Annual Report
2021

— It’s Time

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Credit: VIA Rail

VIA Rail at a Glance

Credit: VIA Rail

Who We Are

Employees

2,763

active and 665 inactive employees as of the end of the calendar year

Employee Diversity
(active employees only)

16%
are visible minorities

1%
are people with disabilities

33%
of our employees are women

2%
are Indigenous People

2%
are Veterans

Credit: VIA Rail

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada, meeting customer needs for intercity travel and transportation to regional and remote communities. An independent Crown corporation established in 1977, VIA Rail provides a safe, accessible, reliable, cost-effective, and environmentally responsible service from coast to coast in both official languages.

Passengers

→ **1.5 M**

passenger trips covering close to 227 million kilometres across Canada, of which: 96% is intercity travel, 2% is long-distance and 2% is regional.


Credit: VIA Rail

Passenger Trips Per Train Route

→ **96%**

of passenger trips consist of intercity travel (in the Corridor)

96% Intercity Travel
2% Long-Distance
2% Regional

Passenger Revenues Per Train Route

→ **93%**

of passenger revenues are from intercity travel (in the Corridor)

93% Intercity Travel
6% Long-Distance
1% Regional

Buildings

→ **114**

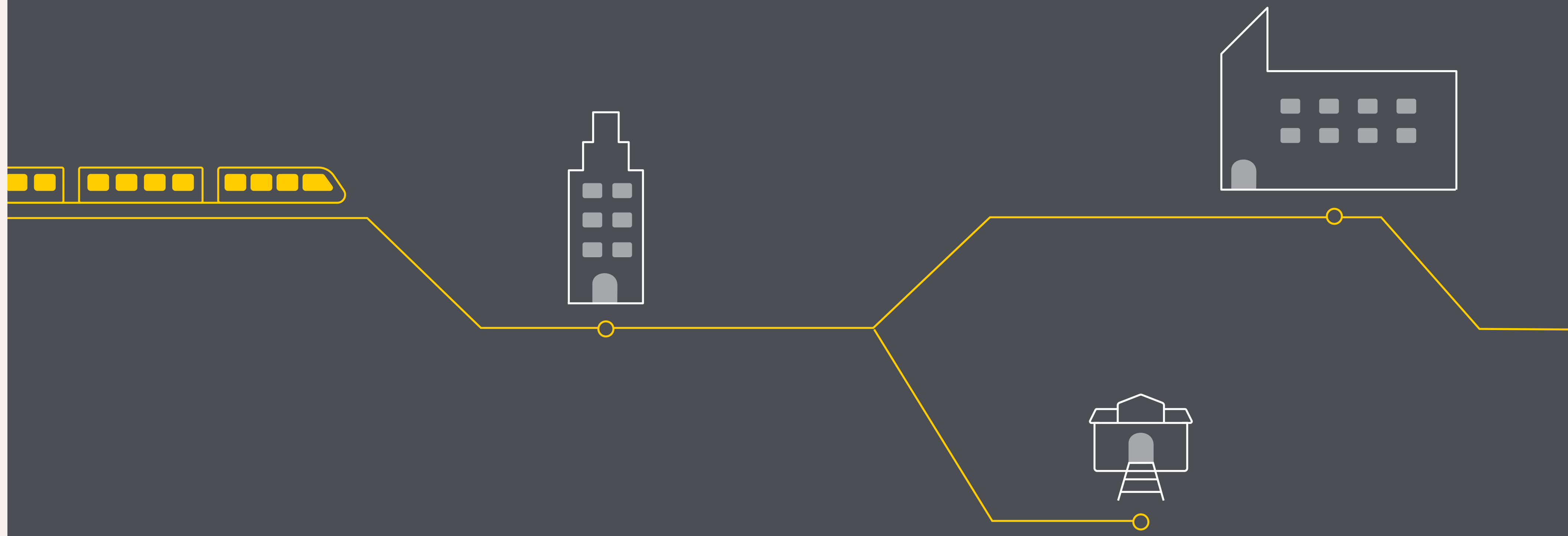
train stations of which **48** are heritage stations

→ **4**

maintenance centres
— Montréal
— Toronto
— Winnipeg
— Vancouver

→ **7**

offices
1 head office
6 regional



Fleet

→ **371**

train cars
(in and out of service)

→ **74**

locomotives

Where We Operate

With a fleet of locomotives and train cars stations and maintenance centres, VIA Rail's operations mirror the scope of the nation we serve. Our employees are dedicated to moving Canadians from East to West, North to South, with stops in between.

- **Intercity Travel (in the Corridor)**

  In the densely populated Corridor area between Québec City and Windsor, VIA Rail trains provide travel between the downtown cores of major urban centres, as well as between suburban centres and communities.

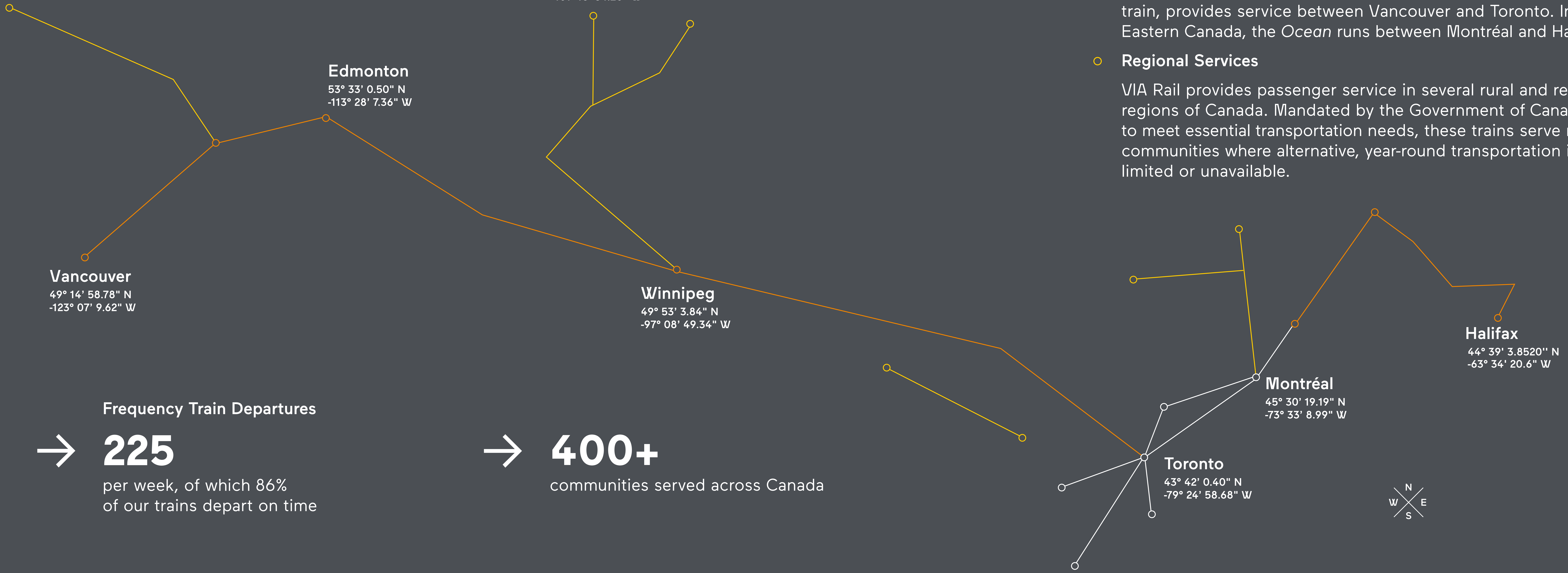
- **Long-Distance Travel and Tourism**

  In Western and Eastern Canada, VIA Rail's trains provide intercity service connecting communities while supporting Canada's tourism industry by attracting travellers from around the world, the *Canadian*, VIA Rail's western transcontinental train, provides service between Vancouver and Toronto. In Eastern Canada, the *Ocean* runs between Montréal and Halifax.

- **Regional Services**

  VIA Rail provides passenger service in several rural and remote regions of Canada. Mandated by the Government of Canada to meet essential transportation needs, these trains serve many communities where alternative, year-round transportation is limited or unavailable.

Map of Canada



Frequency Train Departures

→ **225**

per week, of which 86% of our trains depart on time

→ **400+**

communities served across Canada

Vision, Mission, Values

VIA Rail is dedicated to ensuring that its vision, mission and values truly reflect its aspiration and the mandate provided by the Government of Canada.

Ottawa Station
Credit: VIA Rail

Our Vision: A Smarter Way to Move People

We aspire to positively impact the lives of those around us: passengers, employees, partners and the communities we move. VIA Rail provides sustainable, efficient and effective passenger rail service and our agenda is embedding environmental, social, economic and ethical considerations into our strategy and everyday operations.

Credit: VIA Rail

Our Mission: Passengers First

Our primary focus is our passengers. We work on improving our services and redefining VIA Rail to provide our passengers with the most enjoyable travel experience and to find better ways to connect Canadian communities. Safety is and will remain paramount.

Our Values

Go Further Together

We collaborate to yield better results. We deliver as one. We are accountable for our actions to gain and maintain the trust of our shareholder, our customers, and our colleagues.

Act for a Better Tomorrow

We understand that our actions today will affect the world we live in tomorrow. We embed sustainability as an important criterion in our decisions. We rethink our ways and we challenge the status quo. We reimagine the possible.

Go the Extra Mile

We put the customer at the centre of our decision-making. We put ourselves in the shoes of our passengers and our colleagues. We create positive experiences for both our customers and our colleagues, so they stay onboard.

Message from the Chairperson of the Board of Directors

Françoise Bertrand, O.C., C.Q.
Chairperson of the Board of Directors, VIA Rail

At VIA Rail, our goal is to offer our passengers a pleasant, reliable and accessible travel experience and to connect Canadian communities. Despite the turbulence caused by the pandemic and the exacting year we have just been through, we are sharply focused on modernizing our organization. It is largely thanks to the commitment, talent and support of VIA's employees that we were able to rise to the challenge and gradually resume our routes and frequencies as our passengers slowly returned to the rails.

We've made a lot of headway this year. While we adapted our operations and methods to ensure safe service for our passengers and staff, we also engaged our entire team and our ongoing strategic initiatives. We committed to a rigorous ESG approach, and we are proud to unveil, in the enclosed sustainability report, the ambitious plan that has already come out of this effort.

Significant Milestones in 2021

In the past year, we made tremendous progress in rolling out our new reservation system and took delivery of the first of 32 new trainsets as part of the Fleet Replacement Program in the Corridor. We are thrilled about reaching this critical milestone as we move towards having a whole new fleet on the rails by 2025. Accomplishing this will be a symbol of enormous pride for our teams and will signal the dawn of an era of a more transparent, independent and personalized travel experience for our passengers.

Following the tabling of the 2021 federal Budget, the Honourable Omar Alghabra, Minister of Transport, toured a number of cities to announce the first steps in the preparation of the procurement process for the High Frequency Rail (HFR) project, which would create a new rail service in the Québec City – Toronto Corridor. The HFR project would be a network of over 1,000 kilometres of mostly electrified tracks dedicated to passenger transport. VIA Rail brought forward the initial project proposal in 2016 with a view to modernizing intercity service and connecting even more communities in an environmentally sustainable way. Driven by the highest standards of accessibility, efficiency and comfort, this forward looking project would greatly improve the way Canadians travel and generate environmental, economic and social benefits for the region, and the country as a whole.

On behalf of the Board of Directors, I want to thank Transport Canada for its confidence in VIA Rail. It has been a pleasure to work so closely together, and I know we share the conviction that passenger rail, with its ability to connect communities and contribute directly to sustainable development goals, is truly the transportation of the future.

Our employees and managers have all worked so hard to handle all that COVID-19 has thrown at them, and we thank them for their courage and their dogged determination to hitting it out of the park when it comes to our passengers' safety and comfort.

An enormous thank you as well to our senior management team for their tireless work and their impressive agility in guiding our teams in making the necessary adjustments to gradually resume service, while also staying focused on what needs to be done to advance the organization's flagship projects.

I want to thank the members of the Board of Directors in particular for their unwavering support and their steadfast commitment to leveraging their know how to help VIA Rail achieve its goals.

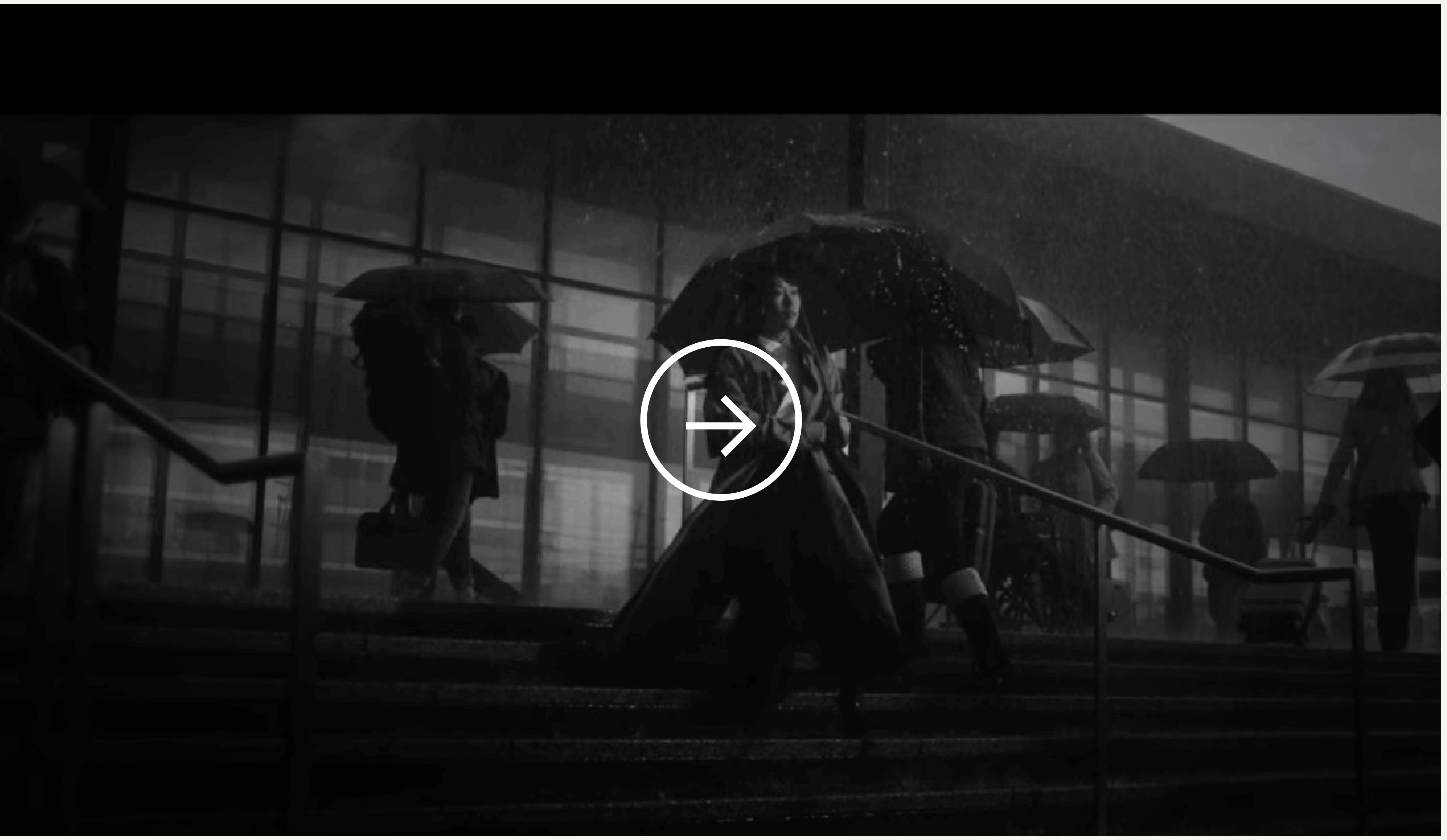
The time has come to modernize rail transportation in Canada. We have grown and learned from this past year's challenges and successes, and as we move into 2022, we are more committed than ever to remaining the top sustainable mobility solution for Canadians who love the way they travel.

Message from the President and CEO

Cynthia Garneau
President and Chief Executive Officer, VIA Rail

I am truly proud of what the entire VIA Rail team has achieved this past year. Despite the constant uncertainty and changes due to the ongoing COVID-19 pandemic that have completely disrupted our strategies, our business plans and also our lives, 2021 has been a surprisingly good year, one in which we have outdone ourselves. Thanks to our culture, our values and our talents, I am confident that all of us at VIA Rail will build on this experience and apply key learnings to go even further.

Since joining VIA Rail, my focus has been to have an impact by ensuring the execution of our modernization projects, by rallying stakeholders in support of our High Frequency Rail (HFR) project launch, inspiring Canadians with a strong sustainability plan, and motivating our employees through a corporate culture that embraces the values of collaboration, teamwork and kindness. All of this supports our vision of transforming VIA Rail from a traditional transportation company into a vehicle for sustainable change for Canadians.



Book your comeback

Modernization Is on Track

Throughout the pandemic, a growing number of countries have demonstrated that passenger rail responds effectively to a confluence of trends: from concerns about climate change to frustration with traffic congestion and the ever-increasing demand for sustainable mobility. We have therefore made a strategic decision to continue to focus and actively pursue our modernization agenda so that Canadians will eventually benefit from a faster, more frequent and more reliable service.

Over the past year, we took some critical steps towards the modernization of rail transportation in our country. The unveiling of our first train set for the new Québec City-Windsor corridor fleet is a testament to our ability to deliver on time, on budget and within technical requirements, despite all the disruptions we have experienced. I was privileged to host this historic moment for VIA Rail last November, in the presence of several key stakeholders and partners, at our beautifully renovated Ottawa station, the first VIA Rail station to become LEED certified. In addition to being one of the most environmentally responsible fleets in North America, our new trains will offer an unparalleled, fully accessible travel experience.

High Frequency Rail Moves One Step Further

High Frequency Rail would be the largest transportation infrastructure project that Canada has seen in decades. VIA Rail initially proposed this ambitious project in 2016. The project would enable significant environmental benefits, as most of the route would be electrified, and would bring important benefits to travellers through service improvements. After allocating nearly $500 million in the last federal budget for work that will help reduce bottlenecks and improve connectivity and fluidity, the government has announced a major milestone for high frequency rail: in March 2022, the launch of the Request for Expressions of Interest as the first step in the procurement process. There is absolutely no doubt in my mind that this nation building, growth-generating and environmentally friendly project is crucial to the future of sustainable mobility and the development of an integrated public transportation ecosystem that is tailored to the needs of communities in the most densely populated region of the country. In other words, HFR is a sustainable, unifying and socially equitable project. It is the result of extensive planning, informed by VIA Rail's 45 years of expertise in passenger rail service. The federal government can certainly continue to count on our close cooperation as we move towards the realization of the long-awaited HFR for Canadians.

ESG and Universal Accessibility as Building Blocks for Our Transformation

We are committed to providing Canadians with another reason to be proud of their national passenger rail service by offering improved mobility solutions and making a significant contribution to the fight against climate change, now and for generations to come. For me it was critical that VIA Rail develop ambitious ESG (Environment, Society, Governance) and accessibility action plans and commitments. I am particularly proud that our first sustainability plan has been adopted and is presented for the first time in this report. We have also chosen to subscribe to the international standards issued by the Global Reporting Initiative, a world reference in sustainability reporting, so that Canadians will be able to follow our achievements and progress on a regular basis in a credible and transparent manner.

In terms of accessibility, we continued to deliver on our three-year plan to provide a barrier-free travel experience for people with disabilities, enabling them to travel independently, comfortably and safely. I am proud of our accessibility initiatives in our stations, electronic systems and on the web. I invite you to discover our actions.

The Strength of Our Teams

Thanks to the collaboration, caring and professionalism of the VIA team we have been able to move forward with our most ambitious projects during the past year. Thank you for your commitment, your determination and your day-to-day contribution. Even when working remotely, it was important to me and to all our leaders to focus on listening and communicating with our colleagues. This consultative approach has enabled us to implement best practices in support of the mental health and well-being of our employees and to promote diversity, inclusion and equal opportunities. The willingness of all our employees to work together in this spirit has greatly contributed to our ability to implement our strategies. The recognition we received with the prestigious Canada Awards for Excellence in the category of Mental Health in the Workplace encourages us to continue on the path of active listening, collaboration and openness. I believe that this culture will inspire our employees, present and future, to contribute to the success of VIA Rail while achieving their full potential and developing the expertise and talents that are so valuable at a time when companies are redefining themselves.

I would also like to thank our management committee and board of directors for their unwavering support, and our valued customers for their continued trust and loyalty.

The Gradual Resumption of Our Services

The operational and financial results presented in this report reflect the state of the transportation industry worldwide. Unfortunately, the successive waves of the pandemic have taken their toll on the cautious recovery that was expected at the beginning of 2021. Again this year, I believe that we have responded to the crisis with agility, efficiency and speed, while at the same time managing the important financial impacts in a prudent and responsible manner. The situation now allows us to offer service on all our routes, and we continue, through the gradual resumption, to work with our partners and employees to increase services and frequencies as conditions allow.

It's Time

Despite the challenges brought on by the pandemic, and as we adapt to the post-pandemic ecosystem that is emerging, I am very hopeful about what VIA Rail will contribute to the future of Canada. I am also confident that we will achieve the vision we have for VIA Rail to be the smarter way to travel in Canada because we proved it in 2021! So, I firmly believe that it's time to modernize Canada's public passenger rail service, to transform the way Canadians travel from the moment they book their tickets to their arrival at their destinations. It's time to make Canada a nation where people can travel in a more accessible, more frequent, more inclusive, but most importantly, more sustainable way.

The Year at a Glance

Financial Results are produced according to International Financial Reporting Standards. Financial statement results by line have been reclassified to reflect the internal presentation.

	2021	2020	2019	2018	2017
KEY FINANCIAL INDICATORS (in millions of dollars)					
Total passenger revenues (1)	**118.2**	76.0	388.0	369.0	342.6
Total revenues (1)	**133.5**	**92.0**	**411.1**	**392.6**	**365.7**
Operating expenses (1)	**479.0**	482.0	663.4	633.4	592.6
Contributions for employee benefits (1)	**25.0**	25.8	28.4	31.8	38.4
Total Operating expenses (1)	**504.0**	**507.8**	**691.8**	**665.2**	**631.0**
Operating loss	**370.5**	**415.8**	**280.7**	**272.6**	**265.3**
Capital expenditures	**226.4**	252.9	268.8	123.8	88.4
Total Funding Required	**596.9**	**668.7**	**549.5**	**396.4**	**353.7**
Government Operating Funding	**370.5**	415.8	280.7	272.6	265.3
Government Capital Funding	**126.2**	88.5	112.4	121.8	88.4
Government Capital Funding – Fleet replacement program	**100.2**	164.4	155.3	0.0	0.0
Total Government Funding	**596.9**	**668.7**	**548.4**	**394.4**	**353.7**
Asset Renewal Funding	**0.0**	**0.0**	**1.1**	**2.0**	**0.0**
KEY OPERATING STATISTICS (2)					
Total passenger-miles (in millions)	**327**	227	1,055	992	954
Total passengers (in thousands)	**1,512**	1,147	5,008	4,745	4,392
Total seat-miles (in millions)	**668**	508	1,772	1,745	1,662
Operating deficit per passenger-mile (in cents)	**113.3**	183.2	26.6	27.5	27.8
Yield (cents per passenger-mile)	**35.4**	31.2	35.9	36.4	35.0
Train-miles operated (in thousands)	**3,647**	2,870	6,933	6,825	6,720
Car-miles operated (in thousands)	**18,472**	14,583	43,661	44,766	43,604
Average passenger load factor (%)	**49**	45	60	57	57
Average number of passenger-miles per train mile	**90**	79	152	145	142
On-time performance (%)	**72**	71	68	71	73
Number of full time equivalent employees during the period	**2,370**	2,825	3,308	3,207	3,011

(1) Financial statement amounts were adjusted to reflect funded activities.
(2) Key operating statistics are unaudited.

The Year at a Glance (cont'd)

The following operating statistics for 2021 reflect the continued impact of the COVID-19 pandemic on the Corporation's results. Although the situation has improved since 2020, the results reflect a continued deterioration compared to 2019.

The comparative operating statistics of years 2020 and 2019 are shown on pages 15 and 16.

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary – For the year 2021 (Revenues and costs by train service are unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$ 78,551	$ 226,736	$ 148,185	$ 180.60	$ 0.70	15,779	820,506
Québec City-Montréal-Ottawa	21,157	80,852	59,695	187.07	1.28	6,137	319,112
Corridor East	**$ 99,708**	**$ 307,588**	**$ 207,880**	**$ 182.41**	**$ 0.80**	**21,916**	**1,139,618**
Toronto-London-Sarnia-Windsor	18,531	73,182	54,651	171.54	1.36	6,127	318,589
Toronto-Niagara	0	0	0	n/a	n/a	0	0
South Western Ontario (SWO)	**$ 18,531**	**$ 73,182**	**$ 54,651**	**$ 171.54**	**$ 1.36**	**6,127**	**318,589**
Corridor	**$ 118,239**	**$ 380,770**	**$ 262,531**	**$ 180.04**	**$ 0.88**	**28,042**	**1,458,207**
Montréal-Halifax	2,100	16,345	14,245	1,487.73	2.55	184	9,575
Toronto-Vancouver	9,607	56,436	46,829	3,228.70	2.87	279	14,504
Longhauls	**$ 11,707**	**$ 72,781**	**$ 61,074**	**$ 2,536.40**	**$ 2.79**	**463**	**24,079**
Montréal-Gaspé	0	0	0	n/a	n/a	0	0
Montréal-Jonquière	173	4,479	4,306	1,043.12	6.92	79	4,128
Montréal-Senneterre	132	4,878	4,746	1,713.98	9.29	53	2,769
Sudbury-White River	110	3,420	3,310	1,341.17	8.71	47	2,468
Winnipeg-Churchill	2,892	28,151	25,259	1,491.17	6.08	326	16,939
Jasper-Prince Rupert	208	6,344	6,136	1,811.63	7.29	65	3,387
Mandatory	**$ 3,515**	**$ 47,272**	**$ 43,757**	**$ 1,473.75**	**$ 6.72**	**571**	**29,691**
The Pas and Pukatawagan (1)	n/a	$ 3,159	3,159	n/a	n/a	n/a	n/a
System	**$ 133,461**	**$ 503,982**	**$ 370,521**	**$ 245.06**	**$ 1.13**	**29,076**	**1,511,977**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan.

The Year at a Glance (cont'd)

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary – For the year 2020 (Revenues and costs by train service are unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$ 47,083	$ 209,856	$ 162,773	$ 281.47	$ 1.17	11,121	578,299
Québec City-Montréal-Ottawa	15,813	83,514	67,701	282.11	1.92	4,615	239,977
Corridor East	**$ 62,896**	**$ 293,370**	**$ 230,474**	**$ 281.66**	**$ 1.32**	**15,736**	**818,276**
Toronto-London-Sarnia-Windsor	16,247	72,586	56,339	198.71	1.62	5,452	283,528
Toronto-Niagara	344	4,552	4,208	1,026.34	12.69	79	4,100
South Western Ontario (SWO)	**$ 16,591**	**$ 77,138**	**$ 60,547**	**$ 210.50**	**$ 1.73**	**5,531**	**287,628**
Corridor	**$ 79,487**	**$ 370,508**	**$ 291,021**	**$ 263.15**	**$ 1.39**	**21,267**	**1,105,904**
Montréal-Halifax	1,551	31,169	29,618	3,599.22	6.82	158	8,229
Toronto-Vancouver	6,355	47,523	41,168	6,910.86	5.58	115	5,957
Longhauls	**$ 7,906**	**$ 78,692**	**$ 70,786**	**$ 4,989.85**	**$ 6.04**	**273**	**14,186**
Montréal-Gaspé	0	0	0	n/a	n/a	0	0
Montréal-Jonquière	183	4,828	4,645	1,275.40	7.79	70	3,642
Montréal-Senneterre	154	5,523	5,369	1,792.65	9.49	58	2,995
Sudbury-White River	80	3,973	3,893	2,052.19	14.44	36	1,897
Winnipeg-Churchill	4,000	34,192	30,192	1,932.29	8.55	300	15,625
Jasper-Prince Rupert	137	6,986	6,849	3,019.84	11.35	44	2,268
Mandatory	**$ 4,554**	**$ 55,502**	**$ 50,948**	**$ 1,927.88**	**$ 9.15**	**508**	**26,427**
The Pas and Pukatawagan (1)	n/a	$ 3,079	3,079	n/a	n/a	n/a	n/a
System	**$ 91,947**	**$ 507,781**	**$ 415,834**	**$ 362.69**	**$ 1.83**	**22,048**	**1,146,517**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan.

The Year at a Glance (cont'd)

KEY OPERATING STATISTICS BY SERVICE GROUP

Train Service Summary – For the year 2019 (Revenues and costs by train service are unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$ 205,965	$ 299,184	$ 93,219	$ 34.56	$ 0.15	48,681	2,697,438
Québec City-Montréal-Ottawa	63,496	85,079	21,583	23.05	0.15	16,658	936,552
Corridor East	**$ 269,461**	**$ 384,263**	**$ 114,802**	**$ 31.59**	**$ 0.15**	**65,339**	**3,633,990**
Toronto-London-Sarnia-Windsor	53,740	79,064	25,324	23.02	0.19	20,804	1,100,210
Toronto-Niagara	1,488	6,195	4,707	97.47	1.23	1,018	48,293
South Western Ontario (SWO)	**$ 55,228**	**$ 85,259**	**$ 30,031**	**$ 26.15**	**$ 0.22**	**21,822**	**1,148,503**
Corridor	**$ 324,689**	**$ 469,522**	**$ 144,833**	**$ 30.28**	**$ 0.16**	**87,161**	**4,782,493**
Montréal-Halifax	12,829	54,768	41,939	535.26	0.98	1,487	78,353
Toronto-Vancouver	67,916	116,763	48,847	594.72	0.48	1,579	82,135
Longhauls	**$ 80,745**	**$ 171,531**	**$ 90,786**	**$ 565.69**	**$ 0.63**	**3,066**	**160,488**
Montréal-Gaspé	0	0	0	n/a	n/a	0	0
Montréal-Jonquière	433	6,154	5,721	520.80	3.11	208	10,985
Montréal-Senneterre	417	6,701	6,284	604.93	3.30	186	10,388
Sudbury-White River	224	3,954	3,730	627.63	4.38	121	5,943
Winnipeg-Churchill	3,144	21,360	18,216	862.13	2.66	192	21,129
Jasper-Prince Rupert	1,405	9,816	8,411	515.16	1.62	307	16,327
Mandatory	**$ 5,623**	**$ 47,985**	**$ 42,362**	**$ 654.02**	**$ 2.55**	**1,014**	**64,772**
The Pas and Pukatawagan (1)	n/a	$ 2,762	2,762	n/a	n/a	n/a	n/a
System	**$ 411,057**	**$ 691,800**	**$ 280,743**	**$ 56.06**	**$ 0.27**	**91,241**	**5,007,753**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan.

