2
Fitzgerald, Owen	10	10	5	0	0	0
Kendall, Lynn	8	0	0	4	6	0
O'Brien, Gary	10	10	5	4	6	0
Priddle, Craig	9	9	0	4	0	2
Warren, Jennifer	10	8	0	0	6	2
White, Ann-Margret	8	6	5	0	0	0

The Governor-in-Council establishes the remuneration paid to the Chair, other Board members, and the Chief Executive Officer.

The remuneration of the Chair and other Board members follows the Government's Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations and is pursuant to section 108 of the FAA.

The Chair receives an annual retainer of $9,400.00 and a per diem of $375.00 for attending regular and committee meetings, while other Board members are paid an annual retainer of $4,700.00 and a per diem of $310.00. Directors receive a per diem of $360.00 when acting in the role of Chair of Committee.

Board members are reimbursed for all reasonable out-of-pocket expenses, including travel, accommodations, and meals, incurred in the performance of their duties.

Financial Statements of

MARINE ATLANTIC INC.

For the year ended
March 31, 2025

MARINE ATLANTIC INC.
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For the year ended March 31, 2025

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, and systems of financial and management control. These controls and procedures are intended to provide reasonable assurance that accurate financial information is reported; 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-law of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit and Finance Committee, on behalf of the Board, fulfills this responsibility. The Audit and Finance Committee reviews matters related to accounting, auditing, internal control systems and the financial statements. The Corporation has an internal audit department whose activities 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 and Finance 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 13, 2025

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport and Internal Trade

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 2025, 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 2025, 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-law 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.

Etienne Matte, CPA, CA
Principal
for the Auditor General of Canada

Halifax, Canada
13 June 2025

MARINE ATLANTIC INC.
Statement of Financial Position
As at March 31, 2025
(in thousands of dollars)

	2025	2024
Financial assets		
Cash (Note 4)	$ 10,782	$ 9,919
Accounts receivable (Note 14(a))	14,067	11,688
Receivable from Government of Canada (Note 5)	16,325	29,329
Inventories held for resale (Note 6)	435	338
Derivative financial instruments (Note 13)	2,053	2,857
Accrued pension asset (Note 8)	187,778	151,316
	231,440	205,447
Liabilities		
Accounts payable and accrued liabilities (Note 7)	30,640	44,767
Asset retirement obligations (Note 12)	28,500	30,893
Derivative financial instruments (Note 13)	8	47
Deferred revenue	18,589	14,909
Accrued vacation pay	8,651	8,345
Accrued pension liability	3,722	3,559
Accrued liability for non-pension post-retirement benefits (Note 9)	48,458	50,359
Accrued liability for post-employment benefits (Note 10)	14,024	12,522
	152,592	165,401
Net financial assets	78,848	40,046
Non-financial assets		
Tangible capital assets (Note 11)	342,390	353,415
Inventories held for consumption (Note 6)	25,355	36,241
Prepaid expenses	15,752	8,606
	383,497	398,262
Accumulated surplus (Note 16)	$ 462,345	$ 438,308

Contractual obligations (Note 18)
Contingencies (Note 19)

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, 2025
(in thousands of dollars)

	2025 Budget (Note 20)	2025 Actual	2024 Actual
Generated revenues			
Transportation (Note 15)	$ 118,180	$ 122,941	$ 121,012
Interest income	150	704	788
Other income from legal proceedings	-	-	13,904
Foreign currency exchange gain	-	251	-
Realized gain on derivative financial instruments	3,660	1,258	7,729
	121,990	125,154	143,433
Expenditures			
Wages and benefits	118,551	125,939	117,246
Amortization (Note 11)	68,730	56,180	61,388
Charter importation taxes	3,115	3,223	-
Fuel	44,360	45,248	47,634
Materials, supplies and services	41,164	43,279	47,672
Charter fees	25,582	26,283	19,111
Repairs and maintenance	10,608	11,787	11,814
Insurance, rent and utilities	8,590	8,903	9,117
Loss on disposal and write-downs of tangible capital assets	-	474	3,915
Administrative costs	3,320	3,711	2,763
Travel	2,178	2,079	2,391
Accretion expense	-	983	950
Foreign currency exchange loss	-	-	15
Employee future benefits (Notes 8, 9 and 10)	(13,000)	(33,606)	(26,975)
	313,198	294,483	297,041
Deficit before government funding	(191,208)	(169,329)	(153,608)
Government funding (Note 5)			
Operations	155,828	147,349	128,467
Capital	39,146	46,761	63,548
	194,974	194,110	192,015
Operating surplus (deficit)	3,766	24,781	38,407
Accumulated operating surplus, beginning of year	395,981	434,388	395,981
Accumulated operating surplus, end of year (Note 16)	$ 399,747	$ 459,169	$ 434,388

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, 2025
(in thousands of dollars)

	2025	2024
Accumulated remeasurement gains, beginning of year	$ 3,920	$ 5,926
Remeasurement gains arising during the year		
Unrealized gains on foreign exchange of cash	23	72
Unrealized gains on derivatives	491	5,651
Reclassification to the statement of operations		
Realized gains on derivatives	(1,258)	(7,729)
Net remeasurement losses for the year	(744)	(2,006)
Accumulated remeasurement gains, end of year (Note 16)	$ 3,176	$ 3,920

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, 2025
(in thousands of dollars)

	2025 Budget	2025 Actual	2024 Actual
Operating surplus	$ 3,766	$ 24,781	$ 38,407
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(45,787)	(46,761)	(60,261)
Amortization of tangible capital assets (Note 11)	68,730	56,180	61,388
Loss on disposal and write-downs of tangible capital assets	-	474	3,915
Decrease in asset retirement value		1,132	-
Decrease in tangible capital assets	22,943	11,025	5,042
Change in other non-financial assets			
Acquisition of inventories held for consumption	(41,775)	(39,820)	(58,145)
Use of inventories held for consumption	41,677	50,706	51,685
Purchase of prepaid expenses	(38,042)	(22,697)	(23,267)
Use of prepaid expenses	25,582	15,551	23,885
(Increase) decrease in other non-financial assets	(12,558)	3,740	(5,842)
Net remeasurement losses	(2,074)	(744)	(2,006)
Increase in net financial assets	12,077	38,802	35,601
Net financial assets, beginning of year	40,046	40,046	4,445
Net financial assets, end of year	$ 52,123	$ 78,848	$ 40,046

