

**Your Journey  
is Our Journey**



## EVERYONE COUNTS | 2016 Annual & Sustainability Report

Vancouver Airport Authority is the not-for-profit organization that manages Vancouver International Airport (YVR). We manage YVR like a private organization—receiving no government funding—and we are accountable to the region, through a Board of Directors appointed from the community whose focus is to ensure that YVR serves the best interests of the public. All profit generated at the airport is reinvested back into operations, maintenance and future projects. We are committed to creating an airport that British Columbia can be proud of: a premier global gateway, local economic generator and community contributor.





The 2016 YVR Annual & Sustainability Report summarizes Vancouver Airport Authority's activities and business results at Vancouver International Airport. It continues a tradition of transparency and accountability, which started in 1992 with the formation of the Vancouver Airport Authority, where we report on our activities through the four pillars of sustainability: Social, Economic, Environment and Governance.

We believe that sustainability encompasses more than just management of the environment—it also reflects how we influence the world in which we live. As a community-based airport, this means that our decisions must take sustainability into account. We recognize that everything we do has an impact. And we recognize that everyone we serve has a stake in our success.

**YVR is our airport—your airport—and at this airport, Everyone Counts.**





The background of the entire page is a photograph of an Air Canada aircraft tail, featuring a large red maple leaf logo on a blue background. The tail number '34' is visible. The aircraft is parked on a tarmac at night, with airport lights and another plane visible in the background.

## MISSION

Connecting British  
Columbia Proudly to  
the World

## VISION

A world class,  
sustainable connecting  
hub between Asia  
and the Americas

## VALUES

Safety, Teamwork,  
Accountability,  
Innovation



# 2016 AWARDS & RECOGNITION



Best Airport in North America for 7 consecutive years. And this just in: 2017 Best Airport in North America for a record 8 years!



Airport of the Year



Best Practices in Enterprise Risk Management



Dream Employer of BC



ACI honoured Craig Richmond—YVR's President & CEO—with the new Excellence in Visionary Leadership Award for his outstanding contribution to the aviation industry.

**BCBUSINESS**

Most Loved Brand



Named one of BC's Top Employers—ten years in a row



Outstanding Co-op Employer for 2015



Canada China Business Council  
Conseil d'affaires Canada-Chine  
加中贸易理事会

Outstanding Member



**1ST PLACE**—Website

**1ST PLACE**—Customer Service Program for YVR's Queer Competency Training

**1ST PLACE**—Outreach, Education and Community Involvement for YVR's Waste Wars program

**BEST SPECIALTY RETAIL PROGRAM**—YVR's A-B Connector

**EXCELLENCE IN HUMAN RESOURCES RECOGNITION PROGRAM**—Overall winner

**HONOURABLE MENTION**—Special Events for the British Airways A380 inaugural event

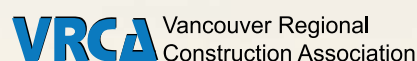
**HONOURABLE MENTION**—Customer Service Technology Innovation for YVR's new app

**HONOURABLE MENTION**—Community Education/Outreach for Phase 1 Master Plan consultation

**HONOURABLE MENTION**—Partnering with Concessionaires for YVR's Sparks Fly event

**HONOURABLE MENTION**—Responsive Communications for the Designer Outlet Centre opening

## OUR PARTNERS



### AWARDS OF EXCELLENCE

Gold Award: PCL Constructors Westcoast Inc. for YVR's Expedited Transfer Facilities project

Silver Award: Whitemud Ironworks Limited for YVR's Expedited Transfer Facilities project

Silver Award: Maxwell Floors Ltd. for YVR's A-B Connector project



#1 Airport Hotel in North America—Fairmont Vancouver Airport



# CONTENTS



8	<b>Message from Mary Jordan: Chair, Board of Directors</b>	24	<b>Our Leadership</b>
		26	Board of Directors
		31	Executive Team
9	<b>Message from Craig Richmond: President &amp; CEO</b>	32	An Ethical Workplace
		36	Executive and Board Compensation
		39	Guidelines for Corporate Governance
10	<b>2016 Highlights</b>	46	<b>Our Business</b>
12	Creating a Connecting Hub	50	Air Services
14	Being a Leader in Sustainability	58	Our Destinations
18	Delivering Remarkable Customer Experiences	62	Commercial Services
20	Building on Our Exceptional Foundation	66	Finances
		68	Business Units
		70	Supply Management
		74	Customer Care



76 **Our Environment**

78 Safety, Security and Environment Policy

80 Instilling Excellence

84 Environmental Plan: Year 2

86 Reducing Emissions

96 Reducing Waste

102 Reducing Potable Water Consumption

106 Improving Ecosystem Health

116 **Our Community**

118 Our People

126 Health and Safety

132 Respect and Equality

138 Connecting with Communities

144 Communications

152 **Appendix:  
Consolidated Financial Statements**





## Message from Mary Jordan

**Chair, Board of Directors**



On behalf of YVR's community-based Board of Directors, I would like to thank you for supporting your airport in 2016. YVR had a truly incredible year and we could not have done it without you.