Credit: VIA Rail

Review of Operations

It’s Time

While there was a great deal beyond our control due to the ongoing pandemic, at VIA Rail, we continued to progress on our modernization and transformation plans, and to position ourselves as a leader in sustainable mobility in Canada. Indeed, given the climate crisis and an unprecedented demand for sustainable mobility, the relevance of passenger rail is stronger than ever all over the world. Why? Because it’s time for a smarter way to travel.

New Ottawa Business Lounge
Credit: VIA Rail

Credit: VIA Rail

Creating the VIA of the Future

Following a year that tested our fortitude, demonstrated our resilience, and proved our agility, our goal in 2021 was to keep our eye on our North Star: our modernization program. Delivering this means transforming passenger rail service from reservation to destination by offering an improved customer experience, environmental performance, employee engagement, all while continuing to fulfill our mandate of operating the national passenger rail service and our mission to put passengers first.

Thanks to the dedication of our employees and partners, the first trainset of the new Québec City-Windsor corridor fleet was delivered as planned for testing. The Heritage fleet and station refurbishment projects achieved their milestones as well, while work on the development of our new reservation system continued to advance. The environmentally friendly and growth generating High Frequency Rail project also reached decisive milestones in 2021. And our new sustainability plan will ensure that VIA Rail continues to be one of the smartest and most sustainable ways to connect people.

Looking to the future, it is also crucial for VIA Rail to continue to protect its access rights to third party rail network. This is why VIA Rail works at developing its relationships with third-party host railways on which we operate 97.5% of our routes. To that end, in 2021 we have undertaken the renegotiation of some of our key access agreements in an attempt to modernize the terms and conditions around our access rights. All while trying to secure a safe and effective access to the entire rail network. As VIA Rail shares its access to the network with many freight carriers, adding frequencies remains a challenge as control on our departure, arrival and trip times is in a strong proportion dependant on host railway performance. Our approach is to try to apply best practices to an agreement based on capacity and punctuality performance management which VIA Rail believes can improve performance for host railways and above all, our passengers.

Sustainability

This Annual Report also provides an integrated overview of the updated priorities and progress made by the organization on its new sustainability plan. An overview is provided on page 63, and references are highlighted throughout the report.

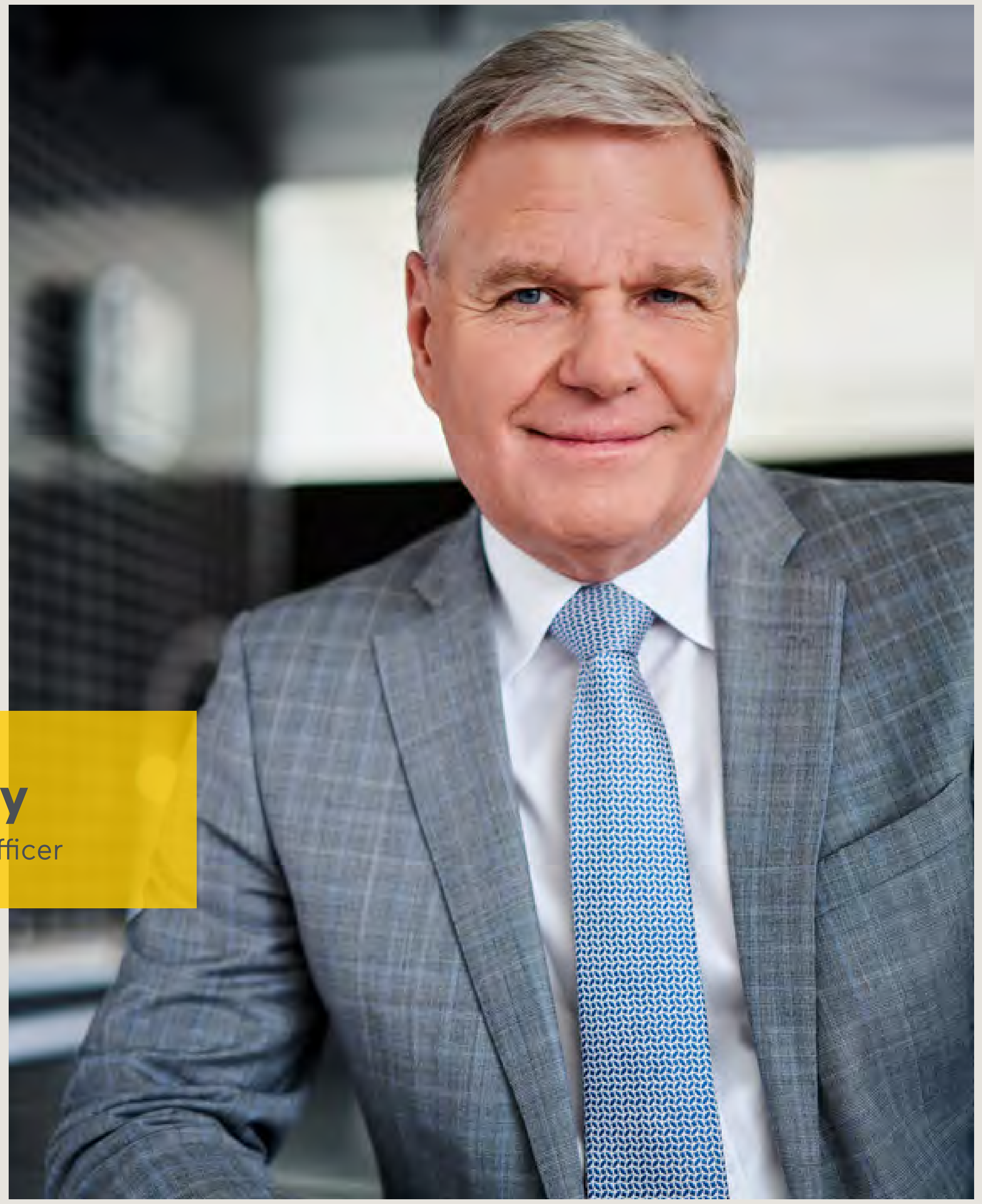
Commercial

Credit: VIA Rail

Commercial

It’s Time to Get Back on Track

Credit: VIA Rail



Martin R Landry
Chief Commercial Affairs Officer

"Our vision for the customer experience is one in which everyone can define and select every key attribute of the trip, where personal needs and tastes are met, and all is done simply and seamlessly. Together, this will mean that passengers can travel in a personalized class of their own."

Martin R Landry, Chief Commercial Affairs Officer

It's Time to Get Back on Track

The adage "seeing the light at the end of the tunnel" perfectly captured our situation in 2021 as we began the progressive resumption of service across our network.

Guided by the health and safety of passengers and employees alike, and fulfilling our mandate, VIA Rail progressively resumed operations across our network as public health conditions improved.

While much of our effort was managing the minutiae of returning to service in a complex environment, we also invested considerable resources to "set the table" for a list of upcoming exciting modernization projects. For example, new and refurbished trains mean a whole new level of comfort and convenience and consistent offerings in terms of the type and age of train cars, every day, in every travel segment.

The customer journey before, during and after the trip will be equally transformed with our new online reservation system which will offer a more seamless, convenient, personalized, and autonomous travel experience. And we also remain focused on our objective of providing a barrier-free and universally accessible transportation option and we made great strides in 2021 with innovations to both the interior and exterior of our trains.

The results of all our efforts over the last few years are being recognized: VIA Rail was named one of the most trusted brands in Canada by the Gustavson Brand Trust Index, presented by the Peter B. Gustavson School of Business at the University of Victoria. For a third year in a row, we ranked first in the Transportation category.

It's Time to Move

Credit: VIA Rail

Return to Service

Lise Fougere
Counter Sales Agent — Bathurst, New Brunswick

It's Working

"I work in a little station in Bathurst, NB and kind of do it all, from reservations to baggage handling, payroll, and cleaning. Back in 2020, none of us knew what to expect and there was a lot of fear too. Like others, we watched the news while our kids were staying at home; and, while we were pretty lucky here in New Brunswick, everything still changed.

But we got through it, and it was because VIA Rail was there for us. They offered support, provided tools and online services and, importantly, kept us in the loop even if they didn't have all the answers. They were always available and, as usual, always personal – my manager even knows my husband's and kids' names!

And now, it is amazing to see how fast business is coming back. People really want to see their grandkids again and we resumed frequencies on the Ocean route, and we are moving forward with our modernization projects like the new reservation system. I'm a 'super user' for that project and doing testing right now; it's amazing."

Lise Fougere, Station Agent, Bathurst, New Brunswick

Back on Track

Pre-pandemic, VIA Rail operated over 450 trains per week across Canada, serving over 5 million passengers on a network of approximately 12,500 kilometres. In early 2020, this volume essentially ground to a halt and gradually increased to reach 1.1 million passengers and 227 million passenger miles by year end. By the end of 2021, we were able to welcome a growing number of passengers back on board, with 1.5 million passengers representing 327.1 million passenger miles, while keeping strict health and safety guidelines in place across the network.

Armed with our acquired experience of operating under pandemic conditions and revised travel guidelines, we continued to progress in 2021 on our gradual service resumption plan. It employs a balanced approach to fulfill our important public service mandate – keeping in mind the flexibility required to adapt to major changes in the pandemic – while proactively managing the financial impacts on our operations.

→ Frequencies in the Corridor were adjusted to meet market demand.

→ Regional train services continued on a reduced basis.

→ The Churchill-Winnipeg route continued to operate at 100% frequency.

→ Previously suspended, our popular *Ocean* route from Montréal to Halifax returned to twice-weekly service in December.

→ The iconic *Canadian* will continue to operate a single frequency between Toronto and Vancouver until May 2022 when we plan on resuming a second Toronto to Vancouver return frequency.

Overall, the return to service framework is designed to provide safe, reliable, and enjoyable service right now, and to provide a solid operational foundation for the introduction of various elements of the transformational modernization plan. So far, we are on track.

Continue to progress our service resumption plan as conditions allow.

Actions

Implement a gradual service resumption plan while continuing to protect the health and safety of our passengers and employees by following recommendations from government and public health authorities.

Progress

We gradually resumed our operations when conditions allowed.

Credit: David McCormack

Health and Safety

Our Number One Priority

The health and safety of our passengers are our top priority. This applies to every interaction we have with customers, from booking to arrival and we continue to ensure that we keep everyone moving in a safe and smart way.

In the context of the pandemic, we continued to implement health and safety measures such as strict protocols of sanitary measures, a mask policy, and pre-boarding health checks.

Keeping in mind rapidly changing circumstances – and related stress – we offered flexible booking that allowed passengers to cancel their reservation at any time prior to departure with a full refund and no service charges.

Closely following the evolution of the pandemic, the Corporation was always ready to revise its service offering in line with the latest developments and with major changes related to the health crisis.

These initiatives, combined with a continued emphasis on hygiene and maintenance, resulted in VIA Rail remaining one of the safest ways to travel in 2021.

Credit: VIA Rail

Customer Feedback

Satisfaction

Returning to full service is an overarching goal. At the same time, we are focused on meeting the needs of our passengers. We are never satisfied with anyone simply *needing* to travel with us; rather, we aim to provide a level of service that makes them *want* to. And do so repeatedly.

We realize that achieving this is no small feat, but results from our 2021 customer satisfaction survey revealed that 80% were "highly satisfied" with the onboard experience and 73% were "highly satisfied" with health and safety measures. VIA Rail also scored very well in other categories. These extremely high levels of satisfaction matched those achieved by VIA prior to the pandemic and demonstrated the extent to which we met and exceeded passenger travel expectations during this challenging period.

VIA's Net Promoter Score, an index that measures the willingness of customers to recommend a company's products and services to other, maintained its pre-pandemic and industry-leading level.

What all this means, of course, is that our passengers recognize our efforts in the things that they care about the most and that VIA Rail's employees delivered once again in challenging circumstances.

Onboard experience

80%
highly satisfied

Health and safety

73%
highly satisfied

Responsible sourcing

Canadians want to find new and better ways to reduce their environmental impact while improving their local economies. Responsible sourcing is a practical and effective way to do this. At VIA Rail, more than 90% of our suppliers are Canadian-based companies. Through responsible sourcing, we plan to integrate sustainability criteria into supplier selection to reap social, environmental and economic benefits.

In 2021, as part of VIA Rail's new sustainability plan, we developed a Policy on Supplier Conduct and Responsible Sourcing, planned for launch in early 2022. The framework reinforces the basic conduct that VIA Rail has implemented and expects from suppliers we do business with, including ethics, labour practices, health and safety and the environment, and identifies sustainability criteria that can be required in contracts. We expect that this approach will result in lower negative environmental and social impacts and fewer risks throughout our entire value chain.

Credit: VIA Rail

Security

4
incidents

1.10
ratio of passenger miles/incidents


Credit: VIA Rail

Credit: Jad Limcaco

Stay safe!

With safety always at the forefront of our activities, VIA Rail continued in 2021 to contribute to minimize incidents at level crossings and throughout our operations and facilities. Our approach: building stronger awareness among employees, passengers, and the public at large.

During Rail Safety Week in September 2021, VIA Rail once again joined rail organizations, governments, police, unions, and many public organizations and community groups across North America to remind everyone of the importance of rail safety. Coordinated by Operation Lifesaver (OL) here in Canada, this weeklong event aimed to empower people to keep themselves safe near railroad crossings and rail properties.

VIA Rail police officers continued to be involved in the community to promote rail safety, carried out daily focused patrols in problematic areas on our network, and worked to educate passengers, road users, pedestrians, and our employees about the importance of staying safe around tracks.

Modernization

Credit: VIA Rail

Modernization

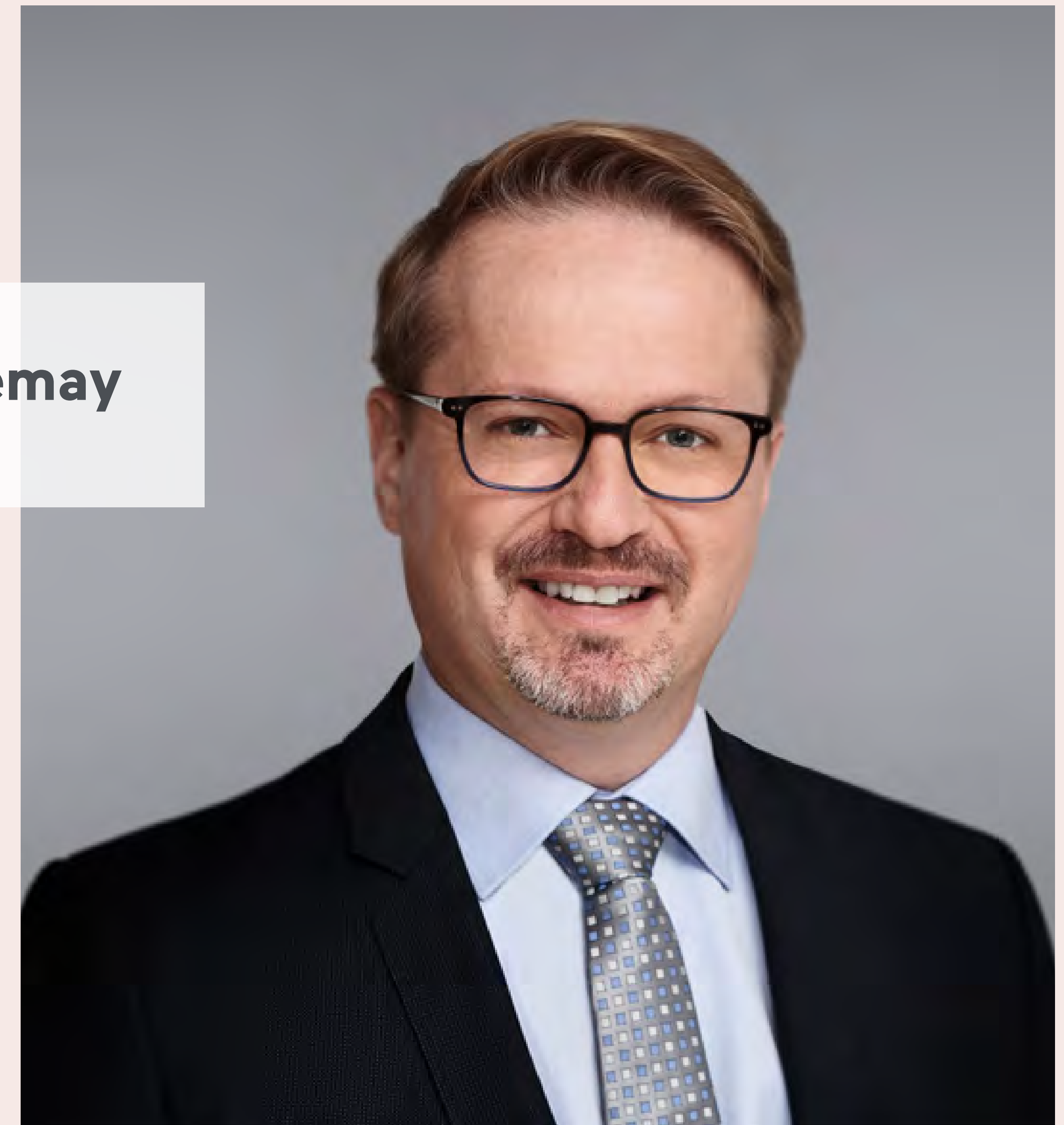
It’s Time to Transform

New Corridor Fleet
Credit: VIA Rail

It's Time to Transform

"While a lot of our attention was directed to day-to-day operational challenges and, in particular, the resumption of services, we never lost sight of our modernization efforts. With most new initiatives beginning to bear fruit in 2022, this was really a 'get ready' year: upgrading systems, training teams, assessing and improving maintenance facilities, and investing in infrastructure. And, while most of this is invisible, it is the foundation for our success."

Dominique Lemay, Chief Operating Officer



Dominique Lemay
Chief Operating Officer

As the demand for sustainable mobility grows, the relevance of passenger rail is stronger than ever. This is why we have been working for several years now on our modernization program: it's time to reimagine the way Canadians travel from reservation to destination.

Providing sustainable, efficient and effective passenger rail service for Canadians who expect us to continually improve our services and, despite pandemic-related adversity, we are proud to have hit many major milestones on our modernization path.

The first trainset of 32 that will comprise our new Corridor fleet was delivered for testing. Once put into service, the fleet will offer an unparalleled, fully accessible, and barrier-free travel experience and will be one of North America's most environmentally friendly.

The Heritage program which involves the modernization and refurbishment of 71 train cars in VIA Rail's HEP fleet also continued in 2021. The renovated cars which will operate primarily on the Corporation's long-distance and regional routes will offer, as well as other benefits, an enhanced travel experience through upgrades related to the comfort and the interior of the cars.

We also continued to prepare for the launch of our new reservation system which will provide a more seamless, convenient, autonomous, and personalized service for every customer before, during and after their journey.

In April, the 2021 Federal Budget proposed to provide VIA Rail with $491.2 million over six years, starting in 2021-2022, for infrastructure investments that will help reduce bottlenecks, improve fluidity and connectivity.

Steady progress was made in 2021 regarding the High Frequency Rail (HFR) project along with the July announcement by the federal government that the first steps are being taken for the procurement process. By connecting more communities to one another, offering more departures, shorter trip times and a better on-time performance, HFR will transform passenger rail service for generations to come.

New Corridor Fleet

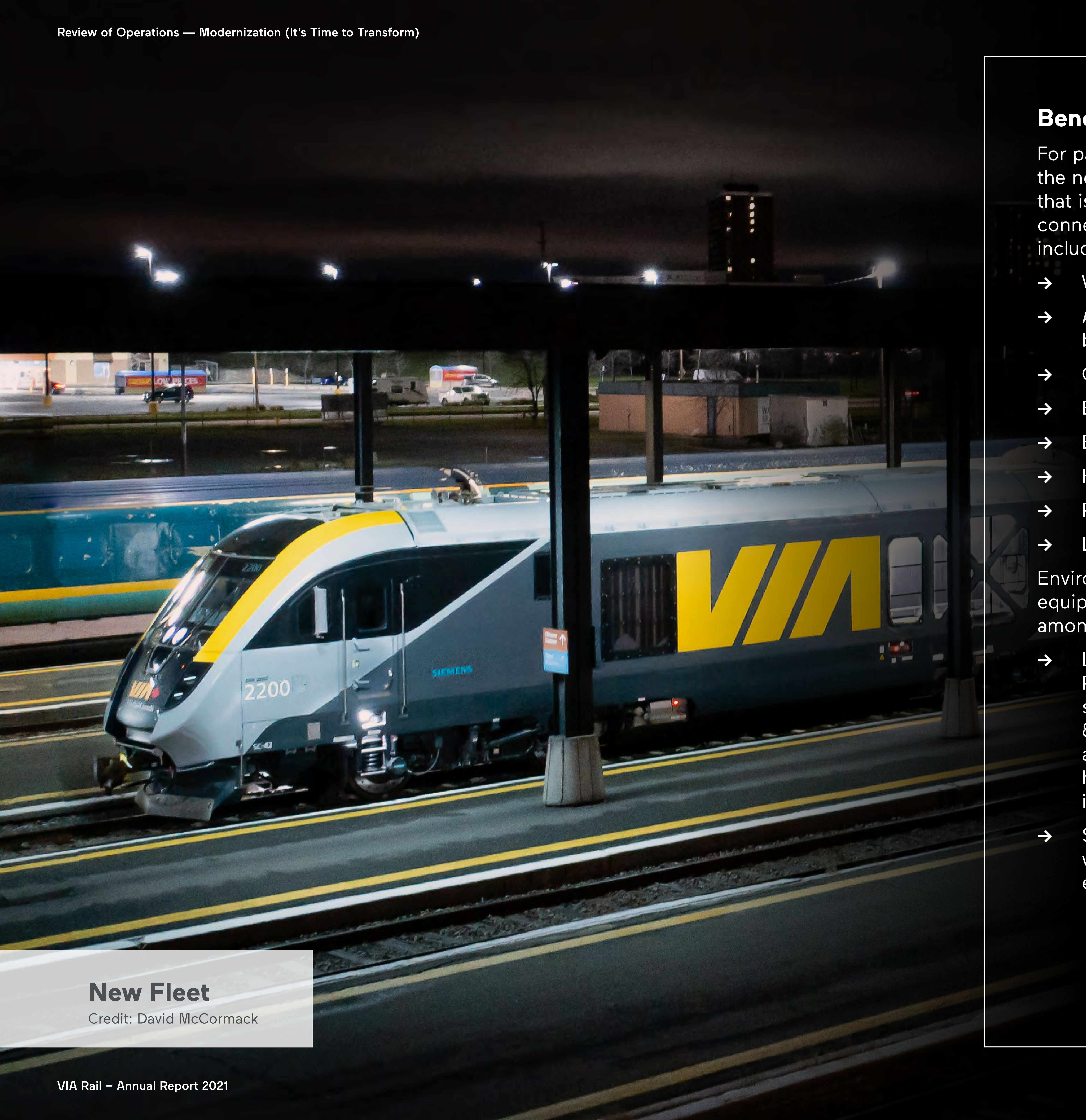
Investing in the Future

Launched in 2018, VIA Rail's Corridor Fleet Replacement program will allow millions of passengers travelling our busiest routes in the Québec City – Windsor corridor – to experience a new age of rail transportation. The new fleet will showcase a long list of state-of-the-art attributes, including comfortable and flexible interiors, unparalleled accessibility features, and cleaner and lower emission operations. And it will be bidirectional, capable of operating in either direction, thus speeding up turnaround times.

The new Corridor fleet is a key building block of VIA Rail's transformation as a leader in sustainable mobility: in addition to being one of the most environmentally friendly fleets in North America, this new modern fleet will offer our passengers an unparalleled, barrier-free, and fully accessible travel experience.

New Fleet News: Cabin Interior Design

New Corridor Fleet
Credit: VIA Rail



New Fleet
Credit: David McCormack

Benefits

For passengers travelling the Corridor, the new fleet will offer a travel experience that is more comfortable, productive, connected, and flexible. Features will include, amongst others:

- Wider aisles;
- Automatic touchless interior doors between vestibules and seating areas;
- Comfortable and ergonomic seats;
- Business class pods;
- Bike racks;
- High-speed reliable data connection;
- Passenger information system; and
- LED lighting and USB ports.

Environmental considerations also drove our equipment selection. Features include, amongst others:

- Locomotives that meet the Environmental Protection Agency's Tier 4 emissions standards which will allow for an 85-95% reduction in particulate matter and Nitrogen Oxide emissions and hence significantly contribute to improving air quality;
- Some of the features of the new fleet will also allow for a reduction in CO_2 emissions compared to existing trains;
- Adjustable baggage towers that will be able to accommodate large items such as bikes hence contributing to intermodal travel; and
- Optimized waste management on board.

The new fleet will also provide a barrier-free and fully accessible travel experience that better meets the needs of people with disabilities and their support person including amongst others:

- Five Mobility Aid spaces per trainset;
- Each trainset will have three cars with onboard wheelchair lifts available in Economy class and Business class;
- Onboard announcements available in both audio and visual formats;
- Large and fully accessible washrooms with emergency and attendant call buttons;
- Mobility Aid spaces will have power and USB outlets, adjustable tray tables;
- Braille and embossed signage;
- A baggage rack dedicated to users of Mobility Aid spaces;
- At-seat attendant call buttons at Mobility Aid spaces;
- More space available for support dogs; and
- A jump seat available in Mobility Aid spaces for support persons (if needed).

Environmental Management

With environmental management as a key pillar in our new sustainability plan, VIA Rail has committed to the ambitious goal of offering a zero-waste experience on board its new Corridor fleet by 2025. While we don't yet have all the answers, we are using this objective to drive our entire team to reduce our environmental footprint to the maximum. And our passengers and our planet will benefit.

In 2021, we conducted a thorough assessment of our current situation and developed a comprehensive strategy. Our first step was to inventory all products offered on board and prioritize replacements based on material availability, cost, and complexity. We then completed a seven-day waste audit to set the baseline to confirm the process and equipment changes required to collect and sort different types of waste on board. With this baseline data, we focused on a three-tier approach: reduce materials sourced on the train; set up effective waste sorting and organic waste collection on board; and optimize waste collection and processing outside trains.

We are confident that these initiatives, combined with sourcing innovative new alternatives, will result in concrete progress towards our goal.

→ **32** trainsets

→ **8,992** seat capacity

→ All in service by **2025**

Credit: VIA Rail

Commitments

Reimagine the way Canadians travel with a state-of-the-art new fleet, which passengers will be able to enjoy starting in Q4 2022 with the commissioning of the first trainset.

Actions

The VIA Rail project team and Siemens Canada ensure that milestones are met.

Progress

First trainset delivered as planned in September 2021 for winter testing.

Heritage Fleet

→ **20%**
of global fleet being modernized

→ **2,000**
hours required to replace 350 components on each locomotive

→ **2018**
program launch

→ **Prototype EPA-42**
locomotive put into service

Heritage fleet
Credit: VIA Rail

Heritage fleet
Credit: VIA Rail

Refurbish

Another key project of our modernization program is the transformation of our Heritage fleet, that will, among others, improve the travel experience of our passengers through comfort and interior design upgrades.

Launched in 2018, this program involves the modernization and refurbishment of 71 cars in VIA Rail's HEP fleet. Once our new Corridor fleet is fully operational, these refurbished cars will operate on our long-distance and regional routes across the country.

Changes made to the Heritage fleet during 2021 included the addition of new and refurbished seats, new lighting and ventilation systems, power outlets at every seat, additional baggage compartments, and revamped washrooms.

The project will also result in better operating performance by reducing the risk of breakdowns, improving employee safety, and increasing reliability.

Commitments

Modernization and refurbishment of 79 train cars in HEP fleet to be deployed on long-distance and regional routes.

Actions

100 employees developing and implementing refurbishment program.

Progress

First cars completed.

New Reservation System

"Our new reservation system will be far more than a transactional component. It will be an integral part of our service delivery and a key companion in making VIA Rail's travel journey seamless from beginning to end. This transformational project will create a platform that can evolve according to the needs and expectations of our travellers. We are building the foundations today to welcome tomorrow's travellers."

– Bruno Cacciola, Chief Business Transformation Officer

Better Experience

The goal of our new reservation system is to enable the best customer experience possible. Replacing our 20-year-old legacy system, our new reservation platform will be a seamless end-to-end automated solution that is characterized by a user-friendly and autonomous experience, something our customers and staff have been seeking.

The system, while focusing on reservations, will enable VIA Rail to offer a greater range of information and service offerings through the planning, purchase, travel, arrival and post-arrival period, all allowing for more personalized customer service. This platform is designed to be scalable as we introduce the new fleet and is aligned with Canada's Digital Standards to best serve passengers. It will also allow for integration with our Customer Relationship Management system.

Currently undergoing testing by super-users and others within the company, our new reservation system will also reduce the learning curve for new employees, offer an "employee-first" interface, and provide a toolkit that enhances the delivery of services.

High Frequency Rail

More Connections

Since our inception in the 1970s until today, we have been operating infrastructure that belongs to freight train companies. This limits our access, thus directly affecting the number of frequencies, the schedules, the number of cars per train and the on time performance of the services we can offer. As such, while we saw a record high ridership in 2019, we are reaching the limits of our potential to serve the growing demand for sustainable transportation.

Indeed, connecting more communities, expanding our reach and availability, and leading the way to more places, possibilities and growth opportunities — from tourism to transportation to job creation — is dependent on changing this situation.