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

MARINE ATLANTIC INC.
Statement of Cash Flow
For the year ended March 31, 2025
(in thousands of dollars)

	2025	2024
Operating transactions		
Cash receipts from customers	$ 126,353	$ 121,125
Interest income received	704	788
Government funding - operations	156,657	121,288
Government funding - capital	50,456	56,964
Cash received from legal proceedings	-	12,464
Net cash receipts for settlement of derivatives	1,803	8,184
Cash payments to suppliers for fuel	(39,937)	(53,316)
Cash payments to suppliers for charter fees	(22,882)	(17,670)
Cash payments to other suppliers	(88,869)	(65,869)
Cash payments to and on behalf of employees	(129,896)	(124,258)
Cash payments for employee future benefits	(3,093)	(3,137)
	51,296	56,563
Capital transactions		
Purchase of tangible capital assets	(50,456)	(56,964)
	(50,456)	(56,964)
Effect of exchange rate changes on cash	23	72
Net (decrease) increase in cash	863	(329)
Cash, beginning of year	9,919	10,248
Cash, end of year	$ 10,782	$ 9,919
Cash consists of:		
Restricted cash (Note 4)	$ 6,441	$ 6,066
Unrestricted cash	4,341	3,853
	$ 10,782	$ 9,919

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) enabled by the *Canada Marine Act*, the mandate was narrowed to the operation of the ferry system. The Corporation considers this to be its sole line of business.

The corporate mission is to provide a safe, environmentally responsible and quality ferry services between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner. This service encompasses the year-round ferry services 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 services with one chartered vessel and three corporate-owned vessels and owns terminals in each of the three ports.

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 generated 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, with a maximum of 5% per year on constitutional fares. The Corporation also sets a fuel surcharge based on the historical average price of fuel.

In December 2014, the Corporation was issued directive P.C. 2014-1382 pursuant to section 89 of the *Financial Administration Act* directing the Corporation to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017 and to raise the normal age of retirement to 65 years for employees hired after January 1, 2015. These requirements were fully implemented as of December 31, 2017. As of June 1, 2021 the Corporation ceased contributions due to a contribution holiday on its registered plan.

In July 2015, the Corporation was issued 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 generated 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 cost or 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.

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 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.

(c) Inventories

Inventories include fuel, valued at the lower of historical or replacement cost, and vessel spare parts, valued at historical cost.

(d) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment, as well as the estimated cost to settle liabilities for asset retirement obligations. Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the item's period of usefulness or improve its functionality.

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.

(in thousands of dollars)

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 class when 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 projects are amortized over the lesser of the useful life of the asset or the useful life of the project.

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 its residual value, if any. Write-downs are not reversed.

(e) 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 comprising a pension obligation and pension plan assets, covering substantially all employees; and three unfunded supplementary retirement arrangements.

The registered pension plan is a defined benefit pension plan. The pension formula gives members a pension based on 1.6% of their best 5-year average non-annualized earnings or last 60 months average annualized earnings, whichever is higher. This formula applies up to the 5-year average of the Canada Pension Plan's maximum earnings before retirement. For earnings above that threshold, the formula adds 2% per year of service, up to 35 years. 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%.

The supplementary retirement arrangement adopted on June 2, 1994 and the supplementary retirement arrangement adopted on June 6, 1990 plan were terminated effective March 1, 2001 (thereafter referred to as the former supplementary retirement arrangements), with coverage for inactive members entitled to benefits prior to this date continuing.

In 2006 a supplementary retirement arrangement was introduced for designated positions providing benefits for service since 2004. Eligibility under this 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 long-term rate of return on plan assets for the registered pension plan.

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable at 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 these 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 was expected based on the assumptions.

Actuarial gains and losses are amortized over the expected average remaining service life of active members expected to receive benefits. Actuarial gains and losses for the former supplementary retirement arrangements are recognized immediately on the determination of the gain or loss.

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.

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 the projected benefit method prorated on service and 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. A proxy for the cost of borrowing has been used to calculate the discount rate for the obligation and the interest cost. The costs for current employees are expensed as they are incurred. The costs projected to be incurred during retirement are accrued and expensed evenly over the expected remaining service life of the employee.

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

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.

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 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, collectively the boards for work-related injuries of current and former employees.

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 boards; 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. A proxy for the cost of borrowing is used to calculate the discount rate for the obligation and the interest cost.

(f) Revenue recognition

Transportation revenue is derived primarily from fares charged to users of the ferry services, which include passenger and commercial vehicle fares, passenger fees and fuel surcharge, and are recognized at the point in time when the ferry services are provided. Transportation revenue is measured as the amount of consideration the Corporation expects to receive in exchange for ferry services provided. Revenue from fares represents a single performance obligation to which the entire transaction price is allocated. A fuel surcharge, calculated as a percentage of transportation revenue, is recognized and measured on the same basis as transportation revenue.

Payment of fares in advance when booking a reservation is recorded as deferred revenue and are recognized as revenue when the ferry services are provided.

Other transportation revenue is made up of vehicle service fees such as storage fees, freight, security fees, and wharfage and demurrage. Onboard sales revenue is primarily related to passenger services such as accommodations, restaurant, and gift shop sales. These revenues are recognized at the point in time the goods or services are provided to the customer. This revenue is measured as the amount of consideration the Corporation expects to receive in exchange for services and goods provided.

The aforementioned types of revenue are classified as recurring revenues. Other income, such as interest income and income from derivatives are recognized when they are earned and are classified as non-recurring revenue.

(g) Expenses

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

Expenses also 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.

(h) Prepaid expenses

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payment under the terms of lease agreements. Prepaid expenses also includes the payment of charter importation taxes on the *MV Ala'suinu* which is being amortized over the life of the lease.

(i) 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 transaction date. 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.

(j) 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 amount 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.

(k) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs, a 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 best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the financial statement date. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The discount rate used reflects the Government of Canada's cost of borrowing, associated with the estimated number of years to complete the retirement or remediation.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset and amortized over the asset's estimated useful life. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed.

At each financial statement date, the carrying amount of the liability is reviewed. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period in which they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that effect the reported and disclosed amounts of assets and liabilities, revenues and expenses in the financial statements and accompanying notes at March 31. 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.

