



***Management's Discussion &
Analysis
of Financial Condition and
Financial Performance***

For the fiscal year ended
March 31, 2026

Dated June 18, 2026

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**Management's Discussion & Analysis
of Financial Condition and Financial Performance
For the year ended March 31, 2026
Dated June 18, 2026**

The following is our discussion and analysis of the financial condition and financial performance for British Columbia Ferry Services Inc. ("BC Ferries", the "Company" or "we") for the year ended March 31, 2026 that has been prepared with information available as of June 18, 2026. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes for the years ended March 31, 2026 ("fiscal 2026") and March 31, 2025 ("fiscal 2025"). These documents are available on SEDAR+ at www.sedarplus.ca and on our investor webpage at http://www.bcferrries.com/investors/financial_reports.html.

Except where indicated, all financial information herein is expressed in Canadian dollars and determined on the basis of IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

BUSINESS OVERVIEW

BC Ferries provides passenger and vehicle ferry services on the west coast of British Columbia. We operate one of the largest and most complex ferry systems in the world. We provide frequent year-round transportation service, with 37 vessels operating on 25 routes out of 47 terminals spread over 1,600 kilometres of coastline. We also manage ferry transportation services on other routes through contracts with independent operators.

Our service is an integral part of British Columbia's coastal transportation system and has been designated by the provincial government of British Columbia (the "Province") as an essential service for the purposes of the provincial *Labour Relations Code*. This designation means our services are considered necessary for the protection of the health, safety and welfare of the residents of British Columbia.

Our Major Routes, which are our four busiest routes, consist of three routes connecting Metro Vancouver with Vancouver Island and one route connecting West Vancouver with the Sunshine Coast. Our Northern Routes consist of three routes operating on the British Columbia coast north of Port Hardy on Vancouver Island. Our Minor Routes primarily serve the northern and southern Gulf Islands, and the northern Sunshine Coast.

Our principal business of ferry transportation requires sufficient earnings and ongoing access to capital to fund operations, satisfy outstanding long-term debt obligations and fulfill future capital asset investment needs.

Significant events during or subsequent to fiscal 2026 include the following:

Traffic and Service

- In fiscal 2026, B.C. Ferries carried 10.0 million vehicles and 23.3 million passengers, the highest vehicle and passenger traffic levels on record in a fiscal year. Vehicle and passenger traffic increased 2% compared to fiscal 2025.
- In fiscal 2026, BC Ferries delivered 91,275 round trips compared to 90,685 in the prior year, an increase of 590 or 1% round trips, primarily as a result of increases in round trips on the Minor and Major Routes.

Tariffs

- On April 1, 2025, BC Ferries implemented average tariff increases of 3.2% in accordance with the British Columbia Ferries Commissioner's (the "Commissioner") Order 23-04 dated September 30, 2023 ("Order 23-04"). Order 23-04 established final price cap increases of 3.2% for each of the four years of Performance Term Six ("PT6"), being the four year period commencing April 1, 2024 and ending on March 31, 2028.
- On April 8, 2026, BC Ferries implemented average tariff increases of 3.2% in accordance with Order 23-04 as described above.

General

- On May 22, 2025, BC Ferries received \$133 million in proceeds from the first tranche of bonds issued to the Canada Infrastructure Bank ("CIB"), a Crown Corporation of the Federal Government of Canada. The agreement with CIB allows for the issuance of up to \$1 billion of senior secured bonds which bear interest at 1.828% per annum, payable semi-annually, and may be accessed in tranches over a five-year period. All drawn funds must be spent within the subsequent three years, otherwise any remaining drawn but unspent funds must be repaid to CIB. The net proceeds from the sale of the bonds shall be used solely to provide partial funding for capital costs incurred toward our New Major Vessel ("NMV") project and the terminal electrification for the route connecting Metro Vancouver to Victoria and the route connecting Metro Vancouver to Nanaimo (see "Liquidity and Capital Resources" for more detail).
- On September 5, 2025, the Commissioner issued Order 25-02 amending Order 23-04 by adjusting the set price for diesel and liquid natural gas. Order 25-02 is effective retroactively to April 1, 2025, and corresponds with the date the Province eliminated the carbon tax (see "Economic Regulatory Environment" for more detail).
- On September 11, 2025, the B.C. Ferry Authority and BC Ferries presented the Charting the Course 25-year vision for the coastal ferry system. The document is available on www.bcferreries.com and sets out five goals to guide decision-making in the public interest: reliable and available; convenient and integrated; safe and comfortable; environmentally sensitive and resilient; and affordable and efficient.
- On September 22, 2025, Mr. Dallyn Willis was appointed to the position of Vice President and Chief Financial Officer. Mr. Willis is a Chartered Professional Accountant and has over 20 years of experience in finance and executive leadership roles.
- On November 18, 2025, S&P Global Ratings ("S&P") affirmed BC Ferries' long-term issuer credit and senior secured debt ratings of "A+" with a Stable outlook.
- On December 5, 2025, Morningstar DBRS ("DBRS") confirmed BC Ferries' issuer rating and senior secured bonds credit rating at "A (high)" with a Negative outlook.
- On January 22, 2026, BC Ferries elected not to exercise its purchase option to acquire a 50% interest in an office property. As a result of the decision not to exercise the purchase option, BC Ferries recognized an impairment loss of \$11.3 million, net of \$2.5 million of proceeds related to the termination of the purchase option. During the period, a loan to the developer of the office property was repaid for proceeds of \$24.5 million (see "Liquidity and Capital Resources" for more detail).

- On February 19, 2026, we completed a private placement of \$350 million of 30-year senior secured bonds. These bonds bear interest at a rate of 4.689% per annum, payable semi-annually. The net proceeds of this new issue will be used, together with additional cash on hand, to provide for capital expenditures, general corporate purposes and to fund the bond series reserve account. DBRS assigned these bonds a credit rating of "A (high)" with Negative trend. S&P assigned these bonds a credit rating of A+ (see "Liquidity and Capital Resources" for more detail).
- Effective June 16, 2026, a temporary surcharge of 5% was implemented on all routes due to increases in global fuel prices and ongoing volatility in energy markets driven by geopolitical conflict overseas. The temporary surcharge will help manage significant fluctuations in fuel costs over time and was authorized by the BC Ferry Commission (see "Operational Revenues" for more detail).

Capital Assets

- On May 1, 2025, BC Ferries announced that the first major phase of construction for renewal of critical infrastructure at Horseshoe Bay terminal, including upgrading or replacing three berths, relocating the control tower, upgrading aging elevated structures, and enhancing seismic resiliency and operational efficiency. Major construction activities for the first phase commenced in October 2025 include the deconstruction of the elevated concrete holding area and relocation of the terminal's traffic operations centre or control tower. During this phase of work, vehicle space inside the terminal is reduced by approximately 25%, with overall vehicle space to remain below current levels for several years as construction progresses. To minimize disruptions for customers and surrounding communities, BC Ferries introduced a pre-booking only model for all vehicles travelling from Horseshoe Bay to Departure Bay, and added more options for travel between Metro Vancouver and Nanaimo (see "Investing in Our Capital Assets" for more detail).
- On May 7, 2025, BC Ferries awarded contracts for design, build and delivery of four New Major Vessels ("NMV") to China Merchants Industry Weihai Shipyard Co., LTD ("CMI Weihai"). These four new vessels are planned to enter service starting in 2029 at approximately six-month intervals. Each of the four NMV are designed to have a capacity of up to 2,100 passengers and crew and carry 360 standard sized vehicles. As these vessels are introduced, BC Ferries plans to retire four of its oldest major vessels that are smaller, approaching end of life and for which further life extensions are not reasonable (see "Investing in Our Capital Assets" for more detail).
- On July 28, 2025, BC Ferries announced that two retired vessels, the *Powell River Queen* and the *Bowen Queen*, would be recycled in British Columbia by Marine Recycling Corporation ("MRC") helping to support BC jobs and build marine recycling capacity in British Columbia. Ownership of these two vessels was transferred from BC Ferries to MRC on August 6 and 7, 2025, respectively. On October 1, 2025, ownership of two additional retired vessels, the *Queen of Burnaby* and the *Mayne Queen*, was transferred from BC Ferries to MRC.

- On November 25, 2025, BC Ferries announced the naming of four of its new Island Class vessels. The first two vessels, the *Island xwsáluxul* (meaning Grassy Place) and *Island sarlequun* (which honours the revered peoples of Snuneymuxw), carry names gifted by Snuneymuxw First Nation in the hul'q'umi'num' language. Both names are deeply rooted in the Nation's connection to the lands and waters of their territory. The *Island xwsáluxul* is expected to enter service on June 20, 2026, and the *Island sarlequun* is expected in August 2026, both on the route connecting Nanaimo to Gabriola Island. The additional two vessels, the *Island Gwá'yam* (meaning Whale) and *Island K'asa* (meaning Otter), are named in the Kwak'wala language and the names were gifted by the We Wai Kai and Wei Wai Kum Nations in recognition of their deep-rooted connections to the marine environment. These new hybrid-electric vessels are expected to enter service by the end of fiscal 2027 on the route between Campbell River and Quadra Island (see "Investing in Our Capital Assets" for more detail).
- On February 19, 2026, the Commissioner issued Order 22-02B approving revised project cost-estimates for the Fleet Maintenance Unit ("FMU") redevelopment project and replacing Order 22-02A (see "Investing in Our Capital Assets" for more detail).

CORPORATE STRUCTURE

Coastal Ferry Services Contract

We operate ferry services under a regulatory framework established by the Coastal Ferry Act (the "Act"), and under the terms set out in the Coastal Ferry Services Contract ("CFSC") between BC Ferries and the Province. BC Ferries' sole voting common share is held by the B.C. Ferry Authority ("BCFA" or the "Authority").

The CFSC has a term of 60 years, commencing on April 1, 2003, and stipulates, among other things, the number of round trips that must be provided for each regulated ferry service route in exchange for specified fees (ferry transportation fees). The CFSC has been amended from time to time.

Under the terms of the CFSC, we receive an annual subsidy from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia ("Federal-Provincial subsidy"). The amount of this payment is adjusted annually based on the Consumer Price Index ("CPI") (Vancouver).

The Act defines a performance term as the first and any subsequent four-year period during the term of the CFSC. Fiscal 2026 was the second year of PT6, which commenced April 1, 2024 and ends on March 31, 2028.

On June 30, 2023, the CFSC was amended to, among other things, establish ferry transportation fees for the four-year term of PT6. The CFSC and its amendments are available on our website at: <https://www.bcferries.com>.

Economic Regulatory Environment

The office of the Commissioner was created under the Act on April 1, 2003. The Act has been amended from time to time to expand and broaden the Commissioner's role and regulatory responsibilities. The Act specifies that the Commissioner must undertake the regulation of ferry operators in the public interest and in accordance with the following principles: (a) to balance the interests of ferry users, taxpayers, and the financial sustainability of ferry operators, (b) to meet provincial green house gases ("GHG") emission targets in their operations and when developing capital plans, and (c) to be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services. The Commissioner establishes price caps for designated ferry route groups for the purpose of regulating tariffs. A price cap is a regulatory mechanism that establishes a maximum allowable annual average fare increase in each year over the term. The Commissioner has the authority to authorize the establishment of deferred fuel cost accounts and to set the terms and conditions for their use, including fuel surcharges or rebates. The Commissioner is also responsible for regulating the reduction of service and discontinuance of routes, monitoring the service provided under the CFSC, authorizing major capital expenditures, conducting performance reviews, regulating ferry transportation services where the Commissioner has determined an unfair competitive advantage exists, and approving the customer complaints process.

Performance term six

In February 2023, the Province, after collaboration with BC Ferries and in response to our PT6 submission, announced \$500 million in new funding ("Fare Affordability Funding") for BC Ferries with the goal of limiting annual average fare increases to approximately 3% a year for PT6. In addition to helping control fare increases, this Fare Affordability Funding may also be used to support GHG emissions reductions through support for the electrification of vessels, terminals and other initiatives.

In September 2023, the Commissioner issued Order 23-04, which established a final price cap decision for PT6 that factored in the impact of \$500 million of Fare Affordability Funding from the Province. Order 23-04 included the following:

- establishes the final price cap average increase of 3.2% for each of the four years of PT6;
- maintains the existing fuel deferral accounts;
- sets the price per litre for the operation of the fuel deferral accounts for marine diesel and for LNG in each of the four years of PT6, which is a required input into the calculation of fuel surcharges or rebates, as follows;

Fuel Set Price:	Fiscal Year			
	2025	2026	2027	2028
Diesel (\$/Litre)	1.44	1.44	1.43	1.49
LNG (\$/Diesel Litre Equivalent)	0.72	0.75	0.79	0.83

and

- requires BC Ferries to prepare a plan to track, on a quarterly basis during PT6, actual capital expenditures compared to the forecast capital expenditures on which the price cap decision is based, and to develop corporate key performance indicators to track cost and service effectiveness of investments made in human resources.

On September 5, 2025, the Commissioner issued Order 25-02 amending Order 23-04 by adjusting the set price for diesel and liquid natural gas as follows:

Fuel Set Price	Fiscal Year			
	2025	2026	2027	2028
Diesel (\$/Litre)	1.44	1.19	1.13	1.15
LNG (\$/Diesel Litre Equivalent)	0.72	0.56	0.57	0.57

Order 25-02 was effective retroactively to April 1, 2025, and corresponds with the date the Province eliminated the carbon tax.

The difference between actual fuel costs incurred and fuel set price, as established by the Commissioner, are recognized in deferral accounts for recovery or settlement through fuel rebates or surcharges to customers.

The Commissioner’s orders and reports are available on the Commissioner’s website at www.bcferrycommission.com.

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the past two fiscal years.

(\$ millions)	Years ended March 31		
	2026	2025	Variance
Total revenue	1,259.8	1,171.4	88.4
Operating expenses	1,188.3	1,183.8	4.5
Operating profit (loss)	71.5	(12.4)	83.9
Net finance and other expenses	65.0	59.3	5.7
Net earnings (loss)	6.5	(71.7)	78.2
Other comprehensive (loss)	(21.6)	(2.6)	(19.0)
Total comprehensive loss	(15.1)	(74.3)	59.2
	As at March 31		
	2026	2025	
Total assets	2,963.5	2,546.0	
Total long-term liabilities	1,990.0	1,576.6	
Dividends paid	6.0	6.0	

In fiscal 2026, revenues increased \$88.4 million or 8% compared to the prior year, primarily as a result of higher vehicle and passenger traffic rates and volumes, the increase of Fare Affordability Funding from the Province, and higher net retail revenue, partially offset by lower fuel surcharges (see "Operational Revenues" for more detail).

In fiscal 2026, operating expenses increased \$4.5 million or less than 1% compared to the prior year. This increase is primarily due to higher labour costs and higher depreciation expenses, partially offset by lower fuel and maintenance costs (see "Expenses" for more detail).

In fiscal 2026, our net earnings of \$6.5 million was a \$78.2 million improvement compared to our net loss of \$71.7 million in the prior year. This improvement reflects higher revenues, partially offset by higher operating expenses and higher net finance expense.

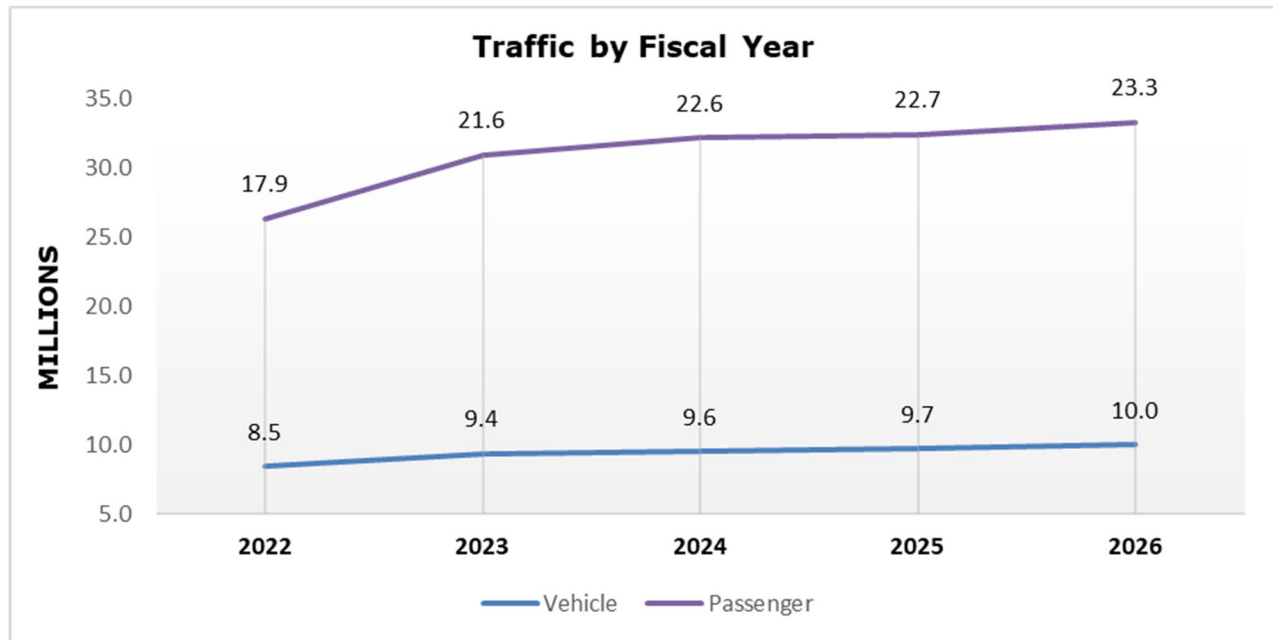
In fiscal 2026, our total comprehensive loss was \$15.1 million compared to a total comprehensive loss of \$74.3 million in the prior year. This decrease in total comprehensive loss of \$59.2 million is comprised of the \$78.2 million improvement in net earnings described above and a decrease in other comprehensive loss ("OCI") of \$19.0 million compared to the prior year. The reduction in OCI reflects a \$16.4 million decrease in the net loss on land revaluation, and a \$3.1 million decrease in the change in the fair value of our fuel swap contracts, slightly offset by a \$0.5 million increase in the change of an actuarial loss on the valuation of our employee benefit plans.