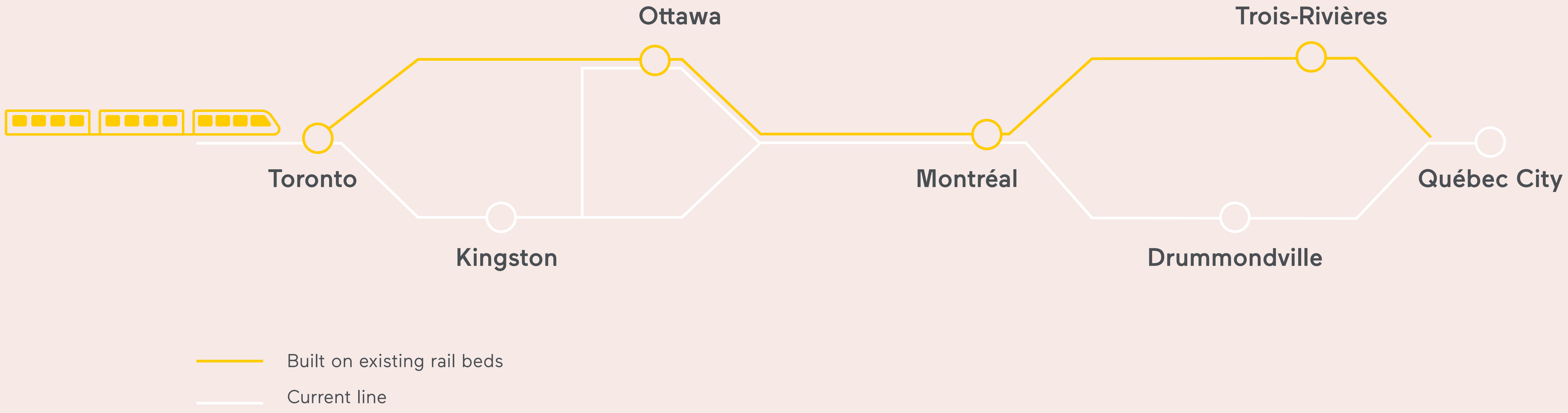
The solution is clear. High Frequency Rail (HFR) would transform the way Canadians travel by upgrading and building tracks that will be dedicated to the transportation of passengers. This project, which is crucial for the future of sustainable mobility in Canada would also benefit VIA Rail's current network. In fact, HFR could transform cities we already serve into regional transportation hubs and would offer communities along the Toronto – Montréal – Québec City route better schedules and tailored services.

By realizing this vision, residents of the most densely populated region of the country would enjoy access to a more modern and sustainable transportation network. In addition to connecting more communities to one other and to major urban centres, as well as their public transit systems and international airports, HFR would offer more daily departures, reduced travel times and a greatly improved on time performance.

Not only that, but HFR would be designed with game-changing environmental performance in mind as most of this new network would be electrified, hence contributing to the reduction of greenhouse gas emissions.

High Frequency Rail is destined to connect more people and places and, in 2021, decisive steps were taken.


Credit: David McCormack



VIA Rail HFR proposal

Federal Support

In July 2021, the Minister of Transport, the Honourable Omar Alghabra, announced that the Government of Canada was taking the first steps in preparing for the procurement process for the High Frequency Rail project between Toronto to Québec City. This included, amongst others, engaging Indigenous groups and communities to obtain feedback on the project as well as accelerating dialogue with partner railways to negotiate dedicated routes in and out of city centres.

Climate Action

High Frequency Rail supports the Government's commitment for Canada to be netzero by 2050 while also contributing to the priorities outlined in the Federal Sustainable Development Strategy.

In addition to contributing to the reduction of road congestion and, given that most of this new network would be electrified, HFR would be one of the most environmentally friendly means of transportation.

We are also working towards solutions that can deliver environmental results sooner.

VIA Rail achieved its objective of reducing Greenhouse Gas (GHG) emissions by 20% by 2020 compared to 2005, and is on track to reducing GHG emissions by 30% by 2030, we plan to increase this target as part of our commitment to carbon neutrality by 2050 and are deploying supporting initiatives right now.

For example, in 2021, we kicked off a pilot project to test artificial intelligence (AI) capabilities to reduce fuel consumption and greenhouse gas emissions in our rail operations. In collaboration with Transport Canada and Innovative Solutions Canada Testing Stream, VIA Rail matched with start-up company, RailVision, to test an AI-driven app that can analyze many variables to provide the best driving recommendations to locomotive engineers to improve fuel consumption. This six-month project aims at demonstrating a new way to reduce costs while improving environmental performance.

Credit: VIA Rail

People

Credit: VIA Rail

People

It's Time to Connect


Credit: Getty

Martine Rivard
Chief Employee Experience Officer

"There is a long list of accomplishments that defined the year, but perhaps the most important is the way everyone pulled together to deliver on our Mission. In the next steps on this journey, we remain mindful of the need to be flexible and to discover new ways to work, openly and creatively."

Martine Rivard, Chief Employee Experience Officer

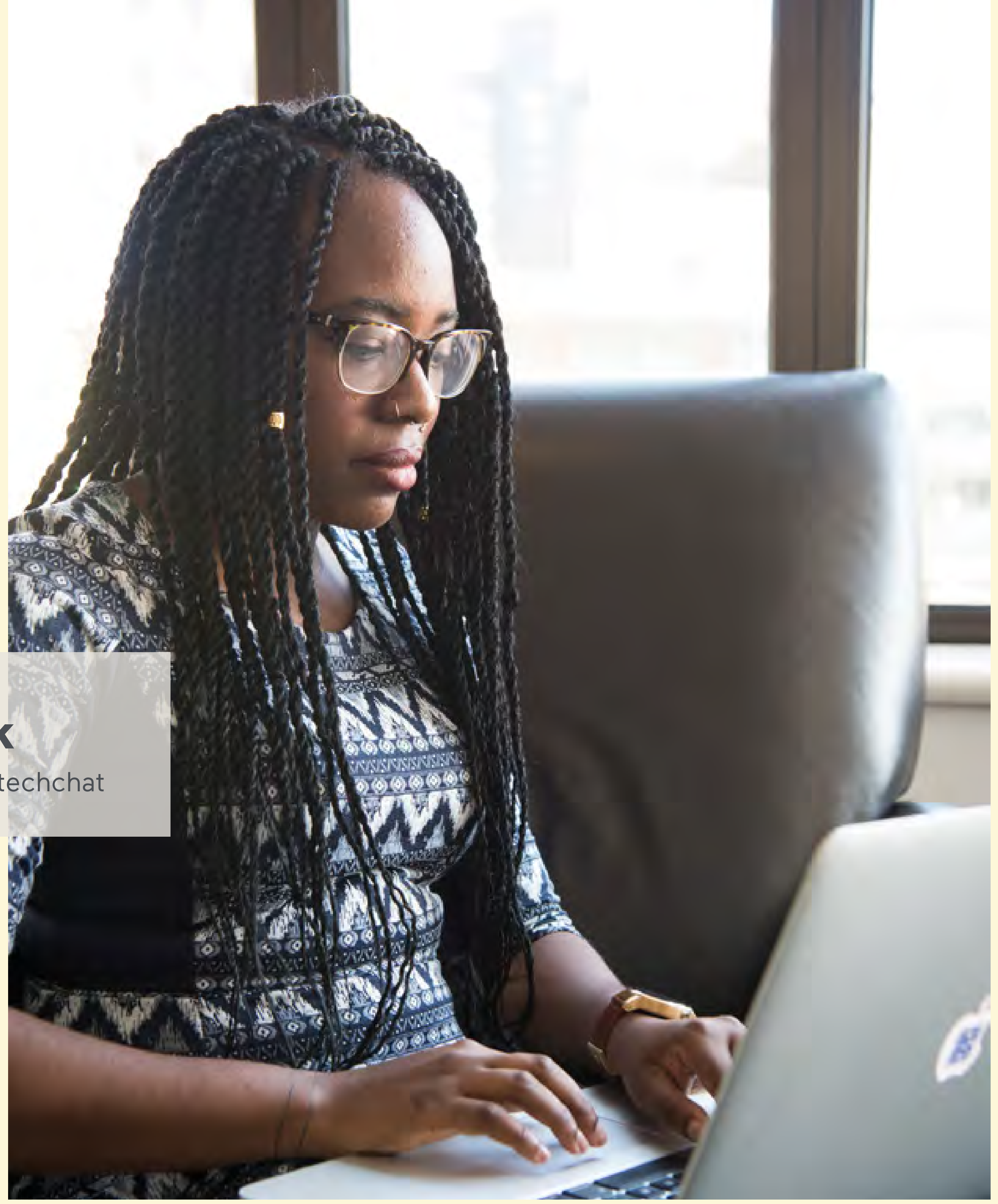
As the pandemic continued into 2021, the ability of every employee to adapt was tested – whether it be on board our trains, in our stations, maintenance centres or offices.

But despite the challenges and difficulties brought on by two consecutive years of a global pandemic, our teams' dedication and resilience enabled us to continue to deliver the excellent service for which we are known and, most importantly, to fulfill our mission of putting our passengers first.

In fact, by the end of the year, every key milestone in the modernization program was reached thanks to the dedication of our staff.

As the year progressed, some employees temporarily laid off started to return to work when VIA Rail gradually resumed its services on various routes, and plans were developed so that those working remotely could soon reconnect with their colleagues. We are entering 2022 with high expectations that progress will not only continue but also accelerate and that what we've learned will serve us and our customers well.

Employee Experience



Remote Work
Credit: Christina Wocintechchat

Coming Together

Much changed during 2021 as many of our employees went from 100% remote work – itself an adventure in adaptation and learning – toward returning to the office as the health situation allowed it. Considering the need to balance the necessity and benefits of both situations, as we were preparing to return to the office in 2022, VIA Rail presented a hybrid model that will come into effect once the official return to work is launched.

To facilitate this transition, we created working groups, surveyed employees, and invited volunteers to participate in feedback sessions. The goal was to find the most productive solution possible under the circumstances and constraints. What we learned was that many appreciated some of the practical benefits of telework (e.g., less commuting), but also that some missed personal contact and relationships.

Our new approach for those working in our facilities in Place Ville Marie and Gare Centrale in Montréal and Front Street in Toronto will focus on flexibility, while respecting health and safety considerations, organizational effectiveness, and meeting employees' needs.

Collective Progress

On March 15, 2021, VIA Rail announced the ratification of collective agreements 1 and 2 by the members of Unifor Council 4000, the union representing more than 1,600 VIA Rail employees in stations, on board trains, in call centres and in administrative offices. And on May 15, our unionized employees working in maintenance centres and represented by Unifor, Local 100, ratified collective agreement 3.

These two-year agreements (from January 1, 2020, to December 31, 2021) include a 2% wage increase for 2021, benefits improvements as well as the review of several work rules.

Negociations for the renewal of these three collective agreements with representatives of Unifor and VIA Rail will continue in 2022.

Recognition

Commitment to improving our employee experience did not go unnoticed; least of which by Forbes magazine! In 2021, it ranked VIA Rail among the ***Top 50 Best Employers in Canada***, placing 49th in the ranking – up from 109th previously – and 4th in the transportation industry. The ranking is the result of a survey of 8,000 employees working for companies with 500 or more employees, in more than 25 industries in Canada.

This prestigious award is recognition of VIA Rail's determination to build an engaging employee experience while offering an inclusive and innovative culture.

Our own internal surveys reveal part of the reason behind this. The participation rate in the engagement pulse survey rose significantly from 43% in 2020 to 61% in 2021, a clear sign that our employees want their voices heard. While the engagement score declined (from 67% to 61%) following now two years of ongoing challenges, each business unit is developing action plans to address the concerns of all employees.


Credit: VIA Rail

→ **3,428** employees

→ **76.8%** unionized

→ **23.1%** non-unionized

→ **50%** active workforce 2020

→ **81%** active workforce 2021


Credit: VIA Rail

Health and Safety

Health for Life

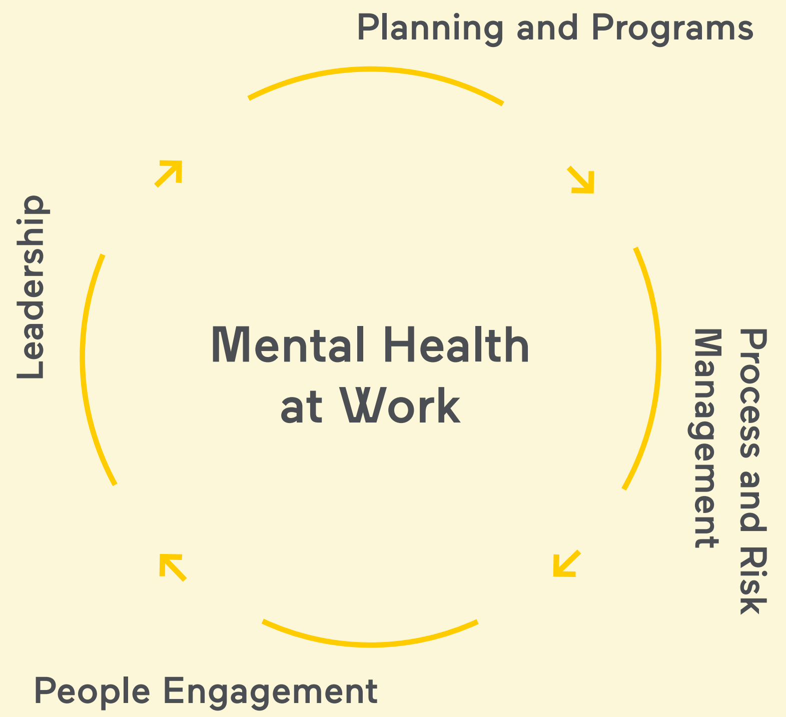
At VIA Rail, we care deeply about our employees' health and safety and over the last several years, we have worked tirelessly to improve our wellness offerings as well. The goal: to help our employees protect their most valuable assets: their physical and mental health.

Addressing the mental health challenges associated with the added stress everyone has been living with during the pandemic has been especially relevant.

Guiding our initiatives to more emotional resilience is our commitment to:

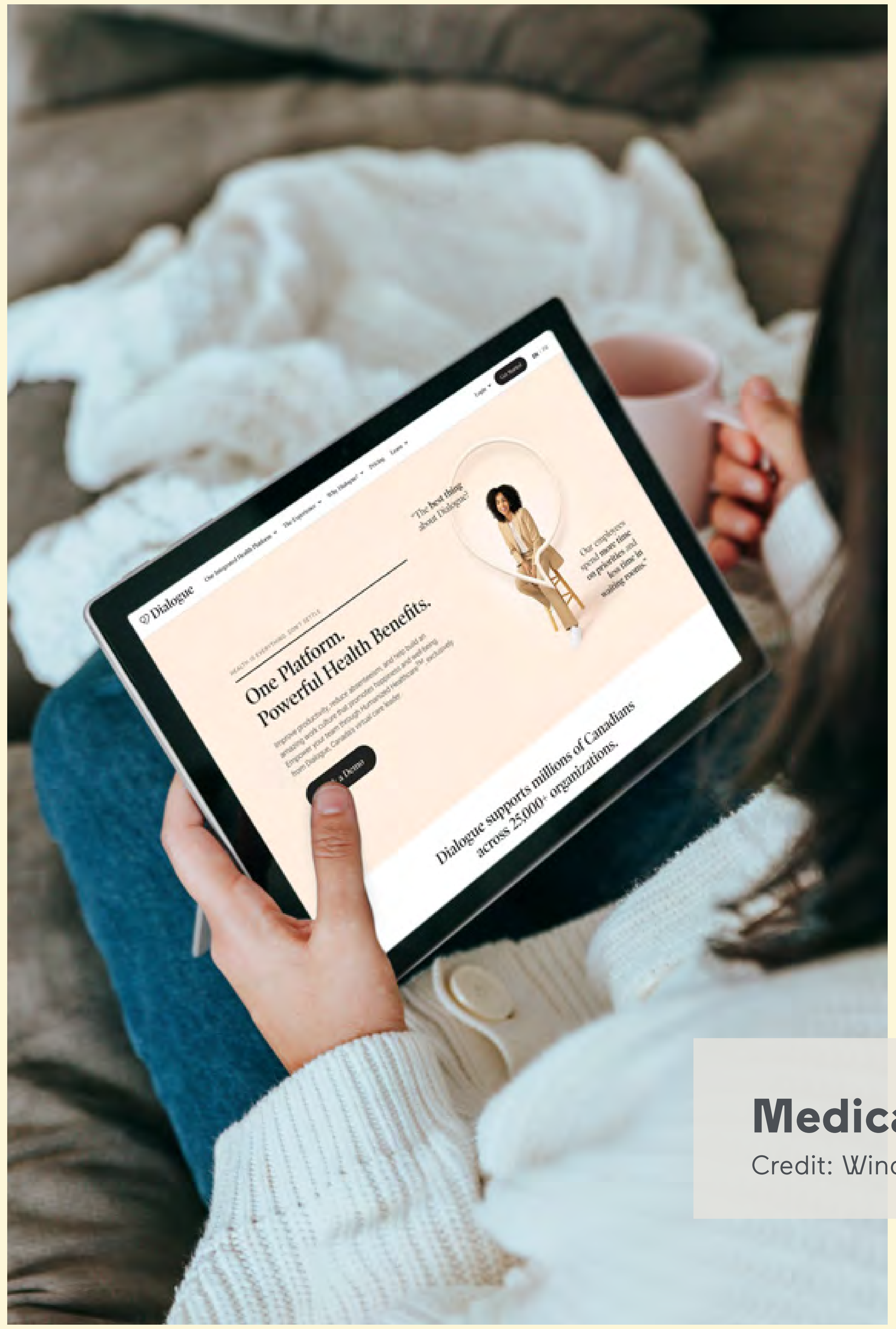
- **Respect and inclusion:** creating winning conditions for employees to feel accepted, respected and supported so they can give the best of themselves;
- **Favourable policies:** implementing policies that will help us take care of ourselves, both as individuals and as an organization;
- **Psychological health:** providing a healthy, safe and inclusive environment and the support that employees need to address mental health issues without the fear of being judged or suffering repercussions;
- **Access to resources:** facilitating access to psychological health resources and training; and
- **Network of ambassadors:** working with our network of VIA Wellness ambassadors to promote health and well-being.

To bring these principles to life, VIA Rail has partnered with several health services providers and developed tools to help our employees thrive with programs such as *Lifeworks* (providing support for employees and families on fitness, nutrition, finances, elder care, and more), *Lifespeak* (providing free access to a virtual directory of educational videos on topics such as quitting smoking, relaxation techniques, relationship advice, better sleep, and more), and *Dialogue* (see Sidebar).



Source: excellence.ca/mental-health-at-work/

And the results are encouraging: In November, VIA Rail was proud to be awarded the prestigious *Canada Awards for Excellence* in “the Mental Health at Work” category, the highest recognition of organizational excellence in Canada. This award highlights VIA Rail’s ongoing commitment to supporting the well-being of its employees in a variety of ways and is an eloquent testimony to VIA Rail’s core value of going further together and collaborating in our teams to yield the best results for our customers and our colleagues. From the implementation of health tools and resources to the creation of a network of VIA Wellness Ambassadors to promote health and wellness, to the continuous efforts made by our managers to apply best practices in health and wellness in their daily work with their teams, the Canada Awards for Excellence is a result of tremendous work by the entire organization.



Medical Consultation
Credit: Windows

Dialogue

VIA Rail has partnered with *Dialogue* – an integrated mental health program designed to improve the well-being and productivity of employees – to offer support from health professionals to improve employees’ psychological well-being.

The focus of this endeavour is on stress management and features proactive screening to assess stress levels and detect potential mental health problems, and to implement healthier habits. Included are:

- Free and unlimited psychotherapy sessions;
- Well-being screening;
- Medical follow-ups until remission; and
- Nurse evaluations.

Employee Vaccination

In October 2021, the Government of Canada required employers in the federally regulated air, rail, and marine transportation sectors to establish vaccination policies for their employees.

In line with these requirements, VIA Rail developed a mandatory vaccination policy for its employees, with limited exemptions. Those who had not begun their vaccination process by November 15 were placed on administrative leave.

As of the end of the year, over 96% of VIA Rail active employees were fulfilling vaccination requirements against the COVID-19 virus.

Passenger Vaccination

VIA Rail unveiled its mandatory vaccination policy in line with a Ministerial Order issued by Transport Canada. As such, since October 30, 2021, passengers over 12 years and 4 months are now required to show a proof of vaccination against COVID-19 to be able to travel on VIA Rail trains, as well as to access Business lounges. To allow passengers time to become fully vaccinated, there was a one-month transition period during which customers were able to travel if they showed a valid COVID-19 molecular test of a completed within 72 hours prior to departure.

Despite the narrow implementation window, VIA Rail employees in stations and on board trains were able to ensure a smooth and seamless deployment of this policy. In addition, VIA Rail also issued a full reimbursement to passengers wanting to cancel their trip.

Credit: VIA Rail

Remote Communities

Working with Transport Canada, VIA Rail also developed an exemption for remote communities with limited road access along the Winnipeg-Churchill route and collaborated with them to deliver hundreds of rapid molecular tests with instructions in local Indigenous languages to ensure every resident could keep using the train as an essential service if not vaccinated.

Rescue Train

In November, more than a thousand people in Hope, British Columbia were cut off by devastating mudslides and flooding. Emergency Management BC needed a train to run on CN's network to help transport individuals stranded in the area. On November 17, CN and VIA Rail worked together to organize an emergency evacuation operation and transport approximately 200 people to safety. VIA Rail is proud of the employees who planned this operation and supported the evacuees in their time of need, staying true to our values and commitment.

Marie-Claude Cardin
Chief Financial Officer

Flooding in BC
Credit: Getty

"Like many companies in the transportation industry, VIA Rail continued to face the impacts of the various waves of the pandemic. Nonetheless, as we have always done over the past two years, we found ways to strike a balance between our important public service mandate while proactively managing the financial impacts on our operations."

Marie-Claude Cardin, Chief Financial Officer

Diversity and Inclusion

Our Culture

At VIA Rail, we aspire to have a workforce that truly reflects the diversity of Canadian society. We believe that an unwavering commitment to, and decisive action on, diversity and inclusion is critical to our success. The journey towards a culture of diversity and inclusion starts at the top with our leadership commitment.

Supported by the Management Committee, we have taken concrete steps to better understand diversity and inclusion, set measurable goals to build a diverse and inclusive culture, and celebrate our diversity internally.

In 2021, we completed the following:

- Launched VIA Rail's diversity and inclusion (D&I) strategy, action plan and leadership commitment;
- Established a new D&I committee to drive change;
- Created a D&I online hub to provide leaders & employees across the organization with tools and resources to increase their D&I awareness; and
- Offered two conferences on diversity and inclusion: one on the history and heritage of First Nations, and one on the essential ingredients to create an inclusive culture.

In 2022, we will accelerate our efforts to create a workplace where everyone feels comfortable and safe bringing their whole self to work and where each other's uniqueness is leveraged to drive VIA Rail's growth as a vehicle for change in Canada.

Credit: VIA Rail

Eric Cutnam
Police Sergeant, Police and Corporate Security

"My experience with Indigenous Peoples – and their warm welcome in their community – taught me the importance of creating the widest circle possible and of taking a longer view. At VIA Rail, we have certainly expanded our horizons and engaged in courageous conversations to seek how we can do better."

Eric Cutnam, Police Sergeant, Police and Corporate Security

Truth and Reconciliation

Canada's first National Day of Truth and Reconciliation was a noble event that acknowledged the darker side of our history and honoured the memory of Indigenous children, their families, and their communities; we hope it marks a turning point. For VIA Rail, this is a day to remind us of our responsibility to build a more inclusive organization and to ensure that we have respectful and constructive dialogue with Indigenous Peoples.

To advance this, in October 2021, we held a highly insightful lunch and learn event with Luc Lainé, a member of the Huron Wendat Nation and former Delegated Chief within the Council of his First Nations.

Eric Cutnam, a police sergeant with the VIA Rail Police Service is passionate about D&I and helps promulgate our message of welcome throughout our organization. Of Haitian-Quebecois origin himself, Eric spent 12 years as a First Nations policeman in the Obgedjiwan community in the Haute-Mauricie region of Québec.

Gender Equality

We have long been champions of gender equality at VIA Rail and evidence of that is our Board of Directors, 8 out of 13 of whom are women, and our 7-member Management Committee, 3 of whom, including our President and CEO are also women.

Cynthia Garneau, President and CEO
Credit: David McCormack

Credit: VIA Rail

→ **2.3:1**
ratio male/female in management

→ **2.4:1**
ratio male/female unionized employees

→ **1.3:1**
ratio male/female non-unionized employees

→ **16%**
visible minorities

Training

Change Management

In a working environment characterized by continuous change due, of course, to the pandemic, but also to our commitment to deliver on our transformation strategies, employees have been put to the test. In support of all of them, we have reinforced our approach to talent development and training.

Foundational to this was the launch of an updated overarching talent management strategy that now frames our newly created talent committees, planning cycles, and formal training sessions.

A new talent management toolkit was also developed during the year aimed at building consistent practices across our business units and functions. This includes supporting information and processes related to such things as leadership self-assessment, feedback and development, risk mitigation, and knowledge transfer.

Driving this strategy was – and remains – the need to train and develop new and current employees, adapt to changing work requirements and conditions, and recertification/reskilling of those returning to work after inactivity.

During the year, we launched several innovative programs in support of this effort, including:

- *The Accountable Manager* program to develop core leadership capabilities for frontline managers and leaders;
- *The Maintenance Supervisor & Manager* program to develop core leadership capabilities for frontline managers in the Mechanical Services team;
- Specific training for identified priority topics, including unconscious bias, universal accessibility, harassment and violence prevention;
- Training for new fleet and equipment; and
- Adapting our learning modality and approach to meet the new reality of remote and hybrid working, including remote training, smaller class sizes, and course adaptation.

→ **3,430** employees trained

→ **59,234** training hours

Training on the new fleet
Credit: VIA Rail

Community

Our Engagement

As Canada's national passenger rail service our connections to – and with – communities are paramount. While recent events impacted our ability to physically participate in community activities or provide in-kind funding due to the financial and operational constraints, we did continue to support important causes.

Poppy Campaign
Credit: VIA Rail

1. In October 2021, we partnered with the non-profit **Corporations for Community Connection** to deliver by train 161 refurbished computers to First Nation communities of Pukatawagan, Shamattawa, Tadoule Lake, and Split Lake in Northern Manitoba. The delivery of the computers coincided with E-Waste Wednesday during Waste Reduction Week.
2. By transferring the infrastructure of a 72-km recreation trail to the **Prescott-Russel Recreational Trail Corporation** in 2021, VIA Rail ensured that a piece of railway heritage would continue to connect people as a thriving green space. The trail brings important environmental and social benefits to the communities in Ontario's Prescott and Russel regions.
3. For the 7th consecutive year, VIA Rail partnered with **The Royal Canadian Legion** to remember and honour Canada's Veterans by conducting the annual Poppy Campaign. Poppies were distributed by volunteers at selected VIA Rail stations. Poppy decals were installed on trains on the Corridor and, new this year, on our Toronto – Vancouver train – a first in our history.
4. VIA Rail continued to be one of the main sponsors of les ***Rendez-vous de la Francophonie (RVF)***, a major cultural event around la *Journée de la Francophonie* to promote French language and its multiple expressions. The RVF is organized by the *Fondation canadienne pour le dialogue des cultures*, which aims to encourage dialogue and rapprochement between different elements of Canadian society.
5. **Equal Voice Canada** supports women at all levels of political office and aims to improve gender representation in Canadian politics. In 2021, Equal Voice celebrated 100 years of the first woman being elected to the House of Commons of Canada. For this special anniversary and as a long-lasting supporter Equal Voices' work, VIA Rail participated in the 100 Years Gala.
6. VIA Rail participated in the **Prosperity Project**'s 2022 Annual Report Card on Gender Diversity and Leadership survey, collecting intersectional data on women's representation at the leadership level. The Project aims to mitigate the impact of the COVID-19 pandemic on Canadian women who are being disproportionately affected. The results from this survey will help VIA Rail and other Canadian companies improve women and diversity representation in leadership positions.

Volunteering
Credit: Joel Muniz

+75
organizations supported

+$500,000
in in-kind donations

New Talent

One of the most important requirements of any organization is to attract, recruit and retain new generations of talent. An important factor in doing this successfully is being – and being known – as a company that operates according to its values. At VIA Rail, one of these avenues is internships, where young talent is exposed to what we do and how.

In the fall of 2021, we launched a structured and centralized internship program that focused on exciting new developments at VIA Rail. These included our modernization program, including inter-modality (bring your bike!), fair accessibility to all, and environmental improvements. We did presentations and networking activities and completed a first volunteering activity to mobilize interns on issues related to our sustainability plan.

In December, our team of Montréal-based interns had the chance to volunteer for **Action Nouvelle Vie**, an organization that helps families going through difficult times during the holiday season. By helping to prepare more than 2,000 food baskets and 3,000 gifts, our team made a concrete contribution during a time that should be synonymous with joy and sharing. It also demonstrated what VIA Rail stands for.

Accessibility

Credit: VIA Rail

Accessibility

It’s Time to Respond

Credit: Getty

Catherine Langlois
Senior Advisor, Universal Accessibility

"The biggest barrier to travellers with disabilities and the people supporting them – whether caregivers or VIA Rail employees – is not knowing what is needed, what to expect, who will help and how. Listening to those directly affected and learning about their travelling pain points – like why is a couple with disabilities required to travel in separate cars – is the biggest motivator for positive change."

Catherine Langlois, Senior Advisor, Universal Accessibility

It's Time to Respond

VIA Rail is committed to being one of the most accessible mobility options for travellers in Canada by providing a smarter way to move people. All people.

This means offering barrier-free transport at every stage of everyone's journey, regardless of individuals' physical or cognitive disabilities. To achieve this, we have taken a wide range of actions so that people can travel autonomously and with confidence.

Working within the parameters of the recently implemented federal *Accessible Canada Act* (ACA), VIA Rail has developed a multi-year Accessibility Plan that identifies barriers, describes plans to remove them, and establishes processes to avoid creating new ones. The ACA requires VIA Rail to consult people with disabilities in making our plans; to report on our progress; and to make specific improvements under the *Accessible Transportation for Persons with Disabilities Regulations*.