Measurement uncertainty that is material exists when it is reasonably possible that a material variance could occur in the reported or disclosed amount in the near term (within one year from March 31). Management determined that measurement uncertainty exists with respect to the reported amounts related to asset retirement obligations, the accrued pension asset which is composed of the defined benefit obligation and the pension plan assets, contingent liabilities and the expected useful lives of tangible capital assets.

3. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

The Public Sector Accounting Board has approved the following accounting standards and conceptual framework, which are effective for fiscal years beginning April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector
The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202: *Financial Statement Presentation*
This standard sets out general and specific requirement for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. This standard revises and replaces PS 1201 *Financial Statement Presentation*.

The Corporation has not yet adopted the standard or framework and is currently assessing the impact of these new items on the financial statements.

(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 *MV Atlantic Vision*. Restricted cash is €4,145 which translates to $6,441 Canadian dollars at March 31, 2025 (2024 – $6,066). The release of these monies is subject to a dispute resolution process, as discussed further in note 19.

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.

	2025	2024
Net receivable, beginning of year	$ 29,329	$ 15,566
Parliamentary appropriations received during the year	207,114	178,252
Recognized during the year:		
Government funding – operations	(147,349)	(128,467)
Government funding – capital	(46,761)	(63,548)
Government funding (deficit) surplus	13,004	(13,763)
Net Receivable, end of year	$ 16,325	$ 29,329

6. INVENTORIES

	2025	2024
Inventories held for consumption		
Fuel inventory	$11,813	$24,185
Vessel spare parts – ship based	7,662	6,596
Vessel spare parts – shore based	5,880	5,460
	25,355	36,241
Inventories held for resale		
Catering inventory	435	338
Total inventories	$25,790	$36,579

Inventories expensed during the year amounted to $52,640 (2024 – $53,664). During the year, the Corporation also wrote down $1,697 (2024 – $2,685) of inventory.

(in thousands of dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Accounts payable	$10,422	$18,543
Accrued liabilities	9,436	11,483
Wages and benefits payable	7,306	11,707
Government remittances payable	3,476	3,034
Accounts payable and accrued liabilities	$30,640	$44,767

The accounts payable balance is due within 60 days.

8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of plan assets for accounting purposes as at the measurement date of December 31, 2023 for the year ended March 31, 2025 and December 31, 2022 for March 31, 2024. The valuations were extrapolated for accounting purposes to March 31. The most recent actuarial valuation for funding purposes was completed in 2024 and is as of December 31, 2023.

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

	2025	2024
Pension obligations (actuarial value)		
Balance, beginning of year	$641,696	$627,813
Current service cost	7,205	5,976
Employee contributions	9,905	9,632
Interest costs	33,188	33,415
Benefits paid	(37,516)	(38,031)
Actuarial gain	17,079	2,891
Balance, end of year	$671,557	$641,696
Pension plan assets (market-related value)		
Balance, beginning of year	$869,246	$855,688
(Loss) return on plan assets	56,945	41,824
Employer contributions	142	133
Employee contributions	9,905	9,632
Benefits paid	(37,516)	(38,031)
Balance, end of year	$898,722	$869,246

(in thousands of dollars)

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

	2025		2024	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	$898,722	$ -	$ 869,246	$ -
Pension obligations (actuarial value)	667,587	3,970	638,517	3,179
Excess (shortfall)	231,135	(3,970)	230,729	(3,179)
Unamortized net actuarial (gains) losses	(29,694)	208	(44,657)	(417)
Employer contributions during period from measurement date to March 31		40	-	37
Accrued benefit asset (Retirement benefit liability) before valuation allowance	201,441	(3,722)	186,072	(3,559)
Valuation allowance against accrued benefit asset	(13,663)	-	(34,756)	-
Accrued pension asset (liability)	$187,778	$ (3,722)	$ 151,316	$ (3,559)

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

	2025		2024	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	$ -	$ 142	$ -	$ 133
Employee	9,905	-	9,632	-
Total contributions	$ 9,905	$ 142	$ 9,632	$ 133
Benefits paid	$ 37,375	$ 142	$ 37,897	$ 134

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. The maximum permissible employer funding contributions must be set in accordance with the *Income Tax Act*. A plan which is fully funded on both going concern and hypothetical wind-up basis may not retain its registered status if the employer contributes to plan if the going concern funding excess exceeds 25% of the going concern funding target. The Corporation ceased employer contributions to this plan effective June 1, 2021 as required under legislation. At December 31, 2023 the Corporation's funded ratio was 130.6% (December 31, 2022– 123.6%) for the registered pension plan.

(in thousands of dollars)

Retirement benefit expense is comprised of the following:

	2025		2024	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Determination of pension expenses for the year are calculated as:				
Current period benefit cost	$ 16,957	$ 153	$ 15,507	$ 100
Amortization of net actuarial (gains) losses	(9,304)	35	(9,726)	(51)
Employee contributions	(9,905)	-	(9,632)	
Retirement benefit (recovery) expense	(2,252)	188	(3,851)	49
Interest cost on the average accrued benefit obligation	33,068	120	33,317	98
Expected return on average plan assets	(46,186)	-	(46,610)	-
Retirement benefit interest (recovery) expense	(13,118)	120	(13,293)	98
Total expenses related to retirement benefit (before adjustment for valuation allowance)	(15,370)	308	(17,144)	147
(Decrease) increase in valuation allowance provided against accrued benefit asset	(21,093)	-	(12,171)	
Total expenses related to retirement benefit (after adjustment for valuation allowance)	$(36,463)	$ 308	$ (29,315)	$ 147

The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at March 31, 2025, was 14% in debt securities, 34% in equity securities, 8% in real estate and 44% in annuities (2024 – 17% debt securities, 32% equity, 5% real estate, 45% in annuities).

The market value of plan assets is $525,824 (2024 – $514,957); in addition, the actuarially determined value of the buy-in annuities is $401,922 (2024 – $349,924). The actual gain on the market value of plan assets was $78,606 or 15.26% (2024 –$63,028 or 14.07%) and the actual gain on the market-related value of plan assets was $56,946 or 6.55% (2024 – gain of $41,824 or 4.89%).

Gains and losses incurred, excluding the impact of buy-in annuities, are as follows: gain on market-related value of plan assets $15,722 (2024 – loss $3,002); actuarial loss on registered plan accrued benefit obligation $16,420 (2024 – loss of $2,648); actuarial loss on supplementary arrangements accrued benefit obligation $660 (2024 – gain of $243).