Traffic

In fiscal 2026, BC Ferries carried 10.0 million vehicles and 23.3 million passengers, the highest vehicle and passenger traffic levels on record in a fiscal year. Vehicle and passenger traffic both increased 2% compared to fiscal 2025.

The following table and graph detail the trends in traffic volumes over the past five fiscal years which shows the vehicle and passenger traffic growth to the highest traffic levels on record in fiscal 2026:

Traffic by Fiscal Year					
(in thousands)	2022	2023	2024	2025	2026
Vehicle	8,467	9,371	9,552	9,739	9,971
<i>Increase to prior fiscal year</i>	26%	11%	2%	2%	2%
Passenger	17,880	21,558	22,610	22,746	23,297
<i>Increase to prior fiscal year</i>	37%	21%	5%	1%	2%



Operational Statistics

Select operational statistics for the comparable fiscal 2026 and fiscal 2025 are shown in the tables below.

Operational Statistics	Years ended March 31			
	2026	2025	Increase (Decrease)	%
Vehicle Traffic				
Major Routes	5,615,849	5,521,187	94,662	2%
Northern Routes	45,159	43,695	1,464	3%
Minor Routes	4,310,180	4,174,154	136,026	3%
Total Vehicle Traffic	9,971,188	9,739,036	232,152	2%
Passenger Traffic				
Major Routes	14,588,799	14,334,803	253,996	2%
Northern Routes	105,833	104,928	905	1%
Minor Routes	8,602,439	8,306,257	296,182	4%
Total Passenger Traffic	23,297,071	22,745,988	551,083	2%
Round Trips				
Major Routes	13,572	13,351	221	2%
Northern Routes	394	399	(5)	(1%)
Minor Routes	77,309	76,935	374	-
Total Round Trips	91,275	90,685	590	1%
Capacity Provided (AEQs)*				
Major Routes	8,533,893	8,379,722	154,171	2%
Northern Routes	68,704	69,591	(887)	(1%)
Minor Routes	8,122,438	8,172,649	(50,211)	(1%)
Total Capacity Provided	16,725,035	16,621,962	103,073	1%
AEQs Carried *				
Major Routes	6,663,104	6,534,733	128,371	2%
Northern Routes	54,970	52,731	2,239	4%
Minor Routes	4,642,833	4,489,510	153,323	3%
Total AEQs Carried	11,360,907	11,076,974	283,933	3%
Capacity Utilization				
Major Routes	78.1%	78.0%	0.1%	
Northern Routes	80.0%	75.8%	4.2%	
Minor Routes	57.2%	54.9%	2.3%	
Total Capacity Utilization	67.9%	66.6%	1.3%	
On-Time Performance**				
Major Routes	80.8%	72.4%	8.4%	
Northern Routes	75.4%	80.5%	(5.1%)	
Minor Routes	87.0%	85.5%	1.5%	
	86.1%	84.0%	2.1%	

*An automobile equivalent ("AEQ") is our standard unit of measure for an approximation of one car length. AEQs are calculated by using a conversion factor for each vehicle type. For example, a standard passenger vehicle is one AEQ while a bus is three AEQs. The change in AEQs from one period to the next may not be proportionate to the change in vehicle traffic, due to variations in the mix of vehicle types (the relative number of buses, commercial vehicles and passenger vehicles) and the actual size of vehicles carried. Capacity utilization in a period is calculated by dividing the AEQs carried during the period by the AEQ capacity provided on the vessels in the same period.

**The on-time performance % is a weighted average calculation based on the number of sailings (in fiscal 2026, 85.6% of sailings are on the Minor Routes, 13.7% on the Major Routes and 0.7% on the Northern Routes).

Vehicle capacity provided, measured in AEQs, is the available vehicle deck space on a vessel multiplied by the number of trips. The year-over-year change in the number of round trips provided can be impacted by cancellations and changes in demand or the number of trips stipulated by the CFSC between BC Ferries and the Province. In fiscal 2026, we delivered 91,276 round trips, representing 591 additional round trips, compared to 90,685 round trips in fiscal 2025. Round trips increased on the Major Routes and Minor Routes, partially offset by reduced round trips on the Northern Routes.

Capacity utilization is impacted by the number of vehicles carried, the mix of vehicle types, the size of the vessels utilized and the number of round trips in each period. Typically, capacity utilization is highest when traffic levels peak during the summer months and lowest during the winter months. Capacity utilization on the Minor Routes is significantly lower than the capacity utilization on the Major and Northern Routes, due to the traffic demand being directional based on the time of day or the day of the week. In fiscal 2026, overall capacity utilization was 67.9%, an increase of 1.3% compared to a capacity utilization of 66.6% during the prior year. The increase in capacity utilization is primarily a result of a higher number of AEQs carried, partially offset by the capacity provided from additional round trips, supporting higher vehicle traffic levels.

On-time performance on the Major and the Minor Routes is defined as the percentage of our sailings departing within 10 minutes of the scheduled departure time. On-time performance on the Northern Routes is defined as the percentage of our sailings arriving no later than 10 minutes after the scheduled arrival time.

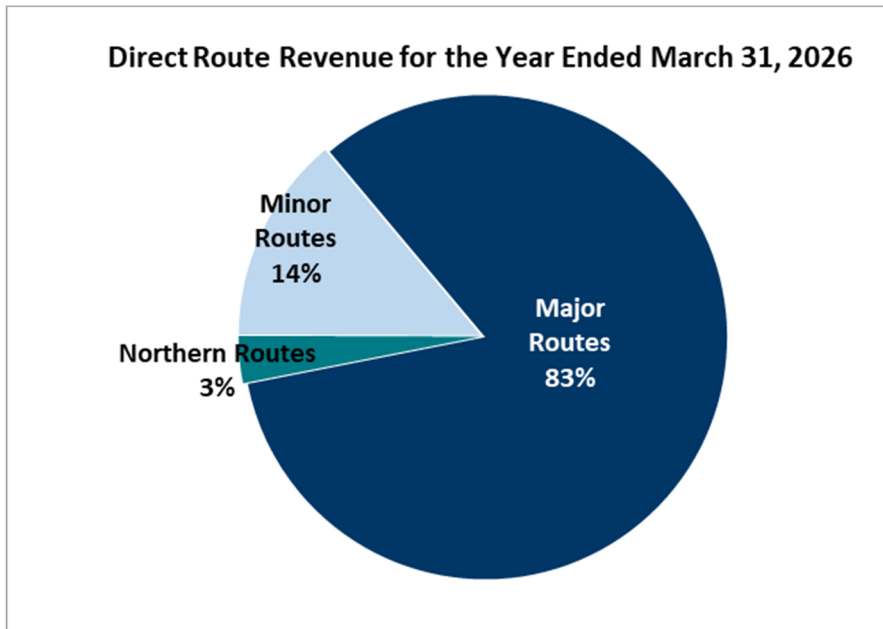
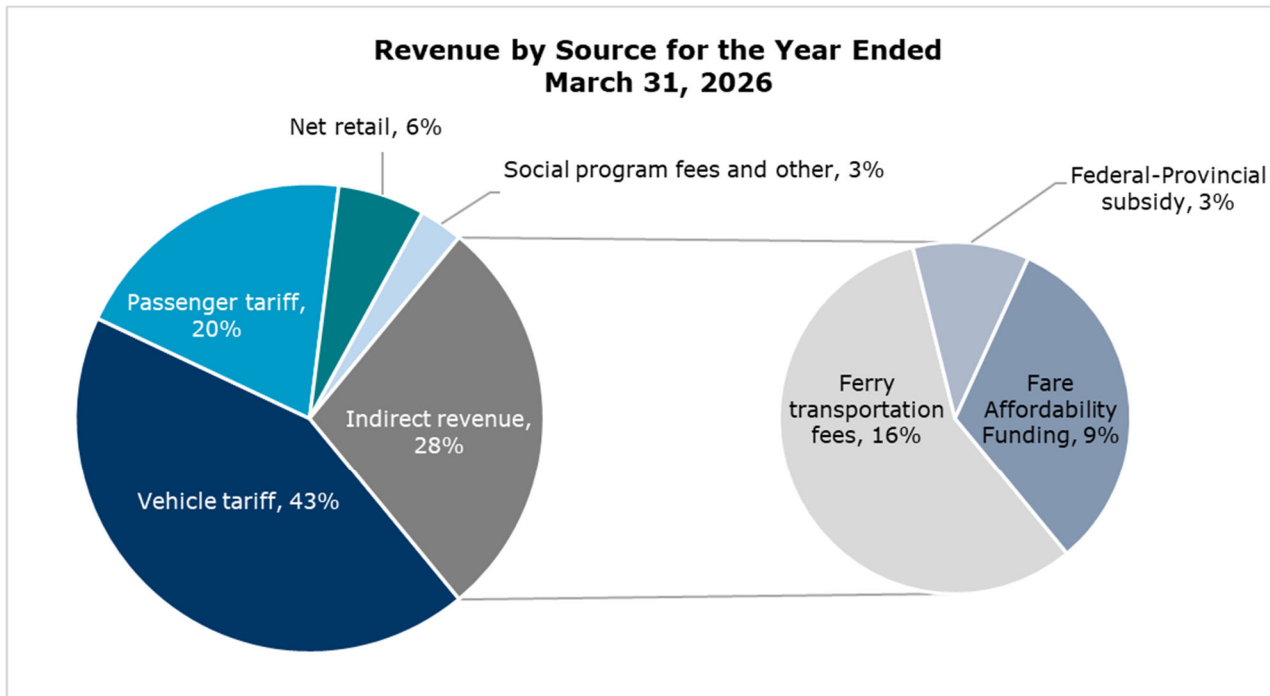
Sailing Cancellations	Years ended March 31		
	2026	2025	Change
Sailings	197,809	196,465	1,344
Cancelled Sailings by type:			
Weather	463	1,181	(718)
Mechanical	715	1,237	(522)
Crew	110	189	(79)
Other *	144	202	(58)
Total Cancelled Sailings	1,432	2,809	(1,377)
Cancellations as % of Sailings	0.7%	1.4%	(0.7%)
Crew Cancellations as % of Sailings	0.1%	0.1%	-

* The other category includes cancellations such as: incidents to vessels or the terminal, a traffic accident where the crew cannot get to the terminal, no demand for the sailing, or other procedural/operational reasons.

Operational Revenues

The following discussions of revenue are based on IFRS results, with reference to the impacts of rate regulation (see "The Effect of Rate Regulation" for more details).

Operational revenues for fiscal 2026 are shown in the graphs below:



In fiscal 2026, of our direct route revenues of \$907.8 million, 83%, was earned on our Major Routes.

Operational revenues for fiscal 2026 and fiscal 2025 are shown in the table below:

Revenue (\$ millions)	Years ended March 31			
	2026	2025	Increase (Decrease)	
			\$	%
Direct Route Revenue	907.8	862.3	45.5	5%
Vehicle tariff revenue				
Major Routes	459.8	435.0	24.8	6%
Northern Routes	13.0	11.8	1.2	10%
Minor Routes	73.5	67.8	5.7	8%
Total vehicle tariff revenue	546.3	514.6	31.7	6%
Passenger tariff revenue				
Major Routes	208.6	200.3	8.3	4%
Northern Routes	8.5	7.9	0.6	8%
Minor Routes	38.9	36.2	2.7	8%
Total passenger tariff revenue	256.0	244.4	11.6	5%
Net retail revenue				
Major Routes	62.9	60.2	2.7	5%
Northern Routes	5.4	5.1	0.3	6%
Minor Routes	5.9	5.6	0.3	5%
Total net retail revenue	74.2	70.9	3.3	5%
Social program fees	15.2	13.0	2.2	17%
Other revenue	16.1	13.6	2.5	18%
Fuel surcharge	-	5.8	(5.8)	(100%)
Indirect Route Revenue	349.0	305.3	43.7	14%
Fare Affordability Funding	110.8	68.8	42.0	61%
Ferry transportation fees	200.4	199.6	0.8	0%
Federal-Provincial subsidy	37.8	36.9	0.9	2%
Total Route Revenue	1,256.8	1,167.6	89.2	8%
Other general revenue	3.0	3.8	(0.8)	(21%)
Total Revenue	1,259.8	1,171.4	88.4	8%

Vehicle tariffs and passenger tariffs account for the largest share of our revenues. Our year-over-year tariff revenues are impacted by factors such as changes in tariff rates, traffic levels, and traffic types. On April 1, 2025, we implemented average tariff increases of 3.2% in accordance with Order 23-04.

In the year ended March 31, 2026, total direct route revenue increased \$45.5 million or 5% compared to the prior year, primarily as a result of an increase in tariff rates, vehicle traffic levels and net retail revenue, partially offset by lower fuel surcharge revenue.

Average Tariff	Years ended March 31			
	2026	2025	Increase	
			\$	%
Average vehicle tariff				
Major Routes	81.88	78.79	3.09	4%
Northern Routes	287.87	270.05	17.82	7%
Minor Routes	17.05	16.24	0.81	5%
Average vehicle tariff	54.79	52.84	1.95	4%
Average passenger tariff				
Major Routes	14.30	13.97	0.33	2%
Northern Routes	80.32	75.29	5.03	7%
Minor Routes	4.52	4.36	0.16	4%
Average passenger tariff	10.99	10.74	0.25	2%

In fiscal 2026, average tariff revenue per vehicle (vehicle tariff revenue divided by vehicle traffic volume) increased \$1.95 or 4% compared to the prior year, primarily as a result of higher tariff rates and the mix of traffic and fare types compared to the same period in the prior year. In fiscal 2026, average tariff revenue per passenger (passenger tariff revenue divided by passenger traffic volume) increased \$0.25 or 2% compared to the prior year, primarily due to tariff rate increases partially offset by increases in passenger traffic on lower tariff routes and changes in passenger fare type mix. In fiscal 2026, the increase in average tariff rates and vehicle traffic levels resulted in a total tariff revenue increase of \$43.3 million or 6% (an increase in vehicle tariff revenue of \$31.7 million and an increase in passenger tariff revenue of \$11.6 million) as a result of higher tariff rates and the mix of traffic and fare types compared to the same period in the prior year.

Net retail sales is a significant source of revenue from customers, which contributes favourably to our net earnings and helps to minimize fare increases. Catering, retail and other on-board services are impacted by traffic levels, prices, service quality and product offerings. In fiscal 2026, net retail revenue increased by \$3.3 million or 5% compared to the prior year, primarily as a result of increased passenger traffic and an increase in average spend per passenger.

Social program fees are reimbursements from the Province for discounted fares provided to students travelling to and from school, persons with disabilities and persons travelling under the Ministry of Health Medical Travel Assistance Program ("MTAP"). In fiscal 2026, social program fees increased \$2.2 million or 17%, mainly due to higher rates and an increase in the usage of the MTAP.

From time to time, we implement fuel surcharges as a result of rising fuel prices or fuel rebates as a result of falling fuel prices relative to the fuel set price (see "Economic Regulatory Environment" for more detail). A fuel surcharge of 4% was implemented on November 1, 2022 and remained in place on all routes until it was removed in fiscal 2025, effective June 1, 2024. Effective June 16, 2026, a temporary surcharge of 5% was implemented on all routes due to increases in global fuel prices and ongoing volatility in energy markets driven by geopolitical conflict overseas. The temporary surcharge will help manage significant fluctuations in fuel costs over time and was authorized by the BC Ferry Commission.

In fiscal 2026, total indirect route revenue increased by \$43.7 million or 14% compared to the prior year, mainly as a result of the increase of Fare Affordability Funding recognized (see below).