Our Plan covers the 2022-2025 period (to be updated every three years) and focuses on initiatives across several focus areas such as: built environment; communications and information technologies; procurement; and design & delivery of services programs.

Our overriding goal is to improve accessibility at every point in our passengers' journey and priorities include:

- **Booking:** improving online/phone reservation system;
- **Transit:** providing accessible transport and infrastructure;
- **Station:** improving mobility, access to amenities;
- **Boarding:** systems (and assistance) to facilitate boarding;
- **Onboard:** comfort and amenities suited to functional limitations; and
- **Arrival:** systems and assistance to facilitate disembarking and access to adapted transport.

Accessibility Policy

Guiding Commitments

As part of its effort to ensure a barrier-free Canada, VIA Rail adopted a Universal Accessibility Policy in 2020 to guide its strategy and develop initiatives to ensure compliance to the *Accessible Canada Act*. VIA Rail values all our passengers and we pledge the following commitments.

- **Our culture**: We will continue to be agents of transformation to foster a culture of respect and dignity.
- **Leadership**: We aim to integrate accessibility into decision-making processes at all levels of our organization so that we can continually improve the passenger experience.
- **Continual engagement**: We value the experience of our passengers and will seek their input to imagine new possibilities for travel on our network. We will report back to you regularly regarding the progress we make.
- **Training**: We will equip ourselves with the training and tools needed to serve you well.
- **Communications**: We will provide clear and consistent information in a timely manner for all our passengers.
- **Listening to you**: We recognize that you know what is best for you and we strive to create an environment where you feel comfortable requesting those services.
- **Barrier-free access**: We strive to remove barriers and avoid creating new barriers across all our stations, trains, and digital platforms.
- **Proactive design**: We will work to provide you with flexible options to access our services.

International Sign Language Day Announcement

Accessibility Actions

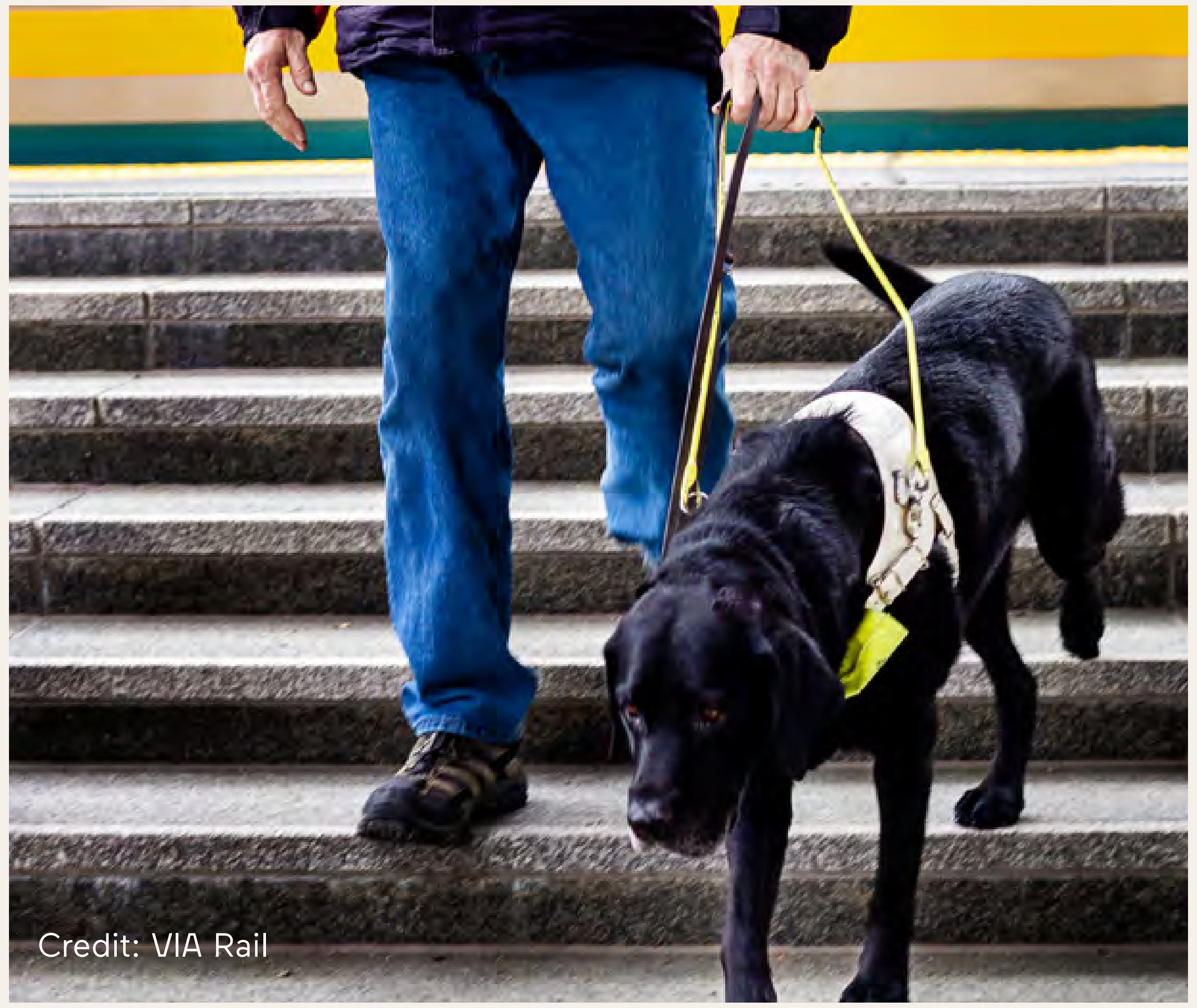
In 2021, in collaboration with external partners VIA Rail developed a new approach to corporate and public information videos to include sign language in both French (Langue des signes du Québec) and English (American Sign Language). This is supported by a variety of cues on the website and elsewhere to make people aware that this feature is available.

Our modernization projects will also transform accessibility. The New Corridor Fleet, for example, will offer a barrier-free and fully accessible travel experience that best meets the needs of people with disabilities and their support persons. Features include our first trains with integrated wheelchairs lifts (two lifts per accessible train car), more onboard mobility-aid-space options for our passengers with disabilities, and a host of other amenities, such as very spacious washrooms (designed in collaboration with our accessibility partners).

Our new reservation system features many new accessibility features, as do our in-station and onboard interactive communications systems, including braille, subtitles, and audio support. The new reservation system will offer independent booking possibilities for people with disabilities and our web environment will be fully compliant with universal accessibility standards. It also supports seat selection for caregivers and facilitates the needs of service animals (relief areas for which are already available at 80 stations across our network).

More cabine space

Credit: VIA Rail



Credit: VIA Rail

Credit: VIA Rail

Community Engagement

→ **6.2 million**
number of people over 15 years old with disabilities in Canada

→ **25**
persons with disabilities engaged annually
Collaboration

Credit: Cliff Booth

→ **156**
curbside assistance requests
Barrier-free access

→ **1,165**
accessible seat booking requests
Leadership

→ **6,835**
special service requests
Leadership

Active Listening

Understanding the needs, expectations, and wishes of people with disabilities while travelling by train is the crucial first step in creating truly universal accessibility.

To develop and implement VIA Rail's new Universal Accessibility Plan, we have relied on crucial input from external stakeholders.

To improve the efficacy of these efforts, VIA Rail has engaged partners, advocacy groups and Accessible Standards Canada in regular and ongoing consultations. These participants have expressed support for the initial design of the three-year plan and, as a result of active consultations, we obtained significant feedback and representation from advocacy groups to support the plan's execution.

Included in this outreach were representatives from the Council for Canadians with Disabilities, Courageous Companions, the Canadian Council of the Blind and the Canadian National Institute for the Blind and each shared valuable insight.

Taken together, these opportunities to engage with stakeholders helped us build a plan that will allow us all to better connect with and service those with mobility challenges.

Sustainability

Credit: VIA Rail

Sustainability

It’s Time to Act

Credit: VIA Rail

"Building on the foundations VIA Rail has laid over the past decades, sustainability continues to be a cornerstone of our mandate, values and commitment to deliver a more modern and sustainable transportation network. As such, VIA Rail has put in place a robust and future-oriented sustainability plan to reduce its environmental footprint, enhance its role as a responsible transportation provider and create lasting value for present and future generations. We are now more than ever on board to having a meaningful impact."

Ben Marc Diendéré, Chief Public Affairs and Communications Officer

Credit: David McCormack

Ben Marc Diendéré
Chief Public Affairs and Communications Officer

VIA Rail has for years embraced its commitment to environmental stewardship, social responsibility and good corporate governance and made considerable progress on many fronts, including reducing GHG emissions, supporting communities, and promoting equity, diversity, and inclusion.

It was and remains clear, however, that the challenges and opportunities related to climate change, sourcing, social inclusion, and many others are growing. They are also a classic moving target that requires organizations to pause and take stock to ensure efforts are well targeted. This is especially true for those rethinking and reinvesting in initiatives that have the potential to transform their business.

We decided, in 2020, to do exactly that. And, while much work continued – in terms of community involvement, improved accessibility, health and safety and more – we implemented a formal review of our policies, practices and redefined our sustainability priorities.

Importantly, we engaged with both internal and external stakeholders to be sure that our actions were in alignment with their needs and expectations, and that we were focusing on the most material sustainability issues for VIA Rail.

The result is our new sustainability plan.

Materiality

Validated Priorities

To make sure our sustainability priorities are the right ones, we undertook a stakeholder engagement exercise in alignment with the international Global Reporting Initiative sustainability standards. The engagement was done through desktop review and interviews, and included a survey of internal and external stakeholders, including customers, suppliers, community partners, and more.

This exercise revealed insights into:

→ Perception of VIA Rail as a sustainable organization relative to its peers;

→ Importance of sustainability as it relates to stakeholder decisions;

→ The material sustainability topics VIA Rail should consider as part of its strategy;

→ Purpose and value of VIA Rail in society; and

→ Relevant United Nations Sustainable Development Goals where VIA Rail could have the biggest impact.

We listened and learned a lot during this exercise and our Plan, we believe, reflects this feedback.

Feedback

→ 73% of stakeholders indicated they perceived VIA Rail to be a sustainable company largely due to a great travel experience and greener transportation.

→ 81% of VIA Rail stakeholders indicated that VIA Rail's sustainability performance impacts their perspective of the brand. External stakeholders, including customers and suppliers, are highly influenced by our sustainability performance.

→ The most common topics selected were:

Environment

— Carbon net zero

— Waste and circularity

— Air emissions

Social

— Diversity, equity and inclusion

— Responsible mobility service

— Health and safety

— Employee engagement

Governance

— Ethics and compliance

— Responsible procurement

— Economic prosperity


Credit: Clément Fusil

Plan

Six Priorities

As a result of our stakeholder outreach and materiality assessment, VIA Rail developed a new sustainability plan approved in 2021, which rests on six environmental, social and governance (ESG) priorities, each with their own specific objectives, action plans and performance metrics.

Each is, and will continue to be, a work in progress intimately linked to ongoing operations and, especially, our transformative modernization program. Highlights of our sustainability plan are below.

	Priorities	Strategies	2025 goals	2021 progress highlights
Environmental	**Climate Action**	Upgrade GHG reduction targets to support 2050 carbon neutrality ambition Improve fuel and energy efficiency in all operations Complete review of climate change risks and implement action plan	Reduce GHG emissions by 30% or more by 2030, compared to 2005 (2030) Integrate climate change risks in critical governance and decisional mechanisms	→ Kicked-off pilot project testing artificial intelligence to reduce fuel consumption in train operations → Initial physical climate change risks assessment underway
	Environmental management	Reduce waste generated in our operations Increase reuse, recycling, and organic waste collection	Offer a zero-waste train on the Corridor Increase recycling to 60% and introduce organic waste collection in prioritized sites	→ Completed seven-day waste audit on board trains → Completed review of products on board for waste reduction

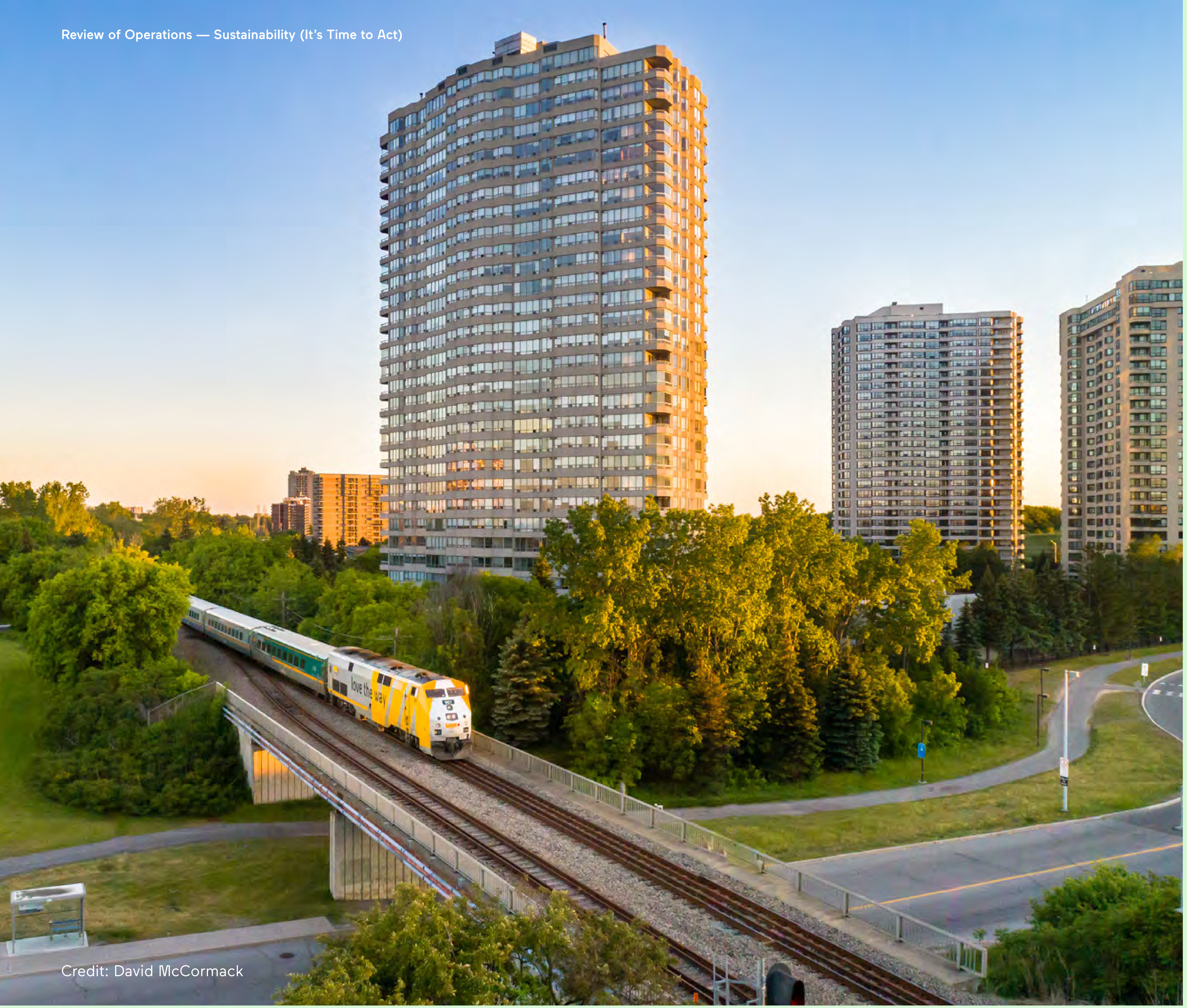
	Priorities	Strategies	2025 goals	2021 progress highlights
Social	**Employee mobilization**	Mobilize employees through an inclusive and sustainability centred culture	Train 100% of employees on sustainability Majority of employees believe sustainability is a top priority for VIA Rail	→ Integrated sustainability in employee engagement survey and internship program activities → Launched diversity and inclusion strategy
	Community engagement	Expand active stakeholder engagement and develop strategic community investments in communities in Canada	Align 80% of community investments with strategy Have a national employee volunteering program in place	→ Completed review of community investment program → Supported +75 community projects


Credit: VIA Rail

Governance

	Priorities	Strategies	2025 goals	2021 progress highlights
Governance	**Responsible sourcing**	Implement responsible sourcing policy and program	Reach 80% integration of Policy by suppliers	→ Developed Policy on Supplier Conduct and Responsible Sourcing
	Credibility and recognition	Strengthen transparency through recognized reporting standards and third-party recognition in sustainability Actively contribute to the United Nations Sustainable Development Goals	Receive third-party recognition of sustainability performance	→ Reinforced reporting through Global Reporting Initiative standard

Françoise Bertrand, Chairperson of the Board, Martin R Landry, Chief Commercial Affairs Officer, and Cynthia Garneau, President and CEO, at the presentation of the new fleet at Ottawa Station.
Credit: David McCormack



Credit: David McCormack

Reporting

Credible Standard

In a continually evolving context that affects everything we do and everyone we deal with – from suppliers to employees to partners and passengers – being accountable and transparent can only improve our performance and reputation.

Like most organizations, we don't have answers to all our environmental, social and governance challenges; but we do know the questions. With this in mind, we are determined to establish the right goals, institute the right management systems, and take the right actions. To ensure that we do all of this in a way that reflects stakeholder expectations, we have decided to align our sustainability plan with the Global Reporting Initiative (GRI) and move towards formally reporting our progress in accordance with the GRI.

The GRI is an international independent sustainability standards organization that sets clear expectations for organizations to identify and disclose their most material sustainability topics based on stakeholder engagement.

As a first step in this journey, we will now publish a detailed GRI index, which will be made available on our website.

Key Performance Indicators

Credit: Mwangi Gatheca

KPI

VIA Rail uses the following performance indicators as an integral part of its LEAN Management process. For detailed information on financial and operating performance during the quarter, consult the Management Discussion and Analysis section.

Credit: David McCormack

Impact of the COVID-19 pandemic on certain key performance indicators

VIA Rail increased its operations in 2021 as shown by the capacity deployed which increased by 31.6 per cent compared to 2020.

The performance of 2021 improved compared to 2020 but remained impacted by the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS		Quarters ended December 31			Years ended December 31		
Indicator	**Unit**	**Q4-2021**	**Q4-2020**	**Vs 2020**	**2021**	**2020**	**Vs 2020**
Capacity Deployed *(in millions)* Number of available seat-miles (ASM)[1]	*ASM*	*223*	*111*	*100.9%*	*668*	*508*	*31.5%*
Total Revenues / ASM (RASM) Total revenues divided by total ASM	cents	20.13	15.03	🟢	19.97	18.11	🟢
Total Costs[2] **/ ASM** (CASM) Total operating expenses divided by total ASM	cents	50.68	105.41	🟢	75.40	100.00	🟢
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	39.7%	14.3%	🟢	26.5%	18.1%	🟢
On-Time Performance On-time performance of all VIA Rail trains	%	68%	80%	🔴	72%	71%	🟢
On-Time Performance – VIA Rail Infrastructure On-time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	97%	96%	🟢	97%	96%	🟢
Train Incidents Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of $25,000 or more	#	1	1	🟢	4	2	🔴
Employee Attendance (excluding LTD) Total hours worked per month divided by the total possible work hours per month	%	94%	96%	🟡	94%	95%	🟡

(1) Seat-miles are the number of seats available for sale, multiplied by the number of miles travelled.
(2) Total costs include pension costs for current services but exclude cost for past services.

🟢 Performance on or above previous year
🟡 Performance slightly below last year (less than 10%)
🔴 Performance below last year (10% or more)

Governance and Accountability

Credit: David McCormack

Governance and Accountability

Enterprise Risk Management

Enterprise Risk Management (ERM) strives to identify, assess and address threats and opportunities that may impact the attainment of the corporate objectives of an organization. The mission of the ERM team is to increase the usefulness and range of VIA Rail's understanding of uncertainty in order to support better risk-informed decisions. This is to say that ERM is not only an activity which is a compliance requirement, but rather a useful methodology to support decision making at VIA Rail.

A look back on 2021

While 2021 brought it shares of challenges related to the ongoing pandemic, VIA Rail was in a better position to address these uncertainties due to the lesson learned in 2020. Despite a slower start to the year and various waves, VIA Rail has been able to continue to address the 3 main risks categories raised by the pandemic which is Service Offering, Asset Management and Operational Security and Safety. The control measures in place were tested throughout the various waves and proved to be sufficient to address the fluctuation in demand and governmental restrictions.

Continuous Improvement of the Risk Management Process

In 2021, VIA Rail continued its risk management journey and crystallized of its new ERM reporting format. This led to an improved governance structure of the Program as the responsibility for risk management is shared amongst the Board of Directors and Management Committee. The new reporting allows enhanced oversight by the Board of Directors on risk levels, perceived effectiveness of treatment plans, residual risks and executive accountability. This more robust ERM methodology also enables the Management Committee to be more agile when it comes to addressing and managing risks at an operational level. VIA Rail continues to manage its risks based on the processes of ERM, project risk management and resiliency planning. As this journey continues, VIA Rail actively seeks to increase its maturity and seeks to provide the Corporation with a well-rounded visibility on Risk Management and control plans.

Modernization Projects

VIA Rail continues to move forward with its transformational agenda and continues to leverage risk management as a key activity deeply integrated with its project management function. All business cases and vendor selections for material or complex projects have a detailed risk analysis made by a neutral facilitator, while simpler projects benefit from risk assessments conducted by the project teams. For major initiatives such as the Corridor Fleet Replacement Program, a dedicated Program Risk Manager is ensuring that robust risk management is conducted. Existing risk assessments for VIA Rail's modernization projects are maintained on a regular basis, in order to assess potential impacts on scope, budget and schedule. Material changes against the project baseline or project decisions are also conducted while considering potential risks.

The Board of Directors

As of December 31, 2021, the Board of Directors consisted of the Chairperson of the Board, the President and Chief Executive Officer and 11 other directors appointed by the Government of Canada. Of the 12 directors (not including the CEO of VIA Rail), 7 are women and 5 are men. The Board is responsible for overseeing the strategic direction and Management of the Corporation, and reports on VIA Rail's operations to parliament through the Honourable Omar Alghabra, Minister of Transport. The Board held 14 meetings and the committees met a total of 36 times over the course of 2021. The average overall attendance rate of Board members at these meetings was 100%. Cumulative fees paid to Board members during this time period totalled $382,550.

Committees of the Board

As of December 31, 2021, the Board and Committee structure was composed of the following committees:

Audit and Pension Investment Committee

Gail Stephens, Chair
Grant Christoff
Jane Mowat
Glenn Rainbird
Kenneth Tan
Geneviève Tanguay

Major Projects and Fleet Modernization

Glenn Rainbird, Chair
Kathy Baig
Miranda Keating Erickson
Jane Mowat
Kenneth Tan
Geneviève Tanguay

Human Resources

Miranda Keating Erickson, Chair
Daniel Gallivan
Jonathan Goldbloom
Glenn Rainbird
Gail Stephens
Vianne Timmons

High Frequency Rail and Stakeholders' Relations

Jonathan Goldbloom, Chair
Kathy Baig
Grant Christoff
Daniel Gallivan
Jane Mowat
Vianne Timmons

The committees' mandates are available under the "Board of Directors" section of VIA Rail's **corpo.viarail.ca** website. The Chairperson of the Board of Directors is an ex officio member of all committees. The President and Chief Executive Officer is also an ex officio member of all committees, except the Audit & Pension Investment Committee.

Travel, Hospitality and Conference Expenses

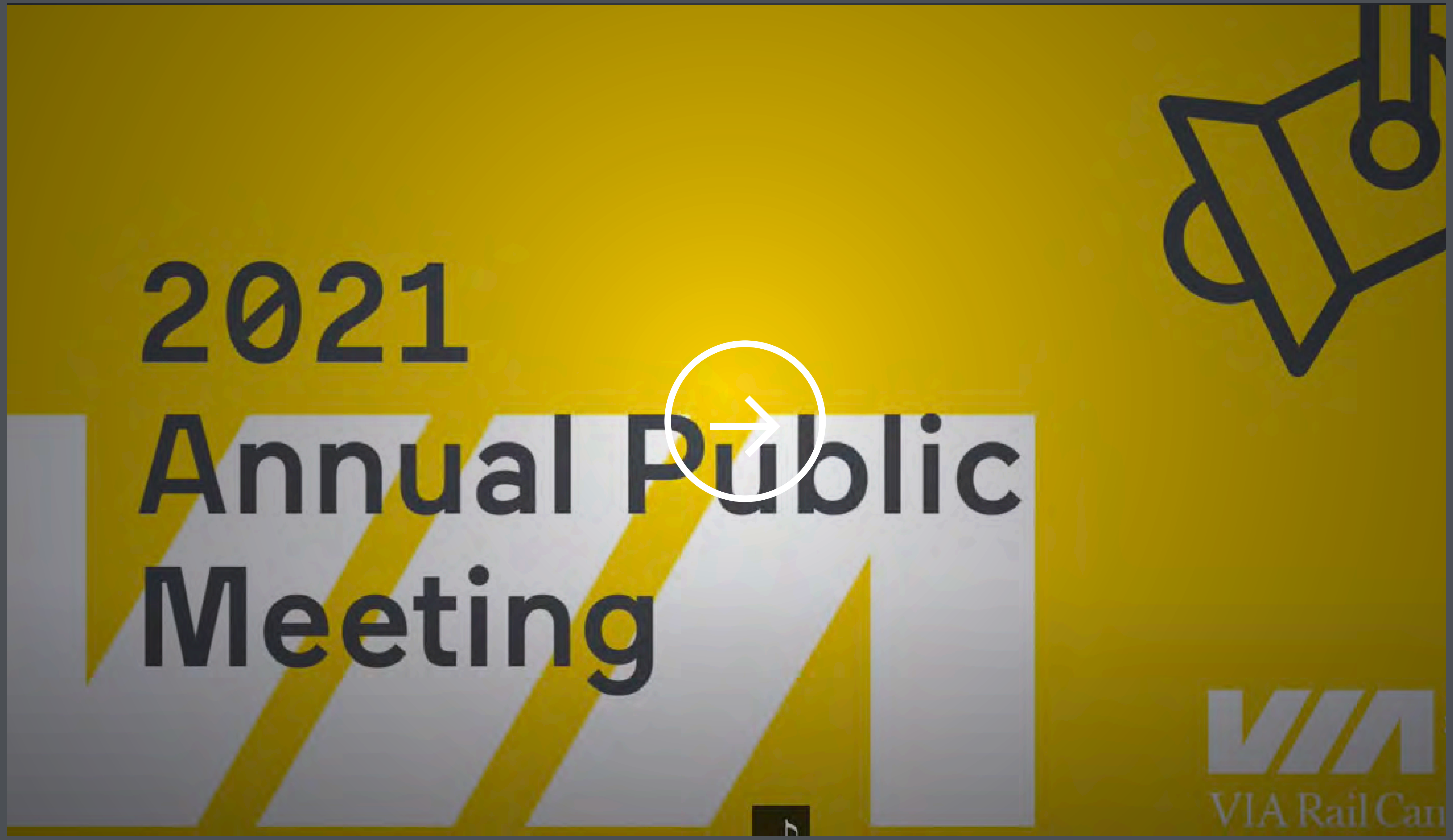
The following travel, hospitality and conference expenses were submitted during 2021	
Françoise Bertrand Chairperson of the Board of Directors	$705
Cynthia Garneau President and CEO	$6,658
Senior Leadership team and executives (11 members)	$36,520
Board of Directors (12 members)	$41,908
Total VIA Rail (including above expenses)	**$453,458**

Executive Compensation

2021 Executive Compensation Range Disclosure[1]		
Cash Compensation[2]	**President and CEO**	**Officers**
Base Salary Range	$271,000 – $318,800	$200,436 – $321,553
Incentive Program Range	13% – 26%	35% – 50%
Total Compensation Range per Calendar Year	$306,230 – $401,688	$270,588 – $482,329

Perquisites Program		
Car Allowance	$45,000	$24,000
Social, Sport Club Memberships		
Health Care Spending Account		
Comprehensive Medical Exams		
Financial Planning Services		

1. As at December 31, 2021, Executives were: President and Chief Executive Officer, Chief Operating Officer, Chief Business Transformation Officer, Chief Financial Officer, Chief Commercial Affairs Officer, Chief Legal and Risk Officer (vacant), Chief, Public Affairs and Communications Officer, Chief Employee Experience Officer, Vice-President, Customer Experience, Vice-President, Fleet Renewal Program (vacant), Vice-President, Corporate Controller and Vice-President, Mechanical Services.
2. The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.



VIA Rail's 2021 Annual Public Meeting

Annual Public Meeting

VIA Rail's 2021 Annual Public Meeting was prerecorded and held in a closed venue in May in order to respect public safety guidelines. During the meeting, Françoise Bertrand, Chairperson of the Board of Directors, Cynthia Garneau, President and CEO, and Marie-Claude Cardin, Chief Financial Officer, shared and discussed results from 2020 along with VIA Rail's plans for the future. Canadians were invited to submit questions about our operations and services in the weeks leading up to the meeting. Selected questions were answered by the President and members of the Executive Committee. Subtitled versions of the Annual Public Meeting are available on VIA Rail's YouTube channel in both official languages.

Access to Information and Privacy

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with its customers, partners and the public in general. VIA Rail has continuously improved its practices related to access to information as provided in the *Access to Information Act* and the *Privacy Act*, to which VIA Rail became subject in 2007.

In the summer of 2021, as per the requirements of the Government of Canada, VIA Rail submitted its 2020-2021 annual reports on access to information and privacy to the Access to Information Commissioner and the Privacy Commissioner, respectively, as well as to the Minister of Transport. VIA Rail is committed to responding to information requests from the public, the media and all those interested in our operations in a timely manner. From April 1, 2020 to March 31, 2021, VIA Rail received 47 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 72 requests received during the corresponding period from April 2019 to March 2020.