The estimated average remaining service period of the members covered by the registered pension plan and the remaining supplementary retirement arrangement is 10.6 years (2024 – 10.5 years).

(in thousands of dollars)

The significant assumptions are:

	2025	2024
Pension obligations (actuarial value)		
Discount rate – registered plan	5.75%	5.90%
Discount rate – supplementary arrangements	3.27%	3.05%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%
Retirement benefit expense		
Discount rate – registered plan	5.90%	6.00%
Discount rate – supplementary arrangements	3.05%	3.29%
Expected return on assets	5.90%	6.00%
Rate of compensation increase	3.50%	3.50%
Inflation rate	2.00%	2.00%

The sensitivity analysis of the significant actuarial assumptions on the obligation was as follows:

		2025		2024
Discount rate sensitivity:				
1% increase in discount rate	$	(40,200)	$	(40,891)
1% decrease in discount rate	$	51,496	$	51,858
Inflation sensitivity:				
1% increase in inflation	$	5,622	$	6,182
1% decrease in inflation	$	(3,266)	$	(3,593)
General wage increase:				
1% increase in general wages	$	15,385	$	13,959
1% decrease in general wages	$	(13,706)	$	(12,432)

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

An actuarial valuation for life insurance and health and dental care benefits for current and future retirees was conducted as of December 31, 2023 for the year ended March 31, 2025 and December 31, 2022 for the year ended March 31, 2024. The valuations were extrapolated for accounting purposes to March 31.

The plan is unfunded and requires no contributions from employees. The following presents the financial position of the Corporation's non-pension post-retirement benefits at March 31:

(in thousands of dollars)

	2025	2024
Obligation for non-pension post-retirement benefits (actuarial value)	$(27,947)	$(27,215)
Unamortized net actuarial gain	(20,661)	(23,353)
Employer contributions during the year from measurement date to March 31	150	209
Accrued benefit liability for non-pension post-retirement benefits	$(48,458)	$(50,359)

As the plan is unfunded, contributions equal benefits paid during the year of $607 (2024 – $644).

Non-pension post-retirement benefit recovery of $1,294 (2024 – $1,404) are included in the statement of operations.

The significant assumptions are:

	2025	2024
Non-pension post-retirement benefits obligations		
Discount rate	3.27%	3.05%
Initial weighted-average health care trend rate	4.70%	4.70%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040
Non-pension post-retirement benefits costs		
Discount rate	3.05%	3.29%
Initial weighted-average health care trend rate	4.70%	4.80%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.5 years (2024 – 11.5 years).

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

An actuarial valuation for the workers' compensation benefit was conducted as of December 31, 2023 for the year ended March 31, 2025 and December 31, 2022 for the year ended March 31, 2024 and the valuation was extrapolated for accounting purposes to March 31. The plan is unfunded and requires no contributions from employees.

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

(in thousands of dollars)

	2025	2024
Obligation for post-employment benefits (actuarial value)	$(16,340)	$(18,184)
Unamortized net actuarial losses	1,678	4,866
Employer contributions during the year from measurement date to March 31	638	796
Accrued benefit liability for post-employment benefits	$(14,024)	$(12,522)

As the plan is unfunded, contributions equal benefits paid during the year of $2,341 (2024 – $2,360).

Post-employment benefit charges of $3,843 (2024 – $3,597) are included in the statement of operations.

The significant assumptions are:

	2025	2024
Post-employment benefits obligations		
Discount rate	3.27%	3.05%
Inflation rate	2.00%	2.50%
Health care cost increases	4.50%	5.60%
Post-employment benefits costs		
Discount rate	3.05%	3.29%
Inflation rate	2.00%	2.50%
Health care cost increases	4.00%	5.60%

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 7.0 years (2024 – 9.0 years).

For the year ended March 31, 2025, the Corporation paid $576 (2024 – $685) in premiums to the Workers' Compensation Board of Nova Scotia which are included in wages and benefits in the statement of operations. These premiums represent the workers' compensation costs for Nova Scotia employees given that the Corporation is on an assessment basis.

(in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS

As at March 31, 2025

	Vessels	Shore facilities	Leasehold improve-ments	Equipment	Work in progress	Total
Cost						
Opening balance	$ 440,248	$ 262,554	$ 319	$ 98,017	$ 47,911	$ 849,049
Additions	27,036	9,350	1,565	2,877	5,933	46,761
Transfers from work in progress	2,951	25,156	11,528	6,364	(45,999)	-
Disposals and write-offs	(27,875)	(536)	(48)	(1,855)		(30,314)
Closing balance	$ 442,360	$ 296,524	$ 13,364	$ 105,403	$ 7,845	$ 865,496
Accumulated amortization						
Opening balance	$ 289,726	$ 135,361	$ 317	$ 70,230	$ -	$ 495,634
Amortization expense	33,207	12,675	1,752	8,546	-	56,180
Disposals and write-offs	(26,736)	(86)	(42)	(1,844)	-	(28,708)
Closing balance	$ 296,197	$ 147,950	$ 2,027	$ 76,932	$ -	$ 523,106
Net carrying amount at the end of the period	**$ 146,163**	**$ 148,574**	**$ 11,337**	**$ 28,471**	**$ 7,845**	**$ 342,390**

As at March 31, 2024

	Vessels	Shore facilities	Leasehold improve-ments	Equipment	Work in progress	Total
Cost						
Opening balance	$ 494,043	$ 257,149	$ 57,039	$ 92,967	$ 27,095	$ 928,293
Additions	15,405	3,090	2,433	3,686	35,647	60,261
Transfers from work in progress	1,045	2,512	9,219	2,055	(14,831)	-
Disposals and write-downs	(70,245)	(197)	(68,372)	(691)		(139,505)
Closing Balance	$ 440,248	$ 262,554	$ 319	$ 98,017	$ 47,911	$ 849,049
Accumulated amortization						
Opening Balance	$ 333,094	$ 123,187	$ 55,541	$ 58,014	$ -	$ 569,836
Amortization Expense	26,723	12,342	9,428	12,895	-	61,388
Disposals and write-downs	(70,091)	(168)	(64,652)	(679)	-	(135,590)
Closing balance	$ 289,726	$ 135,361	$ 317	$ 70,230	$ -	$ 495,634
Net carrying amount at the end of the period	$ 150,522	$ 127,193	$ 2	$ 27,787	$ 47,911	$ 353,415

(in thousands of dollars)

Work in progress additions include those projects commenced in the current fiscal year or a previous fiscal year and not yet complete at year end. Work in progress transfers include the cost of projects carried over from the previous year, along with current year additions related to projects that were completed during the year.