Fare Affordability Funding of \$500 million, provided by the Province to support the fare affordability initiative of keeping fare increases around 3% and GHG emissions reduction initiatives during PT6, is recognized on a systematic basis in accordance with the terms of the contribution agreement with the Province. The first installment payment of \$50 million was received on September 26, 2024. The second installment payment of \$100 million was received on September 29, 2025. In fiscal 2026, \$110.8 million of Fare Affordability Funding was recognized in revenue, an increase of \$42.0 million from the prior fiscal year. At March 31, 2026, a receivable of \$29.6 million (\$18.8 million at March 31, 2025) related to Fare Affordability Funding is recorded in trade and other receivables.

On June 30, 2023, the CFSC was amended for PT6 to, among other things, establish ferry transportation fees for PT6. The ferry transportation fees amount of \$194 million per contract year in PT6, was consistent with the annual ferry transportation fees amount in Performance Term 5, being the four year period commencing April 1, 2020, and ending on March 31, 2024. In fiscal 2026, ferry transportation fees increased \$0.8 million compared to the prior year, due to an increase in contracted routes revenue and fuel billing for the Northern Routes.

Under the terms of the CFSC, we receive an annual amount from the Province based on the Province's agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia. This Federal-Provincial subsidy increases April 1 of each year based on the percentage increase in the annual CPI (Vancouver).

Expenses

Expenses for the past two fiscal years are summarized in the table below:

Operating expenses (\$ millions)	Years ended March 31			
	2026	2025	Increase (decrease)	
			\$	%
Operations	771.7	771.1	0.6	-
Maintenance	150.3	152.9	(2.6)	(2%)
Administration	62.1	57.3	4.8	8%
Total operations, maintenance & administration	984.1	981.3	2.8	-
Depreciation and amortization	204.2	202.5	1.7	1%
Total operating expenses	1,188.3	1,183.8	4.5	-

In fiscal 2026, total operating expenses (including depreciation and amortization) increased \$4.5 million or less than 1% compared to the prior year.

Wages, benefits and fuel are our largest expenses, representing approximately 75% of our total operations, maintenance and administration costs. Total operations, maintenance and administration expenses during fiscal 2026 increased \$2.8 million or less than 1% compared to the prior year, primarily driven by higher wage rates and benefits, partially offset by lower maintenance expenses and fuel prices. We continue our strong focus on operating as effectively and efficiently as possible, to maintain financial resiliency, while delivering on our customer service and safety objectives.

Approximately 80% of BC Ferries' workforce are members of the BC Ferry & Marine Workers' Union (the "Union"). The Collective Agreement provides for wage re-openers in years four and five (for wage increases at April 1, 2024 and April 1, 2025). In August 2023, negotiations for the year-four wage increases began and moved to arbitration in October 2023. A panel of three independent arbitrators met in February 2024 to review the proposals for the year-four wages. On March 28, 2024, the arbitration panel released their binding decision. The arbitration panel determined that members of the Union would receive a one-year 7.75% general wage increase, with many jobs receiving "special increases", including some licenced mariners receiving up to an additional 10.0%. These increases were retroactive to October 1, 2023. On May 29, 2025, an arbitration panel issued its binding decision on wages for year-five of the current collective agreement. Members of the Union received a 1.65% general wage increase, effective April 1, 2025, with a few jobs receiving additional "special increases". Negotiations with the Union are ongoing as the full Collective Agreement expired in October 2025.

Wage rates for employees not covered by the Collective Agreement were increased by 2% for eligible employees, effective April 1, 2025, as a cost-of-living adjustment.

The \$0.6 million or less than 1% increase in operations expenses from fiscal 2025 to fiscal 2026 includes:

- \$14.0 million increase in labour costs, mainly due to wage rate increases per the Collective Agreement, increased overtime, illness, training, and benefit costs;
- \$8.9 million increase in contracted services, materials and supplies, property taxes, electrical power, and other miscellaneous expenses; partially offset by:
- \$22.3 million decrease in fuel expense primarily driven by lower fuel prices largely associated with the removal of carbon tax.

Maintenance costs decreased \$2.6 million or 2% in fiscal 2026 compared to the prior year, primarily as a result of the cyclical nature and a decrease in scope of vessel refit activity. Despite this decrease, inflation and an aging fleet and terminal infrastructure continue to impact maintenance costs.

Administration costs increased by \$4.8 million or 8% in fiscal 2026 compared to the prior year, primarily as a result of increased labour and benefits costs, and cloud software costs.

Net finance and other expenses (\$ millions)	Years ended March 31			
	2026	2025	Variance	
			\$	%
Finance expense	64.4	70.9	(6.5)	(9%)
Less: finance income	(9.0)	(24.1)	15.1	
Net finance expense	55.4	46.8	8.6	18%
Net loss on disposal and impairment of property, plant and equipment, intangible assets and other charges	9.6	12.5	(2.9)	
Total net finance and other expenses	65.0	59.3	5.7	10%

In fiscal 2026, net finance and other expenses increased \$5.7 million compared to the prior year, primarily related to lower interest earned and an impairment loss related to the termination of the purchase option of an office property, partially offset by a downward revision of costs on disposal of property, plant and equipment initially accrued in a previous period, lower asset impairment charges, and higher capitalized interest during construction.

INVESTING IN OUR CAPITAL ASSETS

We have a formal project governance framework to ensure that capital investments meet our functional and business needs. This framework, which is reviewed annually by BC Ferries' management Capital Planning and Budget Committee to ensure it continues to evolve and improve, is the structure under which capital projects are identified, managed, monitored and delivered effectively and efficiently. It ensures we take a disciplined approach to the identification, approval, management, reporting, and delivery of projects and benefits realization, and defines key roles and provides principles and guidelines for the governance of projects through the phases of the project lifecycle.

Our capital plan includes building new vessels, upgrades and modifications to existing vessels, improvements at our FMU, modifications to terminal infrastructure in anticipation of vessel electrification (shore-side power source to enable charging vessel batteries), upgrades at our terminals and renewal of our information technology systems.

The typical life span of our vessels is approximately 45 years. Our current operating fleet has an average age of 29 years and, of these, twelve are 45 years old or older. As vessels approach their planned retirement dates, we review their condition to determine potential candidates for life extension rather than replacement.

Our strategy for new vessels includes inter-operability and standardization, where possible, to provide more flexibility, consistent customer experience, and organizational efficiencies while enhancing a safe operation. We are standardizing our vessel design, layout, operating characteristics, systems, procedures, and equipment across a wide variety of applications to achieve operational and maintenance efficiencies and enhance reliability. We are designing our vessels for low energy consumption and clean environmental performance. We are adopting alternative fuel sources, which are cleaner, lower carbon-intensive options, such as LNG, renewable fuels, biodiesels and electrification, where economically and technically feasible. Our vessel design and modifications will appropriately incorporate new proven technologies to address other key environmental considerations, such as noise and light pollution, waste management, emissions, and on-board water consumption.

Our four Salish Class vessels run primarily on LNG with marine diesel fuel as a backup.

Our six Island Class vessels are hybrid-electric ships designed for full electric, future operation. On December 7, 2023, the Commissioner approved a major capital expenditure for the construction of four more Island Class vessels that will be able to operate exclusively in battery-electric mode and will increase our fleet of Island Class vessels to ten (see "Island Class Phase 3" below). These four new Island Class vessels are planned to enter service in fiscal 2027 and will enable the redeployment of the current Island Class vessels, resulting in a cascading effect of capacity improvements elsewhere, along with resiliency for all routes serviced by Island Class vessels during refit periods and unexpected vessel issues.

On March 14, 2025, the Commissioner issued Order 25-01, which approves a major capital expenditure for four new major vessels to replace four existing end-of-life vessels (see "New Major Vessels" below). These four vessels will be hybrid-electric ships designed for future full electric operation and will be capable of carrying at least 360 AEQ and 2,100 passengers. The new vessels are planned to enter service beginning in 2029 and will replace the oldest vessels in the fleet: the *Queen of Alberni*, *Queen of New Westminster*, *Queen of Coquitlam* and *Queen of Cowichan*.

Prior to fiscal 2026, BC Ferries received \$14 million in funding as part of the Natural Gas for Transportation incentive funding from FortisBC Energy Inc. (included in other current and long-term liabilities) to help offset incremental capital costs for the Salish Class and Spirit Class vessels associated with the ability to utilize LNG. During fiscal 2026, we applied \$1.5 million (\$1.5 million in fiscal 2025) of the funding to reduce the capital cost of the Salish Class and Spirit Class vessels.

Prior to fiscal 2026, BC Ferries received \$15 million from the Province, in one-time funding, to support initiatives to further the electrification of BC Ferries vessels and terminals for use prior to March 31, 2028. During fiscal 2026, we applied \$0.3 million (\$0.3 million in fiscal 2025) to reduce the capital cost of the Terminal Electrification project and less than \$0.1 million (\$0.2 million in fiscal 2025) to reduce operating expenses in the NMV project.

On March 27, 2024, BC Ferries received \$75 million of net proceeds from issuing Series 24-1 bonds to CIB. The fair market value of the bonds as of issuance date was \$47.4 million. The difference between the net proceeds and fair market value of the bonds of \$27.6 million was classified as government funding to be recognized as an offset to the Project Costs of the Island Class Phase 3 project and the Island Class terminal electrification project. In fiscal 2025, \$4.1 million (\$3.5 million in fiscal 2025) of this funding was recognized as a reduction to capital expenditures, consisting of \$2.8 million for the Island Class Phase 3 project and \$1.3 million to the terminal electrification project.

On May 22, 2025, BC Ferries received \$133 million of net proceeds from issuing Series 25-1 bonds to CIB. The fair market value of the bonds as of issuance date was \$76.6 million. The difference between the proceeds and fair market value of the bonds of \$56.4 million was classified as government funding to be recognized as an offset to the project costs of the NMV project. In fiscal 2026, \$56.4 million (\$nil during the same period in fiscal 2025) of this funding was recognized as a reduction to capital expenditures for the new major vessels project.

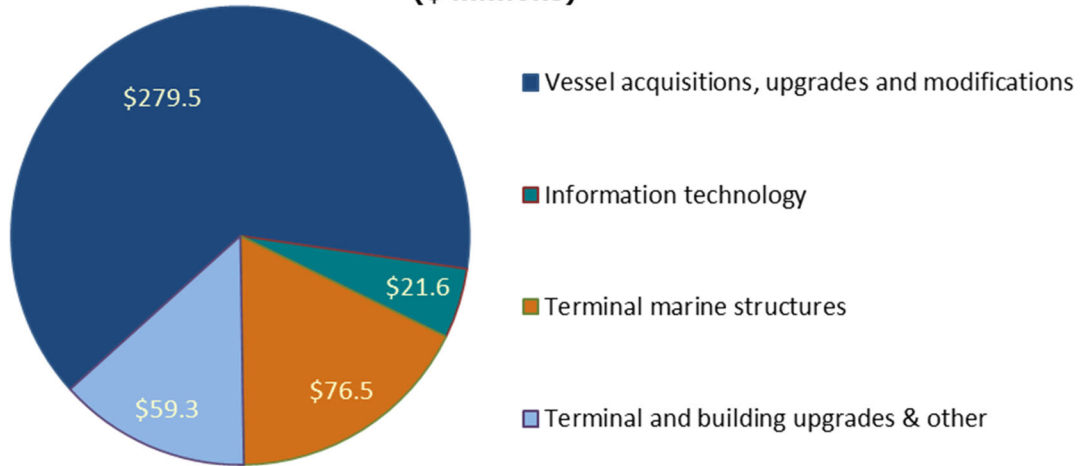
In fiscal 2026, additions to our capital assets totalled \$449.4 million, comprising \$436.9 million in capital expenditures (net of funding) and \$12.5 million for an asset decommissioning provision.

In fiscal 2026, BC Ferries increased its provision for decommissioning costs for 37 vessels and one terminal by \$14.4 million (\$19.5 million in fiscal 2025). This amount has been allocated appropriately to the carrying amount of each vessel and terminal, and will be expensed over the remaining life of each vessel and terminal (see "Asset Decommissioning and Restoration Provisions" for more details).

Capital expenditures (net of funding) during the last two fiscal years are shown in the table below:

Capital Expenditures by Fiscal Year		
(\$ millions)	2026	2025
Vessel upgrades & modifications	86.8	74.7
New vessels	192.7	60.5
Terminal marine structures	76.5	65.1
Information technology	21.6	11.3
Terminal building upgrades & equipment	59.3	65.3
Total	436.9	276.9

**Capital Expenditures by Type
Year ended March 31, 2026
(\$ millions)**



In fiscal 2026, capital expenditures (net of funding) comprised the following:

Capital Expenditures (\$ millions)	Year ended March 31, 2026
Island Class Phase 3	109.1
New major vessels	83.6
Major overhauls and inspections	57.9
Fleet maintenance unit redevelopment	46.8
Heriot Bay berth replacement	18.2
Whaletown berth replacement	16.0
Hardware upgrades	13.7
Horseshoe Bay elevated structures replacement	10.8
<i>Coastal Inspiration</i> quarter-life upgrade	6.2
<i>Queen of Surrey</i> life extension	5.8
<i>Baynes Sound Connector</i> upgrade	5.1
Horseshoe Bay berth replacement	4.3
Langdale berth replacement	3.0
Various other projects	56.4
	436.9

Island Class Phase 3

On December 7, 2023, the Commissioner issued Order 23-05 approving a major capital expenditure to construct and deliver into service four plug-in hybrid Island Class vessels that will be able to operate exclusively in battery-electric mode, in addition to electrical upgrades for rapid charging from ashore at four terminals on the two routes connecting Nanaimo Harbour to Gabriola Island, and Campbell River to Quadra Island. On December 21, 2023, BC Ferries awarded Damen Shipyards Gorinchem B.V. a design-build, fixed-price contract for four new hybrid electric Island Class vessels. On November 25, 2025, BC Ferries announced the naming of four of its new Island Class vessels.

The first two vessels, the *Island xwsáluḵul* (meaning Grassy Place) and *Island sarlequun* (which honours the revered peoples of Snuneymuxw), carry names gifted by Snuneymuxw First Nation in the hul'q'umi'num' language. Both names are deeply rooted in the Nation's connection to the lands and waters of their territory. These new hybrid-electric vessels are expected to enter service by the end of fiscal 2027 on the route connecting Nanaimo to Gabriola Island.

The additional two vessels, the *Island Gwa'yam* (meaning Whale) and *Island K'asa* (meaning Otter), are named in the Kwak'wala language and the names were gifted by the We Wai Kai and Wei Wai Kum Nations in recognition of their deep-rooted connections to the marine environment. These vessels are expected to enter service on the route between Campbell River and Quadra Island by the end of fiscal 2027.

These four new hybrid electric vessels, with capacity to carry approximately 47 vehicles and 390 passengers, will further standardize BC Ferries' fleet, both increasing capacity, and improving our flexibility to move ships across routes. With the addition of these Island Class vessels, BC Ferries plans to redeploy other vessels to improve service on the routes between Crofton to Vesuvius and Quadra to Cortes Island and retire two of our older vessels.

New Major Vessels

On March 14, 2025, the Commissioner issued Order 25-01 which approved a major capital expenditure for four new major vessels to replace four existing end-of-life vessels. On May 7, 2025, BC Ferries awarded four contracts for design, build and delivery of the New Major Vessels to China Merchants Industry Weihai Shipyard Co LTD. These four vessels will be diesel-battery hybrid ships designed for future full electric operation and capability of carrying 360 vehicles and 2,100 passengers. These vessels are planned to enter service starting in 2029 at approximately six-month intervals. As these vessels are introduced, BC Ferries plans to retire four of its oldest major vessels: the *Queen of Alberni*, *Queen of New Westminster*, *Queen of Coquitlam* and *Queen of Cowichan*.

Major overhauls and inspections

In the year ended March 31, 2026, we incurred capital expenditures of \$57.9 million in respect of major overhauls and inspections of components of hull, propulsion and generators for eight vessels that were completed or underway.

FMU redevelopment

On October 14, 2022, the Commissioner issued Order 22-02 and, on May 12, 2023, issued a further supplemental Order 22-02A approving a project for the redevelopment of BC Ferries' FMU located at Deas Basin in Richmond, BC. Also on May 12, 2023, BC Ferries signed a construction agreement with Bird Construction Group for the FMU redevelopment project. On December 19, 2025, BC Ferries submitted a supplemental filing to the Commissioner requesting approval to update the maximum amount of capital expenditure for the project, previously approved by the Commissioner's Order 22-02A. On February 19, 2026, the Commissioner issued Order 22-02B, approving revised project expenditure estimates and replacing Order 22-02A. This project is redeveloping the site to increase efficiencies and the capacity of the site, building a new machine shop and upgrading existing buildings at the site. Upgrades to some of the existing buildings were completed in fiscal 2025. Construction of the new machine shop is underway and expected to be completed in the second quarter of fiscal 2027, and other site upgrades are expected to finish by fiscal 2028.