Credit: VIA Rail

The Board of Directors

1 — **Françoise Bertrand**
Montréal, Québec
Board member since April 2017
Chairperson of the Board of Directors
Ex officio member of all Committees

2 — **Kathy Baig**
Laval, Québec
Board member since June 2017
Member of the Major Projects and Fleet Modernization Committee and of the High Frequency Rail and Stakeholders' Relations Committee

3 — **Grant Christoff**
Vancouver, British Columbia
Board Member since March 2019
Member of the High Frequency Rail and Stakeholders' Relations Committee and of the Audit and Pension Investment Committee

4 — **Daniel Gallivan**
Halifax, Nova Scotia
Board member since June 2017
Member of the High Frequency Rail and Stakeholders' Relations Committee and of the Human Resources Committee


1


2


3


4

5 — Jonathan Goldbloom
Montréal, Québec
Board member since June 2017
Chairperson of the High Frequency Rail and Stakeholders' Relations Committee and member of the Human Resources Committee

6 — Miranda Keating Erickson
Calgary, Alberta
Board member since March 2019
Chairperson of the Human Resources Committee and member of the Major Projects and Fleet Modernization Committee

7 — Jane Mowat
Toronto, Ontario
Board member since September 2013
Member of the Audit and Pension Investment Committee, of the Major Projects and Fleet Modernization Committee and of the High Frequency Rail and Stakeholders' Relations Committee

8 — Glenn Rainbird
Belleville, Ontario
Board member since June 2017
Chairperson of the Major Projects and Fleet Modernization Committee, member of the Audit and Pension Investment Committee and of the Human Resources Committee

9 — Gail Stephens
Victoria, British Columbia
Board member since June 2017
Chairperson of the Audit & Pension Investment Committee and member of the Human Resources Committee

10 — Kenneth Tan
Richmond, British Columbia
Board member since June 2017
Member of the Major Projects and Fleet Modernization Committee and of the Audit and Pension Investment Committee

11 — Geneviève Tanguay
Montréal, Québec
Board member since August 2017
Member of the Audit and Pension Investment Committee and of the Major Projects and Fleet Modernization Committee

12 — Vianne Timmons
Saint John's, Newfoundland and Labrador
Board member since March 2019
Member of the High Frequency Rail and Stakeholders' Relations Committee and of the Human Resources Committee

Senior Leadership Team

1 — **Cynthia Garneau**
President and Chief Executive Officer

2 — **Bruno Cacciola**
Chief Business Transformation Officer

3 — **Marie-Claude Cardin**
Chief Financial Officer

4 — **Ben Marc Diendéré**
Chief Public Affairs and Communications Officer

5 — **Martin R Landry**
Chief Commercial Affairs Officer

6 — **Dominique Lemay**
Chief Operating Officer

7 — **Martine Rivard**
Chief Employee Experience Officer

Management's Discussion and Analysis

Credit: David McCormack

Management's Discussion and Analysis

Credit: VIA Rail

1. Introduction

Management's discussion and analysis report outlines the financial results of VIA Rail Canada Inc. (The Corporation) for the quarter and the year ended December 31, 2021, compared with the quarter and the year ended December 31, 2020. This document should be read in conjunction with the audited financial statements and notes.

Materiality

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence decisions that the Corporation's stakeholders make on the basis of the financial information.

Forward-Looking Statement Disclosure

This Management's discussion and analysis report contains forward-looking statements which may be identified with the words "may", "likely to", "could". These statements reflect our evaluation of the information currently available and are subject to a number of risks and uncertainties referred to in the risk section of this document.

2. Corporate Overview

VIA Rail is a non-agent Crown corporation which operates Canada's national passenger rail service on behalf of the Government of Canada. The Corporation's objectives are to manage and provide a safe, efficient, reliable, and environmentally sustainable passenger rail service that meets the needs of travellers in Canada.

The Government of Canada determines the Corporation's role within the overall structure and services provided by the Federal government and provides appropriations to subsidize passenger rail services.

3. COVID-19 Pandemic

The Corporation, as well as all other passenger transportation providers, remains significantly affected by the COVID-19 pandemic. Although the Corporation increased its levels of operations since the beginning of the pandemic, they still remain below pre-pandemic levels. When compared to the corresponding quarter of 2020, capacity has increased by more than 67.2 per cent in terms of train-miles, and by 159.5 per cent in terms of seat-miles. On a total year basis, capacity has increased by 27.1 per cent in terms of train-miles and by 31.5 per cent in terms of seat-miles.

Safety of passengers and employees remains the Corporation's key priority as services resume and new health and safety measures were implemented to address health & safety requirements. These measures include physical distancing in stations, health screening procedures and as of October 2021, validation of proof of vaccination for passengers boarding trains and the requirement for passengers and staff who interact with customers to wear protective face covering. Sanitizing products are distributed to passengers in key contact points and additional cleaning protocols have also been put in place on board trains, in stations, maintenance centers and offices. The Corporation continues to monitor federal safety requirements as well as those in all provinces in which trains operate to ensures they are all respected.

4. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Financial Performance								
Passenger revenues *(section 5.2)*	**53.5**	12.7	40.8	321.3%	**118.2**	76.6	41.6	54.3%
Other revenues	**4.3**	4.0	0.3	7.5%	**15.3**	16.0	(0.7)	(4.4%)
Total revenues	**57.8**	16.7	41.1	246.1%	**133.5**	92.6	40.9	44.2%
Operating expenses *(section 5.3)*	**190.8**	149.2	41.6	27.9%	**625.0**	645.6	(20.6)	(3.2%)
Operating loss before funding from the Government of Canada and income taxes *(section 5.1)*	**(133.0)**	(132.5)	(0.5)	(0.4%)	**(491.5)**	(553.0)	61.5	11.1%
Net (loss) income for the period	**(28.9)**	12.0	(40.9)	(340.8%)	**(26.3)**	(16.0)	(10.3)	(64.4%)
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans (net of tax)	**54.3**	34.4	19.9	57.8%	**339.2**	(5.9)	345.1	5,849.2%
Comprehensive income (loss) for the period	**25.4**	46.4	(21.0)	(45.3%)	**312.9**	(21.9)	334.8	1,528.8%

(Amounts in bracket represent decreases)

4. Highlights of Financial Results and Major Key Operating Statistics (cont'd)

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Financial Position and Cash Flows								
Total assets *(section 5.4)*	**2,177.5**	1,685.7	491.8	29.2%	**2,177.5**	1,685.7	491.8	29.2%
Total liabilities and deferred capital funding *(section 5.4)*	**2,023.5**	1,844.5	179.0	9.7%	**2,023.5**	1,844.5	179.0	9.7%
Cash *(section 5.5)*	**4.4**	12.2	(7.8)	(63.9%)	**4.4**	12.2	(7.8)	(63.9%)
Net cash (used in) provided by operating activities *(section 5.5)*	**(31.1)**	(10.8)	(20.3)	(188.0%)	**15.3**	(50.9)	66.2	130.1%
Net cash provided by (used in) investing activities *(section 5.5)*	**8.4**	8.0	0.4	5.0%	**(20.5)**	62.5	(83.0)	(132.8%)
Net cash (used in) financing activities *(section 5.5)*	**(0.6)**	(0.7)	0.1	14.3%	**(2.6)**	(2.8)	0.2	7.1%
Government Funding								
Operating *(section 6)*	**88.0**	100.4	(12.4)	(12.4%)	**370.5**	415.8	(45.3)	(10.9%)
Capital *(section 6)*	**72.1**	65.9	6.2	9.4%	**226.4**	252.9	(26.5)	(10.5%)
Total Government funding	**160.1**	**166.3**	**(6.2)**	**(3.7%)**	**596.9**	**668.7**	**(71.8)**	**(10.7%)**
Key Operating Statistics								
Train-miles operated *(in thousands)*	**1,281**	766	515	67.2%	**3,647**	2,870	777	27.1%
Seat-miles *(in millions)*	**288**	111	177	159.5%	**668**	508	160	31.5%
Passenger-miles *(in millions)*	**144**	40	104	260.0%	**327**	227	100	44.1%
Passengers *(in thousands)*	**677.0**	197.3	479.7	243.1%	**1,512.0**	1,146.5	365.5	31.9%
Average passenger load factor *(%)*	**51**	36	15	41.7%	**49**	45	4	8.9%
RASM (revenue per available seat-mile) *(in cents) – Note 1*	**20.17**	15.14	5.03	33.2%	**19.99**	18.11	1.88	10.4%
CASM (cost per available seat-mile) *(in cents) – Note 1*	**50.73**	105.59	(54.86)	(52.0%)	**75.45**	99.96	(24.51)	(24.5%)
Cost recovery ratio *(%) – Note 1*	**39.8**	14.3	25.5	178.3%	**26.5**	18.1	8.4	46.4%
Operating deficit per passenger-mile *(in cents) – Note 1*	**61.1**	251.0	(189.9)	(75.7%)	**113.3**	183.2	(69.9)	(38.2%)
On-time performance *(%)*	**68**	80	(12)	(15.0%)	**72**	71	1	1.4%

(Amounts in bracket represent decreases)
Note 1: based on funded results

4. Highlights of Financial Results and Major Key Operating Statistics (cont'd)

Financial Highlights

Fourth quarter

- Total revenues increased by 246.1 per cent resulting from an increase in frequencies led by higher demand.
- Operating expenses increased by 27.9 per cent primarily due to the operating costs associated to the additional frequencies.
- The operating loss increased by 0.4 per cent due to an increase in operating expenses partly offset by an increase in revenues.
- Operating funding decreased by 12.4 per cent, reflecting the lower amounts required for funded activities.
- The Corporation generated a comprehensive income of $25.4 million compared to a comprehensive income of $46.4 million in 2020. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Year

- Total revenues increased by 44.2 per cent also resulting from an increase in frequencies lead by higher demand.
- Operating expenses decreased by 3.2 per cent as a result of lower depreciation and amortization of assets, as well as from the cost containment measures such as the layoff of employees and postponement of non-essential initiatives.
- The operating loss decreased by 11.1 per cent due to a decrease in operating expenses as well as an increase in revenues.
- Operating funding decreased by 10.9 per cent, reflecting the lower amounts required for funded activities.
- The Corporation generated a comprehensive income of $312.9 million compared to a comprehensive loss of ($21.9) million in 2020. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

As frequencies were reintroduced during the fourth quarter of the year, operating statistics were positively impacted on both a quarterly and total year basis. On-time performance also slightly improved by one percentage point.

5. Analysis of Financial Results

5.1 Comparison of IFRS and Funded Operating Results

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Operating loss on a funded basis	**(88.0)**	**(100.4)**	**12.4**	**12.4%**	**(370.5)**	**(415.8)**	**45.3**	**10.9%**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**(0.3)**	(0.1)	(0.2)	(200.0%)	**–**	0.6	(0.6)	(100.0%)
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(7.0)**	3.8	(10.8)	(284.2%)	**(15.1)**	(15.3)	0.2	1.3%
Depreciation of property, plant and equipment, amortization of intangible assets, depreciation of right-of-use assets and loss on disposal	**(29.0)**	(45.1)	16.1	35.7%	**(110.8)**	(125.5)	14.7	11.7%
Other provisions for non-cash items	**(8.7)**	9.3	(18.0)	(193.5%)	**4.9**	3.0	1.9	63.3%
Total non-funded adjustments to expenses	**(44.7)**	(32.0)	(12.7)	(39.7%)	**(121.0)**	(137.8)	16.8	12.2%
Total items not requiring funds from operations	**(45.0)**	**(32.1)**	**(12.9)**	**(40.2%)**	**(121.0)**	**(137.2)**	**16.2**	**11.8%**
Operating loss under IFRS	**(133.0)**	**(132.5)**	**(0.5)**	**(0.4%)**	**(491.5)**	**(553.0)**	**61.5**	**11.1%**
Operating funding from the Government of Canada	**88.0**	100.4	(12.4)	(12.4%)	**370.5**	415.8	(45.3)	(10.9%)
Amortization of deferred capital funding	**28.2**	43.9	(15.7)	(35.8%)	**107.0**	121.2	(14.2)	(11.7%)
Net (loss) income before income taxes	**(16.8)**	**11.8**	**(28.6)**	**(242.4%)**	**(14.0)**	**(16.0)**	**2.0**	**12.5%**
Income tax expense (recovery)	**12.1**	(0.2)	12.3	6,150.0%	**12.3**	–	12.3	n/a
Net (loss) income under IFRS for the period	**(28.9)**	**12.0**	**(40.9)**	**(340.8%)**	**(26.3)**	**(16.0)**	**(10.3)**	**(64.4%)**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**64.6**	34.4	30.2	87.8%	**349.5**	(5.9)	355.4	6,023.7%
Income tax expense	**(10.3)**	–	(10.3)	n/a	**(10.3)**	–	(10.3)	n/a
Comprehensive income (loss) for the period	**25.4**	**46.4**	**(21.0)**	**(45.3%)**	**312.9**	**(21.9)**	**334.8**	**1,528.8%**

(Amounts in bracket represent decreases)

5.1 Comparison of IFRS and Funded Operating Results (cont'd)

Net (loss) income under IFRS for the quarter:

Net loss of $28.9 million this quarter, compared to a net income of $12.0 million last year, representing a deterioration of $40.9 million mainly due to:

- Higher operating loss ($0.5 million), attributable to higher operating expenses of $41.6 million partly offset by higher revenues of $41.1 million.
- Higher deferred income tax expense of $12.3 million.
- Lower amortization of deferred capital funding ($15.7 million).
- Lower government funding recognized during the quarter ($12.4 million).

Net loss under IFRS for the year:

Net loss of $26.3 million for the year, compared to a net loss of $16.0 million last year, representing a deterioration of $10.3 million mainly due to:

- Lower amortization of deferred capital funding ($14.2 million).
- Lower government funding recognized during the year ($45.3 million).
- Higher deferred income tax expense of $12.3 million, partly offset by:
- Lower operating loss ($61.5 million), attributable to by higher revenues of $40.9 million partly offset by lower expenses of $20.6 million.

5.1 Comparison of IFRS and Funded Operating Results (cont'd)

Comprehensive income (loss)

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

Comprehensive income of $25.4 million in the fourth quarter of 2021 and comprehensive income of $312.9 million for the year ended December 31, 2021, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $54.3 million in the fourth quarter of 2021 is due to an actuarial loss of $67.1 million on the defined benefit obligation arising from a 20 basis point decrease in the discount rate since September 30, 2021, and to a remeasurement gain of $132.6 million resulting from higher actual rate of return on plan assets. The remeasurement also includes an actuarial loss of $0.9 million due to the decrease in the discount rate used to determine the post-employment benefit obligation. The remeasurement is partly offset by a deferred income tax expense of $10.3 million due to the employee benefit assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans net of tax of $339.2 million for the year is due to the increase in the discount rate used to determine the defined benefit obligation (3.00 per cent as at December 31, 2021 compare to 2.50 per cent as at December 31, 2020), which resulted in an actuarial gain of $194.3 million, combined with a return on plan assets of $153.2 million during the period. The remeasurement also includes an actuarial gain of $2.0 million due to the increase in the discount rate used to determine the post-employment benefit obligation (3.00 per cent as at December 31, 2021 compared to 2.60 per cent as at December 31, 2020).

Comprehensive income of $46.4 million in the fourth quarter of 2020 and comprehensive loss of $21.9 million for the year ended December 31, 2020, include the following:

Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $34.4 million in the fourth quarter of 2020 is due to an actuarial loss of $84.0 million on the defined benefit obligation arising from a 20 basis point decrease in the discount rate since September 30, 2020 and to a remeasurement gain of $118.6 million resulting from higher actual rate of return on plan assets.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($5.9) million for the year is due to the decrease in the discount rate used to determine the defined benefit obligation (2.50 per cent as at December 31, 2020 compare to 3.10 per cent as at December 31, 2019), which resulted in an actuarial loss of $227.8 million, partly offset by a return on plan assets of $223.5 million during the period. The remeasurement also includes an actuarial loss of $1.7 million due to the decrease in the discount rate used to determine the post-employment benefit obligation (2.60 per cent as at December 31, 2020 compared to 3.10 per cent as at December 31, 2019).

5.2 Revenues

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**41.5**	9.7	31.8	327.8%	**91.2**	53.8	37.4	69.5%
Southwestern Ontario (SWO)	**7.3**	2.3	5.0	217.4%	**16.0**	12.8	3.2	25.0%
Québec City – Windsor corridor	**48.8**	**12.0**	**36.8**	**306.7%**	**107.2**	**66.6**	**40.6**	**61.0%**
Ocean	**1.0**	–	1.0	n/a	**1.7**	1.1	0.6	54.5%
Canadian	**2.3**	–	2.3	n/a	**5.4**	3.1	2.3	74.2%
Regional services	**0.7**	0.2	0.5	250.0%	**1.6**	1.2	0.4	33.3%
Non-corridor	**4.0**	**0.2**	**3.8**	**1,900.0%**	**8.7**	**5.4**	**3.3**	**61.1%**
Other	**0.7**	0.5	0.2	40.0%	**2.3**	4.6	(2.3)	(50.0%)
Total passenger revenues under IFRS	**53.5**	**12.7**	**40.8**	**321.3%**	**118.2**	**76.6**	**41.6**	**54.3%**
Other revenues	**4.3**	4.0	0.3	7.5%	**15.3**	16.0	(0.7)	(4.4%)
Total revenues under IFRS	**57.8**	**16.7**	**41.1**	**246.1%**	**133.5**	**92.6**	**40.9**	**44.2%**
Adjustment for VIA Préférence points (non-funded) and other	**0.3**	0.1	0.2	200.0%	**–**	(0.6)	0.6	100.0%
TOTAL FUNDED REVENUES	**58.1**	**16.8**	**41.3**	**245.8%**	**133.5**	**92.0**	**41.5**	**45.1%**

(Amounts in bracket represent decreases)

5.2 Revenues (cont'd)

Passengers

	Quarters ended December 31				Years ended December 31			
(in thousands)	**2021**	**2020**	**Var #**	**Var %**	**2021**	**2020**	**Var #**	**Var %**
Passengers								
Corridor East	**514.0**	144.7	369.3	255.2%	**1,139.6**	818.3	321.3	39.3%
Southwestern Ontario (SWO)	**144.1**	47.5	96.6	203.4%	**318.6**	287.6	31.0	10.8%
Québec City – Windsor corridor	**658.1**	**192.2**	**465.9**	**242.4%**	**1,458.2**	**1,105.9**	**352.3**	**31.9%**
Ocean	**5.8**	–	5.8	n/a	**9.6**	8.2	1.4	17.1%
Canadian	**4.3**	0.3	4.0	1,333.3%	**14.5**	6.0	8.5	141.7%
Regional services	**8.8**	4.8	4.0	83.3%	**29.7**	26.4	3.3	12.5%
Non-corridor	**18.9**	**5.1**	**13.8**	**270.6%**	**53.8**	**40.6**	**13.2**	**32.5%**
TOTAL PASSENGERS	**677.0**	**197.3**	**479.7**	**243.1%**	**1,512.0**	**1,146.5**	**365.5**	**31.9%**

(Amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have increased by $40.8 million (321.3 per cent) during the quarter and by $41.6 million (54.3 per cent) for the year. The increase during the quarter is associated to the additional capacity deployed as compared to last year.

The COVID-19 outbreak was declared a pandemic on March 11, 2020, by the World Health Organization and has ever since significantly impacted the Corporation's operations which have been reduced. As a result, frequencies in 2020 were cancelled in most major train services and fully interrupted on others such as the *Ocean* and the *Canadian*. In 2021, frequencies in the Corridor have progressively increased but are still below pre-COVID levels. As for Non-Corridor frequencies, some have been reintroduced.

5.2 Revenues (cont'd)

Québec City – Windsor corridor

Revenues have increased by $36.8 million (306.7 per cent) during the quarter as a result of increased frequencies which drew higher passenger levels (242.4 per cent), as well as improved average revenues (18 per cent).

Capacity (in terms of seat-miles offered) increased by 159.6 per cent compared to the corresponding quarter last year.

On an annual basis, revenues have increased by $40.6 million (61.0 per cent) for the year, ridership has increased by 31.9 per cent and capacity increased by 32.2 per cent.

Ocean

This service ceased operating in March 2020 and resumed on August 11, 2021, with one weekly roundtrip frequency. A second weekly roundtrip frequency was introduced in the beginning of December. Revenues have consequently increased by $1.0 million for the quarter and by $0.6 million (54.5 per cent) for the year.

Canadian

The service was shut down in March 2020 because of the COVID-19 pandemic and did not operate until December 2020 when the Winnipeg-Vancouver portion of the service was reintroduced, operating at one weekly roundtrip. The Toronto-Winnipeg segment was reintroduced on May 17, 2021.

Revenues have increased by $2.3 million compared to the same quarter last year and by 2.3 million (74.2 per cent) compared to last year.

Regional services

Revenues have increased by $0.5 million (250.0 per cent) for the quarter. Capacity in terms of seat-miles was increased by 25.9 per cent, ridership increased by 83.3 per cent and average revenues grew by 53.3 per cent.

For the year, revenues have increased by $0.4 million (33.3 per cent) due in most part to the improved average revenues (17.6 per cent).

Other revenues

Other revenues have increased by $0.3 million (7.5 per cent) for the quarter and have decreased by $0.7 million (4.4 per cent) for the year. The increase for the quarter is mainly due to higher station revenues stemming from the increase in ridership. The decrease for the year is due to lower revenues associated with the storage of Metrolinx and Bombardier cars on the Corporation premises as well as lower revenues associated with the service of Amtrak trains (no Amtrak trains have travelled to Canada since the beginning of the pandemic).

5.3 Operating Expenses

(in millions of Canadian dollars)	Quarters ended December 31				Years ended December 31			
	2021	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Compensation and employee benefits	**80.0**	53.8	26.2	48.7%	**273.3**	281.9	(8.6)	(3.1%)
Train operations and fuel	**32.1**	17.4	14.7	84.5%	**90.3**	69.9	20.4	29.2%
Stations and property	**11.8**	10.7	1.1	10.3%	**42.2**	39.4	2.8	7.1%
Marketing and sales	**7.2**	2.6	4.6	176.9%	**17.2**	15.7	1.5	9.6%
Maintenance material	**7.1**	6.5	0.6	9.2%	**26.5**	30.5	(4.0)	(13.1%)
Professional services	**5.8**	3.4	2.4	70.6%	**15.3**	10.4	4.9	47.1%
Telecommunications	**6.9**	6.7	0.2	3.0%	**23.1**	23.0	0.1	0.4%
Depreciation and amortization	**26.0**	41.2	(15.2)	(36.9%)	**101.9**	114.8	(12.9)	(11.2%)
Loss on disposal of property, plant and equipment and intangible assets	**3.0**	3.9	(0.9)	(23.1%)	**8.9**	10.7	(1.8)	(16.8%)
Unrealized net loss (net gain) on derivative financial instruments	**1.4**	(6.2)	7.6	122.6%	**(5.5)**	2.5	(8.0)	(320.0%)
Other	**9.5**	9.2	0.3	3.3%	**31.8**	46.8	(15.0)	(32.1%)
Total operating expenses under IFRS	**190.8**	**149.2**	**41.6**	**27.9%**	**625.0**	**645.6**	**(20.6)**	**(3.2%)**
Non-funded adjustments *(section 5.1)*	**(44.7)**	(32.0)	(12.7)	(39.7%)	**(121.0)**	(137.8)	16.8	12.2%
Total funded expenses	**146.1**	**117.2**	**28.9**	**24.7%**	**504.0**	**507.8**	**(3.8)**	**(0.7%)**

(Amounts in bracket represent decreases)
(Explanations are provided for expenses for which quarterly variances are of $3 million or more, or 10 per cent or more)

5.3 Operating Expenses (cont'd)

The Corporation, in its objective to reduce costs and minimize the impact of the pandemic on its revenues and deficit, continues to enforce various cost-containment measures including:

- The reduction of some operating expenses in proportion to the level of operations,
- Employee layoffs,
- Reduction of services in stations and food offering on board trains, as well as
- Reduction of administrative costs and the postponement of non-essential initiatives.

The Corporation's cost structure includes a substantial portion of fixed costs which cannot easily be reduced on a short-term basis, the Corporation is therefore constantly looking for different ways to maintain fixed costs at the lowest level possible.

Total operating expenses increased by $41.6 million (27.9 per cent) for the quarter and decreased by $20.6 million (3.2 per cent) for the year. The primary variances are:

Compensation and employee benefits

The expenses increased by $26.2 million (48.7 per cent) during the quarter and decreased by $8.6 million (3.1 per cent) for the year. The increase for the quarter reflects the higher staffing costs associated to the additional frequencies operated compared to the corresponding quarter in 2020. The decrease for the year results from the impact of the layoffs made in August 2020 which continued in 2021 until service levels were reintroduced and some employees hired back.

Train operations and fuel

The expenses increased by $14.7 million (84.5 per cent) during the quarter and by $20.4 million (29.2 per cent) for the year. The increases for both the quarter and the year stem from the additional frequencies operated in 2021 as well as from contractual cost increases.

Marketing and sales

The expenses increased by $4.6 million (176.9 per cent) during the quarter and by $1.5 million (9.6 per cent) for the year.

These increases are mainly attributable to advertising campaigns launched to inform passengers of the reintroduction of frequencies in the corridor.

Maintenance material

The expenses have increased by $0.6 million (9.2 per cent) for the quarter and have decreased by $4.0 million (13.1 per cent) for the year. The increase during the quarter is due to the costs associated with the additional frequencies operated. The decrease for the year is due to the fact that in 2020, as many cars were temporarily removed from service following the reduction of frequencies, these cars underwent repairs which would have normally been completed in 2021.

Professional services

The expenses increased by $2.4 million (70.6 per cent) during the quarter and by $4.9 million (47.1 per cent) for the year. The increases are due in part to communication costs to inform VIA Rail passengers of the various safety measures and requirements associated with the COVID-19 pandemic, as well as to expenses associated to strategic operating initiatives.

5.3 Operating Expenses (cont'd)

Depreciation and amortization

The expenses decreased by $15.2 million during the quarter and by $12.9 million for the period. The decrease is due to the fact that in the last quarter of 2020, the useful life of some Renaissance equipment was reduced and a higher depreciation expense to reflect the reduction in the useful life.

Loss on disposal of property, plant and equipment and intangible assets

The expenses decreased by $0.9 million (23.1 per cent) during the quarter and by $1.8 million (16.8 per cent) for the year.

The decreases are mostly due to the fact that lower capital projects with remaining book value were written off compared to last year.

Unrealized net loss (net gain) on derivative financial instruments

Net loss of $1.4 million for the quarter and net gain of $5.5 million for the year compared to a net gain of $6.2 million for the quarter ended December 31, 2020, and a net loss of $2.5 million for the year. Net gain for the cumulative period ending December 31, 2021, reflects the fact that market fuel prices are higher than contract prices. Last year, losses were generated on a cumulative basis, as the market prices were lower that the contract prices.

Other expenses

The expenses increased by $0.3 million for the quarter and decreased by $15.0 million for the year. The decrease in the annual expense compared to last year is mainly attributable to the realized gains on derivative financial instruments. In 2020, VIA Rail incurred losses of $11.3 million on derivative financial instruments but realized gains of $2.4 million in 2021.

5.4 Financial Position

(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**	**Var $**	**Var %**
ASSETS				
Current assets	**115.0**	79.0	36.0	45.6%
Advances on contracts	**52.5**	58.4	(5.9)	(10.1%)
Property, plant and equipment	**1,285.9**	1,176.9	109.0	9.3%
Right-of-use assets	**87.8**	33.4	54.4	162.9%
Intangible assets	**356.1**	336.0	20.1	6.0%
Employee benefit assets	**280.2**	2.0	278.2	13,910.0%
Total assets	**2,177.5**	**1,685.7**	**491.8**	**29.2%**

(Amounts in bracket represent decreases)

5.4 Financial Position (cont'd)

(in millions of Canadian dollars)	December 31, 2021	December 31, 2020	Var $	Var %
LIABILITIES				
Current liabilities	**192.7**	159.0	33.7	21.2%
Other payables	**22.2**	16.8	5.4	32.1%
Deferred income tax	**22.6**	–	22.6	n/a
Lease liabilities	**86.3**	32.1	54.2	168.8%
Employee benefit liabilities	**41.6**	97.8	(56.2)	(57.5%)
Total liabilities	**365.4**	**305.7**	**59.7**	**19.5%**
Deferred capital funding	**1,658.1**	1,538.8	119.3	7.8%
Share capital	**9.3**	9.3	–	0.0%
Accumulated deficit, beginning of period	**(168.2)**	(146.2)	(22.0)	(15.0%)
Net loss	**(26.3)**	(16.0)	(10.3)	(64.4%)
Other comprehensive income (loss)	**339.2**	(5.9)	345.1	5,849.2%
Accumulated surplus (deficit), end of period	**144.7**	**(168.1)**	**312.8**	**186.1%**
Total liabilities and shareholder's equity	**2,177.5**	**1,685.7**	**491.8**	**29.2%**

(Amounts in bracket represent decreases)

The main changes in the Statement of Financial Position result from the following major elements:

Assets

Total assets have increased by $491.8 million due mainly to an increase in employee benefit assets by $278.2 million because of the increase in the discount rate and a return on plan assets as well as to acquisitions of property, plant and equipment.

Liabilities and deferred capital funding

Total liabilities have increased by $59.7 million mainly due to an increase in lease liabilities (long term lease signed for Montreal Central Station) as well as an increase in deferred income tax liabilities due to the employee benefits assets. Deferred capital funding has increased by $119.3 million due to capital investments. The decrease in employee benefit liabilities of $56.2 million is due to an increase in the discount rate and a return on plan assets.

Comprehensive income (loss)

Other comprehensive income increased due to the increase in discount rates and a return on plan assets affecting employee benefit assets and liabilities, as explained in section 5.1 of this document.

5.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Balance, beginning of period	**27.7**	15.7	12.0	76.4%	**12.2**	3.4	8.8	258.8%
Net cash (used in) provided by operating activities	**(31.1)**	(10.8)	(20.3)	(188.0%)	**15.3**	(50.9)	66.2	130.1%
Net cash provided (used in) by investing activities	**8.4**	8.0	0.4	5.0%	**(20.5)**	62.5	(83.0)	(132.8%)
Net cash (used in) financing activities	**(0.6)**	(0.7)	0.1	14.3%	**(2.6)**	(2.8)	0.2	7.1%
Balance, end of period	**4.4**	**12.2**	**(7.8)**	**(63.9%)**	**4.4**	**12.2**	**(7.8)**	**(63.9%)**

(Amounts in bracket represent decreases)

Operating activities

Net cash decreased by $20.3 million (188.0 per cent) for the quarter and increased by $66.2 million (130.1 per cent) for the year. The variances are mainly due to the variance in working capital items.