12. ASSET RETIREMENT OBLIGATIONS

The Corporation has recorded asset retirement obligations for the removal of asbestos in buildings and fuel lines, and the decommissioning of fuel tanks, lines, vessels, and leasehold improvements for leased assets.

The amount recognized was determined using engineering estimates and is the net present value of estimated future expenditures required to fund the decommissioning of the assets. The obligation is calculated using the current estimated costs to retire the asset inflated to the estimated retirement date and discounted to current present value. The retirement obligation is being provided for over the accreted value from the initial obligation to the end of the useful life of the asset. Future retirement expenditures will be charged against the accumulated liability as incurred.

Following is a summary of the key assumptions upon which the carrying amount is based:

- Total expected future cash flows are $ 32,304 (2024 - $34,256).
- Expected timing of asset removal and/or site remediation is expected to occur between 1 and 15 years with the majority occurring by 2030.
- The discount rate is the Government of Canada's zero-coupon rate on government bonds of 3.00% (2024 – 3.43%).

Following is a summary of the asset retirement obligations:

	2025	2024
Carrying amount, beginning of year	$30,893	$ 34,024
Changes during the year	(1,849)	(3,288)
Accretion expense	983	950
Settlements	(1,527)	(793)
Estimated total liability	$28,500	$ 30,893

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of its derivative financial instruments. Derivative financial instruments used by the Corporation 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) while fixing the price effectively paid for fuel.

The fair value of derivative financial instruments, which are all classified as Level 2, 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.

(in thousands of dollars)

The Corporation also uses foreign exchange forwards, which are contractual agreements to buy foreign currency at a specified price and date in the future. The foreign exchange forwards are related to lease payments for the *MV Ala'suinu* (USD).

Generally, all derivatives have a monthly settlement schedule. At March 31, the Corporation had the following derivative financial instruments:

		2025				2024
Maturity Date	**Current Currency**	**Fixed price per unit/ Forward rate (Note)**	**Notional quantity (Note)**	**Notional Value**	**Fair Value**	Fair Value
Derivative Financial Assets						
Crude swap - #2 heating oil						
2025	CAD	-	-	$ -	$ -	$ 2,350
2026	CAD	2.624-3.181	9,030	28,259	822	404
Foreign exchange forwards						
2025	EUR	-	-	-	-	44
2025	USD	-	-	-	-	59
2026	USD	1.348-1.4345	16,690	22,567	1,231	-
			25,720	$ 50,826	$ 2,053	$ 2,857
Derivative Financial Obligations						
Crude swap - #2 heating oil						
2026	CAD	3.344	126	$ 421	$ (8)	$ -
Foreign exchange forwards						
2026	USD	-	-	-	-	(47)
			126	$ 421	$ (8)	$ (47)

Note: Quantities are based on US gallons; prices (CAD) are per US gallon.

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

(in thousands of dollars)

The Board's 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 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. There are significant challenges related to rising inflation as well as on-going supply chain issues, some of which involve shortages of key components required for the Corporation's operations. Additional activities, processes and procedures were put into place to mitigate the risks.

(a) Credit risk

The carrying amount of cash, accounts receivable and derivatives represents the Corporation's maximum exposure to credit risk.

Cash

Cash other than restricted cash is held in a Canadian chartered bank, which are credit worthy counterparties. 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 the expired *MV Atlantic Vision's* 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. As described in note 19, the recovery of the restricted cash is subject to a dispute resolution process.

At March 31, 2025, the German bank held a baseline credit assessment of baa3, a guaranteed long-term rating of A3 and an unguaranteed short-term rating of P-2 from Moody's.

Accounts receivable

The Corporation's accounts receivable consists of trade receivables of $5,288 (2024 – $5,017) and other accounts receivable of $8,779 (2024 – $6,670). 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. In total $5,628 (2024 – $770) of accounts receivable are considered past due but not impaired. Accounts that have exceeded 31 days are considered past due. Other receivables are largely due to warranty claims on work related to the *MV Ala'suinu* and claims for refund of expenses paid during the redelivery of the *MV Atlantic Vision* as per the contract. The Corporation considers there to be no significant risk related to these claims.

Derivatives

The credit risk related to derivatives is the risk of a counterparty defaulting on contractual derivative obligations in which the Corporation has an unrealized gain. 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 counterparties are 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 makes monthly lease payments for the charter of the *MV Ala'suinu* over the term of the lease. To minimize exposure to currency risk, the Corporation purchased forward contracts for 100% of the monthly lease payments for the next fiscal year with plans to reassess and potentially extend this strategy in subsequent years based on market conditions and operational requirements. A 10% increase in the foreign currency rate would not have a material effect on the financial statements.

(ii) Commodity fuel price risk

To manage the risk associated with increased fuel price variation, the Corporation enters into heating oil derivative contracts (swaps). 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 heating oil as at March 31, 2025 would not have a material effect on the financial statements. The market volatility over the past years has increased the uncertainty regarding fuel prices and the risks associated with hedging.

(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.

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 (2024 – $4,200) for an indefinite period. The Corporation receives approval from the Minister of Finance annually to enter into the letter of credit.

(in thousands of dollars)

15. TRANSPORTATION REVENUE

The following table provides the Corporation's transportation revenue by major source and type:

	2025	2024
Commercial vehicle	$ 46,831	$ 44,064
Passenger vehicle	17,863	18,284
Other transportation	17,605	17,312
Onboard sales	18,828	18,291
Passenger	11,696	13,201
Fuel Surcharge	10,118	9,860
Total transportation revenue	$122,941	$121,012

16. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2025	2024
Accumulated operating surplus	$ 459,169	$ 434,388
Accumulated remeasurement gains	3,176	3,920
Accumulated surplus	$ 462,345	$ 438,308

Accumulated operating surplus includes share capital in the amount of $258,530 (2024 – $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, 2025, 517,061,000 shares (2024 – 517,061,000 shares) at $0.50 per share (2024 – $0.50 per share) have been issued and fully paid.