As a not-for-profit organization, YVR's mandate is to provide economic and social benefits to the communities we serve. In 2016 we delivered on this commitment by seeking your input through the second phase of consultation for our new 20-year Master Plan. We received great feedback that will help us plan the future airport, one that serves diverse needs and continues to drive growth in the region.

In addition to receiving Airport Carbon Accreditation from Airports Council International, we achieved significant early results from our Environmental Management Plan. We became the first airport in the world to be Salmon-Safe certified, an industry-leading recognition that acknowledges our efforts to transform and improve our land and water practices. We also diverted 51 per cent of our terminal waste from landfill, thanks to the efforts of our dedicated team and tenants.

While we delivered on our growth targets, we continued to give back. We contributed over \$1,000,000 to community initiatives such as Pride Parade, BC Mobility Opportunities Society, Great Canadian Shoreline Cleanup, YVR Art Foundation and many more. We also invited the community to join us at YVR's first Community Chill Out—a fun, family event that provided YVR with a great opportunity to show our appreciation.

Our team of dedicated employees maintained and improved the airport, upholding our commitment to safety—our number one priority. And for the first time, Vancouver Airport Authority received the award for Best Practices in Enterprise Risk Management at the Governance Professionals of Canada Excellence in Governance Awards, demonstrating that we are responsibly managing our airport.

Thank you for sharing our vision, supporting our operations and working with us to build a world class airport. We are proud of our accomplishments and our community, whose support provides our team with the inspiration to go beyond, every day.

A handwritten signature in black ink, appearing to read 'Mary B. Jordan'.

**MARY B. JORDAN**

**Chair, Board of Directors**  
Vancouver Airport Authority



## Message from Craig Richmond

**President & CEO**



**On May 1, YVR welcomed British Airways' Airbus A380—the world's largest passenger aircraft—for the first scheduled service at our airport. This set the stage for an incredible year, where decades of planning met with big accomplishments and strong growth.**

A record 22.3 million passengers travelled through YVR in 2016. They chose from a range of great offerings including Air Canada's new non-stop services to Delhi and Brisbane and our new partners Xiamen Airlines and Beijing Capital Airlines. Our new rates and charges program, ConnectYVR, spurred this growth with some of the lowest airline fees in North America. And so did Air Canada, whose decision to grow their transpacific hub out of YVR led to 62 per cent of our passenger growth.

Inside the terminal, we completed key projects that will greatly enhance the customer experience. This included our new high-speed baggage backbone system, which can move a bag to anywhere in the terminal in under 30 minutes. We launched a new, mobile-optimized website and our industry-leading BORDERXPRESS™ kiosks continued to reduce wait times for passengers. To top it off, we unveiled a beautiful collection of Haida art in our Domestic Terminal by renowned artist Reg Davidson, adding to YVR's unique sense of place.

YVR's maintenance, operations and engineering teams continued to shine, completing the first Runway End Safety Area during our 101 busiest days in the summer. They also did a great job during a record cold period in December, when we experienced our first snowfall in 1,000 days.

The team's efforts resonated with our passengers, who awarded YVR Best Airport in North America at the Skytrax Awards for a record seven consecutive years. And for the first time we received Airport of the Year at the CAPA Aviation Awards for Excellence, an incredible recognition from our peers of YVR's global role in the aviation industry.

The foundation of YVR's success is its unique not-for-profit business model. Under this structure, we receive no government funding and we reinvest our proceeds back into the airport. Why? Because YVR is your airport. You have paid for it and thanks to your support it constantly improves. I am very proud of the work we have accomplished together and want to thank you, once again, for your ongoing support.

A stylized, handwritten signature in black ink, appearing to read 'CR'.

**CRAIG RICHMOND**

**President & CEO**

Vancouver Airport Authority



10	<b>2016 Highlights</b>
12	Creating a Connecting Hub
14	Being a Leader in Sustainability
18	Delivering Remarkable Customer Experiences
20	Building on Our Exceptional Foundation

# 2016 HIGHLIGHTS



2016 was an incredible year for YVR. All of our activities and accomplishments stemmed from YVR's three-year Strategic Plan (2015-2017), which sets the fundamental direction of the organization and provides the foundation of our planning. From finishing key airside projects to envisioning the future airport, our activities fell under one of four key objectives:

- **Create a connecting hub between Asia and the Americas**
- **Be a leader in sustainability**
- **Deliver remarkable customer experiences**
- **Build on our strong foundation**

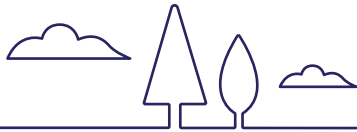


**22.3**  
**MILLION**  
passengers

In 2016, YVR welcomed a record 22.3 million passengers. This is almost two million more passengers than we welcomed in 2015. It's an amazing feat and is a great step towards our Strategic Plan's ambitious goal to reach 25 million passengers by 2020.