Heriot Bay berth replacement

A project to replace the marine structures at Heriot Bay to accommodate Island Class vessels, including the pontoon, ramp and floating lead, is expected to be completed in the first quarter of fiscal 2027.

Whaletown berth replacement

A project to demolish the deteriorated marine structures and construct a new berth to support the deployment of the Island Class vessels is currently underway and is expected to be completed in the first quarter of fiscal 2027.

Hardware upgrades

Hardware upgrades include the replacement of aged computers, servers, printers, routers, closed-circuit cameras, antennas and handheld point of sale system units.

Horseshoe Bay elevated structures replacement

A project to demolish the existing control tower, elevated holding area and elevated infill area, remove the pedestrian footbridge, install a temporary control tower and modify the transfer deck. This project will be completed in several phases to minimize impacts to terminal operations.

Coastal Inspiration quarter-life upgrade

The quarter-life upgrade of the *Coastal Inspiration*, including upgrades to its propulsion, electrical, communication systems, and catering and safety equipment was completed in the first quarter of fiscal 2026.

Queen of Surrey life extension

A project to life extend the *Queen of Surrey* to operate reliably for an additional five years. The first phase of this project was completed in the first quarter of fiscal 2027 and a second phase is scheduled to begin in fiscal 2031.

Baynes Sound Connector upgrade

A project to improve the reliability and safety of the *Baynes Sound Connector* by upgrading or renewing critical systems to reduce mechanical failures and improve safety is expected to be completed in the first quarter of fiscal 2027.

Horseshoe Bay berth replacement

A project to replace Berth 3 at Horseshoe Bay to accommodate the Coastal Class vessels and the future New Major Vessels is currently underway and is expected to be completed in the first quarter of fiscal 2030.

Langdale berth life extension

A project to extend the life of berth 2 at Langdale, including the trestle, ramp, dolphins and wingwall, was completed in the third quarter of fiscal 2026.

Various other projects

Various other projects expenditures of \$56.4 million include, among others, upgrades to various vessel's navigational and catering equipment, upgrades to marine structures at various terminals, various software upgrades and terminal efficiency initiatives.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

We expect our cash requirements will be met through operating cash flows, accessing our credit facility, debt issuances, government contributions and other alternative funding opportunities.

We fund our operations and capital acquisitions with cash flow generated from operations, as well as bank financing and debt issuance to third parties. Our financial position could be adversely affected if we fail to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and debt servicing. Our ability to arrange such financing is subject to numerous factors, including the results of our operations, our financial position, conditions in the capital and bank credit markets, ratings assigned by rating agencies, and general economic conditions.

On February 26, 2023, the Province announced \$500 million in Fare Affordability Funding for BC Ferries. A contribution agreement, signed with the Province on March 31, 2023, establishes the terms and scheduled payments of this funding over the period of April 1, 2024 to March 31, 2028. The first payment of \$50 million was received in fiscal 2025, on September 26, 2024. The second payment of \$100 million was received on September 29, 2025. The next installment payment of \$150 million is expected by September 30, 2026. The contribution agreement can be found on SEDAR+ at www.sedarplus.ca.

At March 31, 2026, our unrestricted cash and cash equivalents and other short-term investments totalled \$364 million and \$88 million, respectively, compared to unrestricted cash and cash equivalents and other short-term investments of \$205 million and \$28 million, respectively, as at March 31, 2025.

Our \$105 million credit facility was renewed on March 19, 2026 (the "Credit Facility") to extend the maturity date from April 20, 2029 to April 20, 2030. The Credit Facility is available to fund capital expenditures and for other general corporate purposes. At March 31, 2026, there were no draws on the Credit Facility.

We target maintaining a strong investment-grade credit rating to allow capital market access at cost effective interest rates. S&P affirmed BC Ferries' long-term issuer credit and senior secured debt ratings to "A+" with a Stable outlook on November 18, 2025 and subsequently assigned the same rating to our February 2026 bond issuance. On December 5, 2025, DBRS confirmed BC Ferries' issuer rating and senior secured bonds credit rating at "A (high)" with a Negative outlook and subsequently assigned the same rating to our February 2026 bond issuance.

In 2004, BC Ferries and Computershare Trust Company of Canada, as trustee on behalf of bondholders (the "Trustee"), entered into a Master Trust Indenture ("MTI"), a copy of which is available at <http://www.bcferrries.com>. The MTI established common security and a set of common covenants for the benefit of our lenders. Our financing plan encompasses an ongoing program capable of accommodating a variety of corporate debt instruments and borrowings ranking *pari passu*. We do not currently view share equity as a potential source of capital and have no intention of offering shares to the public or other investors.

Under the MTI, an agreement that in part secures and governs the Company's borrowings, we are subject to indebtedness tests that prohibit additional borrowing if our debt service coverage ratio (earnings before interest, taxes, depreciation, amortization and rent or EBITDAR divided by debt service cost) is less than 1.50x. Prior to January 19, 2025, under the MTI, additional indebtedness was prohibited if our leverage ratio exceeded 85%. However, on January 20, 2025, the MTI was amended to eliminate the leverage ratio as an additional indebtedness covenant under the condition the common shares of BC Ferries remain wholly owned by the BC Ferry Authority, the Province or any Crown Corporation.

At March 31, 2026, we achieved a debt service coverage ratio of 3.20x and were in compliance with our financial covenants under the MTI and the Credit Facility.

The Company's operational performance for fiscal 2026 has resulted in a \$0.5 million increase in equity before reserves (comprised of dividends of \$6.0 million and net earnings of \$6.5 million), from \$574.2 million as at March 31, 2025 to \$574.7 million as at March 31, 2026. Correspondingly, BC Ferries' leverage ratio has increased from 74% as of March 31, 2025 to 78% as of March 31, 2026.

(\$ thousands)	March 31, 2026		March 31, 2025	
	\$	%	\$	%
Aggregate borrowings *	2,069,341	78%	1,599,718	74%
Total equity before reserves	574,672	22%	574,177	26%
Total	2,644,013	100%	2,173,895	100%

* Includes long-term debt, including current portion, Credit Facility (drawn and undrawn) and short-term borrowings.

Escalating costs and investments underway or planned in PT6 and Performance Term 7 ("PT7") will rely upon a level of funding for PT7 that is currently uncommitted, either in the form of regulatory allowable price cap increases or funding from the Province. Failure to achieve the necessary price cap increases, funding from the Province or otherwise achieve significant alternative revenues would have a material adverse effect on our future financial condition and results of operations.

Long-Term Debt

Our long-term debt at March 31 of the last two years is summarized below:

(\$ millions)	Effective interest rate *	Principal outstanding as at March 31	
		2026	2025
Senior Secured Bonds			
6.25%, due October 2034	6.43%	\$ 250	\$ 250
5.02%, due March 2037	5.08%	250	250
5.58%, due January 2038	5.64%	200	200
4.70%, due October 2043	4.76%	200	200
4.29%, due April 2044	4.46%	200	200
2.79%, due October 2049	2.83%	250	250
2.47%, due March 2049	4.68%	75	75
1.83%, due June 2050	4.76%	133	-
4.69%, due February 2056	4.73%	350	-
12 Year Loans			
2.09% Loan, maturing October 2028	2.78%	10	14
2.09% Loan, maturing January 2029	2.71%	12	15
2.09% Loan, maturing January 2029	2.75%	11	15
		<u>1,941</u>	<u>1,469</u>

*The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortized cost of a financial liability.

We have seven outstanding 30-year senior secured bond offerings with interest payable semi-annually. The bonds are redeemable in whole or in part, at our option, at a price to be calculated in accordance with the MTI and the supplemental indenture authorizing a particular series of bonds.

On March 28, 2025, BC Ferries entered into a bond purchase agreement with CIB to issue up to \$1 billion of senior secured bonds. These senior secured bonds bear interest at 1.828% per annum, payable semi-annually, and are issued in up to four tranches, with funding to be received by March 28, 2030 and utilized by March 28, 2033, or the commitment amount is forfeited. The net proceeds from the sale of the bonds shall be held in cash or invested in permitted investments and shall be used solely to provide funding for capital costs incurred toward the NMV project and the terminal electrification for the route connecting metro Vancouver to Victoria and the route connecting metro Vancouver to Nanaimo. On May 22, 2025, BC Ferries received \$133 million in proceeds from issuing the first tranche of bonds (series 25-1). The fair market value of the bonds as of issuance was \$76.6 million. The difference between the net proceeds and fair market value of the bonds of \$56.4 million was considered a bond discount and classified as government funding and recognized as an offset to the costs of the NMV project.

On February 19, 2026, we completed a private placement of \$350 million of 30-year senior secured bonds. These bonds bear interest at a rate of 4.689% per annum, payable semi-annually. The net proceeds of this new issue will be used, together with additional cash on hand, to provide for capital expenditures, general corporate purposes and to fund the bond series reserve account.

We have one outstanding 25-year senior secured bond for \$75 million issued to CIB, bearing interest at 2.474% per annum, payable semi-annually, commencing on September 27, 2026 with a maturity date of March 27, 2049. The fair market value of the bond, calculated using a fair market interest rate of 4.66% and considering the interest free payment period, as of issuance date is \$47.4 million. The difference between the net proceeds and fair market value of the bonds of \$27.6 million was classified as government funding and will be recognized as an offset to the project costs of the Island Class Phase 3 project and the Terminal Electrification Plan. The net proceeds from the sale of the bonds shall be held in cash or invested in permitted investments, and used solely to provide funding for capital costs incurred toward electrification of two routes under the Island Class Phase 3 project and the Terminal Electrification Plan, including our four new fully electric Island Class vessels and infrastructure upgrades at four ferry terminals to supply necessary power to these vessels. In fiscal 2026, \$4.1 million (\$3.5 million in fiscal 2025) of this government grant funding was recognized as an offset, \$2.8 million to the Island Class Phase 3 project and \$1.3 million to the Terminal Electrification project. In fiscal 2026, \$0.7 million (\$1.5 million in fiscal 2025) of interest on investment was added to the government funding.

At March 31, 2026, we have three 12-year amortizing loan agreements with KfW IPEX-Bank GmbH ("KfW"), each of which is secured under the MTI. These three amortizing loans bear interest of 2.09% per annum and mature in October 2028 and January 2029.

Alternative Funding

Prior to fiscal 2026, BC Ferries received \$14 million in funding as part of the Natural Gas for Transportation incentive funding from FortisBC Energy Inc. (included in current and long-term deferred grants and other liabilities), to help offset incremental capital costs for the Salish Class and Spirit Class vessels associated with the ability to utilize LNG (see "Investing in Our Capital Assets" for more detail).

On March 31, 2023, BC Ferries received \$15 million from the Province, in one-time funding, to support initiatives to further the electrification of BC Ferries vessels and terminals for use prior to March 31, 2028 (see "Investing in Our Capital Assets" for more detail).

On September 30, 2023, BC Ferries received approval under the CleanBC Go Electric Commercial Vehicle Pilots Program ("CVP") to receive up to \$15.1 million in funding. This funding is solely for project costs incurred for the purpose of electrifying two Island Class vessels and the terminals serving the Campbell River - Quadra Island route (see "Investing in Our Capital Assets" for more detail).

Terminal Leases

We entered into a master agreement (the "Master Agreement") with the BC Transportation Financing Authority ("BCTFA"), effective March 31, 2003, as part of the restructuring of our Company. Under the Master Agreement, we received recognition of prepayment of rent under our terminal leases in return for the transfer of ownership interest in all ferry terminals from the former British Columbia Ferry Corporation to the BCTFA at the time of the corporate restructuring.

The leases grant us exclusive access and use of ferry terminal properties for a period of 60 years commencing April 1, 2003. The leases are renewable for an additional period of 20 years at a total cost of \$20 per lease provided the CFSC is renewed. We must manage, maintain and develop the terminals at our own cost.

If we fail to meet our obligations under the terminal leases or default under the CFSC, the BCTFA may, at its option, re-enter and take possession of the ferry terminal properties and, at its option, terminate the leases. The BCTFA has entered into an acknowledgement agreement with the Trustee under the MTI which sets out certain limitations on the use of this option. We mitigate this performance risk by actively monitoring our MTI covenants risks and ensuring we have mitigation plans for them.

Leases

Under IFRS 16 *Leases*, leases are classified as right-of-use assets and with corresponding liabilities. We classify our prepaid terminal land leases and related structures and our corporate office building lease as right-of-use assets.

In September 2010, agreements constituting a finance lease for space in our corporate office building in downtown Victoria took effect following the completion of construction of the building. The initial term of the lease was 15 years, with four renewal options of five years each. In fiscal 2025, we exercised the first renewal option and extended the lease for five years.

Concurrent with the office lease, in November 2010, we advanced a \$24.5 million loan to the developer of the property pursuant to a loan agreement having a term of 15 years. The loan agreement provided for interest equal to one-half of the net cash flow from the property, subject to minimum and maximum percentage rates of interest. Over the term of the loan, interest is expected to approximate the market rate when the loan was made. During the fiscal year, BC Ferries decided not to exercise an option to purchase up to 50% interest in the new building, which resulted in an impairment loss of \$11.3 million. The loan receivable and related interest were repaid in full and a settlement fee of \$2.5 million was received by BC Ferries during the 2026 fiscal year.

Sources & Uses of Cash

Our liquidity needs are met through a variety of sources, including cash generated from operations, the issuance of bonds, alternative funding and borrowings under the Credit Facility. Our primary uses of funds are operational expenses, capital asset acquisitions and upgrades, and payments on our long-term debt.

Sources and uses of cash and cash equivalents for fiscal 2026 and 2025 are summarized in the table below:

(\$ millions)	Years ended March 31		
	2026	2025	Increase (Decrease)
Cash and cash equivalents, beginning of the period	204.7	31.9	172.8
Cash from (used in) operating activities:			
Net earnings	6.5	(71.7)	78.2
Items not affecting cash	269.9	261.2	8.7
Changes in non-cash operating working capital	11.1	(26.2)	37.3
Net interest paid	(56.9)	(38.6)	(18.3)
Cash generated from operating activities	230.6	124.7	105.9
Cash from (used in) financing activities	459.8	(23.7)	483.5
Cash (used in) from investing activities	(531.1)	71.8	(602.9)
Net increase in cash and cash equivalents	159.3	172.8	(13.5)
Cash and cash equivalents, end of the period	364.0	204.7	159.3

For fiscal 2026, cash generated from operating activities increased \$105.9 million compared to the same period in the prior year, primarily due to an improvement in net earnings and changes in working capital (receivables, prepaids, payables and contracted liabilities), and partially offset by increased net interest paid. The improvement in net earnings reflects the increase in revenues, partially offset by an increase in operating expenses.

Cash from financing activities in fiscal 2026 was \$459.8 million. This amount consisted of \$133 million from our May 2025 bond issuance and \$350 million from our February 2026 bond issuance, offset by \$11.3 million in repayment of our loans from KfW, \$6.0 million in dividends paid to the Province on preferred shares, \$3.8 million repayment of lease obligations, and \$2.1 million debt issue costs.

Cash used in financing activities in fiscal 2025 was \$23.7 million. This amount consisted of \$11.3 million in repayment of our loans from KfW, \$6.0 million in dividends paid to the Province on preferred shares, \$4.3 million in repayment of lease obligations and \$2.1 million in other costs related to the MTI amendment.

Cash used in investing activities in fiscal 2026 increased by \$602.9 million compared to the prior year, mainly due to a \$371.1 million increase in net redemption of restricted short-term investments and a \$249.1 million increase in the purchases of capital assets, and a \$9.1 million increase in net redemption of other short term investments. This increase was partially offset by a \$24.5 million repayment of loan receivable and \$1.9 million net proceeds from the termination of a purchase option.

For fiscal 2026, cash and cash equivalents increased \$159.3 million (from \$204.7 million to \$364.0 million) and short-term investments increased \$60.1 million (from \$28.0 million to \$88.1 million) compared to the prior year. The increase is primarily due proceeds received from the bond issuance in February 2026.

FOURTH QUARTER RESULTS

The following provides an overview of our financial performance and selected operational statistics comparing the three months ended March 31, 2026 to the same period in the prior year.

Operational Statistics	Three months ended March 31			
	2026	2025	Increase	%
Vehicle traffic	1,973,925	1,916,979	56,946	3%
Passenger traffic	4,308,164	4,186,327	121,837	3%
Number of round trips	21,661	21,507	154	1%
Capacity provided (AEQs)	3,751,941	3,715,841	36,100	1%
AEQs carried	2,272,370	2,202,940	69,430	3%
Capacity utilization	60.6%	59.3%		

(\$ millions)	Three months ended March 31			
	2026	2025	Increase	%
Total revenue	247.6	227.8	19.8	9%
Operating expenses	306.2	306.1	0.1	-
Operating loss	(58.6)	(78.3)	19.7	25%
Net finance and other expenses	27.3	17.7	9.6	54%
Net loss	(85.9)	(96.0)	10.1	11%

Our net loss in the quarter was \$10.1 million lower than our net loss in the same quarter in the prior year, primarily as a result of higher revenues, partially offset increased asset impairments and other charges.