17. 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. There are no significant transactions with key management personnel.

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' 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 $2,034 (2024 – $2,031) with other related parties. 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. There are no contractual obligations or contingent liabilities with related parties.

(in thousands of dollars)

18. CONTRACTUAL OBLIGATIONS

Contractual obligations are financial obligations of the Corporation to others that will become liabilities when the terms of these contracts or agreements for the acquisition of goods or services are met. These include capital and operating agreements, charter lease agreements and other equipment lease agreements. Charter includes a lease agreement for the *MV Ala'suinu*, a new vessel acquired on February 7, 2024, denominated in USD. These payments have been translated to Canadian dollars using the exchange rate at March 31, 2025.

	Capital	Operating	Charter	Other Leases	Total
2025-26	8,506	3,683	25,382	272	$ 37,843
2026-27		1,165	25,382	272	26,819
2027-28			25,452	271	25,723
2028-29			21,210	263	21,473
2029-30				261	261
2030-31 and beyond				1,239	1,239
	$ 8,506	$ 4,848	$ 97,426	$ 2,578	$113,358

19. 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, 2025, the Corporation is in receipt of claims estimated at $59 (2024 – $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 $50 (2024 – $100) 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.

The Corporation is involved in a dispute resolution process relating to the return of the *MV Atlantic Vision* to its owners at the expiration of the charter period in May 2024 to recover the Corporation's cash in escrow (Note 4). The Corporation has accrued a liability of $731 for its estimated of payments to the owners for reimbursement for reasonable repair costs that are likely. There are additional claims by the owner for vessel deficiencies in the amount of $7,554 for which the outcome is not yet determinable, and this amount has not been accrued. The owners are also claiming unspecified damages for the loss of the use of the vessel. The likelihood and quantum of an award for these costs are not determinable and have not been accrued. The cash in escrow would be applied against any unfavourable outcomes from the owner claims.

20. BUDGET FIGURES

Budget 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.

Amortization expense was $12.6 million lower than budgeted due largely to the removal of *MV Atlantic Vision* leasehold assets. The corporate budget is estimated based on historical trends and anticipated spend. The actual amortization can change due to the actual timing of completion of work in progress projects and the final assessment of useful life.

The originally approved budget for employee future benefits was $3.2 million, which was based upon estimated cash payments. The Corporation adjusted the budgeted employee future benefits on the statement of operations using the accrual method to a credit of $13.0 million, consistent with Canadian public sector accounting standards.

Employee future benefits expense was $20.6 million lower than budget. The decrease in the pension expense was the result of a $21.1 million decrease in the valuation allowance related to the excess adjusted benefit asset over the expected future benefit as required by the accounting standard.

The original budget included $9.7 million for fleet renewal costs to introduce the MV Ala'suinu into service and to return the MV Atlantic Vision to its owners. These costs were reallocated to their respective function, consistent with the presentation in the statement of operations.

2024/25 Report on Climate-related Risks and Opportunities

Reporting against the recommendations of the Task Force on Climate-related Financial Disclosures

Contents

1. Introduction

About Marine Atlantic Inc (MAI)

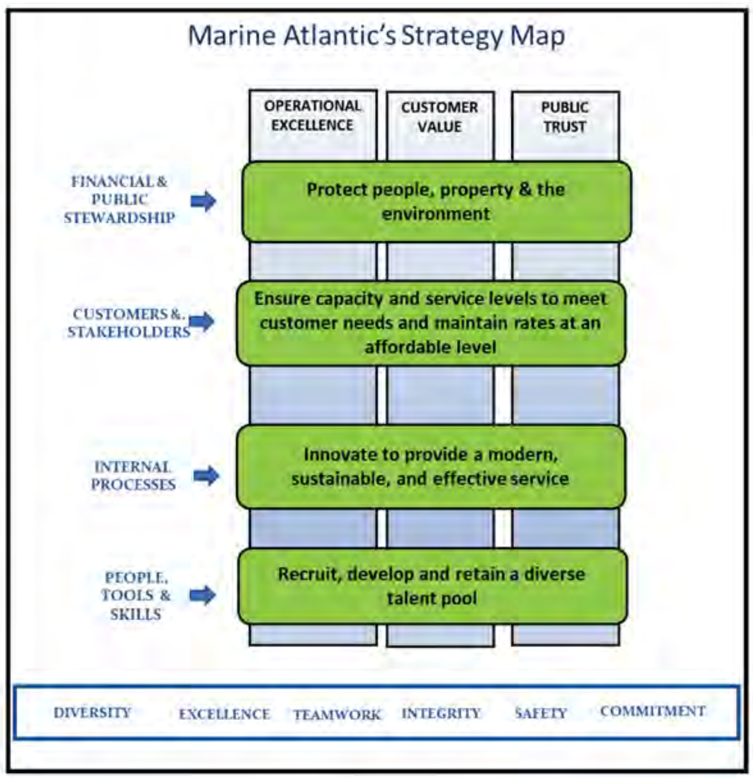
MAI was created on June 27, 1986, as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*.

MAI offers twice daily ferry service for passengers and freight on its constitutionally mandated service between Port aux Basques, NL and North Sydney, NS. During the summer, the Corporation also offers service three times a week between Argentia, NL and North Sydney, NS.

MAI provides an essential service to the island of Newfoundland, as it is the only daily ferry transportation service that allows for the transport of goods onto the island – including fresh food and perishables, consumer products, and dangerous goods (e.g., medical oxygen and hospital supplies). It is also the only daily service that allows for local companies to export their products to the mainland and to reach national and international markets upon which their business success depends. MAI also provides the most accessible means for travellers to enter and leave the island with their vehicles. MAI it is a very important enabler of the economy of Newfoundland and Labrador. MAI's success drives the success of the province in that it is the main transportation link between the province and the rest of Canada.

Corporate Strategy and Risk Management

MAI is committed to providing a service that sustains the essential link between NL and the rest of Canada. The Corporation has developed both a Strategic Plan and a Risk Management Plan to support its strategic pillars – Operational Excellence, Customer Value, and Public Trust – and to deliver on the priorities established by the Government of Canada, including a smooth transition to Net Zero by 2050. The Corporation is also increasing its focus on establishing and meeting clear Environmental, Social, and Governance (ESG) goals.