Investing activities

Net cash increased by $0.4 million for the quarter and decreased by $83.0 million for the year. The decrease is mainly due to the amount of government funding received during the year which was lower than the amount of acquisition of property, plant and equipment and intangible assets.

5.5 Liquidity, Cash Flows and Capital Investments (cont'd)

Funded capital investments

Property, plant and equipment and intangible assets total to $1,642.0 million as at December 31, 2021, which is an increase of $129.1 million compared to the balance as at December 31, 2020.

Funded capital investments of $226.4 million were invested during the year.

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2021**	**2020**	**Var $**	**Var %**	**2021**	**2020**	**Var $**	**Var %**
Equipment	**14.4**	13.2	1.2	9.1%	**58.9**	35.1	23.8	67.8%
Infrastructure	**2.4**	6.1	(3.7)	(60.7%)	**6.8**	12.3	(5.5)	(44.7%)
Information technology	**10.4**	5.9	4.5	76.3%	**34.1**	17.3	16.8	97.1%
Stations	**4.7**	3.9	0.8	20.5%	**16.0**	17.7	(1.7)	(9.6%)
Fleet Replacement Program	**37.6**	34.5	3.1	9.0%	**100.2**	161.9	(61.7)	(38.1%)
Other	**2.6**	2.3	0.3	13.0%	**10.4**	6.1	4.3	70.5%
Capital investments	**72.1**	**65.9**	**6.2**	**9.4%**	**226.4**	**250.4**	**(24.0)**	**(9.6%)**
Advance on contract – Fleet Replacement Program	**–**	–	–	n/a	**–**	2.5	(2.5)	(100.0%)
Total	**72.1**	**65.9**	**6.2**	**9.4%**	**226.4**	**252.9**	**(26.5)**	**(10.5%)**

(Amounts in bracket represent decreases)

The most significant investments made during the quarter and the year were in the Fleet Replacement Program as in the HEP (head-end power) long haul and corridor equipment rebuild program (referred to as the "Heritage" program), as well as investments in Information Technology projects such as the new reservation system.

6. Results compared to the 2021-2025 Corporate Plan [1]

(1): The Corporate plan provides information on funded activities, therefore comparison between actual and planned results are based on funded activities.

The Corporation continues to work towards achieving the goals and strategies identified in its corporate plan. The financial results of the quarter and the year were slightly better than planned results due to lower than planned operating costs.

In terms of capital expenditures, although investments for the year were below planned expenditures, work progresses on the major strategic projects identified in the plan such as the Fleet Replacement Program, our HEP (high-end power) equipment rebuild program, station upgrades and new reservation system.

Government funding relating to operating expenses

(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**
Balance, beginning of period	**47.0**	36.1
Received to fund operating expenses	**(354.2)**	(404.9)
Recognized in financial results	**370.5**	415.8
Balance, end of period	**63.3**	47.0

Government funding relating to capital expenditures

(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**
Balance, beginning of period	**(36.5)**	43.0
Received to fund the acquisition of property, plant and equipment and intangible assets (including the cost of land)	**(197.3)**	(332.4)
Used to fund capital expenditures	**226.4**	252.9
Balance, end of period	**(7.4)**	(36.5)

6. Results compared to the 2021-2025 Corporate Plan [1] (cont'd)

Parliamentary appropriations

The Corporation receives its funding from the Government of Canada based on the Government's fiscal year which begins April 1 and ends March 31. Thus, parliamentary appropriations for operating expenses and capital expenditures are based on the Government's fiscal year.

Parliamentary appropriation for operating expenses *(in millions of Canadian dollars)*	**For the twelve months period ending March 31, 2022**	**For the twelve months period ending March 31, 2021**
Original parliamentary appropriation	**326.4**	149.4
Supplementary parliamentary appropriation *(Note 1)*	**97.8**	259.9
Revised annual parliamentary appropriation	**424.2**	409.3
Appropriation recognized for the three months ended June 30	**97.3**	119.6
Appropriation recognized for the three months ended September 30	**89.0**	90.9
Appropriation recognized for the three months ended December 31	**88.0**	100.4
Total appropriation recognized for the period	**274.3**	310.9
Appropriation available for reminder of the year	**149.9**	**98.4**

Note 1: Includes $2.8 million approved after December 31, 2021, through Suppl C Estimates

6. Results compared to the 2021-2025 Corporate Plan [1] (cont'd)

Parliamentary appropriation for capital expenditures *(in millions of Canadian dollars)*	**For the twelve months period ending March 31, 2022**	**For the twelve months period ending March 31, 2021**
Original parliamentary appropriation	**443.4**	397.6
Supplementary parliamentary appropriation *(Note 1)*	**32.4**	39.5
Revised annual parliamentary appropriation	**475.8**	437.1
Appropriation recognized for the three months ended June 30	**48.3**	84.8
Appropriation recognized for the three months ended September 30	**59.2**	46.8
Appropriation recognized for the three months ended December 31	**72.1**	65.9
Total appropriation recognized for the period	**179.6**	197.5
Appropriation available for reminder of the year	**296.2**	**239.6**

Note 1: Amount approved through after December 31, 2021, through Suppl C Estimates

7. Risk Analysis

This section highlights the Corporation's key risks which may have a potential impact on the Corporation's financial results and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2020.

The COVID-19 pandemic has not only significantly affected VIA Rail's operations during the fourth quarter and year, it also has an impact on several of the Corporation's major risks.

Nature of Risk	Trend	Current Situation
Financial Sustainability		
VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual government budgetary allocations to fund its operations, capital and pension obligations. Insufficient funding by the government constitutes a risk in the efficient delivery of the Corporation's services, as well as in the planning and execution of its medium-to-long term strategies.	→	VIA Rail received, in July 2020, confirmation of funding envelopes for operations, capital and pension costs for the next five years. The COVID-19 pandemic and February 2020 blockades have significantly impacted VIA Rail's financial results, VIA Rail therefore requested and received an additional funding envelope of $187.5 million for the period of April 2020 to March 2022 which is sufficient to cover the Corporation's funding requirements for 2022.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Service Offering		
The Corporation's lack of ability to meet travel market needs through existing and future services could hinder its capacity to meet the revenue plan and can cause the funding to be insufficient and lead to cost/service reductions. Current service offering challenges include: • Deteriorating economic environment (impact of COVID-19 pandemic, recession or other decisions to limit travel, inflation) • Infrastructure access challenges (freight congestion, speed issues, blockades) • Reduced capacity due to aging fleet • Competition	→	VIA Rail's service levels are still below normal levels, as a result of the COVID-19 pandemic although service levels increased in 2021 (from 41 per cent, up to 79 percent of normal level). The uncertainty related to future potential waves of the pandemic as well as the potential change in travel patterns of customers could hinder the Corporation's ability to achieve its revenue plan and require additional containment measures to compensate for lost revenues.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Asset Management		
VIA Rail's HEP (Head-end power) rolling stock equipment is aging and nearing the end of its life. Its reliability has deteriorated in the past few years, resulting in delays and additional operating costs to maintain a state of good repair. Maintenance costs could increase significantly in upcoming years until a new fleet is introduced, both in the Corridor and non-Corridor, as reliability of the aging fleet may continue to deteriorate.	↑	The COVID-19 pandemic and additional work on some of the rolling stock equipment due to their age have impacted the schedule of the refurbishment of our HEP equipment as part of our Heritage Program. These delays could result in additional costs as well as issues related to the availability of the equipment and potential impact on our available capacity. Management is working with suppliers involved in the various projects to mitigate the risks and ensure delivery timelines are met whenever possible and that potential delays and additional costs will be minimal.
Operational Security and Safety		
Events such as collisions, derailments and pedestrian accidents may negatively impact revenues. Such events and new regulations on grade crossings may also result in significant non-budgeted costs for the Corporation.	↑	The Corporation, through its enhanced Safety Management System (SMS), applies operational procedures and controls which ensure compliance with railway safety requirements. VIA Rail also completes regular inspections of its equipment, stations and infrastructure. These activities are carried on to manage and mitigate the safety risks of our railway operations, as well as the potential significant unexpected costs which may result from the Corporation's operations. The Corporation has developed a security roadmap and has, over the last few years, implemented various initiatives to enhance security in some of its stations. With regards to the new regulatory requirements on grade crossings issued by Transport Canada, the effective date at which work must be completed has been extended beyond the original implementation date of November 27, 2021. VIA Rail has completed the work on its infrastructure, and discussions remain on-going with the owners of other infrastructure on which VIA Rail operates for the execution of the work on their infrastructure.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Access to Third-Party Assets		
The services provided by host railways have been deteriorating during the past few years, resulting in declining on-time performance, which resulted in increased operating costs and which could lead to lower customer satisfaction and revenue generation.	↑	On-time performance has slightly improved compared to the previous year however this situation is mainly due to the fact that the frequencies, which VIA Rail operated this year, remained below normal levels. In addition to the risk that on-time performance will decrease when frequencies are reintroduced, VIA Rail could potentially face issues with accessing infrastructure that is required for operations in key stations. The current agreements with some infrastructure owners have or will expire shortly and there is a risk that access costs increase significantly. Negotiations with these infrastructure owners have begun and Management's objective is to secure its current and future access to the infrastructure while minimizing cost increases.
Use of Technology and Cybersecurity		
As part of regular business operations, the Corporation collects, processes and stores sensitive data, including personal information of passengers, employees and information of business partners. Any technology system failure, degradation, interruption or misuse, security breach, inefficient migration to a new system, or failure to comply with applicable data confidentiality, privacy, security or other related obligations, could adversely affect VIA Rail's reputation. It could also expose the Corporation to litigation, claims for contract breach, fines, sanctions or remediation costs or otherwise materially and adversely affect its operations. Any of the previous could have a material adverse effect on VIA Rail, its business, results from operations and financial condition.	↑	VIA Rail relies heavily on technology to operate its business, including to increase its revenues and reduce its costs. Technology systems are at risk of cybersecurity incidents, and it is generally viewed that cyber-attacks have increased and will continue to increase in both occurrence and complexity. The Corporation invests in security initiatives such as employee awareness training and third-party assessment of controls as well as in disaster recovery plans; these initiatives may however not be successful or adequately address this evolving risk.

↑ Increasing → Stable ↓ Decreasing

7. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Talent Management		
VIA Rail's workforce is mature and many employees could retire in the next few years, including some with specific technical skills. Furthermore, the employment market has been increasingly competitive. Without proper succession planning and strategies to attract and retain employees, key knowledge and competencies could be lost. The situation could result in loss of productivity and increased costs.	↑	VIA Rail has put in place an apprenticeship program for technical skilled positions and ensure successful transfer of knowledge, and the Corporation has continued its locomotive engineer training program to have a sufficient workforce given potential upcoming retirements and is currently recruiting for additional classes. The Corporation is also working on programs and tools to attract and retain talented key employees.

↑ Increasing → Stable ↓ Decreasing

8. Outlook

The results of the fourth quarter improved compared to those of the previous quarters, as customer demand increased, and frequencies were reintroduced. This encouraging trend was however stopped at the end of December with the Omicron wave which resulted in a reduction of service in January 2022.

There consequently remains uncertainty with regards to the evolution of the pandemic and the emergence of additional waves and new contagious variants of the virus. Management therefore continues to adjust service levels and frequencies in line with passenger demand so that incremental revenues are optimized, and costs associated to the increased services are limited. The reintroduction of frequencies in non-corridor services which do not all cover their costs will however increase the Corporation's deficit and could result in a funding shortfall for the next government fiscal year (2022-23). Management is closely monitoring the situation and is in communication with Transport Canada concerning potential additional funding requirements during this unprecedented and sustaining situation.

In the meantime, Management continues to work on the implementation of initiatives to minimize operating costs. In parallel, the Corporation is pursuing its transformation as work is advancing on its strategic projects such as the Fleet Replacement Program, Heritage Program, High Frequency Rail (HFR) and the new reservation system.

On March 9, 2022, the Government of Canada announced the future phases of the High Frequency Rail (HFR) project, and informed VIA Rail of the upcoming creation of a subsidiary, creation which shortly will be officialised by an order in council. Management was not provided with additional details pertaining to the subsidiary and is therefore not able to assess the associated financial impacts.

Financial Statements

Financial Statements

Passenger
Getty

Management's Responsibility Statement

Year ended December 31, 2021

Management of the Corporation is responsible for the preparation and fair presentation of the financial statements contained in the Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include certain amounts that are based on management's best estimates and judgment. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Corporation and its financial performance and its cash flows.

To fulfil its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2021 and her report indicates the scope of her audit and her opinion on the financial statements.

The Audit & Pension Investment Committee of the Board of Directors, consisting of independent Directors, meets periodically with the internal auditors KPMG and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit & Pension Investment Committee.

Cynthia Garneau
President and Chief Executive Officer

Marie-Claude Cardin
Chief Financial Officer

Montréal, Canada
March 23, 2022

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of VIA Rail Canada Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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

Those charged with governance are responsible for overseeing VIA Rail Canada Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VIA Rail Canada Inc.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on VIA Rail Canada Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause VIA Rail Canada Inc. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Tina Swiderski, CPA auditor, CA
Principal
for the Auditor General of Canada

Montréal, Canada
23 March 2022

Financial Statements

Statement of Financial Position

As at December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
CURRENT ASSETS		
Cash	**$ 4,400**	$ 12,213
Trade and other receivables *(Note 9)*	**71,186**	29,088
Other assets *(Note 10)*	**4,924**	6,696
Derivative financial instruments *(Note 11)*	**2,341**	230
Materials *(Note 12)*	**30,191**	29,703
Asset Renewal Fund *(Note 13)*	**1,969**	1,096
	115,011	79,026
NON-CURRENT ASSETS		
Advances on contracts *(Note 14)*	**52,405**	57,538
Property, plant and equipment *(Note 15)*	**1,285,893**	1,176,894
Right-of-use assets *(Note 18)*	**87,834**	33,392
Intangible assets *(Note 16)*	**356,119**	335,952
Asset Renewal Fund *(Note 13)*	**–**	873
Employee benefit assets *(Note 22)*	**280,231**	2,024
	2,062,482	1,606,673
Total Assets	**$ 2,177,493**	$ 1,685,699

Statement of Financial Position (cont'd)

As at December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
CURRENT LIABILITIES		
Trade and other payables *(Note 17)*	**$ 161,637**	$ 122,594
Lease liabilities *(Note 18)*	**3,681**	2,984
Provisions *(Note 19)*	**5,214**	10,437
Derivative financial instruments *(Note 11)*	**113**	3,489
Deferred revenues *(Note 20)*	**21,999**	19,634
	192,644	159,138
NON-CURRENT LIABILITIES		
Other payables *(Notes 21 and 26)*	**22,206**	16,814
Deferred income tax *(Note 23)*	**22,580**	–
Lease liabilities *(Note 18)*	**86,316**	32,079
Employee benefit liabilities *(Note 22)*	**41,629**	97,804
	172,731	146,697
Deferred capital funding *(Note 24)*	**1,658,109**	1,538,752
SHAREHOLDER'S EQUITY		
Share capital *(Note 25)*	**9,300**	9,300
Accumulated surplus (deficit)	**144,709**	(168,188)
	154,009	(158,888)
Total Liabilities and Shareholder's equity	**$ 2,177,493**	$ 1,685,699

Commitments and Contingencies (Notes 29 and 32, respectively)

The notes are an integral part of the financial statements.

Approved on behalf of the Board,

Françoise Bertrand

Françoise Bertrand
Chairperson of the Board of Directors

Cynthia Garneau

Cynthia Garneau
President and Chief Executive Officer

Statement of Comprehensive Income

Year ended December 31 *(in thousands of Canadian dollars)*	**2021**	2020
REVENUES *(Note 6)*		
Passenger	**$ 118,173**	$ 76,662
Other	**15,283**	15,976
	133,456	92,638
EXPENSES		
Compensation and employee benefits	**273,347**	281,917
Train operations and fuel	**90,274**	69,918
Stations and property	**42,248**	39,409
Marketing and sales	**17,189**	15,696
Maintenance material	**26,469**	30,537
On-train product costs	**15,785**	14,181
Operating taxes	**10,662**	10,173
Professional services	**15,291**	10,417
Telecommunications	**23,067**	22,979
Depreciation of property, plant and equipment *(Note 15)*	**78,117**	88,289
Amortization of intangible assets *(Note 16)*	**20,639**	22,791
Depreciation of right-of-use assets *(Note 18)*	**3,052**	3,662
Loss on disposal of property, plant and equipment *(Note 15)*	**8,539**	10,702
Loss (gain) on disposal of intangible assets *(Note 16)*	**396**	(2)
Unrealized (net gain) net loss on derivative financial instruments	**(5,487)**	2,547
Realized (net gain) net loss on derivative financial instruments	**(2,402)**	11,317
Interest expense on lease liabilities	**899**	970
Other	**6,882**	10,127
	$ 624,967	$ 645,630

Statement of Comprehensive Income (cont'd)

Year ended December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**$ (491,511)**	$ (552,992)
Operating funding from the Government of Canada *(Note 7)*	**370,521**	415,834
Amortization of deferred capital funding *(Note 24)*	**107,013**	121,189
Net loss before income taxes	**(13,977)**	(15,969)
Income tax expense *(Note 23)*	**12,312**	–
NET LOSS FOR THE YEAR	**(26,289)**	(15,969)
Other comprehensive income (loss)		
Amounts not to be reclassified subsequently to net income:		
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans *(Note 22)*	**349,454**	(5,972)
Income tax expense *(Note 23)*	**(10,268)**	–
	339,186	(5,972)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ 312,897**	$ (21,941)

The notes are an integral part of the financial statements.

Statement of Changes in Shareholder's Equity

Year ended December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
SHARE CAPITAL	**$ 9,300**	$ 9,300
Accumulated surplus (deficit)		
Balance, beginning of year	**(168,188)**	(146,247)
Net loss for the year	**(26,289)**	(15,969)
Other comprehensive income (loss) for the year	**339,186**	(5,972)
Balance, end of year	**144,709**	(168,188)
Total Shareholder's equity	**$ 154,009**	$ (158,888)

The notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
OPERATING ACTIVITIES		
Net loss for the year	**$ (26,289)**	$ (15,969)
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment *(Note 15)*	**78,117**	88,289
Amortization of intangible assets *(Note 16)*	**20,639**	22,791
Depreciation of right-of-use assets *(Note 18)*	**3,052**	3,662
Loss on disposal of property, plant and equipment *(Note 15)*	**8,539**	10,702
Loss (gain) on disposal of intangible assets *(Note 16)*	**396**	(2)
Unpaid employee benefits liabilities	**–**	39
Other payables variations	**508**	–
Advances on contracts variations	**(484)**	–
Amortization of deferred capital funding *(Note 24)*	**(107,013)**	(121,189)
Deferred income tax	**12,312**	–
Interest income	**(315)**	(441)
Interest paid	**(899)**	(970)
Unrealized (net gain) net loss on derivative financial instruments	**(5,487)**	2,547
Post-employment and other employee benefit expenses *(Note 22)*	**40,196**	39,952
Employer post-employment and other employee benefit contributions *(Note 22)*	**(25,124)**	(24,626)
Interest expense on lease liabilities	**899**	970
Net change in working capital items *(Note 26)*	**16,245**	(56,664)
Net cash provided by (used in) operating activities	**$ 15,292**	$ (50,909)

Statement of Cash Flows (cont'd)

Year ended December 31 *(in thousands of Canadian dollars)*	**2021**	**2020**
INVESTING ACTIVITIES		
Government funding received related to acquisition of property, plant and equipment and intangible assets *(Notes 9, 24 and 26)*	**$ 197,319**	$ 329,962
Government funding received related to an advance on contract *(Note 24)*	**–**	2,482
Acquisition of property, plant and equipment and intangible assets *(Notes 15, 16, 17 and 26)*	**(218,193)**	(267,957)
Payment of an advance on contract *(Note 14)*	**–**	(2,482)
Interest received	**315**	441
Proceeds from the disposal of property, plant and equipment and intangible assets	**14**	92
Net cash (used in) provided by investing activities	**(20,545)**	62,538
FINANCING ACTIVITIES		
Payment of the lease liabilities	**(2,560)**	(2,771)
Net cash (used in) financing activities	**(2,560)**	(2,771)
CASH		
(Decrease) increase during the year	**(7,813)**	8,858
Balance, beginning of year	**12,213**	3,355
Balance, end of year	**$ 4,400**	$ 12,213
REPRESENTED BY:		
Cash	**$ 4,400**	$ 12,213
	$ 4,400	$ 12,213

The notes are an integral part of the financial statements.

Notes to the Financial Statements

Year ended December 31, 2021

1. Authority, Objectives and General Information

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strive to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013, and a related subsequent directive (P.C. 2016-443) that was issued on June 3, 2016, pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per these directives, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of these directives have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the directive have been met.

The Corporation is not an agent of Her Majesty and is subject to income taxes.

The Corporation has one operating segment, passenger transportation and related services in Canada. The Corporation's activities are considered seasonal since passenger traffic increases significantly during the summer and holiday periods resulting in an increase in revenue for these same periods.

These financial statements were approved and authorized for issue by the Board of Directors on March 23, 2022.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 12, 2020, in response to the COVID-19 outbreak, the Corporation enforced special health and safety measures for its passengers and employees, and subsequently reduced service levels for most major train services. During the year, the Corporation faced a severe and abrupt drop in services and a corresponding decline in revenue as a result of the COVID-19 pandemic. The impact of the COVID-19 pandemic began to be felt at the end of the first quarter. These impacts include drastic increase in operating loss and substantial decline in cash from operations, increasing the necessity to obtain funding from the Government of Canada. With a limited visibility on travel demand, the Corporation cannot predict the full impact of the pandemic and is actively monitoring the situation.

The Corporation, in its objective to reduce costs and minimize the impact of the pandemic on its deficit, has implemented various cost saving measures including:

- The reduction of some operating expenses in proportion to the level of operations,
- Employee layoffs,
- Reduction of services in stations and food offering on board trains, as well as
- Reduction of administrative costs and the postponement of non-essential initiatives.

The Corporation has received the additional funding from the Government of Canada and has the adequate resources to continue in operational existence for the foreseeable future. Thus, management continues to adopt the going concern basis of accounting in preparing the financial statements.

2. Basis of Preparation

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except when a specific IFRS standard requires fair values measurement as explained in the accounting policies below.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand in the Corporation's financial statements and rounded to the nearest million in the notes to the financial statements.

3. New and Revised IFRS Issued but not yet Effective

Other than those disclosed in Note 4 of the Corporation's financial statements for the year ended December 31, 2021, new standards, amendments and interpretations were issued by the IASB or the Interpretations Committee that could have a possible effect on the Corporation in the future. The IASB issued amendments to the following standards, which are effective for the Corporation's annual periods beginning on January 1, 2022. Early application is permitted.

Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

Annual Improvements to IFRS Standards 2018-2020 Cycle: *Amendments to:* IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 9 – *Financial Instruments* and IFRS 16 – *Leases*

Management has assessed that these changes will have no impact on the Corporation's financial statements.

The IASB issued amendments to the following standards, which are effective for the Corporation's annual periods beginning on or after January 1, 2023:

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*

Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

Amendments to IAS 12 – *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management is currently assessing the impact of adopting these amendments on the Corporation's financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies followed by the Corporation are summarized as follows:

a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss. The funding is determined on the basis of operating expenses less revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, right-of-use assets, intangible assets, lease liabilities, deferred income taxes, adjustment for accrued compensation and adjustment for VIA Préférence loyalty program and is based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment and intangible assets is recorded as deferred capital funding in the Statement of Financial Position and is amortized on the same basis and over the same periods as the funded depreciable property, plant and equipment and intangible assets. Upon disposal of the funded depreciable property, plant and equipment and intangible assets, the Corporation recognizes into net income all remaining deferred capital funding related to the relevant assets.

Funding for non-depreciable property, plant and equipment is recorded as deferred capital funding in the Statement of Financial Position and is amortized on the same basis and over the same periods as the related depreciable property, plant and equipment.

b) Revenue recognition

i) Passenger revenues

Revenue related to train services is recorded as deferred revenue until the transportation service has been provided. The service is rendered to the customer as the train journey is made. The performance obligation is satisfied over time. The customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the train service.

For sales of on-train food and beverages and other revenues, revenues are recognized when control of the goods has transferred, being at the point the customer purchases the goods.

The Corporation offers its customers the opportunity to earn points in a loyalty program. This program allows customers to purchase additional services – future train tickets from the accumulated VIA Préférence points. The Corporation considers that the awarding of points gives rise to a performance obligation separate from the purchase of the train ticket, since they confer on the customer a significant right to which he would not have been entitled if he had not bought a train ticket. The customer pays in advance for future services. The consideration received in respect of ticket sales is split between the points awarded under the VIA Préférence loyalty program and the passenger transportation services. The amount allocated to the loyalty program is based on the probability of the awards being converted into train tickets. The probability is reviewed at the end of each annual reporting period. Revenue related to loyalty program points is recognized as deferred revenue until it is exchanged for train tickets. When points are redeemed, the proceeds are determined by the number of points redeemed in exchange for train tickets.

4. Summary of Significant Accounting Policies (cont'd)

ii) Other revenues

Investment income and third-party servicing

Investment income are recognized as they are earned. For third-party servicing, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the third-party services.

Rental income and other

The Corporation enters into lease agreements as a lessor with respect to some of its stations and installations. Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. For rental income and other revenues, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the rental services. The change in fair value of financial instruments at FVTPL that are not derivative financial instruments is recognized in other revenues.

c) Materials

Materials, consisting primarily of items used for the maintenance of rolling stock, are valued at the lower of cost and net realizable value. The cost is determined using the weighted average method and net realizable value is defined as the replacement cost. Materials are presented net of the related obsolescence provision.

d) Property, Plant and Equipment

Property, plant and equipment are recorded at the cost, less accumulated depreciation and any accumulated impairment losses. The cost includes all expenditures directly attributable to the acquisition of the asset.

Projects in progress are recorded at cost and include direct costs of construction, materials, direct labour and overhead.

When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

Maintenance and repair costs are recognized as follows:

i) Rolling stock:

Maintenance expenses incurred during the useful life of equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses.

The cost of periodic major overhaul programs is capitalized as a separate component and depreciated over its expected useful life.

ii) Fixed installations:

Maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

The costs of periodic major building repair programs are capitalized as a separate component and depreciated over its expected useful life.

4. Summary of Significant Accounting Policies (cont'd)

Depreciation of property, plant and equipment is calculated on a straight-line basis, from the date they are available for use, at rates sufficient to depreciate the cost of property, plant and equipment, less their residual value, over their estimated useful lives except for leasehold improvements related to the lease of buildings and stations where the depreciation period is the shorter of the lease term or its estimated useful life.

The estimated useful lives are as follows:

	Years
Rolling stock	**2 to 58**
Maintenance buildings	**10 to 75**
Stations and facilities	**5 to 50**
Owned infrastructure	**10 to 50**
Leasehold improvements	**10 to 40**
Machinery and equipment	**5 to 25**
Computer hardware	**3 to 7**
Other property, plant and equipment *(Note 1)*	**5 to 25**

Note 1: Other property, plant and equipment include mostly office furniture, luggage carts and security equipment.

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress and land.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded under "Loss on disposal of property, plant and equipment" in the Statement of Comprehensive Income.

e) Right-of-use assets

The Corporation leases several assets including lands, stations, facilities, office spaces and information technology equipment in the normal course of its business.

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases who at the commencement date, have a term of 12 months or less) and leases of low-value assets.

4. Summary of Significant Accounting Policies (cont'd)

The Corporation recognizes right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct cost incurred, lease payments made at or before the commencement date, less any lease incentives received and an estimate of costs of dismantling and removing the underlying asset, if any.

Right-of-use assets are depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or if the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

f) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses.

Projects in progress are recorded at cost and include direct costs of development, direct labour and overhead.

Amortization is recorded on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No amortization is provided for Projects in progress.

For internally-generated intangible assets, the expenditure on research activities is recognized as an expense in the year in which it is incurred and the development expense from the development phase of an internal project is recognized as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to net income in the year in which it is incurred.

4. Summary of Significant Accounting Policies (cont'd)

The Corporation's intangible assets have a finite useful life and are amortized over their useful life according to the straight-line method over the following years:

	Years
Software	3 to 5
Rights of access to rail infrastructure	38
Other intangible assets	3 to 25

Gains and losses on disposals of intangible assets are determined by comparing the proceeds with the carrying amount of the asset and are recorded under "Loss/(gain) on disposal of intangible assets" in the Statement of Comprehensive Income.

g) Impairment of non-financial assets

The Corporation reviews at each Statement of Financial Position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. If there are indicators of impairment present, the asset's recoverable amount is estimated. Assets that are not yet available for use are tested for impairment at every reporting period regardless of whether an indicator exists.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The fair value is determined using the current replacement cost. The value in use is determined by the estimated present value of future cash flows generated by the asset.

The carrying amount of the Corporation's property, plant and equipment, right-of-use assets and intangible assets are reviewed at the cash-generating unit (CGU) level to determine whether there is any indication of impairment. For the purpose of impairment testing, a CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Assets are tested at the CGU level when they cannot be tested individually.

Under the Corporation's business model, no assets are considered to generate cash flows that are largely independent of the cash flows of other assets and liabilities. Instead, all assets interact to create the passenger train service which include property, plant and equipment, right-of-use assets and intangible assets. These operations are funded by parliamentary appropriations, revenues from passengers and revenues from other sources. Overall levels of cash flows reflect public policy requirements and decisions. They reflect budgetary funding provided to the Corporation in its entirety.

An impairment loss is recognized in net income and calculated as the difference between the carrying amount and the recoverable amount.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in the Statement of Comprehensive Income.

4. Summary of Significant Accounting Policies (cont'd)

h) Lease liabilities

The Corporation as a lessee:

The Corporation recognizes at the commencement date of the lease, a lease liability which is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lease's implicit rate. If this rate cannot be readily determined, the Corporation uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Corporation recognizes non-lease components as expenses and record these expenses on a straight-line basis.

The lease liability is presented as a separate line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to variations in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to fluctuations in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Corporation's accounting policies as a lessor are describe in Note 4 b) Revenue recognition ii) Rental income and other.