Revenue

Our total revenues for the fourth quarter of fiscal 2026 increased by \$19.8 million compared to the same quarter in the prior year, primarily as a result of an increase in tariff revenue and Fare Affordability Funding recognized in the quarter as shown in the following table:

Revenue (\$ millions)	Three months ended				
	March 31				
	2026	2025	Increase (Decrease)		
		\$	%		
Direct Route Revenue	170.0	156.8	13.2	8%	
Vehicle tariff revenue					
Major Routes	88.6	81.2	7.4	9%	
Northern Routes	1.6	1.5	0.1	7%	
Minor Routes	14.3	13.0	1.3	10%	
Total vehicle tariff revenue	104.5	95.7	8.8	9%	
Passenger tariff revenue					
Major Routes	37.6	35.6	2.0	6%	
Northern Routes	0.8	0.7	0.1	14%	
Minor Routes	7.0	6.4	0.6	9%	
Total passenger tariff revenue	45.4	42.7	2.7	6%	
Net retail revenue					
Major Routes	10.8	10.4	0.4	4%	
Northern Routes	0.8	0.8	-	-	
Minor Routes	1.0	0.9	0.1	11%	
Total net retail revenue	12.6	12.1	0.5	4%	
Social program fees	3.8	3.3	0.5	15%	
Other revenue	3.7	3.0	0.7	23%	
Indirect Route Revenue	77.7	70.2	7.5	11%	
Fare Affordability Funding	20.2	12.6	7.6	60%	
Ferry transportation fees	48.1	48.4	(0.3)	(1%)	
Federal-Provincial subsidy	9.4	9.2	0.2	2%	
Total Route Revenue	247.7	227.0	20.7	9%	
Other general revenue	(0.1)	0.8	(0.9)	(113%)	
Total Revenue	247.6	227.8	19.8	9%	

The increase in traffic levels and the change in average tariffs resulted in a \$11.5 million increase in tariff revenue.

Net retail revenue increased in the fourth quarter of fiscal 2026 increased \$0.5 million or 4% compared to the same period in the prior year, primarily a result of an increase in average spend per passenger. Average tariff revenue per vehicle in the quarter increased \$3.02 or 6% and average tariff revenue per passenger in the fourth quarter increased \$0.34 or 3% compared to the same period in the prior year, mainly as a result of tariff increases

Social program fees in the fourth quarter increased \$0.5 million or 15% compared to the same period in the prior year, mainly as a result of an increase in the usage of the MTAP. The Federal-Provincial subsidy increased by the change in the annual CPI (Vancouver).

Expenses

Our operating and net finance and other expenses for the fourth quarter of fiscal 2026 and fiscal 2025 are shown in the following tables:

Operating expenses (\$ millions)	Three months ended March 31			
	2026	2025	Increase (decrease)	
			\$	%
Operations	191.4	186.6	4.8	3%
Maintenance	46.3	51.0	(4.7)	(9%)
Administration	16.4	15.9	0.5	3%
Total operations, maintenance & administration	254.1	253.5	0.6	-
Depreciation and amortization	52.1	52.6	(0.5)	(1%)
Total operating expenses	306.2	306.1	0.1	-

The increase in operations costs of \$4.8 million for the quarter ended March 31, 2026 compared to the same period in the prior year is due to:

- \$4.8 million increase in labour costs, mainly due to wage rate increases and benefit costs;
- \$5.2 million increase in contracted services, materials and supplies, and other miscellaneous expenses; partially offset by:
- \$5.2 million decrease in fuel expense primarily from lower fuel prices.

The decrease in maintenance costs of \$4.7 million is a result of the cyclical nature of vessel refit activity, unplanned vessel repairs, increased labour rates and other inflationary cost increases.

The increase in administration costs of \$0.5 million is primarily a result of increased labour costs mainly due to wage rate increases and benefit costs, partially offset by lower consulting and legal expenses.

Net finance and other expenses (\$ millions)	Three months ended March 31			
	2026	2025	Variance	
			\$	%
Finance expense	16.5	18.2	(1.7)	(9%)
Less: finance income	(3.1)	(5.8)	2.7	
Net finance expense	13.4	12.4	1.0	8%
Net loss on disposal and impairment of property, plant and equipment, intangible assets and other charges	13.9	5.3	8.6	
Total net finance and other expenses	27.3	17.7	9.6	54%

Net finance and other expense in the fourth quarter of fiscal 2026 was \$9.6 million higher compared to the same period in the prior year, primarily due to an impairment loss related to the termination of the purchase option of an office property and lower interest earned, partially offset by lower asset impairment charges and higher capitalized interest during construction.

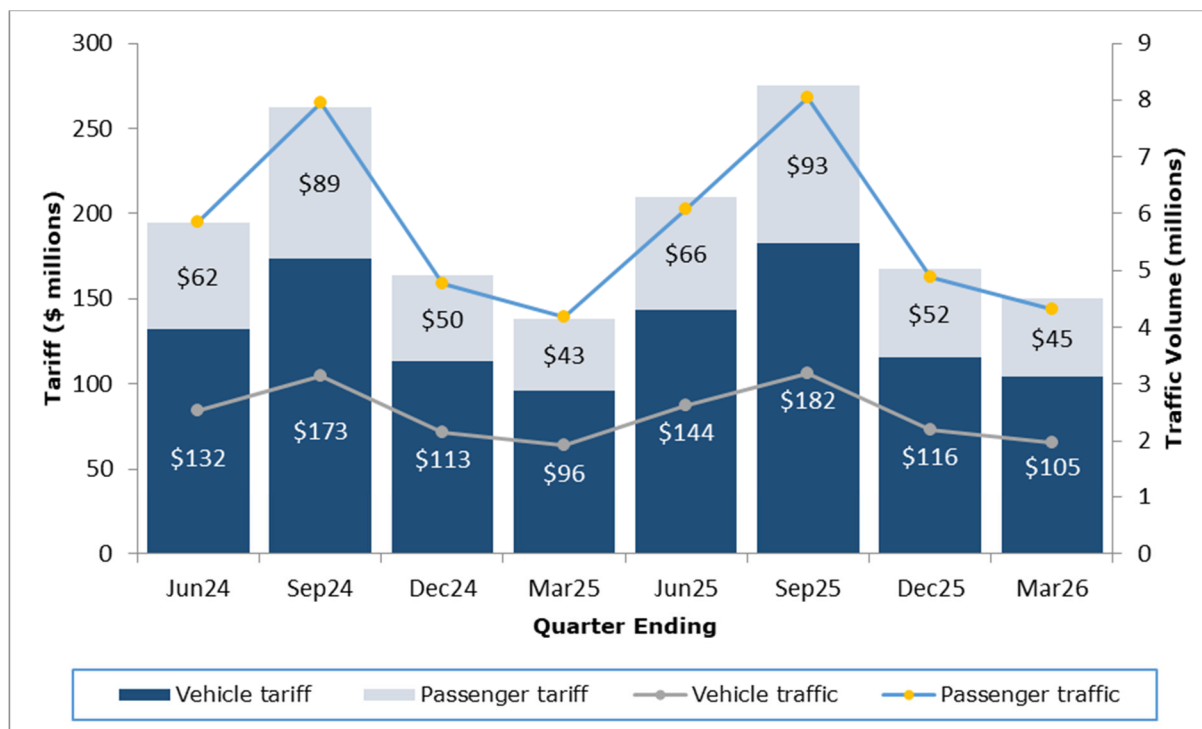
SUMMARY OF QUARTERLY RESULTS

The table below compares earnings by quarter for the most recent 8 quarters:

(\$ millions)	Quarter Ended (unaudited)							
	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26
Total revenue	303	383	257	228	327	412	273	248
Operating expenses	299	300	279	306	301	293	288	306
Operating profit (loss)	4	83	(22)	(78)	26	119	(15)	(58)
Net (loss) earnings	(9)	71	(38)	(96)	10	109	(27)	(86)

Quarterly results are normally affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, normally experiences the highest traffic levels and the highest net earnings. In the third and fourth quarters, when leisure traffic is lower, we perform upgrades and major maintenance and refit programs, as well as undertaking mandatory inspections on the majority of our vessels.

The following graph demonstrates the seasonality of our tariff revenue and shows the relationship of passenger traffic volume and tariff revenue over the most recent 8 quarters:



OUTLOOK

BC Ferries continues to pursue strategies to create an affordable, reliable, sustainable and safe ferry system that meets the needs of our customers and the communities we serve for generations to come.

Financial

During fiscal 2026, BC Ferries carried its highest ever vehicle and passenger traffic.

While we are cautiously optimistic that traffic will continue to be strong, BC Ferries cannot predict with certainty future traffic volumes. Traffic levels can be affected by a variety of factors, including without limitation weather, vessel mechanical issues, competition, transportation costs (including vehicle gasoline prices and ferry fares), local and global economic conditions, political instability, and fluctuations in disposable personal income.

BC Ferries is experiencing upward pressure on both operating and capital costs and we continue to pursue efficiencies and opportunities to minimize costs. Future increases in inflation, projected higher long-term interest rates and weakening economic conditions may impact customer demand, future profitability and future cost-effective funding opportunities.

On September 30, 2023, the Commissioner issued Order 23-04 which established final price cap increases of 3.2% for each of the four years of PT6, commencing April 1, 2024 and ending on March 31, 2028. The Commissioner's final price cap decision factored in the impact of \$500 million in Fare Affordability Funding from the Province. In the near term, the higher costs we are experiencing may reduce our operating results despite the fare increase of 3.2% and the Fare Affordability Funding from the Province for PT6.

PT6 incorporates significant capital investments to support growth and replacement of aging assets. BC Ferries' vessel planning strategies, which include the Island Class vessels and the NMV program, will provide additional capacity and allow us to respond to increases in customer demand. Based on current levels of capital asset inflation, it is possible that capital investment costs will be higher than anticipated.

Escalating costs and planned investments in PT6 and PT7, commencing April 1, 2028, and ending on March 31, 2032, will rely upon a level of funding for PT7 that is currently uncommitted, either in the form of regulatory allowable price cap increases, funding from the Province or other sources. Failure to achieve the necessary price cap increases, funding from the Province or otherwise achieve significant alternative revenues would have a material adverse effect on our future financial condition and results of operations. As work continues on the PT7 regulatory submission, the Company is engaging with relevant parties on long term funding options that may ensure ferry services continue to support the people, communities and economies of coastal British Columbia.

FINANCIAL RISKS and FINANCIAL INSTRUMENTS

Exposure to credit risk, liquidity risk and market risk arises in the normal course of our business. Our exposure to credit risk is limited to the carrying value on our statements of financial position for cash, short-term investments, derivative assets and trade and other receivables. While there is a risk that a third party may fail to meet its obligations under the terms of a financial instrument, we do not believe that it is a significant risk. We manage credit exposure related to financial instruments by dealing with high-credit quality institutions, in accordance with established policies and by an ongoing monitoring of our counterparty exposure.

We manage liquidity risk through daily monitoring of cash balances, the use of long-term forecasting models, and the maintenance of a credit facility and debt service reserves. (see "Liquidity and Capital Resources" for more detail).

We manage market risk arising from the volatility in foreign currency, interest rate and fuel price exposures in part through the use of derivative financial instruments including forward contracts, swaps and options. We do not utilize derivative financial instruments for trading or speculative purposes.

Fuel Price

Our exposure to fuel price risk is associated with the changes in the Canadian market price of marine diesel fuel and natural gas. Fuel costs have fluctuated over the past few years, and with the current geopolitical instability, there is significant uncertainty surrounding the cost of fuel in the future.

High fuel prices could translate into significant fuel surcharges and result in higher total tariff levels. To manage the impact of fuel price volatility on earnings, BC Ferries may use fuel price hedging instruments in accordance with its Financial Risk Management Policy. These instruments are used solely to reduce fuel price risk and add price stability, not for trading purposes. Fuel hedging is undertaken only when it is expected to align with approved fuel cost benchmarks. Gains and losses from these instruments are reflected in fuel costs, and regulatory accounting mechanisms, including deferred fuel cost accounts and fuel surcharges or rebates, are used as required.

We hedge our exposure to fluctuations in fuel prices, foreign currency exchange rates and interest rates from time to time through the use of derivative instruments.

At March 31, 2026, we held no fuel forward contracts. At March 31, 2025, we held fuel forward contracts for ultra-low sulfur diesel ("ULSD") with a carrying and fair value asset of \$2.4 million and a notional value of \$31.9 million. At March 31, 2026, with the application of hedge accounting, an unrealized gain of \$0.4 million (\$3.5 million at March 31, 2025) was recognized in OCI. The fair value of commodity derivatives reflects only the value of the commodity derivatives and not the offsetting change in value of the underlying future purchase of fuel.

For regulatory purposes, any realized gains or losses related to fuel commodity swaps would be charged to our deferred fuel cost accounts. (see "The Effect of Rate Regulation" for more detail.)

Foreign Currency

We are also exposed to risk from foreign currency prices on financial instruments, such as future purchase commitments on new vessels denominated in currencies other than the Canadian dollar. To manage exposure, we review our foreign currency denominated commitments and hedge through derivative instruments as appropriate. At the inception of each hedge we determine whether we will or will not apply hedge accounting. The currency exposure is limited by ensuring that currency derivative establishes a fixed Canadian dollar exchange rate for the amount of the commitment at the expected payment due date. As at March 31, 2026, and at March 31, 2025, the notional amount of the BC Ferries' foreign currency forward contracts was \$nil.

Non-Derivative Financial Instruments

The carrying and fair values of long-term debt at March 31, 2026, and 2025 were as follows:

(\$ millions)	2026		2025	
	Carrying value	Fair Value	Carrying value	Fair Value
Financial Liabilities				
Long-term debt, including current portion	1,850.1	1,828.2	1,433.2	1,476.9

The fair value of all financial instruments, with the exception of long-term debt, approximate their carrying amounts due to the nature of the item and/or the short time to maturity.

The carrying value of long-term debt is measured at amortized cost using the effective interest rate method. The fair value of long-term debt, the value if incurred at March 31 of each year, is calculated by discounting the future cash flow of each debt issue at the estimated yield to maturity for the same or similar issues, or by using available quoted market prices.

BUSINESS RISK MANAGEMENT

We apply established methodologies and processes in place to identify, assess and mitigate risks that arise in the normal course of business. Risk management is integrated across the organization, with involvement from executive leadership and employees.

Our Board of Directors is responsible for overseeing strategy and key policies related to enterprise level risks. Management regularly reports to the Board and its Committees on evolving risks and risk mitigations. Each Board Committee reviews internal processes for managing those risks within its areas of oversight, and where appropriate, obtain assurance from management and internal audit on the adequacy of the associated controls and risk management processes.

Individual business units are responsible for considering risk exposures at all levels within their unit and the possible impact such risks may have on other areas. To ensure we focus on safety as our first priority, all operational meetings are expected to start with safety as the first item on the agenda.

A culture that promotes the management of operational risk as part of each employee's daily activities is integral to our program. Employees are provided with a risk-based tool to identify and assess hazards and facilitate change in the specific task or process from across the Company. An online operational risk register is used to promote awareness of risk issues and facilitate continuous and consistent risk management.

Many economic conditions may affect the Company's operational and financial performance. New or increased trade tariffs imposed by the United States, Canada, and other countries have contributed to economic volatility and supply chain uncertainty. As an asset-intensive business with high fixed costs, BC Ferries has limited ability to adjust expenses in response to traffic fluctuations, and service reductions are constrained by service level commitments under the CFSC. As a rate regulated entity, increasing revenue is also limited, as fare increases are restricted to the average annual price caps as set by the Commissioner.

Our operations inherently involve risk, which we seek to manage and mitigate. As part of our risk management strategies, we consider factors such as profitability, cash generation and utilization, debt servicing, capital expenditures, and working capital needs. We have implemented measures to adapt to changing economic conditions and ensure a safe and sustainable future.

The following outline the principal risks affecting our business and the key actions taken to mitigate them. There can be no assurance that these mitigation strategies will fully prevent adverse impacts on our operations or financial position.

Capital and Liquidity

BC Ferries may be unable to secure sufficient funds in a timely or acceptable basis to provide adequate liquidity and finance necessary operating and capital expenditures. Liquidity levels may be adversely impacted by economic, regulatory, fuel price volatility, competition, and traffic level risks. Significant ongoing operating and capital investments are required to support BC Ferries' business strategy and manage these risks. Failure to obtain sufficient and cost-effective debt financing could negatively affect our financial position. Our ability to access financing depends on our operating performance, financial position, capital and credit market conditions, ratings assigned by rating agencies, and overall economic conditions.