As MAI becomes increasingly aware of the impact of its operations on the environment, and to the numerous risks that climate change presents to providing a sustainable service, it will pay particular attention to managing its environmental footprint and protecting its passengers, employees, and infrastructure from the impacts of climate change.

This report outlines how the Corporation intends to meet these expectations in the future and is the first step in meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD).

2. Climate-related Risks and Opportunities

Climate-related risks and opportunities form the basis of MAI's Strategic Plan and its Corporate Risk Register.

From a risk perspective, MAI has identified the following risks, which include both physical risks to the operation and the financial and social risks associated with the transition to green energy.

- The risk that MAI does not have adequate safety governance, policies and practices, putting customers, employees, and facilities at risk.
- The risk that MAI fails to manage its environmental footprint in a way that supports both the Shareholder's and the Corporation's commitment to protecting the environment and addressing the impacts of climate change.
- The risk that MAI's response to a catastrophic event such as natural disaster, act of sabotage/terrorism, grounding, etc. is inadequate.
- The risk that MAI is not able to effectively deliver the service within its approved funding levels.
- The risk that MAI fails to adequately plan for both infrastructure maintenance and renewal leading to negative impacts on its operations, service levels and financial wellbeing.

How these risks might manifest and the potential impacts on MAI are outlined below.

Service Impacts	Environmental Regulations	Financial Impacts	Infrastructure Impacts
Rise in extreme weather events/Increase in weather variability	*Increased cost to meet regulations*	*Increase in carbon pricing*	*Fuel management/Substitution*
Potential risks to customer and employee safety	*Availability of alternate fuel supply*	*Increasing fuel costs*	*Availability of alternate fuels*
Increasing number and length of service interruptions	*Cost of new technologies*	*Cost of retrofitting existing vessels*	*Availability of energy efficient vessels*
Impacts on supply chain	*Shortened vessel life span*	*Impact on customer pricing*	
		Increased Investment for new technologies	

The impacts of climate change also present several opportunities for MAI. Specifically, there are three strategic initiatives that recognize the importance of addressing the impacts of climate change on operations:

- Achieve net-zero by 2050.
- Develop a long-term fleet replacement strategy.
- Innovate and automate.

The potential opportunities for the Corporation include:

Net-zero by 2050	Fleet Replacement	Innovate and Automate
Socially responsible	*Greener technology - fewer emissions*	*Increased demand for low carbon travel*
Minimizing impact to the environment	*Improved customer satisfaction*	
Positive impact on Corporate Reputation	*Operational stability*	*Potential for reduced operating costs*
Improved service to customers		*Meet changing customer expectations.*

3. Environmental Management Plan

As we continue to strive toward environmental stewardship, the organization is exploring ways to decarbonize, become more energy efficient and analyze the impacts of existing and new initiatives.

Activities

1. **Decarbonization -** MAI is in the beginning stages of development of a decarbonization strategy (road map) to take MAI through to 2030 into 2050 and beyond. As a part of the strategy MAI is exploring the utilization of alternative fuels like LNG, Ammonia, Methanol, Biofuels and Hydrogen.

   Inline with the requirements set forth by IMO and now Transport Canada, MAI is measuring the Carbon Intensity Indicator (CII) for each of the vessels in the fleet. The chart below shows where each ship sits as it relates to CII and will be measured on a quarterly basis as a Key Performance Indicator (KPI) to drive improvement in decarbonization and energy efficiency.

	2022		2023		2024	
Vessel	**CII**	**Grade**	**CII**	**Grade**	**CII**	**Grade**
Atlantic Vision	24.8	E	25.94	E	35.71	E
Blue Puttees	16.02	C	16.88	C	17.02	C
Highlanders	16.26	C	19.47	C	17.64	C
Leif Ericson	17.32	B	16.69	B	18.96	C
Ala'suinu					17.98	D

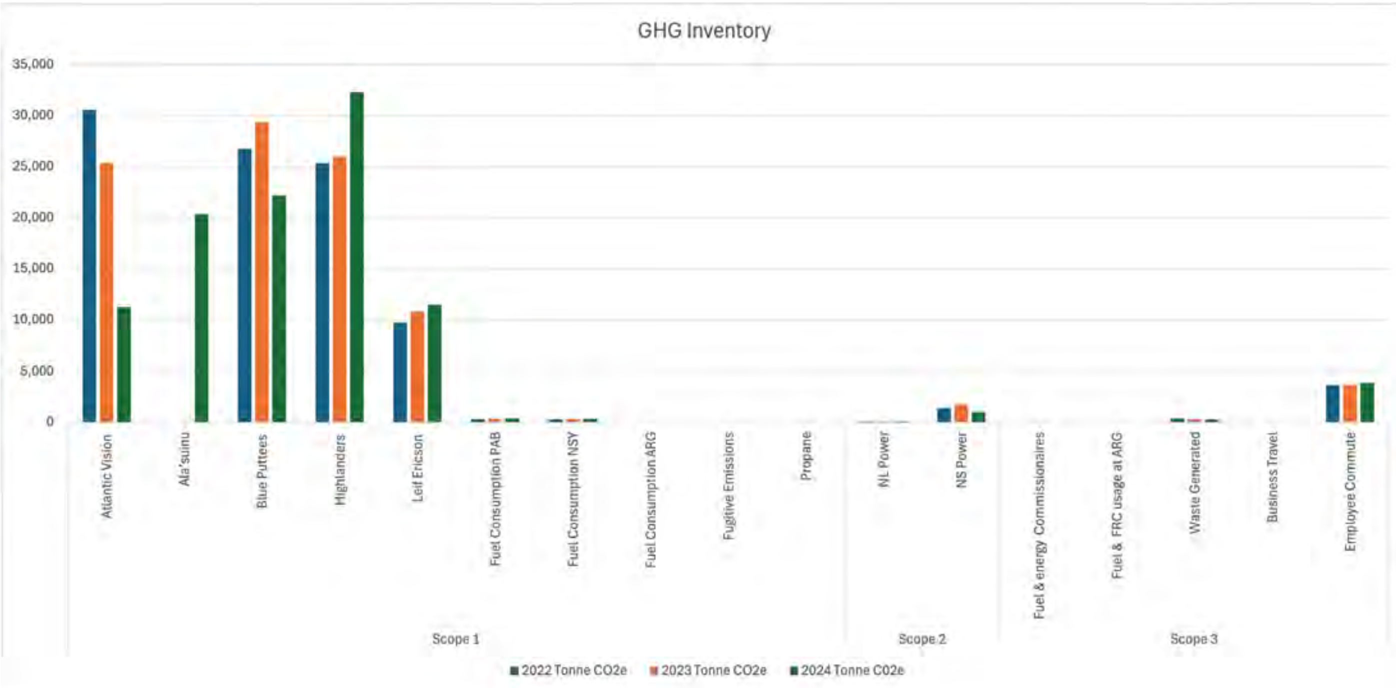
2. **Energy Efficiency** – MAI continues to explore ways to become more energy efficient with the exploration and implementation of energy saving devices below water, propeller replacement, ultra-low friction paint and machinery optimization like energy performance, hybrid power systems and shore power.