4. Summary of Significant Accounting Policies (cont'd)

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e. those with a lease term of 12 months or less from the commencement date and who do not contain a purchase option). The Corporation also applies the low-value asset recognition exemption to leases that are considered of low value (such as point-of-sale terminal). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

i) Provisions and contingencies

Provisions, including provisions for legal litigations, restructuring and environmental issues, are recognized when it becomes probable that a present obligation (legal or constructive) resulting from a past event will require a settlement and when the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent liabilities are not recognized in the Statement of Financial Position, unless they meet the criteria of a provision. Contingent liabilities may arise from uncertainty as to the existence of a liability or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. These contingent liabilities are disclosed in the notes.

When some or all of the expenses required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

The provision for litigations is determined on a case by case basis by the legal service group of the Corporation. External consultants are solicited for the most significant and complex litigations.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to the affected employees. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

The environmental provision includes estimated costs to meet Government standards and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Corporation's prior experience.

j) Income taxes

The Corporation utilizes the asset and liability method of accounting for taxes under which deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net income in the year based on tax rates that have been enacted, or substantially enacted, by the end of the reporting period. Deferred income tax assets are recognized to the extent that realization is considered probable.

4. Summary of Significant Accounting Policies (cont'd)

k) Employee benefits

i) Pension plans

Employer contributions related to the defined contribution component of the pension plan are recognized as an expense when employees render the service entitling them to the contributions.

The Corporation's obligations for the defined benefit component of the pension plans as well as for other post-employment benefits are actuarially determined using the projected unit credit method and management's best estimate. The present value of the defined benefit obligations is calculated using discount rates based on an interest rate curve that represents the yields on corporate AA bonds. The CIA's calculation model establishes the rates for longer maturities by extrapolating the yield curve to maturity of AA-rated corporate bonds based on the observed relationship between the yields of AA-rated corporate bonds or A-rated corporate bonds and those of provincial AA-rated bonds in the medium-term maturity range. This relationship is then transposed to the universe of provincial AA-rated bonds with longer maturities to extrapolate the bond yields of AA-rated corporate bonds.

The Corporation determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined obligation at the beginning of the year to the net defined benefit liability.

The current service costs, the net interest expense on the net defined benefit liability, the gains and losses on curtailment or settlement and plan amendments are recognized in net income in the year they are incurred.

Remeasurements arising from defined benefit plans comprised of changes in demographic assumptions, changes in financial assumptions, experience adjustments and the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognized in other comprehensive income (loss) in the year they are incurred.

ii) Post-employment benefits

Post-employment benefits include post-retirement medical and life insurance benefits.

Remeasurements arising from post-employment benefit plans comprised of changes in demographic assumptions, changes in financial assumptions and experience adjustments are recognized in other comprehensive income (loss) in the year they are incurred.

4. Summary of Significant Accounting Policies (cont'd)

iii) Employment benefits other than post-employment benefits

The Corporation provides employment benefits other than post-employment benefits as follows:

- Compensation and short-term employee benefits include the annual salary, performance bonuses, paid vacations not included in the annual salary, short-term sick leave, health, dental and life insurance benefits. These benefits are measured on an undiscounted basis and are expensed as the related service is provided.
- Long-term employee benefits include workers' compensation benefits as well as long-term disability benefits and continuation of benefit coverage for employees on long-term disability.

  The actuarial obligation for workers' compensation benefits is calculated on an event driven basis. The method involves dividing the obligation into two distinct components: awarded pensions and future awards. The actuarial obligation for awarded pensions is the actuarial present value of all future projected payments for the award determined as at the valuation date. The actuarial obligation for future awards is the discounted value of expected cash flow for awards yet to be made. The Corporation is self-insured for its workers' compensation benefits.

  The actuarial obligation for other long-term disability benefits and continuation of benefit coverage for employees on long-term disability is calculated on an event driven basis. This method incorporates management's best estimate of cost escalation as well as demographic and other financial assumptions.

  Actuarial gains and losses and other changes in the Corporation's obligations are recognized in net income in the year in which they arise.
- Termination benefits include benefits that are payable when an employment contract is terminated before the normal retirement date. They are recognized as a liability and expense for termination benefits at the earlier of the following dates:

  (a) when the Corporation can no longer withdraw the offer of those benefits; and

  (b) when the Corporation recognizes costs for a restructuring (provision) and involves the payment of termination benefits.
- Other long-term employee benefits include job security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represents management's best estimates of the present value of all future projected payments to unionized employees.

4. Summary of Significant Accounting Policies (cont'd)

l) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

i) Financial assets

Classification and measurement

Financial assets are measured at fair value at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL).

The classification of a financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Corporation's business model for managing them. With the exception for trade and other receivables that do not contain a significant financing component for which the Corporation has applied the practical expedient, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in net income.

For a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is performed at an instrument level.

Financial assets that do not give rise to cash flows that are "solely payments of principal and interest" are classified and measured at FVTPL.

The Corporation's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost;
- Financial assets at FVTOCI with recycling of cumulative gains and losses;
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition;
- Financial assets at FVTPL.

4. Summary of Significant Accounting Policies (cont'd)

Financial assets at amortized cost

This category is the most relevant for the Corporation. The Corporation measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in net income when the asset is derecognized, modified or impaired.

The Corporation's financial assets at amortized cost includes cash, trade and other receivables, current advance to third parties and Asset Renewal Fund.

Financial assets at FVTOCI

The Corporation measures a financial asset at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in net income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to net income.

In the current period, the Corporation has no financial assets at FVTOCI.

Financial assets at FVTPL

Financial assets that do not meet the criteria necessary to be measured at amortized cost or at FVTOCI are measured at FVTPL. More precisely financial assets at FVTPL are financial assets held for trading or financial assets designated upon initial recognition at FVTPL. Financial assets are classified at FVTPL if they are acquired for selling or repurchasing in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for financial assets to be classified at amortized cost or at FVTOCI, as described above, financial assets may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognized in net income.

The Corporation's financial assets at FVTPL includes derivative financial instruments.

4. Summary of Significant Accounting Policies (cont'd)

Derecognition

A financial asset is primarily derecognized i.e. removed from the Corporation's Statement of Financial Position when:

- The rights to receive cash flows from the asset have expired, or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Corporation has transferred substantially all the risks and rewards of the asset, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Corporation applies a simplified approach in calculating ECLs which is possible under IFRS 9 when certain conditions apply. The Corporation uses the practical expedient and need not to adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation performs the service to a customer and when the customer pays for that service will be one year or less. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a loss allowance matrix that is based on past default experience of the debtor, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Amounts considered uncollectible are written off and are included in the "Other" expenses line item in the Statement of Comprehensive Income. The Corporation do not recognize an ECL for cash and Asset Renewal Fund as they comprise solely of cash.

4. Summary of Significant Accounting Policies (cont'd)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, and subsequently measured at amortized cost or at FVTPL.

All financial liabilities are recognized initially at fair value.

The Corporation financial liabilities include trade and other payables, lease liabilities, derivative financial instruments and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities at amortized cost

A financial liability that is not a contingent consideration from an acquirer in a business combination, held for trading, or designated at FVTPL is subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in net income when the financial liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

The Corporation's liabilities at amortized cost includes trade and other payables, lease liabilities and other payables.

Financial liabilities measured at FVTPL

Financial liabilities at FVTPL include financial liabilities that are incurred for repurchasing in the near term and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities classified as FVTPL also includes derivative financial instruments entered by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as FVTPL unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities classified at FVTPL are recognized in net income.

The Corporation's financial liabilities at FVTPL include derivative financial instruments.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net income.

4. Summary of Significant Accounting Policies (cont'd)

iii) Derivative financial instruments

Initial recognition and subsequent measurement

The Corporation uses derivative financial instruments, such as commodity swaps, to manage its exposure to fuel price risk.

Derivatives are initially recognized at fair value at the date on which a derivative contract is entered and are subsequently remeasured at fair value at the reporting date of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any resulting fair value changes are recognized in net income immediately under "Unrealized (net gain) net loss on derivative financial instruments" unless the derivative is a designated and effective hedging instrument, in which case the timing of recognition in the Statement of Comprehensive Income depends on the nature of the hedging relationship. In the current period, the Corporation had not designated these derivative financial instruments hedging instruments.

Classification – Subsequently measured at	Applicable to	Initial measurement	Subsequent measurement	Recognition of income/expense and gain/loss on remeasurement, if any
Amortized cost	o Cash o Trade and other receivables o Current advances to third parties o Asset Renewal Funds o Trade and other payables o Lease liabilities o Other payables	Fair value including transaction costs	Amortized cost using the effective interest rate method	Net income
Fair value through profit or loss (FVTPL)	Derivative financial instruments	Fair value	Fair value	Net income

m) Non-monetary transactions

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are provided which is over time. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

5. Key Sources of Estimation Uncertainty and Critical Judgments

In the application of the Corporation accounting policies, management is required to make certain assumptions, estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. They are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. However, uncertainties relating to assumptions, estimates and judgments could result in outcomes that would require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosure relating to the Corporation's exposure to risks and uncertainties are include in Financial risks (Note 28).

Judgments

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

a) Determining the lease term of contracts with renewal and termination options

When the Corporation recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease. The lease term is the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation has several lease contracts that include extension and termination options. The Corporation applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Corporation reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Refer to Note 18 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

b) Determining the value of the projects in progress

Management uses judgement in determining the percentage of completion of the projects in progress as well as the value of the activities performed for these projects in progress. Management reviews progress of these projects on a regular basis. Percentage of completion and value of the projects in progress reflect management's best assessment and are assessed by taking in consideration all information available at the reporting date. Actual amounts of projects in progress could differ from best assessment of management. Differences from estimates and actual amount is eliminated once projects in progress are completed and transferred to property, plant and equipment as actual completion would be known.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont'd)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Corporation.

a) Useful lives of depreciable assets

The key estimate used for Property, plant and equipment and intangible assets is their useful lives. When determining the expected useful lives of these assets, management takes into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets. Management reviews the useful lives of depreciable assets annually.

b) VIA Préférence Loyalty Program

The VIA Préférence loyalty program allows members to acquire "award points" as they travel on the train. These award points entitle members to free travel on the Corporation's trains. In determining the fair value of the award points recorded as deferred revenues, the Corporation takes into consideration the probability of the awards being converted into train tickets. The estimated probabilities on point redemption are based on management experience and on changing customer behavior and may not reflect the actual redemption rate in the future. Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As such, the amount allocated between the transportation service and the award points may have been significantly different if different probability estimates had been used.

The Corporation also estimates the stand-alone selling price of the loyalty points awarded under the VIA Préférence loyalty program. As points issued under the program are not sold to third parties, estimates of the stand-alone selling price are subject to significant uncertainty. The stand-alone selling price of the loyalty points awarded is based on the average points spent on train tickets and the average fares.

c) Post-employment and other employee benefits

Except for the defined contribution component of the pension plans, the cost of post-employment and other employee benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increase. When determining these assumptions, management takes into account past experience, current market conditions and rates, and the expertise of its actuaries. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting period. Actual results may differ from results that are estimated based on assumptions.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least an "AA" rating or above, as set by internationally recognized credit rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

A sensitivity analysis of key assumptions is presented in Note 22.

5. Key Sources of Estimation Uncertainty and Critical Judgments (cont’d)

d) Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Corporation has not recognized any deferred income tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation’s deferred and current income tax assets and liabilities.

e) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Corporation uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the completion of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management’s best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

f) Provisions

Determining whether a past event should be recognized as a provision requires management to exercise judgment. The Corporation must determine if a present obligation arises from past events, if it is probable that the Corporation will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management’s experience and judgment. If the Corporation considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

g) Lease liabilities: estimating the incremental borrowing rate

Accounting standards require the Corporation to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (IBR). The Corporation cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate to measure lease liabilities. The IBR is the rate of interest that the Corporation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability. The Corporation estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6. Revenues

The following table disaggregates the revenue by major sources:

(in millions of Canadian dollars)	**2021**	**2020**
REVENUES		
Transportation and accommodation	**114.6**	74.8
On-train food and beverages	**3.1**	1.5
Other revenues *(note 1)*	**0.5**	0.3
Revenues from passengers	**118.2**	76.6
Investment income	**0.3**	0.4
Third-party servicing	**6.8**	6.6
Rental income and other *(Note 18)*	**8.2**	9.0
Revenues from other sources	**15.3**	16.0
Total revenues	**133.5**	92.6

Note 1: includes sales commissions and baggage revenues.

7. Reconciliation of Operating Loss to Government Funding

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of Comprehensive Income in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has different net results of operations for the year on a government funding basis than on an IFRS basis. These differences are outlined below:

(in millions of Canadian dollars)	**2021**	**2020**
Operating loss before funding from the Government of Canada and income taxes	**491.5**	553.0
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	**(78.1)**	(88.3)
Amortization of intangible assets	**(20.6)**	(22.8)
Depreciation of right-of-use assets	**(3.1)**	(3.7)
Loss on disposal of property, plant and equipment	**(8.5)**	(10.7)
Loss on disposal of intangible assets	**(0.4)**	–
Post-employment and other employee benefit contributions in excess of expenses	**(15.1)**	(15.3)
Unrealized net gain (net loss) on derivative financial instruments	**5.5**	(2.5)
Non-cash transactions relating to lease liabilities	**3.5**	3.7
Interest expense on lease liabilities	**(0.9)**	(1.0)
Adjustment for accrued compensation	**(3.2)**	2.7
Adjustment for VIA Préférence loyalty program	**0.3**	(0.3)
Other	**(0.4)**	1.0
Operating funding from the Government of Canada	**370.5**	415.8

8. Classification of Financial Instruments

The financial instruments held by the Corporation are classified as follows:

	2021		
	Carrying value		Fair value
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	–	4.4	4.4
Trade and other receivables	–	7.6 (1)	7.6
Current advances to third parties	–	1.2	1.2
Derivative financial instruments	2.3 (2)	–	2.3
Asset Renewal Fund	–	2.0	2.0
Total	2.3	15.2	17.5
Financial liabilities:			
Trade and other payables	–	151.7 (3)	151.7
Current lease liabilities	–	3.7	3.7
Derivative financial instruments	0.1 (2)	–	0.1
Other payables	–	22.2	22.2
Non-current lease liabilities	–	86.3	86.3
Total	0.1	263.9	264.0

FVTPL – Fair value through profit or loss.

(1) See detail in Note 9.

(2) Comprised of derivative financial instruments not designated in a hedging relationship.

(3) See detail in Note 17.

8. Classification of Financial Instruments (cont’d)

The financial instruments held by the Corporation are classified as follows:

	2020		
	Carrying value		Fair value
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	–	12.2	12.2
Trade and other receivables	–	11.0 (1)	11.0
Current advances to third parties	–	2.0	2.0
Derivative financial instruments	0.2 (2)	–	0.2
Asset Renewal Fund	–	2.0	2.0
Total	0.2	27.2	27.4
Financial liabilities:			
Trade and other payables	–	112.8 (3)	112.8
Current lease liabilities	–	3.0	3.0
Derivative financial instruments	3.5 (2)	–	3.5
Other payables	–	16.8	16.8
Non-current lease liabilities	–	32.1	32.1
Total	3.5	164.7	168.2

FVTPL – Fair value through profit or loss.

(1) See detail in Note 9.

(2) Comprised of derivative financial instruments not designated in a hedging relationship.

(3) See detail in Note 17.

9. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	2021	2020
Trade	**2.8**	1.8
Other receivables	**5.3**	9.5
Loss allowance	**(0.5)**	(0.3)
Trade and other receivables classified at Amortized cost	**7.6**	11.0
Amount receivable from the Government of Canada – Operating funding	**63.3**	47.0
Amount payable to the Government of Canada – Capital funding *(Note 26)*	**(7.4)**	(36.5)
Total receivable from the Government of Canada	**55.9**	10.5
Sales taxes	**7.7**	7.6
Total trade and other receivables	**71.2**	29.1

All trade and other receivables amounts have short-term maturities. Their net book values correspond to a reasonable approximation of their fair value.

The net book value of the past due receivables of the Corporation is $0.9 million (December 31, 2020: $1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	2021	2020
Not impaired and past due by:		
0 to 30 days	**0.4**	0.9
31 to 60 days	**0.4**	0.2
61 to 90 days	**0.1**	–
Over 90 days	**–**	–
Total	**0.9**	1.1

The Corporation has recognized in the current year an amount of $0.3 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line “Other” in the Statement of Comprehensive Income (December 31, 2020: $0.2 million).

10. Other Assets

The other assets balance includes the following:

(in millions of Canadian dollars)	2021	2020
Prepaids	**3.7**	4.7
Advances to third parties	**1.2**	2.0
Total other assets	**4.9**	6.7

11. Derivative Financial Instruments

The Corporation uses commodity swaps where it exchanges cash payments based on variations in the price of a commodity (i.e. heating oil) compared to the agreed benchmark price.

At the end of the year, the fair values of the derivative financial instruments are as follows:

	2021		2020	
Commodity swaps	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)
Assets	**4,032**	**2.3**	3,528	0.2
Liabilities	**1,008**	**0.1**	7,056	3.5

As at December 31, 2021, the commodity swaps in CAD have a fixed price per U.S. gallon between 1.950 CAD and 2.978 CAD (December 31, 2020: between 1.735 CAD and 2.651 CAD). The maturity dates are in 2022 (December 31, 2020: 2021 to 2022). These financial instruments have a monthly settlement schedule.

12. Materials

The materials balance includes the following:

(in millions of Canadian dollars)	2021	2020
Spare parts	**33.3**	32.7
Provision for obsolete inventory	**(4.3)**	(4.0)
Net spare parts	**29.0**	28.7
On-train products	**0.9**	0.8
Fuel	**0.3**	0.2
Total materials	**30.2**	29.7

The cost of materials recorded as an expense during the year amounted to $33.3 million, including an amount of $11.1 million that were transferred to property, plant and equipment (December 31, 2020: $32.9 million, including an amount of $6.3 million that were transferred to property, plant and equipment). The Corporation has recorded an expense of $0.5 million related to write-down of the value of its materials for 2021 (December 31, 2020: $0.6 million).

13. Asset Renewal Fund

The Corporation has been authorized by the Treasury Board of Canada Secretariat to set aside funds in a manner which ensures that these funds are retained for future capital projects. However, during the year, the Treasury Board of Canada Secretariat approved the use of $0.9 million of the Asset Renewal Fund to finance operating deficits in the future.

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to $2.0 million (December 31, 2020: $1.1 million) of the Asset Renewal Fund. This amount is presented in the current portion of the Asset Renewal Fund. There is no remaining balance (December 31, 2020: $0.9 million) to be presented in the non-current portion of the Asset Renewal Fund.

The Asset Renewal Fund is invested in an interest-bearing account.

Liquidities in the Asset Renewal Fund are not considered to be cash for the purpose of the Statement of Cash Flows since they can only be used for specific purposes.

14. Advances on Contracts

As at December 31, 2021, there is a $52.4 million (December 31, 2020: $57.5 million) advance on contract which includes an amount of $51.9 million (December 31, 2020: $57.5 million) that will be transferred to property, plant and equipment in the future years according to the progress of work and an amount of $0.5 million (December 31, 2020: nil) that will be transferred to operating expenses in the future years.

15. Property, Plant and Equipment

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2021	17.0	976.3	174.7	186.2	319.0	97.3	37.8	52.3	9.8	334.4	2,204.8
Additions	–	–	–	–	–	–	–	–	–	195.7	195.7
Disposals	–	(90.9)	(4.6)	(3.0)	(1.5)	(2.6)	(1.6)	(16.6)	(0.1)	(0.6)	(121.5)
Transfers	0.6	52.9	7.8	9.4	5.7	3.9	2.2	4.8	0.4	(87.7)	-
Total cost	17.6	938.3	177.9	192.6	323.2	98.6	38.4	40.5	10.1	441.8	2,279.0
Accumulated depreciation and impairment:											
January 1, 2021	–	626.4	109.8	61.0	113.6	57.0	21.5	34.7	3.9	–	1,027.9
Additions	–	43.5	2.9	8.1	10.2	4.1	2.3	6.3	0.7	–	78.1
Disposals	–	(84.1)	(4.4)	(2.6)	(0.9)	(2.6)	(1.6)	(16.6)	(0.1)	–	(112.9)
Total accumulated depreciation and impairment	–	585.8	108.3	66.5	122.9	58.5	22.2	24.4	4.5	–	993.1
Total carrying amount	**17.6**	**352.5**	**69.6**	**126.1**	**200.3**	**40.1**	**16.2**	**16.1**	**5.6**	**441.8**	**1,285.9**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

15. Property, Plant and Equipment (cont'd)

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other	Projects in progress	Total
Cost:											
January 1, 2020	17.0	958.1	173.2	165.0	307.2	95.8	33.9	48.5	9.3	178.6	1,986.6
Additions	–	–	–	–	–	–	–	–	–	252.8	252.8
Disposals	–	(15.4)	(1.7)	(0.5)	(2.6)	–	(0.1)	(4.3)	(0.2)	(9.8)	(34.6)
Transfers	–	33.6	3.2	21.7	14.4	1.5	4.0	8.1	0.7	(87.2)	–
Total cost	17.0	976.3	174.7	186.2	319.0	97.3	37.8	52.3	9.8	334.4	2,204.8
Accumulated depreciation and impairment:											
January 1, 2020	–	586.1	108.9	54.4	105.4	53.1	19.6	32.4	3.5	–	963.4
Additions	–	55.3	2.6	7.2	10.1	3.9	2.0	6.6	0.6	–	88.3
Disposals	–	(15.0)	(1.7)	(0.6)	(1.9)	–	(0.1)	(4.3)	(0.2)	–	(23.8)
Total accumulated depreciation and impairment	–	626.4	109.8	61.0	113.6	57.0	21.5	34.7	3.9	–	1,027.9
Total carrying amount	**17.0**	**349.9**	**64.9**	**125.2**	**205.4**	**40.3**	**16.3**	**17.6**	**5.9**	**334.4**	**1,176.9**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations. The project in progress amount includes $2.6 million (December 31, 2020: $4.7 million) of materials used in the refurbishing of rail cars.

16. Intangible Assets

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2021	114.0	7.8	438.3	5.4	15.7	581.2
Additions	–	–	–	–	41.1	41.1
Disposals	(4.0)	–	(0.1)	(0.9)	(0.2)	(5.2)
Transfers	3.6	–	0.1	–	(3.7)	–
Total cost	113.6	7.8	438.3	4.5	52.9	617.1
Accumulated amortization and impairment:						
January 1, 2021	97.6	7.8	136.2	3.6	–	245.2
Additions	8.7	–	11.7	0.2	–	20.6
Disposals	(4.0)	–	(0.1)	(0.7)	–	(4.8)
Total accumulated amortization and impairment	102.3	7.8	147.8	3.1	–	261.0
Total carrying amount	**11.3**	**–**	**290.5**	**1.4**	**52.9**	**356.1**

16. Intangible Assets (cont'd)

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other	Projects in progress	Total
Cost:						
January 1, 2020	109.5	7.8	438.2	5.4	6.8	567.7
Additions	–	–	–	–	13.6	13.6
Disposals	(0.1)	–	–	–	–	(0.1)
Transfers	4.6	–	0.1	–	(4.7)	–
Total cost	114.0	7.8	438.3	5.4	15.7	581.2
Accumulated amortization and impairment:						
January 1, 2020	87.1	7.8	124.6	3.0	–	222.5
Additions	10.6	–	11.6	0.6	–	22.8
Disposals	(0.1)	–	–	–	–	(0.1)
Total accumulated amortization and impairment	97.6	7.8	136.2	3.6	–	245.2
Total carrying amount	**16.4**	**–**	**302.1**	**1.8**	**15.7**	**336.0**

17. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	**2021**	**2020**
Wages payable and accrued	**44.1**	40.6
Accounts payable and accruals – Trade	**53.6**	26.4
Accounts payable and accruals – Capital assets	**54.0**	45.8
Trade and other payables classified at Amortized cost	**151.7**	112.8
Capital tax and other taxes payable	**7.1**	7.6
Deductions at sources	**2.8**	2.2
Total trade and other payables	**161.6**	122.6

18. Leases

The Corporation as a lessee:

The Corporation leases several assets including land, office spaces, stations and facilities and information technologies equipment. Lease of land has lease term of 29 years, leases of office spaces have lease terms between 5 years and 11 years, leases of stations and facilities have lease terms between 3 and 40 years, while information technologies equipment have lease terms of 5 years.

The Corporation also has certain leases with lease terms of 12 months or less and leases of equipment with low value. The Corporation applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognized and the movement during the period are as follows:

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2021	0.5	14.7	23.5	1.7	40.4
Additions	–	–	57.5	–	57.5
Disposals	–	(0.4)	(0.6)	(0.9)	(1.9)
Total cost	0.5	14.3	80.4	0.8	96.0
Accumulated depreciation:					
January 1, 2021	0.1	3.5	2.2	1.2	7.0
Additions	–	1.8	1.1	0.2	3.1
Disposals	–	(0.4)	(0.6)	(0.9)	(1.9)
Total accumulated depreciation	0.1	4.9	2.7	0.5	8.2
Net carrying amount	**0.4**	**9.4**	**77.7**	**0.3**	**87.8**

18. Leases (cont'd)

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2020	0.5	10.0	23.4	1.7	35.6
Additions	–	4.7	0.1	–	4.8
Total cost	0.5	14.7	23.5	1.7	40.4
Accumulated depreciation:					
January 1, 2020	–	1.7	1.1	0.5	3.3
Additions	0.1	1.8	1.1	0.7	3.7
Total accumulated depreciation	0.1	3.5	2.2	1.2	7.0
Net carrying amount	**0.4**	**11.2**	**21.3**	**0.5**	**33.4**

Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	December 31, 2021	December 31, 2020
Expense relating to short-term leases	**1.3**	2.6
Expense relating to low-value assets	**0.2**	0.1

Total cash outflow is $5.0 million (December 31, 2020: $6.4 million).

The Corporation has not entered into any sale and leaseback transactions in the current or prior period and has no income from subleasing right-of-use assets. The Corporation has not entered in any variable leases that do not depend on an index or rate.

18. Leases (cont'd)

The carrying amounts of lease liabilities and the movements of the period are as follows:

(in millions of Canadian dollars)	2021	2020
Balance, beginning of year	**35.1**	33.1
Additions	**57.5**	4.8
Accretion of interest	**0.9**	0.9
Payments	**(3.5)**	(3.7)
Balance, end of period	**90.0**	35.1
Current	**3.7**	3.0
Non-current	**86.3**	32.1
Total lease liabilities	**90.0**	35.1

There are several lease contracts that include extension options. Management exercised significant judgement in determining whether these extension options are reasonably certain to be exercises.

18. Leases (cont'd)

Set out below are the undiscounted potential future rental payments relating to periods following the exercises date of extension options that are not included in the lease term:

	Within 5 years	More than 5 years	Total
Extension options expected not to be exercised	**–**	**15.0**	**15.0**

December 31, 2021	Lease contracts number	Fixed payments (%)	Variable payments (%)
Land leases with payments linked to inflation	1	–	0.5
Office space leases with fixed payments	3	10.9	–
Stations and facilities leases with payments linked to inflation	4	–	64.8
Stations and facilities leases with fixed payments	8	23.4	–
Information technology equipment leases with fixed payments	2	0.4	–
Total	**18**	**34.7**	**65.3**

The Corporation as a lessor:

The Corporation has entered into leases on some of its assets, such as stations and installations. These leases have terms between 1 and 12 years. Some leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Some of these operating lease contracts contain a market review clause in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of the expiry of the lease period. The Corporation has determined, based on an evaluation of the terms and conditions of the leases, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property and, that the Corporation retains substantially all the risks and reward to ownership of the properties and accounts for the contracts as operating leases.

Rental income recognized by the Corporation during the year is $6.8 million (December 31, 2020: $7.3 million).

18. Leases (cont'd)

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2021 are as follows:

(in millions of Canadian dollars)	
Year 1	**4.0**
Year 2	**2.1**
Year 3	**1.4**
Year 4	**1.0**
Year 5	**0.8**
Year 6 and over	**1.9**
Total	**11.2**

19. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2021	Additional provisions recognized	Provisions utilized	Unused amounts reversed	December 31, 2021
Environmental costs	1.4	0.4	(1.5)	–	**0.3**
Litigation and equipment repairs *(Note 1)*	9.0	2.8	(4.0)	(2.9)	**4.9**
Total provisions	10.4	3.2	(5.5)	(2.9)	**5.2**

Note 1: Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of settlement of these claims depends to a large extent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate when these claims will be resolved.

Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to the rolling stock. These equipment repair claims are mostly settled between 3 and 18 months from the date of initiation.

Such matters are subject to several uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made in the affected accounts. The ultimate resolution of those matters is not expected to have a significant adverse effect on the Corporation's financial position.

20. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	2021	2020
Advance ticket sales	**6.4**	3.9
VIA Préférence loyalty program	**11.2**	11.5
Non-monetary transactions	**1.5**	1.6
Gift cards	**1.7**	1.7
Other	**1.2**	0.9
Total deferred revenues	**22.0**	19.6

Advance ticket sales, which represent contract liabilities, relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as the Corporation performs the contract.

In the current reporting period, an amount of $0.5 million of revenue was recognized relating to advance ticket sales (December 31, 2020: $6.3 million). Management expects that 100 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of $3.7 million of revenue was recognized relating to VIA Préférence loyalty program performance obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2020: $2.6 million). Management expects that 30 per cent of the VIA Préférence loyalty program unsatisfied performance obligations will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of $0.2 million of revenue was recognized relating to gift card obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2020: $0.2 million). Management expects that 15 per cent of gift card performance obligations will be recognized as revenue during the next period.

21. Other Payables

The balance of other payables includes an amount of $21.7 million (December 31, 2020: $16.8 million) related to a project in progress which is not due to the supplier as at December 31, 2021. The Corporation will therefore request the funding from the Government of Canada in the year in which the payable will be paid out. The balance also includes an amount of $0.5 million (December 31, 2020: nil) related to operating expenses that will be paid in the future years.

22. Employee Benefit Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contribution components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

Pension plans

The Corporation's pension plans are governed according to applicable federal legislations such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The pension plans are under the jurisdiction of the Office of the Superintendent of Financial Institutions Canada.

Employees entitled to a defined benefit pension

Pension benefits are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement.

Benefits increase annually by 50 per cent of the increase in the Consumer Price Index in the 12 months ending in December subject to a maximum increase of 3 per cent in any year.