BC Ferries remains focused on fiscal prudence and continues to pursue efficiencies and opportunities to minimize costs. We actively manage our cash generation and usage including debt servicing, capital expenditures, and working capital. We actively monitor and manage our debt service coverage ratio to ensure compliance with all of our covenant requirements as well as maintain compliance to a target liquidity ratio under our Financial Risk Management Policy. Escalating costs and capital investments in PT6 and PT7 rely on funding for PT7 that is currently uncommitted, either through regulatory price cap increases and/or funding from the Province. As the PT7 regulatory submission is being prepared, the Company is engaging with key stakeholders to explore long-term funding options.

Economic Regulatory Environment

Legislative changes by the Province or evolving interpretation and administration of the Act by the Commissioner may change over time. Such changes may impact our financial results and operations, including our ability to replace aging assets. While such changes are inherently uncertain, we actively engage key stakeholders to ensure understanding of the potential implications of legislative changes and regulatory decisions. We maintain regular and transparent communications and a constructive relationship with the Province, the Commissioner, the Authority, and local municipalities that represent the interests of ferry users and the communities we serve. Where new safety or other regulations impose unexpected and significant unforeseen costs, we may seek relief from the Commissioner under section 42 of the Act, which allows for an extraordinary price cap increase.

Major Capital Projects

BC Ferries has several major capital projects planned and underway, including the building of four new major vessels, the redevelopment of FMU, and multiple terminal upgrade projects, including significant upgrades underway at our Horseshoe Bay terminal. Risks associated with the cost, schedule and the technical scope of major projects - including potential delays arising from First Nations consultation obligations (see "Crown Consultation on Authorisations" for more detail) - could result in critical systems or assets being unavailable for use. A comprehensive project governance framework governs all corporate projects and is reviewed annually to ensure it continuous improvement. Oversight is provided by a Board Capital Projects Committee, which reviews project scope and key risks, advises on project approval, and monitors project performance against scope, budget, schedule and risk profile. Each major project has executive sponsorship, a project owner, a dedicated project manager, steering committee oversight, and project risk register. In Fiscal 2026, the Capital Projects Committee (Fleet Renewal Program) - Project Board was established to provide governance oversight of the new major vessels and related terminal improvement initiatives.

Customer Demand

Many factors influence customer demand, including economic conditions, the value of the Canadian dollar, tourism levels, transportation alternatives, consumer sentiment, political instability, health or security risks, and demographics trends. Ferry fares, including the implementation and removal of fuel surcharges or rebates, may also have an effect on discretionary travel. While demand may fluctuate, our ability to reduce service levels is limited by the CFSC, which prescribes minimum serviced levels for regulated routes. We continually monitor traffic demand and leading indicators to align service levels with customer demand, while meeting CFSC obligations. We respond to increases in traffic demand by adding extra sailings and capacity where possible. Vessel planning strategies support operational flexibility, and in extraordinary circumstances we may apply to the Commissioner for service reductions under section 42 of the Act. Escalating costs and investments rely on funding for PT7 that is not yet committed, either through regulatory price cap allowances - which could affect customer demand - or funding from the Province. As the PT7 regulatory submission is under development, the Company is engaging with key stakeholders to assess long-term funding options.

Our People

Our ability to attract, train and retain skilled employees is critical for our success and remains challenging, particularly for licensed vessel positions, especially in engineering. Global labour shortages, immigration constraints, licensing and training requirements, retirements, and turnover continue to limit workforce availability, creating risk to service delivery as demand increases. BC Ferries relies on staffing pools with crew held in reserve, cross-training for redeployment, and overtime coverage. Ongoing initiatives to attract and retain staff include: investing in internal development and training; expanding recruitment initiatives; competitive wage and benefit offerings; guaranteeing schedules and hours for peak season employees; schedules that provide better work life balance; improved support for remote postings; and collaboration with marine educational institutions, Transport Canada and Immigration, Refugees and Citizenship Canada to increase the available candidate pool for licenced engineers and officers in addition to seasonal staff. BC Ferries' goal is to avoid service disruptions where possible, to communicate service disruptions as soon as they become known, and minimize customer disruptions through use of water taxis or other contracted marine service providers.

Cybersecurity Threats

Cyberattacks or breaches of our systems, including exposure to malware or vulnerabilities in our digital platforms, could disrupt operations, compromise data, and result in reputational harm, personal injury, and third-party claims, adversely affecting our financial performance. Cybersecurity governance and controls are in place, including access controls, continuous system monitoring, and a defined cybersecurity strategy, policy and framework. Threat and risk assessments are conducted for new IT systems, and incident response processes are supported by external response specialists.

Climate Risk

Natural disaster and extreme weather events, such as earthquakes, floods, heavy rains and winter storms, pose increasing risks to BC Ferries on operations, assets, suppliers, and customers. Climate-related impacts such as rising sea levels, changing storm patterns and intensities, temperature changes could damage terminals, disrupt service, and have a material operational and financial impact. BC Ferries incorporates climate considerations into our long-term development plans and asset redevelopment, including terminals and FMU, to improve resilience and service reliability. We continue to pursue efficiency initiatives, including lower carbon intensive fuels, vessel electrification, and emission reductions. We protect our assets and our customers by reducing and/or cancelling sailings during severe weather. While we have a strong conventional insurance program designed to mitigate the financial impact of a major incident, it may not fully cover all losses, and recovery from a major incident could require extended remediation periods to fully remediate damaged infrastructure and vessels.

Vessel Repair Facilities

FMU is a vessel repair facility for maintenance and refit work on our vessels; however, it does not have a dry-dock. Only two shipyards in British Columbia can accommodate large vessel dry-docking. One of these shipyards dominates the vessel repair market. Demand for ship repair and construction capacity is increasing due to national and local shipyard programs. This creates increasing risks of labour shortages and limited dry-dock availability. Inability to secure timely and cost-effective ship repair services could disrupt operations and adversely affect financial performance. BC Ferries plans vessel maintenance to minimize vessel downtime, maximize work performed by internal staff, and maintains long-term maintenance plans to allow advance booking of shipyard capacity. Where permitted, in-water surveys are used to reduce the need for dry-docking. BC Ferries is also establishing long-term maintenance service agreements with shipyards to secure access, strengthen partnerships, and manage costs. We continue to modernize our fleet maintenance and expand our internal ship repair capability.

CROWN CONSULTATION on AUTHORISATIONS

Matters involving Indigenous rights may arise in British Columbia when a company seeks approvals or permits from the Province or the Government of Canada (in either case, the “Crown”) for new activities, typically involving use of land or water. Canadian courts have said that the Crown must consult with impacted First Nations before granting an approval that could affect Aboriginal rights. The consultation process must be appropriate to the strength of the Aboriginal right, and the potential impact on that right, and may require substantive accommodation to avoid, reduce, or offset the potential impact. The Crown can delegate some aspects of consultation to the entity requesting an approval, but it is ultimately up to the Crown to satisfy the duty to consult.

A Memorandum between BC Ferries, the Ministry of Transportation and Infrastructure, and the BC Transportation Financing Authority (2020) allows for the delegation of Crown consultation on a Requested Ferries Decision, such as the expansion of a water lease lot. Aboriginal rights are especially significant in British Columbia due to the density of First Nation communities, the absence of historic treaties over much of the Province, and the strength of First Nation claims to constitutionally protected Aboriginal rights and title, particularly in coastal areas where we operate. These claims could require the Crown, or BC Ferries when delegated by the Crown, to engage in significant consultations with First Nations before granting new property rights or approvals, depending on the facts of each situation. The Crown’s duty to consult has to be considered in determining timelines for terminal upgrade projects. In addition, both the Province (in 2019) and the Government of Canada (in 2021) adopted legislation to give effect to the *UN Declaration on the Rights of Indigenous Peoples*. This legislation reflects a commitment on the part of the Crown to meet a higher standard of consultation than required by the courts, specifically free, prior and informed consent, and to avoid unproductive and divisive litigation where reasonably possible. This process must be taken into consideration when planning the timelines for terminal upgrade projects.

There have also been recent court decisions declaring aboriginal title in various parts of British Columbia, including privately owned parcels. At present, BC Ferries is not aware of any active aboriginal title litigation that directly affects our operations.

There is also an increased recognition of the importance and legal protection of both unknown and registered archeological sites. Many of BC Ferries’ terminals are in sheltered waters that may correlate to archaeological sites and sites of cultural importance. The provincial Heritage Branch requires permits to investigate or alter archaeological sites. Due to the volume of permits being submitted across the Province, processing times can be impactful to project timelines. The Province is currently considering amendments to the *Heritage Conservation Act* that would enhance the role of First Nations in reviewing permits, which could increase the time and effort required to acquire and implement permits.

BC Ferries supports five strategic goals for Indigenous relations: to strengthen our relationships with Indigenous communities; to support communities and cultural recognition; to increase internal capacity and cultural awareness; to support Crown consultations for our projects; and to support economic participation of First Nations in BC Ferries’ operations. BC Ferries has entered into three Protocol Agreements with First Nations to establish a framework of engagement and dialogue. In addition, since 2022 BC Ferries has added four full time staff to assist in the implementation of the company’s strategic goals and to strengthen relationships with Indigenous communities.

Our terminal upgrade and construction projects are being planned further in advance in order to fulfill our commitment to engage with First Nations, to ensure the proper archaeological permits from Heritage Branch are in place, and to cooperate with the Crown in its consultation obligations.

Under the Master Agreement (see "Liquidity and Capital Resources – Terminal Leases" for more detail), the Province retains its liability, to the extent any exists, for the acts and omissions of the Province that occurred prior to our possession of the ferry terminal properties leased under the Master Agreement. The Province will reimburse us for damages suffered if there is a final court decision or a treaty settlement that recognizes or confers upon an Indigenous group a proprietary or other interest in the ferry terminal properties if that right or interest interferes with our quiet enjoyment of the ferry terminal properties.

SAFETY AND SECURITY

Safety is our highest value. Maintaining a safe environment for our customers and employees requires our continued focus and diligence. A significant damage, injury or illness event could have an adverse effect on the lives of our employees and customers. Deliberate, malicious acts could cause operational disruption, death, injury or property damage. The occurrence of a major incident or mishap could negatively affect the environment, staff morale, our reputation and our ability to meet operational service requirements, our financial position and results of operations. The effectiveness of policies and procedures, equipment, maintenance, training, supervision, facility design and security measures reduces the risk to passenger and employee safety and/or property damage. We have a sound conventional insurance program designed to mitigate the financial impact of a major incident; however, there can be no guarantee that the insurance coverage will be sufficient to cover all such incidents.

We have an internal control framework with defined control objectives for information and related technology, which guides us in ensuring the security, confidentiality and integrity of our information. Our prime data centre facility, which serves as our production infrastructure, is in a location to mitigate risk in the event of a major incident such as an earthquake. Our secondary site houses our pre-production infrastructure and serves as our production environment for disaster recovery in the unlikely event that data centre production services are interrupted.

Our 24-hour Operations and Security Centre ("OSC") is a central location for monitoring day-to-day operations, collecting information from around the Company, providing enhanced situational awareness and assessments, security monitoring and coordinating response during any incidents. Our Emergency Operations Centre, operating from our OSC, is the central point of command and control for all planning, organizing and responding by BC Ferries to any major service disruptions or events.

SailSafe is our award winning safety culture program, driven by our employees, and embodies safety as a normal part of all business activities and ensures that safety is the primary concern in the minds of our employees. Employees are engaged in identifying areas for improvement, developing plans and implementing new or revised processes. The SailSafe program has been revitalized with an expansion to include more people centric opportunities improving engagement with all employees to seek continuous improvement of safety and people culture across the system utilizing a nationally recognized framework to support the psychological health and safety of all employees.

BC Ferries has been responding to recent regulatory changes, including the implementation of Bill 41: Amendments to the Workers Compensation Act, with close coordination with the regulator as well as changes to Occupational First Aid requirements, which also enhances support for customers. There are more regulatory changes coming both from the federal and provincial governments and we will continue to work with the applicable regulators to find reasonable approaches to implementing improvements in the marine sector.

We successfully completed recertification of the WorkSafeBC Certificate of Recognition ("COR"). The COR program recognizes and rewards employers who go beyond the current legal requirements, implementing an effective occupational health and safety management system, and pass a certification audit to the standards set out by the WorkSafeBC Board. The COR certification provides a discount on BC Ferries' WorkSafeBC premiums. In fiscal 2026, we received a COR rebate of \$0.9 million (\$0.6 million in fiscal 2025).

ENVIRONMENT

We are committed to safeguarding the environment and conducting our operations in an environmentally responsible way. Our operations are subject to international, federal, provincial and local environmental laws and regulations dealing with various operations, including solid and liquid waste management, air quality, and oil spill response. If we were to be involved in an environmental accident or to be found in material violation of applicable law and regulations, we could be responsible for material clean-up costs, repair of property damage, and fines or other penalties.

We comply with environmental laws and regulations and actively search for ways to improve our environmental performance. Our environmental policy provides a framework for setting environmental targets and encouraging best practices. We are part of Green Marine, an internationally recognized environmental certification program for the marine industry that encourages participants to go above and beyond regulatory compliance.

We constantly look for clean and innovative technology to reduce underwater and airborne noise, fuel consumption and GHG emissions. We use variable frequency drives and thruster propulsion solutions on our vessels to reduce underwater radiated noise and airborne noise. All marine fuels that we currently use are below the sulphur content limit of marine fuel applicable within the Canadian jurisdiction of the North American Emissions Control Area. We have implemented a wide variety of fuel-saving measures ranging from operating our vessels more efficiently to updating vessel propulsion systems with and building more energy efficient vessels.

We recognize that multiple fuel types have a place in our long term decarbonization plan and are actively pursuing the use of low carbon fuels as an alternative to conventional fossil fuels for vessel operations to reduce GHG emissions and costs. We are transitioning high GHG emissions energy-consuming systems to lower GHG emissions using a mix of electrification, clean fuels and energy efficiency measures. Each year, the use of diesel and liquified natural gas in the operations of our vessels contributes substantially all of our inventoried GHG emissions, so our focus remains on decarbonizing the existing fleet through retrofitting and building new vessels that produce lower GHG emissions from the start.

The key energy types in our pathway are renewable electricity and biofuels (including bioderived diesels and the potential for bioderived liquified natural gas). Renewable energy types have the potential to reduce GHG emissions compared to the conventional fossil fuel-based ultra-low sulphur diesel or liquified natural gas currently used by our vessels.

New builds are the preferred option for reducing GHG emissions, allowing for the optimization of hull design, engine technology, and alternative fuel storage from the start. For example, four new hybrid diesel-electric Island Class vessels will enter service in fiscal 2027 with battery packs that can supply the electricity for the power trains and utilize shoreside electricity to recharge. We also have six Island Class vessels, outfitted with hybrid diesel-electric propulsion with the potential to be converted to an all-electric operation in the future. We entered into contract to build four New Major Vessels with a battery-hybrid propulsion system capable of using bioderived diesel that will allow for conversion to full battery-electric operation once shore-based recharging infrastructure becomes available.

We are reinvesting in GHG emissions reduction initiatives through earning carbon credits for the use of low carbon fuels under the British Columbia Low Carbon Fuel Standard. We have recently qualified, based on our electrification usage, to earn carbon credits through the Government of Canada's *Canadian Fuel Regulation*. In 2022, a Carbon Reduction Investment Account ("CRIA") was established for a 5-year term, which will allow BC Ferries to partially fund further infrastructure investments that will reduce GHG emissions, such as the shore infrastructure to support full electrification of the four new Island Class vessels.

Our vessels continue to use shore power each night and during maintenance periods to offset diesel consumption. Using shore power replaces the need to operate on-ship generators, which reduces GHG emissions, underwater radiated and airborne noise at our terminals and our shipyard.

We take several measures to further reduce our environmental impact. Where possible, we discharge sewage ashore for municipal treatment or use provincially compliant shore-based systems if no municipal infrastructure exists. Otherwise, vessels operate with federally approved marine sanitation devices. We have treatment plants at four of our terminals; at others, sewage is collected and sent to government-operated facilities.

We voluntarily comply with the International Maritime Organization's International Safety Management Code, which requires enhanced internal and external auditing of vessel operations with regards to Safety and Pollution Prevention. More information is available in the Clean Futures Plan which can be found on our website at: www.bcferrries.com.

ACCOUNTING PRACTICES

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and financial performance is based upon our consolidated financial statements, which have been prepared in accordance with IFRS.

Our material accounting policies are contained in Note 1 to our March 31, 2026 audited consolidated financial statements. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgements about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. These judgements, estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the general operating environment changes.

We believe the following are the most critical accounting policies, estimates and judgements that we have used in the preparation of our financial statements:

Property, Plant and Equipment and Intangible Assets

We apply judgment to determine expenditures eligible for capitalization and consider the future economic benefits of these expenditures in making this assessment.

Our capital assets, including right-of-use assets, are depreciated or amortized on a straight-line basis at varying rates. Depreciation and amortization rates require the use of estimates of the useful lives of the assets and of salvage value to be realized upon asset retirement.