- Waste Heat Recovery
- Energy Consumers
- Renewable Energy
- Propulsion Improvements
- Electric Energy Storage
- Hull Friction Reduction

Some of these initiatives are listed below:

- Port aux Basques Administrative Building – the goal is LEED Silver.
- Lighting upgrades in Argentia - switching to LED.
- Heating system replacement at the Port aux Basques Maintenance shop to improve energy efficiency.
- HVAC System upgrades at the North Sydney Maintenance shop to improve energy efficiency.
- Blue Puttees
    a. New propellers
    b. Engine overhaul
    c. Hull cleaning and painting
- Highlanders
    a. Hull cleaning and painting
    b. Engine overhaul

3. **Ongoing measurement of MAI's GHG inventory** - includes an assessment of the light vehicle fleet, heavy vehicle fleet, propane usage, vessel fuel usage, HVAC systems, fire suppression systems, and electricity usage on MAI premises. (See chart below)



4. **Project oversight and evaluation –** MAI has implemented an environmental project evaluation tool that is used to assess all projects and initiatives as it relates to impacts on emission targets and the overall Greening Strategy.

5. **Ongoing participation in the Green Marine Program –** The Green Marine Program plays a crucial role in advancing environmental sustainability within the maritime industry by encouraging participants to implement measurable actions that exceed regulatory requirements. Under this initiative, MAI undergoes evaluations based on 15 performance indicators as ship and terminal owners, which address key areas such as greenhouse gas emissions, waste management, underwater noise reduction, and community engagement. By adhering to these standards, MAI continues to demonstrate a commitment to minimizing its environmental footprint while fostering responsible operations across its vessels and terminals.

   Operating on a structured five-level scale, the program defines Level 3 as the successful integration of best practices within an adopted management plan, alongside a comprehensive understanding of environmental impacts. MAI has strategically set a corporate goal to maintain an average of Level 3, a benchmark first achieved in 2021/22, ensuring ongoing progress in sustainability efforts.

6. **Transition to electric vehicles -** MAI continues to work on its plan to introduce electric vehicle charging stations as well as electric vehicles as part of its shore-based infrastructure innovation plan. Charging stations have been installed in Port aux Basques, North Sydney and Argentia, and expansion is already underway. Electric powered baggage vans are now in operation, as well as the Electric Scissor Lifts, with plans to expand into other vehicle types (i.e., Shuttle Buses, Shunt Trucks, Maintenance Vehicles, etc.) as soon as they can be procured.

The status of each of MAI's environmental targets are as follows:

Goal	2024 Target	Result
Fuel Consumption: Vessels	1% Reduction	3% increase from 2023 to 2024
Fuel Consumption: Terminals	5% Reduction	12.1% increase from 2023 to 2024. Mainly due to addition of new equipment.
Green Marine – Vessel Program	3 or higher	3.5
Green Marine – Terminals Program	3 or higher	3.6

4. Governance and Risk Management

MAI's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day functions 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.

MAI 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 MAI 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 MAI's values along with the Value and

Ethics Code for the Public Service. 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.

Governance Committees of the Board

The Board's standing committees engage and support its efforts through several governance responsibilities including Audit and Finance; Governance, Risk and Strategy; Human Resources; and Innovation and Infrastructure. The Board also provides advice and oversight on the stewardship of pension plans for the employees of Marine Atlantic Inc.

Audit and Finance Committee

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

Human Resources Committee

The Human Resources Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of Human Resources and Pension Management. The Human Resources Committee also provides advice and oversight on behalf of the Board on the stewardship of pension plans for the employees of Marine Atlantic Inc.

Innovation and Infrastructure Committee

The Innovation and Infrastructure Committee is mandated to monitor and provide oversight on behalf of the Board of Directors in the areas of customer service, innovation, capital projects, safety and environmental management, and fleet management.

Corporate Governance, Risk and Strategy Committee

The Governance, Risk and Strategy Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of strategic planning, enterprise risk management, governance, ethics, and corporate responsibility.

Enterprise Risk Management

MAI is committed to risk management and recognizes it to ensuring the Corporation's future success. MAI considers risk management to be a shared responsibility. The Corporation's risk management governance structure can be summarized as follows.

Group	Responsibility
Board of Directors and Audit and Risk Committee	Ensure that management has established and maintains an effective risk management process
Corporate Strategy & Enterprise Risk Management Committee	Monitor emerging risks and significant shifts in the known risks in the company's enterprise risk level inventory
Corporate Strategy and Risk Department	Champion the effective management of risk across the company by facilitating the development and deployment of techniques, tools, and processes to assess in managing risks

Risk Liaisons	Support risk owners by organizing opportunities to formally discuss risk, monitoring the effectiveness of controls/mitigations, and coordinating reporting.
Risk Owners	Effectively manage risk within their area of responsibility in alignment with the risk tolerance and risk appetite of the company.

MAI's key risks continue to be directly linked to the Corporation's Strategic Objectives and as such, the ERM program plays a critical role in ensuring that the Corporation can achieve its overall goals.

ESG and Climate-related Risks

ESG and climate-related risks are currently included throughout MAI's Corporate Risk Register. As MAI further develops its ESG Program, these risks will likely be consolidated under an ESG Risk Management Plan to ensure that they are given appropriate attention. Work is currently underway to identify any gaps that might exist in MAI's Corporate Risk Register, and to address those gaps as necessary. As MAI evolves its governance and processes to better identify and manage climate-related risks, it will report its progress as part of the TCFD reporting.

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Marine Atlantique