Participants contribute a fixed percentage of their earnings to the pension plan while the Corporation contributes the amount needed to maintain adequate funding as dictated by the prevailing regulation. The pension plans may be required to take measures to offset any funding and solvency deficit by changing the Corporation's and participants' contribution rate. Moreover, additional contributions by the Corporation may be required if these rules are not complied with. The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

Employees entitled to a hybrid pension plan

Employees are provided pension benefits in part from a reduced formula of the defined benefit component of the pension plan, and in part from a defined contribution component.

i) Defined benefit component

Pension benefits under the reduced formula are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement. On each April 1, following the third anniversary of the retirement date, the participant's pension benefits will be indexed by 50 per cent of the increase in the Consumer Price Index subject to a maximum increase of 3 per cent, but only if the plan is in a surplus situation.

The contributions required to fund the defined benefit component of the plan are entirely paid for by the Corporation. The Corporation's contributions vary according to the financial situation of the plan, as determined by the plan's actuary and in accordance with regulatory requirements for pension plan funding.

The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

ii) Defined contribution component

Participants' contributions to the defined contribution component are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 50 per cent of participant's optional contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

22. Employee Benefit Assets and Liabilities (cont'd)

Employees entitled to a defined contribution pension

Participants' contributions to the defined contributions plan are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 100 per cent of participant's contributions.

The retirement income is based on the accumulation of funds in the individual's retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

Actuarial valuations

The actuarial valuations for these employee benefits, except for the defined contribution component of the pension plans, are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

The actuarial valuations of the various employee benefit plans are as follows:

	Actuarial valuation	
Employee benefit plans:	**Latest valuation**	**Next valuation**
Pension plans	December 31, 2020	**December 31, 2021**
Supplemental Executive Retirement Plan	December 31, 2021	**December 31, 2022**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2020	**December 31, 2021**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2021	**December 31, 2022**
Post-employment unfunded plan	May 1, 2019	**May 1, 2022**
Self-insured Workers' Compensation	December 31, 2018	**December 31, 2021**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2020	**December 31, 2022**

22. Employee Benefit Assets and Liabilities (cont'd)

a) Defined benefit component of the pension plans and post-employment benefits plans

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	**2021**	**2020**	**2021**	**2020**
DEFINED BENEFIT OBLIGATION				
Balance, beginning of year	**2,746.4**	2,535.3	**28.1**	26.1
Service cost	**34.3**	30.0	**0.4**	0.3
Past service cost	**0.1**	–	**–**	–
Interest expense	**67.3**	77.8	**0.7**	0.8
Employee contributions	**11.0**	12.2	**–**	–
Benefits paid	**(145.1)**	(138.1)	**(0.9)**	(0.8)
Effect of change in demographic assumptions	**–**	–	**–**	(0.5)
Effect of change in financial assumptions	**(180.3)**	227.1	**(1.9)**	2.4
Effect of employee transfers	**–**	1.4	**–**	–
Effect of experience adjustments	**(13.9)**	0.7	**(0.1)**	(0.2)
Balance, end of year	**2,519.8**	2,746.4	**26.3**	28.1
FAIR VALUE OF PLAN ASSETS				
Balance, beginning of year	**2,696.6**	2,506.4	**–**	–
Interest income	**66.3**	76.3	**–**	–
Return on plan assets (excluding interest income)	**153.2**	223.5	**–**	–
Employer contributions	**20.0**	17.7	**0.9**	0.8
Employee contributions	**11.0**	12.2	**–**	–
Benefits paid	**(145.1)**	(138.1)	**(0.9)**	(0.8)
Effect of employee transfers	**–**	1.4	**–**	–
Administration expenses	**(2.0)**	(2.8)	**–**	–
Balance, end of year	**2,800.0**	2,696.6	**–**	–
Net defined benefit (asset) liability	**(280.2)**	49.8	**26.3**	28.1

22. Employee Benefit Assets and Liabilities (cont'd)

The percentages of the fair value of the defined benefit component of the pension plan assets by major category are as follows:

	2021				2020			
Assets categories *(in percentages)*	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and short-term notes	4.0	0.1	–	**4.1**	4.3	0.1	–	4.4
Equity securities	22.3	–	–	**22.3**	20.2	–	–	20.2
Fixed income securities	–	18.4	0.8	**19.2**	–	18.4	0.9	19.3
Mutual fund units	2.0	28.5	23.9	**54.4**	6.4	29.8	19.9	56.1
	28.3	**47.0**	**24.7**	**100.0**	30.9	48.3	20.8	100.0

Expected employer contribution for the next year:

	Defined benefit component of the pension plans	Post-employment benefit plans
(in millions of Canadian dollars)	2022	2022
Expected employer contribution for the next year	**20.4**	**1.0**

The weighted average duration of the defined benefit obligation is 13.6 years (December 31, 2020: 14.3 years).

22. Employee Benefit Assets and Liabilities (cont'd)

	Defined benefit component of the pension plans		Post-employment benefit plans	
	2021	**2020**	**2021**	**2020**
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS				
Defined benefit obligation:				
Discount rate	**3.00%**	2.50%	**3.00%**	2.60%
Rate of salary increase	**3.00%**	3.00%	**3.00%***	3.00%*
Initial weighted average health care trend rate	**–**	–	**5.70%**	5.80%
Ultimate weighted average health care trend rate	**–**	–	**4.00%**	4.00%
Year ultimate rate reached	**–**	–	**2040**	2040
Rate of price inflation	**2.00%**	2.00%	**–**	–
Rate of pension increase	**1.00%**	1.00%	**–**	–
Defined benefit cost:				
Discount rate	**2.50%**	3.10%	**2.60%**	3.10%
Rate of price inflation	**2.00%**	2.00%	**–**	-
Rate of salary increase	**3.00%**	3.00%	**3.00%***	3.25%*
Rate of pension increase	**1.00%**	1.00%	**–**	–
Initial weighted average health care trend rate	**–**	–	**5.80%**	5.90%
Ultimate weighted average health care trend rate	**–**	–	**4.00%**	4.00%
Year ultimate rate reached	**–**	–	**2040**	2040

** Applicable to executive employees only.*

22. Employee Benefit Assets and Liabilities (cont’d)

Significant demographic assumptions – Post-retirement mortality tables

DEFINED BENEFIT OBLIGATION

Defined benefit component of the pension plans:	
2021	**2020**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
Post-employment benefit plans:	
2021	**2020**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

DEFINED BENEFIT COST

Defined benefit component of the pension plans:	
2021	**2020**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
Post-employment benefit plans:	
2021	**2020**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

22. Employee Benefit Assets and Liabilities (cont'd)

Risk associated with defined benefit plans

The major risk associated with the pension plans is the funding risk, which is the risk that the investment asset growth and the contributions to the pension plans will not be sufficient to cover the pension obligations, resulting in unfunded liabilities.

The funding risk is linked to the following risks: investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality Canadian corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Consequently, the Corporation has adopted a conservative investment policy which is overseen by the Audit & Pension Investment Committee of the Board.

Interest rate risk: A decrease in the bond interest rate will increase the plan liability; however, due to a liability alignment investment policy, this will be partially offset by an increase in value on the plan's investments in fixed income securities.

Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Inflation risk: A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Corporation's liability. A portion of the plan assets are in real returns bonds which will mitigate some of the effects of inflation.

22. Employee Benefit Assets and Liabilities (cont'd)

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

	Defined benefit obligation Increase / (decrease)	
(in millions of Canadian dollars)	**2021**	**2020**
Defined benefit component of the pension plans:		
Inflation rates		
Increase of 25 basis points	**44.8**	50.3
Decrease of 25 basis points	**(43.9)**	(49.5)
Discount rates		
Increase of 25 basis points	**(82.7)**	(94.9)
Decrease of 25 basis points	**87.5**	100.7
Pensions-in-payment		
Increase of 25 basis points	**36.6**	41.6
Decrease of 25 basis points	**(35.8)**	(40.6)
Salary increase rates		
Increase of 25 basis points	**6.4**	6.8
Decrease of 25 basis points	**(6.5)**	(7.1)
Mortality tables		
1 year younger	**71.0**	80.2
1 year older	**(71.2)**	(80.1)
Post-employment benefits plans:		
Discount rates		
Increase of 25 basis points	**(1.1)**	(1.2)
Decrease of 25 basis points	**1.2**	1.3

22. Employee Benefit Assets and Liabilities (cont'd)

In the sensitivity analysis presented above, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as the one applied in calculating the defined benefit obligation recognized in the Statement of Financial Position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Asset-liability matching strategies

The Corporation reassesses the pension plans investment policy annually to take into account material changes in plan demographics, the investment environment, and the financial circumstances of the plans as well as changes in risk tolerance. Every few years or when significant changes in circumstances warrant it, the Corporation will conduct a more complete asset liability modelling exercise to determine an optimal investment policy asset mix.

The current asset mix, with its sizable allocation to fixed income securities and income based alternative investments, provides a significant amount of interest rate hedging compared to plan liabilities. This policy posture is expected to deliver a lower volatility of required funding while preserving ongoing funding costs at an acceptable level, when considering the plan maturity profile.

b) Defined contribution component of the pension plan

The expense for the defined contribution component of the pension plan for the year ended December 31, 2021 is $2.2 million (December 31, 2020: $1.4 million). The employer contributions are expected to be $2.6 million in 2022.

22. Employee Benefit Assets and Liabilities (cont'd)

c) Long-term employee benefit plans

Based on these actuarial valuations and projections to December 31, the summary of the principal valuation results for the long-term employee benefits, including self-insured workers' compensation benefits is as follows:

(in millions of Canadian dollars)	**2021**	**2020**
LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Balance, beginning of year	**17.6**	19.2
Service cost	**3.5**	3.8
Interest expense	**0.4**	0.6
Benefits paid	**(4.2)**	(4.2)
Effect of change in financial assumptions	**(0.9)**	1.1
Effect of experience adjustments	**(1.3)**	(2.9)
Balance, end of year	**15.1**	17.6
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**4.2**	4.2
Benefits paid	**(4.2)**	(4.2)
Balance, end of year	**–**	–
Net long-term employee benefit liability	**15.1**	17.6

Expected employer contribution for the next year:

(in millions of Canadian dollars)	**2022**
Expected employer contribution for the next year	**4.2**

22. Employee Benefit Assets and Liabilities (cont'd)

Weighted-average of significant assumptions

	2021	2020
LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Discount rate	**2.80%**	2.20%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%
Initial weighted average health care trend rate	**4.80%**	4.80%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040
Rate of price inflation	**2.00%**	2.00%
Mortality tables	**Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits**	Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits
LONG-TERM EMPLOYEE BENEFIT COST		
Discount rate	**2.20%**	2.90%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.25%
Initial weighted average health care trend rate	**4.80%**	4.90%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040
Rate of price inflation	**2.00%**	2.00%
Mortality tables	**Ontario WSIB Workers' compensation 2013-2017 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits**	Ontario WSIB Workers' compensation 2006-2010 generational mortality table for workers' compensation and 2019 CIA study for Other employment benefits

22. Employee Benefit Assets and Liabilities (cont'd)

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumption that could result in a significant impact on the long-term employee benefit obligation:

	Long-term employee benefit obligation Increase / (decrease)	
(in millions of Canadian dollars)	**2021**	**2020**
Discount rates		
Increase of 25 basis points	**(0.3)**	(0.4)
Decrease of 25 basis points	**0.3**	0.4

d) Other long-term employee benefits

Other long-term employee benefits include work security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represent management's best estimates of the present value of all future projected payments to unionized employees. The change in the other long-term employee benefit obligation is explained as follows:

(in millions of Canadian dollars)	**2021**	**2020**
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION		
Balance, beginning of year	**0.3**	0.3
Service cost	**–**	2.0
Benefits paid	**(0.1)**	(2.0)
Balance, end of year	**0.2**	0.3
FAIR VALUE OF PLAN ASSETS		
Balance, beginning of year	**–**	–
Employer contributions	**0.1**	2.0
Benefits paid	**(0.1)**	(2.0)
Balance, end of year	**–**	–
Net other long-term employee benefit liability	**0.2**	0.3

22. Employee Benefit Assets and Liabilities (cont'd)

e) Summary of pension plans, post-employment benefit plans and long-term employee benefit plans recognized in the financial statements

Total amounts recognized in the Statement of Financial Position:

(in millions of Canadian dollars)	**2021**	**2020**
Assets:		
Defined benefit component of the pension plans	**280.2**	2.0
Liabilities:		
Defined benefit component of the pension plans	**–**	51.8
Post-employment benefit plans	**26.3**	28.1
Long-term employee benefit plans	**15.1**	17.6
Other long-term employee benefits	**0.2**	0.3
Total employee benefits liabilities	**41.6**	97.8

Total amounts recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	**2021**	**2020**
Operating expenses:		
Defined benefit component of the pension plans	**37.4**	34.3
Post-employment benefit plans	**1.1**	1.1
Long-term employee benefit plans	**1.7**	2.6
Other long-term employee benefits	**–**	2.0
Total	**40.2**	40.0

These operating expenses are included in the "Compensation and employee benefits" line item of the Statement of Comprehensive Income.

22. Employee Benefit Assets and Liabilities (cont'd)

(in millions of Canadian dollars)	2021	2020
Other comprehensive income (loss):		
Defined benefit component of the pension plans	**347.4**	(4.3)
Post-employment benefit plans	**2.0**	(1.7)
Total	**349.4**	(6.0)

23. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	2021	2020
Current	**–**	–
Deferred	**12.3**	–
Income tax expense	**12.3**	–

The overall income tax expense for the year differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 24.63 per cent (December 31, 2020: 24.78 per cent) to income before taxes. The reasons for the differences are as follows:

(in millions of Canadian dollars)	2021	2020
Net loss before income taxes	**(14.0)**	(16.0)
Computed income tax recovery – statutory rates	**(3.4)**	(4.0)
Ontario Corporate minimum tax	**–**	–
Non-deductible accounting expenses and other	**(0.5)**	0.4
Effect of unrecognized tax attributes	**15.6**	5.1
Effect of tax rate changes on deferred income taxes	**0.6**	(1.5)
Income tax expense	**12.3**	–

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

23. Income Taxes (cont'd)

Significant components of the deferred income tax assets and (liabilities) are as follows:

Deferred income tax balances December 31, 2021 *(in millions of Canadian dollars)*	**Opening Balance**	**Recognized in net income**	**Recognized in OCI**	**Closing Balance**
Deferred income tax assets (liabilities):				
Unrealized gain on derivative financial instruments	(0.1)	(0.5)	–	**(0.6)**
Right-of-use assets	(8.2)	(13.4)	–	**(21.6)**
Employee benefit assets	(0.5)	(58.2)	(10.3)	**(69.0)**
Total deferred income tax liabilities	(8.8)	(72.1)	(10.3)	**(91.2)**
Property, plant and equipment	–	20.8	–	**20.8**
Provisions	–	1.7	–	**1.7**
Lease liabilities	–	22.2	–	**22.2**
Employee benefit liability	–	10.2	–	**10.2**
Losses carry-forward	8.8	4.9	–	**13.7**
Total deferred income tax assets	8.8	59.8	–	**68.6**
Deferred income tax liabilities	**–**	**(12.3)**	**(10.3)**	**(22.6)**

Deferred income tax balances December 31, 2020 *(in millions of Canadian dollars)*	**Opening Balance**	**Recognized in net income**	**Closing Balance**
Deferred income tax assets (liabilities):			
Unrealized gain on derivative financial instruments	(0.2)	0.1	(0.1)
Right-of-use assets	(8.0)	(0.2)	(8.2)
Employee benefit assets	(1.0)	0.5	(0.5)
Total deferred income tax liabilities	(9.2)	0.4	(8.8)
Losses carry-forward	9.2	(0.4)	8.8
Deferred income tax assets (liabilities)	–	–	–

23. Income Taxes (cont'd)

The Corporation has $55.7 million (December 31, 2020: $48.3 million) of unused Federal and other provinces and $58.2 million (December 31, 2020: $50.8 million) of unused Québec non-capital tax losses carried forward. These losses expire between 2029 and 2041.

The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(in millions of Canadian dollars)	2021	2020
Federal and other provinces:		
Property, plant and equipment and intangible assets	–	80.8
Provisions and other liabilities	**61.7**	62.4
Lease liabilities	–	35.1
Employee benefit liabilities	–	97.8
Losses carry-forward	–	12.5
Total	**61.7**	288.6
Québec:		
Property, plant and equipment and intangible assets	**292.2**	462.4
Provisions and other liabilities	–	14.7
Lease liabilities	–	35.1
Employee benefit liabilities	–	97.8
Losses carry-forward	–	15.2
Total	**292.2**	625.2

24. Deferred Capital Funding

Deferred capital funding represents the unamortized portion of the funding used to purchase property, plant and equipment and intangible assets.

(in millions of Canadian dollars)	**2021**	**2020**
Balance, beginning of year	**1,538.7**	1,407.0
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**226.4**	250.4
Government funding for an advance on contract	**–**	2.5
Total Government funding for property, plant and equipment, intangible assets and advance on contract	**226.4**	252.9
Amortization of deferred capital funding	**(107.0)**	(121.2)
Balance, end of year	**1,658.1**	1,538.7

25. Share Capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. For all years presented, 93,000 shares at $100 per share are issued and fully paid.

The Corporation defines its capital as share capital and accumulated deficit and is regulated by the *Financial Administration Act*. The Corporation is not allowed to modify its capital structure without Government approval. The Corporation must obtain Government approval to issue debt instruments. Accordingly, the Corporation does not have access to external financing and does not have a flexible capital structure.

The Corporation manages its equity by prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Corporation effectively achieves its objectives and purpose while remaining a going concern. The Corporation did not change the way it manages its equity in the current year.

26. Supplemental Cash Flows Information

Net change in working capital items:

(in millions of Canadian dollars)	**2021**	**2020**
Trade and other receivables	**(13.0)**	(20.8)
Other assets	**1.8**	(1.5)
Materials	**(0.5)**	0.4
Trade and other payables	**30.7**	(18.5)
Provisions	**(5.2)**	2.0
Deferred revenues	**2.4**	(18.3)
Total	**16.2**	(56.7)

The change in trade and other receivables excludes an amount of ($29.1) million (December 31, 2020: $79.5 million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of $8.2 million (December 31, 2020: ($17.5) million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities.

26. Supplemental Cash Flows Information (cont'd)

Investing activities supplemental information:

(in millions of Canadian dollars)	2021	2020
Acquisition of property, plant and equipment and intangible assets	**(236.9)**	(266.4)
Additions to property, plant and equipment and intangible assets not affecting cash as they were previously cash out through the advances on contracts	**5.6**	8.5
Change in accounts payable and accruals – Capital assets	**8.2**	(17.5)
Change in other payables	**4.9**	7.4
Total cash out for acquisition of property, plant and equipment and intangible assets	**(218.2)**	(268.0)
Government funding invoiced for property, plant and equipment and intangible assets	**226.4**	250.4
Change in amount receivable from (payable to) the Government of Canada – Capital funding	**(29.1)**	79.6
Total Government funding received for property, plant and equipment and intangible assets	**197.3**	330.0

The total amount of $236.9 million (December 31, 2020: $266.4 million) of acquisitions of property, plant and equipment and intangible assets exceeds the total amount of $226.4 million (December 31, 2020: $250.4 million) of Government funding received during the year by an amount of $10.5 million (December 31, 2020: $16.0 million). This is because an amount of $4.9 million (December 31, 2020: $7.4 million) of projects in progress relating to the fleet replacement project will be payable and funded in the future years and an amount of $5.6 million (December 31, 2020: $8.5 million) was paid in the previous years.

27. Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The following table summarizes the financial assets and financial liabilities held by the Corporation measured at fair value at the end of each reporting period. The table also discloses information about how the fair value of these financial assets and financial liabilities are determined and their fair value hierarchy:

Financial assets / Financial liabilities	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship unobservable inputs to fair value
Derivative financial instruments – commodity swaps	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity swap price (from observable commodity market price at the end of the reporting period) and contract commodity swap price, discounted at a market rate that reflects the credit risk of various counterparties.	N/A	N/A

There have been no significant transfers between level 1 and level 2 during the year.

There has been no change in the valuation techniques from the prior year.

28. Financial Risks

a) Risk management

As part of its operations, the Corporation enters into transactions with financial risks exposure such as credit, liquidity and market risks. Exposure to such risks is significantly reduced through close monitoring and strategies that include the use of derivative financial instruments.

Derivative financial instruments such as swaps are utilized by the Corporation in the management of its exposure to changes in fuel prices. Commodity swaps are used to manage its exposure to fuel prices on the entirety of its fuel consumption.

The Corporation does not enter into derivative financial instruments for trading or speculative purposes. The Corporation does not currently apply hedge accounting on these derivative financial instruments.

b) Foreign exchange risk

The Corporation is exposed to foreign exchange risks on the following balances that are denominated in U.S. dollars (USD):

(in millions of Canadian dollars)	**2021**	**2020**
Assets:		
Cash	**0.7**	0.6
Trade and other receivables	**0.1**	–
Liabilities:		
Trade and other payables	**1.5**	2.8

A variance of 5 per cent in the exchange rate of USD would not have a significant impact on the Corporation’s net income.

28. Financial Risks (cont'd)

c) Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms and conditions of the agreement. The carrying amount of financial assets is $17.5 million (December 31, 2020: $27.4 million) and represents the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of its financial assets. The Corporation minimizes credit risk on cash, the Asset Renewal Fund and derivative financial instruments by dealing only with reputable and high-quality financial institutions. The Corporation's exposure to credit risks on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk, requires assessing and monitoring of counterparty credit risk and sets credit limits. Only Canadian Government departments and agencies, Crown corporations issuing government travel warrants and travel agents who are members of the International Air Transport Association (Billing and Settlement Plan/Airline Reporting Corporation) are exempt from the Corporation's credit approval process.

As at December 31, 2021, approximately 12.6 per cent (December 31, 2020: 7.6 per cent) of trade accounts receivable were over 90 days past due, while approximately 76.6 per cent (December 31, 2020: 78.2 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2021, the loss allowance was $0.5 million (December 31, 2020: $0.3 million). The loss allowance is a forward-looking expected credit loss model based on past default experience of the debtor, adjusted as appropriated to reflect current conditions and estimates of future economic conditions.

d) Fuel price risk

In order to manage its exposure to changes in fuel prices and minimize volatility in operating cash flows, the Corporation enters into derivative contracts with financial intermediaries based on the price of a commodity (i.e. heating oil) or a market index. A fluctuation of 5 per cent in the USD price of heating oil or fuel would not have a significant impact on the financial statements.

e) Liquidity risk

The Corporation manages its liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and funding activities. The liquidity risk is low since the Corporation does not have debt instruments to service and receives regular funding from the Government of Canada.

28. Financial Risks (cont'd)

The reported financial liabilities below totaling $317.4 million (December 31, 2020: $168.2 million) represent the maximum liquidity risk exposure for the Corporation.

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2021:

(in millions of Canadian dollars)	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Trade and other payables	151.7	–	–	–	–	**151.7**
Lease liabilities	1.5	1.5	3.1	6.0	131.3	**143.4**
Derivative financial liabilities	–	–	0.1	–	–	**0.1**
Other payables	–	–	–	–	22.2	**22.2**
Total	153.2	1.5	3.2	6.0	153.5	**317.4**

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2020:

(in millions of Canadian dollars)	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Trade and other payables	111.8	–	–	–	1.0	112.8
Lease liabilities	0.8	0.8	1.4	2.6	29.5	35.1
Derivative financial liabilities	0.8	0.7	1.4	0.6	–	3.5
Other payables	–	–	–	–	16.8	16.8
Total	113.4	1.5	2.8	3.2	47.3	168.2

f) Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss of earnings or a loss in the value of its financial instruments as a result of fluctuations in interest rates. As at December 31, 2021 and December 31, 2020, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts.

29. Commitments

The following table presents the contractual commitments of the Corporation that are not included in the Statement of Financial Position:

	2021				2020
(in millions of Canadian dollars)	**Total commitments**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total commitments**
COMMITMENTS RELATING TO OPERATIONS					
Non-cancellable leases: Lessee	**148.8**	5.8	18.4	124.6	10.6
Technical services	**356.0**	3.0	61.8	291.2	356.1
Usage of tracks	**41.8**	1.4	5.6	34.8	–
Total	**546.6**	10.2	85.8	450.6	366.7
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS					
Rolling stock	**700.6**	302.9	397.7	–	763.9
Maintenance buildings	**1.8**	1.8	–	–	1.0
Stations and facilities	**2.0**	2.0	–	–	7.2
Owned infrastructures	**1.2**	1.2	–	–	7.3
Software	**1.7**	1.3	0.4	–	19.2
Computer hardware	**1.2**	1.2	–	–	2.7
Total	**708.5**	310.4	398.1	–	801.3
Total commitments	**1,255.1**	320.6	483.9	450.6	1,168.0

a) As mentioned in Note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations. No amounts are included in the table above regarding those contracts since the amount of the commitments depends on the annual usage of the tracks.

b) The Corporation has provided letters of credit from a financial institution totaling approximately $24.6 million (December 31, 2020: $23.4 million) to various provincial government workers' compensation boards as security for future payment streams.

30. Related Party Transactions

a) Government of Canada, its agencies and other Crown corporations

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business on trade terms similar to those applied to other individuals and enterprises and these transactions are recorded at fair value.

During the year, the Government of Canada transferred to the Corporation, without consideration, land near and around the Montreal maintenance center. This type of government funding has been recognized at nominal value in Property, plant and equipment and in Deferred capital funding.

In 2019, the Corporation and the Canada Infrastructure Bank, a related party, initiated a joint operation on the high-frequency train project.

The expenses incurred for this joint project are as follows:

(in millions of Canadian dollars)	**2021**	**2020**
Compensation and short-term employee benefits	**1.3**	1.0
Professional services	**–**	0.5
Rental expenses	**–**	0.1
Total	**1.3**	1.6

Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

b) Key management personnel

The remuneration of key executives with the exception of the President and Chief Executive Officer, is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors. The remuneration of the President and Chief Executive Officer is determined by the Governor in Council.

The Corporation's key executives have been defined as the executive staff members that are members of the Corporate Management Committee and the members of the Board of Directors.

The compensation of the key executives of the Corporation is as follows:

(in millions of Canadian dollars)	**2021**	**2020**
Compensation and short-term employee benefits	**4.8**	3.8
Termination benefits	**0.8**	0.6
Post-employment benefits	**1.9**	1.5
Total	**7.5**	5.9

30. Related Party Transactions (cont'd)

The Corporation may enter into transactions with corporations who employ close family members of key management personnel or Directors of the Board. These transactions are made in the normal course of business and are recorded at fair value. These transactions are not significant for the years ended December 31, 2021 and December 31, 2020.

c) Transactions with post-employment benefits plans

Transactions with the Corporation's post-employment benefits plans are conducted in the normal course of business. The transactions with the Corporation's post-employment benefit plans consist of contributions as determined by actuarial valuations, as disclosed in Note 22. There were no other significant transactions during the year.

31. Non-Monetary Transactions

The Corporation recorded revenue from non-monetary transactions of approximately $0.2 million for the year ended December 31, 2021 (December 31, 2020: $0.5 million) under "Revenues from passengers" in the Statement of Comprehensive Income. The Corporation also recorded expenses from non-monetary transactions of approximately $0.1 million (December 31, 2020: $0.6 million) mainly under "Marketing and sales" in the Statement of Comprehensive Income. The nature of non-monetary transactions is mainly related to advertising activities.

32. Contingencies

a) Environment

The Corporation's operations are subject to numerous federal, provincial, and municipal environmental laws and regulations concerning among other things, the management of air emissions, wastewater, hazardous materials, wastes and soil contamination as well as the management and decommissioning of underground and aboveground storage tanks. A risk of environmental liability is inherent in railroad and related transportation operations, real estate ownership and other activities of the Corporation with respect to both current and past operations.

The Corporation has performed a review of all of its operations and of all of its sites and facilities at risk in order to determine the potential environmental risks. The sites and the facilities for which environmental risks were identified were or will be the subject of thorough studies and corrective actions were or will be taken if necessary in order to eliminate or to mitigate these risks. The continuous risk management process that is in place allows the Corporation to monitor its activities and properties under normal operating conditions as well as monitor accidents that occur. The properties likely to be contaminated or the activities or property, plant and equipment likely to cause a contamination are addressed, at the moment of their observation, by the development of an action plan according to the nature and the importance of the impact and the applicable requirements.

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs (refer to Note 19).

However, the Corporation's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

- **(i)** the lack of specific technical information available with respect to many sites;
- **(ii)** the absence of any third-party claims with respect to particular sites;
- **(iii)** the uncertainty regarding the ability to recover costs from any third parties with respect to particular sites;
- **(iv)** the fact that the environmental responsibility has not been clearly attributed.

There can thus be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Corporation's financial position.

b) Asset retirement

The Corporation has entered into certain operating leases where the lessor has the option of requesting that the land/structures or the other assets be returned in the same condition as they were originally leased, or of retaking control of these assets without any compensation to the Corporation for any additions or modifications made to the initial assets. Given the nature of the assets under contract and the options available to the lessor, the asset retirement obligation cannot be reasonably estimated. No liability has been recognized in the financial statements.

33. Events After the Reporting Period

On March 9, 2022, the Government of Canada announced the future phases of the High Frequency Rail (HFR) project, and informed VIA Rail of the upcoming creation of a subsidiary, creation which shortly will be officialised by an order in council. Management was not provided with additional details pertaining to the subsidiary and is therefore not able to assess the associated financial impacts.

Corporate Directory

Credit: VIA Rail

Corporate Directory

This directory reflects the 2021 VIA Rail structure as of the date of publication of this Annual Report.

Chairperson of the Board of Directors

Françoise Bertrand
Montréal, Québec

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Cynthia Garneau
Laval, Québec

Kathy Baig
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Grant Christoff
Vancouver, British Columbia

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Geneviève Tanguay
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Management Team

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President and Chief Executive Officer

Bruno Cacciola
Chief Business Transformation Officer

Marie-Claude Cardin
Chief Financial Officer

Ben Marc Diendéré
Chief Public Affairs and Communications Officer

Martin R Landry
Chief Commercial Affairs Officer

Dominique Lemay
Chief Operating Officer

Martine Rivard
Chief Employee Experience Officer

Arden Furlotte
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