We annually review asset lives in conjunction with our longer-term asset deployment, replacement and upgrade strategies. When we determine that asset lives do not reflect the expected remaining period of benefit, we make prospective changes to the remaining period over which they are depreciated or amortized. Estimates of useful life are monitored routinely through maintenance and refit programs, ongoing long-term fleet management and comparable vessels in use internally and externally.

There are a number of uncertainties inherent in estimating our asset lives and residual value, and changes in these assumptions could result in material adjustments to our financial statements.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash flows from other assets or groups of assets. At each reporting date, we review for any potential indicators of impairment. If indicators are identified, we assess the recoverable amount. In addition, when we have intangible assets not yet subject to depreciation, we perform an annual impairment test. Impairment losses are evaluated for potential reversals and are only reversed to the extent an asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized.

As disclosed in Note 1 to our March 31, 2026 audited consolidated financial statements, we review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. In fiscal 2026, we recorded \$9.6 million (\$12.5 million in fiscal 2025) in net loss on disposal and impairment of property, plant and equipment and intangible assets and other charges primarily due to an impairment loss related to a decision not to exercise a purchase option and other asset impairments, partially offset by a gain on the retirement of certain non-operating vessels at the end of their useful lives.

Asset Decommissioning and Restoration Provisions

Provisions are recognized by BC Ferries in the period when it can be reasonably determined, and when there are legal or constructive obligations associated with the decommissioning and restoration of long-lived assets, and those obligations result from the acquisition, construction, development or normal operation of the asset. Certain BC Ferries' vessels contain undetermined amounts of hazardous materials. We may be required to handle and dispose of the hazardous materials in a manner required by regulations.

In fiscal 2026, BC Ferries added \$14.4 million (\$19.5 million in fiscal 2025) of decommissioning costs for 37 vessels and 1 terminal to provisions. A corresponding asset decommissioning provision was added to the carrying amount of the related asset and amortized to expense using a systematic and rational basis. BC Ferries disposed of 4 vessels during the year resulting in the removal of \$11.9 million of provisions. Provisions for decommissioning and restoration obligations are measured at the present value of BC Ferries' best estimate of the future cash flows required to settle the present obligation, using the risk-free interest rate.

Hedging Relationships

We utilize derivative financial instruments to manage market risk against the volatility in foreign currency, interest rate and fuel price exposures. We do not utilize derivative financial instruments for trading or speculative purposes. At the inception of each derivative, we determine whether or not to apply hedge accounting.

When applying hedge accounting, we document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the statement of financial position or to specific firm commitments or forecast transactions. We also assess, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. When derivatives are designated in a cash flow hedging relationship, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income. Gains or losses on derivatives used in cash flow hedges of forecast purchases of non-financial assets are reclassified from equity (accumulated other comprehensive income) and are included in the initial carrying amount of the non-financial asset acquired. Gains or losses on derivatives for hedging relationships related to other cash flow hedges are reclassified from other accumulated comprehensive income to net earnings or loss when the hedged item affects net earnings or loss. Realized and unrealized gains or losses associated with derivative instruments which have been terminated or cease to be effective prior to maturity, are recognized in net earnings in the period in which they have been terminated or cease to be effective. We use judgement in estimating the quantum of transactions which are highly probable and if the transactions are expected to occur.

Employee Retirement Liability

We sponsor a plan that provides a post-retirement benefit for eligible long-service employees. The valuation of this plan is estimated based on complex actuarial calculations using several assumptions. These assumptions are determined by management with significant input from our actuary. The valuation of the obligation depends on such assumptions as discount rate, number of employees, projected salary increases, retirement age, average years of service and termination rates.

Revenue

We recognize revenue from vehicle fares, including reservation fees, passenger fares and fuel surcharges (rebates), when transportation is provided. Revenue from fares represents a single performance obligation to which the entire transaction price is allocated. Prepayments for fares received in advance of providing transportation are included in the statement of financial position as contract liabilities until such time as the performance obligation is satisfied.

Net retail revenue consists primarily of food services and gift shop sales less the cost of goods sold and is recognized when the customer receives the goods.

We recognize ferry service fees and Federal-Provincial subsidies as revenue when services specified in the related agreements with the Province are provided.

Other income comprises of sales of carbon credits, parking and other miscellaneous revenues. We recognize revenue from the sale of carbon credits when the award of the credits to the Group and the transfer of the credits from the Group to the customer are approved by the Province's Ministry of Energy and Climate Solutions or the federal government's Ministry of Environment and Climate Change.

Fare Affordability Funding is recognized systematically in accordance with the \$500 million contribution agreement between BC Ferries and the Province. This funding is recognized to support achieving the fare affordability initiative to keep annual fare increases around 3%. Any excess amount will be applied to GHG emission reduction initiatives. In fiscal 2026, BC Ferries recognized \$110.8 million (\$68.8 million in fiscal 2025) of the Fare Affordability Funding in revenue.

Leases

We apply judgment to determine whether an arrangement contains a lease. We determine whether a contract conveys the right to direct the use of an identified asset, the supplier has a substantive substitution right, we have the right to obtain substantially all of the economic benefits from use of the asset throughout the period and whether renewal options are reasonably certain of being exercised. For those arrangements considered to be a lease, further judgment is required to determine the lease term and the rate implicit in the lease. Once we determine it is a lease, we recognize a right-of-use asset in property, plant and equipment and a lease liability. The liability included in lease liabilities in our financial statements at March 31, 2026 was \$23.5 million (\$25.6 million at March 31, 2025).

The Effect of Rate Regulation

We are regulated by the Commissioner to ensure, among other things, that our tariffs are fair and reasonable. Under the terms of the Act, the tariffs we charge our customers over a performance term are subject to price caps set by the Commissioner. A price cap sets the ceiling on the weighted average level of fares that can be charged. Under the Act, the average vehicle and passenger tariff cannot be over the price cap for more than four consecutive quarters. The Commissioner may, under certain circumstances, allow increases in price caps over the set levels. Certain decisions and orders of the Commissioner may give rise to regulatory assets or liabilities. Regulatory assets generally represent incurred costs that are deferred for purposes of rate regulation because they are probable of future recovery in tariffs or fuel surcharges. Regulatory liabilities represent obligations to customers, which will be settled through future tariff reductions, fuel rebates or investing in approved carbon reduction initiatives.

IFRS 14 *Regulatory Deferral Accounts*, which addresses accounting for rate-regulated activities does not apply to entities, like ours, that transitioned to IFRS prior to January 2014. As a result, we are not permitted to recognize in our financial statements the assets and liabilities that result from the regulated price cap setting process, such as our deferred fuel cost accounts. Under IFRS, rather than being charged to regulatory asset or liability accounts on our consolidated statements of financial position, fuel surcharges collected or rebates paid are included in revenue, and increases or decreases in fuel prices from those approved in price caps are included in operating expenses. These items are treated as assets and liabilities for regulatory purposes. Reporting for rate-regulated activities provides additional information, which we use to assess performance and to make operating decisions.

On April 21, 2022, the Commissioner approved the creation of a CRIA for a five-year term, (subject to application for extension/modification after end of the term) to partially fund further infrastructure investments identified in its Clean Futures plan and progress GHG emission projects. The CRIA is funded through the sale of carbon credits, earned through activities such as purchase of natural gas and use of LNG. BC Ferries may apply for the discontinuation of CRIA at any time or the Commissioner can terminate it if it is deemed not necessary for funding further capital investments in cleaner technologies that lead to a reduction in GHG emissions or no longer deemed to be in the public interest. If terminated with positive balance, the funds must be returned to the ferry users through fuel deferral account. The use of the funds is subject to the Commissioner's approval. On December 7, 2023, the Commissioner issued Order 23-06, approving the withdrawal of funds from our CRIA for the purpose of funding the IC3TEP electrification work. BC Ferries defers the net revenue from the sale of carbon credits and recognizes the funding to the CRIA (regulatory liability). During fiscal 2026, BC Ferries directed \$1.9 million (\$0.2 million in the prior year) of funds earned from the sale of carbon credits into the CRIA.

Regulatory assets and liabilities do not have standardized meaning within IFRS. Our regulatory assets and liabilities should be considered in addition to, but not as a substitute for, measures of financial performance in accordance with IFRS.

We continually assess whether our regulatory assets are probable of future recovery by considering such factors as applicable regulatory changes. These regulatory assets and liabilities are considered supplemental disclosures and are detailed in Note 29 of our March 31, 2026 audited consolidated financial statements.

Adoption of New Accounting Standards

Effective April 1, 2025, we adopted amendments to IAS 21, *The effects of changes in foreign exchange rates*. These amendments had no impact on BC Ferries' financial statements.

Future Accounting Changes

The following is a discussion of accounting changes that may be effective for us in future accounting periods:

IFRS 18, Presentation and Disclosure in Financial Statements:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* which will replace IAS 1, *Presentation of Financial Statements* effective for reporting periods beginning on or after January 1, 2027. The new standard is not expected to change how BC Ferries recognizes and measures items in the financial statements. IFRS 18 may change how items in the financial statements are subtalled and categorized and will require additional disclosure of certain management-defined performance measures in the financial statement notes. Early adoption of this standard is permitted.

Exposure Draft, Regulatory Assets and Regulatory Liabilities:

The exposure draft issued by the IASB, proposes a new accounting model to replace IFRS 14, *Regulatory Deferral Accounts*. The exposure draft, *Regulatory Assets and Regulatory Liabilities*, proposes a new accounting model under which an entity, subject to rate regulation that meets the scope criteria, would recognise regulatory assets and regulatory liabilities. This accounting model would align the total income recognized in a period under IFRS Standards with the total allowed compensation the entity is permitted to earn by the rate regulator. The key proposal in the exposure draft is that an entity that is subject to rate regulation would report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period. The IASB expects that the application of the proposals would improve the information provided to users about the financial performance and financial position of entities subject to rate regulation. The IASB expects to publish the new accounting standard in the first half of 2026 and to be effective for reporting periods beginning on or after January 1, 2029. Early adoption of this standard is permitted.

Exposure Draft, Sustainability Standards:

In December 2024, the Canadian Sustainability Standards Board ("CSSB") published two standards; Canadian Sustainability Disclosure Standard 1 *General Requirements for Disclosure of Sustainability-related Financial Information* ("CSDS 1") and Canadian Sustainability Disclosure Standard 2 *Climate-related Disclosures* ("CSDS 2"). CSDS1 and CSDS 2 are aligned with the global baseline disclosure standards IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* with the exception of a Canadian-specific effective date and transition relief to assist Canadian organizations with implementation. CSDS 1 and CSDS 2 are currently voluntary and have an effective date for annual periods beginning on or after January 1, 2025, however, Canada's regulators and legislators have not yet determined whether the Canadian Sustainability Disclosure Standards are mandatory, and if so, who will need to apply the standards and over what time frame.

CORPORATE STRUCTURE AND GOVERNANCE

National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "NI 58-101") and related National Policy 58-201 *Corporate Governance Guidelines* (the "Guidelines") issued by the Canadian Securities Administrators require reporting issuers to disclose annually their approach to corporate governance with reference to specific matters. See Schedule A for the disclosure required by NI 58-101.

FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis contains certain forward-looking statements and other information (collectively, "forward-looking information") about the Company's current expectations, estimates and projections, made in light of the Company's experience and perception of historical trends. Although the Company believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will provide to be correct.

This forward-looking information is identified by words such as "anticipate," "aim," "believe," "could," "estimate," "expect," "goal," "may," "potential," "should," "target," "plan," "predict," "will" or similar expressions and includes suggestions of future outcomes, including but not limited to statements about: customer demand; vehicle and passenger fares future traffic volumes, seasonal traffic patterns and their impact on operations; capacity constraints; cash requirements and sources of cash flows; investment strategies; future economic conditions and their impact on our financial performance and future investments; impact of wage increases, including increases resulting from upcoming negotiations regarding the year-five wage-reopener and Collective Agreement; government funding and our anticipated use of the same; credit risks; reliance on sources of external funding; outcomes of PT7 review; economic conditions and their impact on our financial performance; staffing requirements; impacts of crew shortages; fuel prices; impact of hedging strategies; fuel surcharges; fuel sources; timing of implementation of vessel electrification capability; vessel replacement timing including timing of completion of new vessel construction under the Island Class and New Major Vessel programs; repair and planning strategies; benefits of vessel standardization efforts including anticipated impacts on capacity; capital plans and major capital initiatives; impact of capital asset inflation on capital investment costs; provisions for asset decommissioning and restoration obligations that use BC Ferries' best estimate of the future cash flows required to settle the present obligations; timing of completion of capital projects; reduction of vehicle space during upcoming construction at our Horseshoe Bay terminal; and length of delays to completion of capital projects due to obligations to consult with Indigenous communities and/or processing times to obtain archaeological permits; [credit ratings, funding near-term cash requirements, impact of U.S. tariffs, Net Debt to Adjusted Funds Flow ratio; the Company's capital allocation framework; [ratios]; and the Company's outlook for the Canadian dollar, the factors that affect such outlook and the influences and effects on BC Ferries.

Readers are cautioned not to place undue reliance on forward-looking information as the Company's actual results may differ materially from those expressed or implied. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to the Company and others that apply to operations in this industry more generally.

The factors or assumptions on which the forward-looking information is based include, but are not limited to: ferry traffic trends; prevailing climate conditions; fuel costs; construction costs; projected capital investment levels; the flexibility of current capital spending plans and associated sources of funding; our ability to access capital; existing credit facilities; interest rates; foreign exchange rates; the CPI (Vancouver); the Company's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; the absence of significant adverse changes to government policies, legislation and regulations; the political, economic and social stability of jurisdictions in which the Company operates; the absence of significant disruption of operations, including as a result of harsh weather, natural disaster, accident, third party actions, civil unrest or other similar events; provincial demographics; no adverse tax changes; and the requirements of the Coastal Ferry Act and the Coastal Ferry Services Contract.

The risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking information primarily include those attendant with operating and maintaining a large fleet of vessels and terminals and successfully carrying out major capital

projects to upgrade or replace such vessels and terminals, including, without limitation: the impact of an economic recession; the impact of fare increases or unforeseen events on customer demand; the reliability of aging assets; vendor non-performance; constraints on operations or necessary capital expenditures imposed by the Ferry Commissioner; the Company's ability to maintain desirable financial ratios; the Company's ability to access various sources and debt and capital generally and on acceptable terms; interest rate fluctuations; foreign currency fluctuations; rising fuel prices; traffic fluctuations; the potential for delays in completion of major capital projects; inflation of capital and operating costs; security, safety or environmental incidents; confidential or sensitive information breaches (including cyber security incidents); changes in the regulatory framework or any applicable laws; vessel repair facility limitations; changes to taxes, tariffs or duties impacting the company or its suppliers; impacts of sanctions and other compliance legislation on the company or its suppliers; climate change; the occurrence of unexpected events such as protests, pandemics, war, terrorist threats and the instability resulting therefrom; the assertion of Indigenous rights over land use in the province; and the status of Company's relationships with the communities in which it operates, including with Indigenous communities.

The forward-looking information is made as of the date of this Management's Discussion and Analysis and we do not undertake to update forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Non-IFRS Measures

In addition to providing measures prepared in accordance with IFRS, we present certain financial measures that do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These include, but are not limited to, net earnings adjusted for the effect of rate regulation and average tariff revenue per vehicle and per passenger. These supplemental financial measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.

SCHEDULE A

Corporate Structure and Governance Board of Directors

British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") is a company incorporated in British Columbia and is subject to British Columbia's *Business Corporations Act* and the *Coastal Ferry Act* (the "CFA"). The board of directors of BC Ferries (the "board") is appointed by the Company's sole voting shareholder, B.C. Ferry Authority ("BCFA" or the "Authority"), a corporation without share capital, established by the CFA. Directors appointed to the board must be "qualified" as defined in the CFA.

During the fiscal year ended March 31, 2026 ("fiscal 2026"), the board was composed of the following directors:

Chair: Joy MacPhail, CM, O.B.C
Members: Cathy McLay (vice chair effective October 24, 2025¹)
Eric Denhoff
J. Dennis Blatchford
Harold Calla
Charlene Hiller
Tamim Raad
Lecia Stewart
Paul Faoro (appointed June 25, 2025)
Grant Main (appointed June 25, 2025)
Shona Moore (appointment ended June 24, 2025)

The directors are stewards of BC Ferries and set the strategic direction of the Company. The board exercises its stewardship responsibilities by overseeing the conduct of the business and the performance of management, who are responsible for the day-to-day operations of the Company, and by overseeing the identification and management of the material risks affecting the business and affairs of the Company.

The Board Governance Manual (the "Manual") sets out the governance framework under which the board fulfills its stewardship and accountability responsibilities. The Manual consolidates the governance policies, terms of reference, and guidelines applicable to the board, its committees, the Board Chair, individual directors, and key positions. The Manual is reviewed at least annually by the Governance & Human Resources Committee and approved by the board.

The board is committed to the principles of independence and accountability. The board has adopted a definition of independence based on the absence of any direct or indirect material relationship with the Company that could reasonably be expected to interfere with the exercise of a director's judgment.

The board has adopted governance structures, policies, and practices designed to ensure that it has the capacity, independent of management, to fulfill its responsibilities, make objective assessments of management, and evaluate the merits of management initiatives. During fiscal 2026, the Governance & Human Resources Committee had ongoing responsibility for overseeing the effectiveness of the board's governance structures and processes in support of board independence.

¹ Director Moore's appointment as vice chair ended on June 24, 2025. The vice chair position was vacant from June 24, 2025 to October 24, 2025, when Director McLay was appointed as vice chair.

The board and management recognize that there is a need for the board to meet regularly without management in attendance. It is the board's general practice to conduct an in-camera session at board meetings with no members of management in attendance. The board and its committees each have the authority to retain, at the Company's expense, any outside advisor that it determines to be necessary to permit it to carry out its duties.

The CFA provides that directors of the Company must be qualified BCFS candidates. A qualified BCFS candidate is defined in the CFA as an individual who does not hold elected public office of any type, is not an employee, steward, officer, director, elected official, or member of any union representing employees of BC Ferries, is not an employee of a municipality, regional district, trust council, or greater board within the appointment area, and is not an employee, director, or officer of the Authority or an employee, officer, or executive of BC Ferries.

The board is responsible for determining director independence based on written disclosures provided annually by each director and reviewed by the board. To do this, the board requires members to disclose their relationships with the Company and its subsidiary. These disclosures are made annually and are reviewed by the chair of the board, the chair of the Governance & Human Resources Committee and the corporate secretary and are reported to the Governance & Human Resources Committee and the board. If it has been previously determined that a director is independent of the Company, but circumstances arise which could result in a determination that he or she is no longer independent, the director must promptly advise the board.

All of the directors of the Company in fiscal 2026 were determined by the board to be independent pursuant to the definition of independence adopted by the board.

Directorships

The following are directors of a reporting issuer (or the equivalent) in Canada or a foreign jurisdiction, other than BC Ferries:

Eric Denhoff: Director, H2 Ventures 1 Inc.

Orientation and Continuing Education

The Company has a variety of orientation and education programs in place for directors. These programs are aimed at increasing the directors' familiarity with the operation of the Company and its governance practices.

All new directors are provided with the opportunity to participate in an orientation program. The program generally involves a comprehensive education session, usually held prior to a new director attending his/her first board meeting, during which the new director is briefed by members of senior management and receives information about the business and operations of BC Ferries and board governance practices, including the duties and obligations of directors. The Manual is made available to all directors as part of the orientation process.

The board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. To facilitate ongoing education, presentations are made to directors from time to time on matters of particular importance or emerging significance to the Company. Directors are expected to maintain ongoing familiarization with the operations of BC Ferries through regular system-wide ferry travel. This, together with visits to other facilities and operations of BC Ferries, serves to enhance the directors' ongoing knowledge and understanding of the Company.

Responsibility for ensuring that orientation and ongoing education are provided to directors rests with the chair of the board. The Governance & Human Resources Committee has responsibility for reviewing the orientation and education programs to ensure they are effective and meet the needs of directors.

Ethical Business Conduct

The board has established a Code of Business Conduct and Ethics (the "Code") for the Company. The Code is posted on the Company's intranet website for Company personnel and is available for public view on the Company's internet website and on SEDAR+. The board has also adopted a Corporate Disclosure and Securities Trading Policy and a Corporate Communications Policy, both of which are posted on the Company's intranet and internet websites.

As part of the Company's disclosure controls process, in conjunction with quarter-end financial reporting, appropriate managers are required to confirm their compliance with the Code, the Corporate Disclosure and Securities Trading Policy and the Corporate Communications Policy.

As part of the communication process for the reporting of any questionable accounting and auditing matters, a secure telephone line and a secure e-mail address, each monitored by the executive director of internal audit, as well as a secure e-mail address monitored by the chair of the Audit & Finance Committee, have been established.

The board, through the Audit & Finance Committee, monitors compliance with the Code through reports received quarterly from management, the external auditor, and the internal auditor.

Directors and officers are required to review the Code annually and acknowledge their support and understanding of the Code by signing an annual disclosure statement.

The Code requires that directors and officers disclose potential conflicts of interest at the time of their appointment and immediately upon a conflict of interest or potential conflict of interest arising. Such disclosures are communicated to and reviewed by the chair of the board, the chair of the Governance & Human Resources Committee and the corporate secretary and are reported to the Governance & Human Resources Committee and the board.

Appointment of Directors

As required by the CFA, the Authority appoints directors to the board and, in making appointments, must select individuals who, as a group, are qualified BCFS candidates and collectively possess the skills and experience required to oversee the operation of the Company in an efficient and cost-effective manner. The Authority may set the term of office for each director, provided that no term exceeds four years, and no individual may serve more than eight consecutive years as a director of the Company.

Board Diversity Policy

The BC Ferries board holds the view that a diverse board makes prudent business sense and makes for better corporate governance. The board has developed a skills matrix as a tool to evaluate and ensure the board's composition provides a suitable mix of skills and experience and to identify areas where expertise may be lacking.

The board, through the skills matrix and its succession plan, seeks to communicate to the Authority the importance of maintaining a diverse mix of expertise, experience, skills, and backgrounds that is reflective of the nature of the business environment in which the Company operates, and the people and the communities it serves. For purposes of board composition, diversity includes, but is not limited to, business and other experience, skills, education, gender, age, ethnicity, aboriginal status, and geographic location.

Executive Compensation & Process

The CFA requires that the compensation of executives of BC Ferries be set and administered within remuneration limits prescribed by an executive compensation plan. The Authority is responsible under the CFA for approving such a plan and any amendments thereto. The current compensation plan was approved by the Authority, with an effective date of December

13, 2022, (the "Plan"). The Plan is available for public view on the Authority's website (www.bcferryauthority.com).

The Plan describes the philosophy for executive compensation and the maximum remuneration that the individuals whose compensation is governed by such plan can receive in any fiscal year. The remuneration limits set out in the Plan were established in accordance with the CFA, which requires that the remuneration provided to the executives be consistent with the remuneration that is provided to individuals who, in organizations in Canada that are of a similar size and scope to BC Ferries, perform similar services or hold similar positions, and not be greater than the remuneration that provincial public sector employers in British Columbia provide to individuals who, in those organizations, perform similar services or hold similar positions.

The board approves the Company's compensation programs for the executives within the remuneration limits prescribed by the Plan.

Director Compensation

The CFA requires that the compensation of directors of BC Ferries be set and administered within a remuneration limit prescribed by a directors' compensation plan. The Authority is responsible under the CFA for establishing a directors' compensation plan and approving any amendments thereto. The remuneration provided under a directors' compensation plan must be consistent with the remuneration that organizations in Canada that are of a similar size and scope to BC Ferries provide to their directors and must not be greater than the remuneration that provincial public sector organizations in British Columbia provide to their directors.

The Company's current compensation plan for directors was developed with the assistance of an independent third-party compensation expert and is available for public view on the Authority's website at: www.bcferryauthority.com.

The Governance & Human Resources Committee reviews director compensation and provides advice to the board on any amendments to the directors' compensation plan to be recommended to the Authority.

Board Committees

The board has developed guidelines for the establishment and operation of committees of the board. The committee structure and membership is reviewed and confirmed by the board on an annual basis.

Mandates

In fiscal 2026, the board had four standing committees, each of which operated according to a specific mandate established by the board. The committees and their mandates are described below.

Audit & Finance Committee

The Audit & Finance Committee is appointed by the board to assist the board in fulfilling its oversight responsibilities with respect to the financial reporting and disclosure processes of BC Ferries. The committee has the mandate to:

- review the financial reports and other financial information provided by the Company to its security holders;
- review the annual operating and capital budgets, modifications thereto, and details of any proposed financing;
- monitor the integrity of the financial reporting process and the system of internal controls that the board and management have established;

- monitor the management of the principal risks that could impact the financial reporting of the Company, and the Company’s compliance with legal and regulatory requirements as they relate to the Company’s financial statements;
- review and approve the audit plan, process, results, and performance of the Company’s external auditors and the internal audit department (the internal auditor) while providing an open avenue of communication between the board, management, external auditors, and the internal auditor; and
- assess the qualifications and independence of the external auditors and recommend to the board the nominations of the external auditors and the compensation to be paid to the external auditors. The appointment of the external auditor is confirmed by the Authority at each annual general meeting or resolutions in lieu of such meeting.

The committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the Company’s external auditor as well as anyone in the organization. The committee also has the authority to retain such legal, accounting, and other advisors or experts it deems necessary in the performance of its duties.

All members of the Audit & Finance Committee are independent directors and meet the additional independence and financial literacy requirements applicable under National Instrument 52-110 *Audit Committees*.

All members of the committee are financially literate within the meaning of National Instrument 52-110 *Audit Committees*; that is, each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. All recommendations of the committee to nominate or compensate an external auditor have been adopted by the board.

The aggregate fees billed by the Company’s external auditor in each of the last two fiscal years were:

External Auditor billings (\$ thousands)	Years ended March 31	
	2026	2025
Audit	512.6	438.1
Advisory services	633.4	271.2
Tax services	12.2	2.9
	<u>1,158.2</u>	<u>712.2</u>

Pursuant to its terms of reference, the Committee Chair has authority to pre-approve the retaining of the External Auditors for any non-audit service to be provided to the Company or its subsidiaries, provided that no approval shall be provided for any service that is prohibited under the rules of the International Ethics Standards Board for Accountants (“IESBA”) or the Canadian Chartered Professional Accountants Code of Professional Conduct.

Before retaining the external auditor for any non-audit service, the committee must consider the compatibility of the service with the external auditor’s independence. The committee may pre-approve retaining the external auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the external auditor for the provision of such services. In addition, the committee may delegate to one or more members the authority to pre-approve retaining the external auditor for any non-audit services to the extent permitted by applicable law.

Safety, Health, Environment & Security Committee

The Safety, Health, Environment & Security Committee is appointed by the board to assist the board in fulfilling its oversight responsibilities in matters related to safety, health, environment and security. The committee has the mandate to:

- exercise due diligence over the safety, health, environmental and security operations of the Company;
- develop, review, and make recommendations, as required, on matters related to the Company's safety, health, environmental and security policies and practices; and
- monitor compliance with government regulations and with the Company's commitment to excellence in matters of safety, health, environment, and security.

Governance & Human Resources Committee

The Governance & Human Resources Committee is appointed by the board to assist in ensuring that the corporate governance system of the Company is effective and to assist in fulfilling its oversight responsibilities with respect to the human resources and executive compensation strategies and policies of the Company. The committee has the mandate to:

- review, assess, and make recommendations regarding the effectiveness of the policies and practices of the board;
- ensure the board's continuing ability to fulfill its legislative mandate;
- oversee governance and human resources-related due diligence processes of the Company;
- make recommendations on the skills, experience, expertise, and diversity of background that board members collectively and individually should have in order to oversee the operation of the Company in an efficient and cost-effective manner;
- establish and implement effective processes for identifying and recommending suitable candidates for appointment as directors of the Company;
- make recommendations on the remuneration of directors;
- regularly review at a strategic level, the approach taken to manage the Company's human resources, including the recruitment, retention, motivation, and engagement of employees in the interests and success of the Company;
- regularly review the succession and development plans for the President & CEO and executive management; and
- review and recommend to the board, a total compensation philosophy for the President & CEO and executive management that, subject to the CFA, attracts and retains executives, links total compensation to financial and operational performance, and provides competitive total compensation opportunities at a reasonable cost, while enhancing the ability to fulfill the Company's overall business strategies and objectives.

Capital Projects Committee

The Capital Projects Committee is appointed by the board to assist the board in fulfilling its oversight responsibilities with respect to major capital projects of BC Ferries as designated by the board from time to time. For the projects under its purview, the committee has the mandate to:

- in respect of projects which have not yet been approved by the board, review and provide advice to the board on whether the Company should proceed with the projects and, where approval to proceed is recommended, provide advice on the schedule, scope, and budget for such projects; and
- in respect of projects which have been approved by the board, and as so directed by the board:
 - review the governance structure for the projects;

- regularly review and monitor progress against scope and budget, as well as material changes in the schedule and risk profile of the projects;
- regularly review the use of contingency funds for the projects; and
- upon project completion, ascertain whether the projects have met their objectives.

Capital Projects Committee (Fleet Renewal Program) – Project Board

In Fiscal 2026, the Capital Projects Committee (Fleet Renewal Program) – Project Board was established to provide governance oversight of the Fleet Renewal Program, including the program.

Joint Planning Committee

During fiscal 2023, the board established a Joint Planning Committee with the Authority, with a mandate to collaborate in the development of a new strategic planning framework and the first long-term vision for BC Ferries. The Committee's work continued into fiscal 2026 and was completed on September 11, 2025, when *Charting the Course: A Vision for Coastal Ferries* was published, following a recommendation of the Joint Planning Committee and approval by the respective boards of BCFS and the Authority.

Joint Governance Committee

During fiscal 2026, following the conclusion of the Joint Planning Committee, the board and the Authority approved the establishment of a Joint Governance Committee. The Joint Governance Committee was established to develop recommendations for a governance framework for consideration and approval by the respective boards of BCFS and the Authority. The framework is intended to clarify the roles, responsibilities, and mandates of each board in support of the long-term vision set out in *Charting the Course: A Vision for Coastal Ferries*. During fiscal 2026, the Committee undertook preliminary establishment activities and is expected to commence substantive work in fall 2026, following the submission of Performance Term 7 ("PT7") to the British Columbia Ferries Commission.

Joint Performance Term 7 Advisory Committee

During fiscal 2026, the board and Authority approved the establishment of a Joint Board PT7 Advisory Committee to facilitate coordinated updates and information-sharing between the board and the Authority in connection with the development of the PT7 submission. The Advisory Committee serves as the primary forum through which management provides PT7-related updates to both boards using a common set of materials. The Advisory Committee is advisory in nature and does not have decision-making authority. Responsibility for the preparation, approval, and submission of the PT7 filing rests with the board and management.

Committee Restructuring Subsequent to Year-End

In February 2026, the board approved a restructuring of its committee framework, with the revised structure taking effect on April 1, 2026. Under the revised structure, the board operates with two new standing committees, and certain responsibilities previously assigned to the Governance & Human Resources Committee and the Safety, Health, Environment & Security Committee were reallocated to the Safety and Human Resources Committee and the Governance, Sustainability and Engagement Committee. As the revised committee structure was not in effect during fiscal 2026, the committee mandates and compositions described above reflect the governance framework applicable during that fiscal year.

Composition

The memberships of the four standing committees in fiscal 2026 are set out below. The board chair serves as a non-voting ex-officio member of each of the committees.

Director	Board Committees Year Ended March 31, 2026			
	Audit & Finance	Capital Projects	Governance & Human Resources	Safety, Health, Environment & Security
Joy MacPhail	• (ex-officio)	• (ex-officio)	• (ex-officio)	• (ex-officio)
Cathy McLay (vice chair effective October 24, 2025)	• (chair)		•	
Eric Denhoff	•	•		
Tamim Raad		• (chair)	• (member to January 14, 2025)	• (member effective January 15, 2025)
Harold Calla	•		• (member effective January 15, 2025)	• (member to January 14, 2025)
Dennis Blatchford			•	• (chair)
Charlene Hiller		•	• (chair effective August 1, 2025)	•
Lecia Stewart	•	•		
Paul Faoro			• (member effective October 24, 2025)	• (member effective October 24, 2025)
Grant Main	• (member effective October 24, 2025)			• (member effective October 24, 2025)
Shona A. Moore (vice chair to June 24, 2025) ²			• (chair to June 24, 2025) ³	• (member to June 24, 2025)

² Director Moore’s appointment ended on June 24, 2025. The vice chair position was vacant from June 24, 2025 to October 24, 2025, when Director McLay was appointed as vice chair.

³ Director Moore’s appointment ended on June 24, 2025. The Governance & Human Resources Committee Chair position was vacant from June 24, 2025 to August 1, 2025, when Director Hiller was appointed as Chair, Governance & Human Resources Committee.

Assessments

As part of its dedication to best governance practices, the board is committed to regular assessments of the effectiveness of the board, the board chair, committees, committee chairs, and individual directors. The Board conducts periodic evaluations of the board, its committees, the Board Chair, and individual directors in accordance with a process approved by the Governance & Human Resources Committee.

In fiscal 2026, the board, on the recommendation of the Governance & Human Resources Committee, continued with the process of completing a survey comprised of topics ranging from board organization and financial and risk issues to communications and strategy. The survey also included an assessment of the effectiveness of each committee and the performance of the board as a whole. The findings have informed board discussions and decisions, helping to enhance overall board performance. The Governance & Human Resources Committee will continue to monitor governance best practices and evolving board needs to recommend the most effective assessment approach going forward.

The performance of the board as a whole, and the performance of individual directors, is also assessed regularly throughout the year. This occurs primarily through discussions between the individual directors and the board chair.