# CREATING A CONNECTING HUB



Every day, YVR connects people and products from all over the world. In 2016, we worked on a broad range of initiatives that will make YVR a global leader.

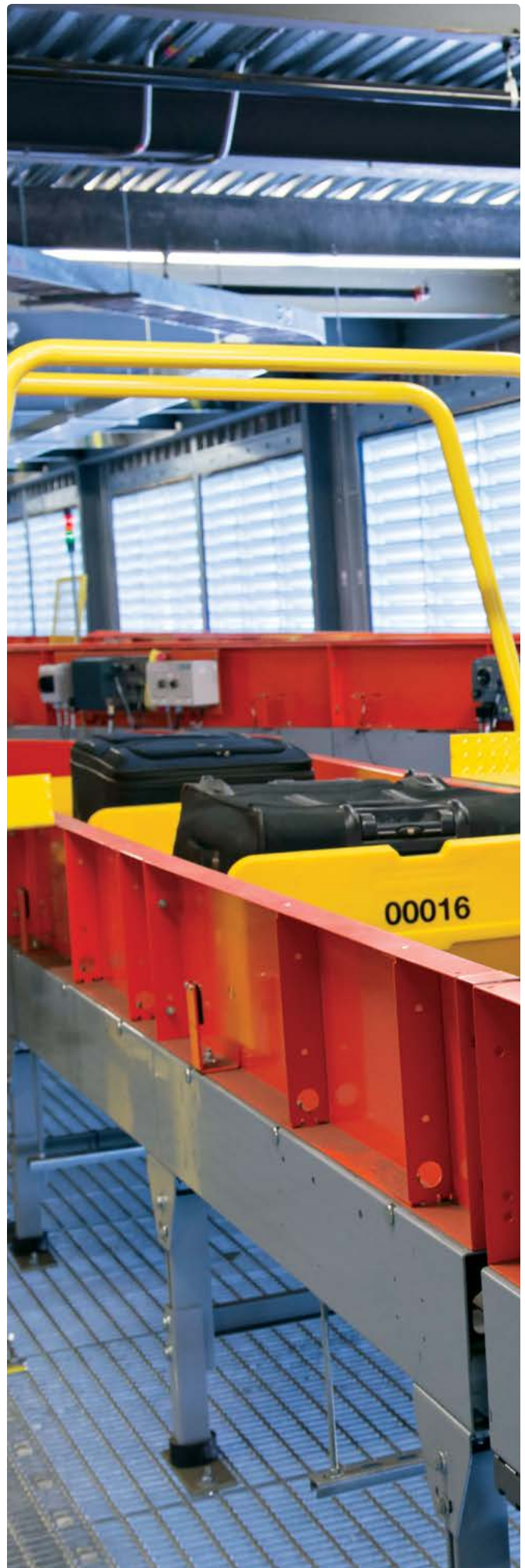
## CONNECTYVR

On January 1 we launched ConnectYVR, a fair and equitable program for airlines that provides a highly competitive rate structure for terminal and landing fees, designed to incent airline growth and efficiency. The program dropped existing airline rates by 15 per cent in the first year, making YVR's rates lower than any other major airport in Canada and competing U.S. airports. In addition, the program reduced our ground handler fee in order to support YVR's transition to electric tugs—helping us to reduce our environmental impact. Thanks to ConnectYVR, our partners continue to add exciting new services, providing more options for our passengers and increasing our business.

*The rate structure is available at [yvr.ca/ratesandcharges](http://yvr.ca/ratesandcharges)*

## EXPEDITED TRANSFER FACILITIES

We made great progress with the Expedited Transfer Facilities project, which includes facility expansions to help minimize passenger transfer times. The building component, completed in 2015, expanded sterile corridors, hold-rooms and baggage halls in the main terminal. The baggage component includes a new high-speed baggage backbone using TubTrax technology, which connects 25 kilometres of existing systems and can transfer a bag to anywhere in the terminal in under 30 minutes. The baggage backbone project was substantially complete in December and will be fully operational in 2017.





## INTERNATIONAL TO DOMESTIC TRANSFER PROCESS

We advanced YVR's new International to Domestic Transfer Process, a procedure that allows passengers from select international destinations to connect to domestic flights without having to retrieve their baggage. This will benefit all passengers by improving the flow of people and bags throughout the terminal.

Work included commissioning a secure baggage inspection area for Canada Border Services Agency (CBSA) and passenger holding areas and expanding the program to include all WestJet and Air Canada flights from the United States, European Union, United Kingdom and Australia. Future plans include trialling additional flights, expanding eligibility and developing a new satellite primary inspection area to streamline the process.

We sincerely appreciate the support of CBSA, WestJet and Air Canada as we work together to improve the connection process at YVR.

## INTEGRATED MARKETING STRATEGY

YVR's Integrated Marketing Strategy had a very positive second year, resulting in 18 new routes and destinations and two new airline partners. The strategy received strong support from Team YVR, which includes tourism bodies, business organizations, industry associations and government partners. This team worked together to promote our airline

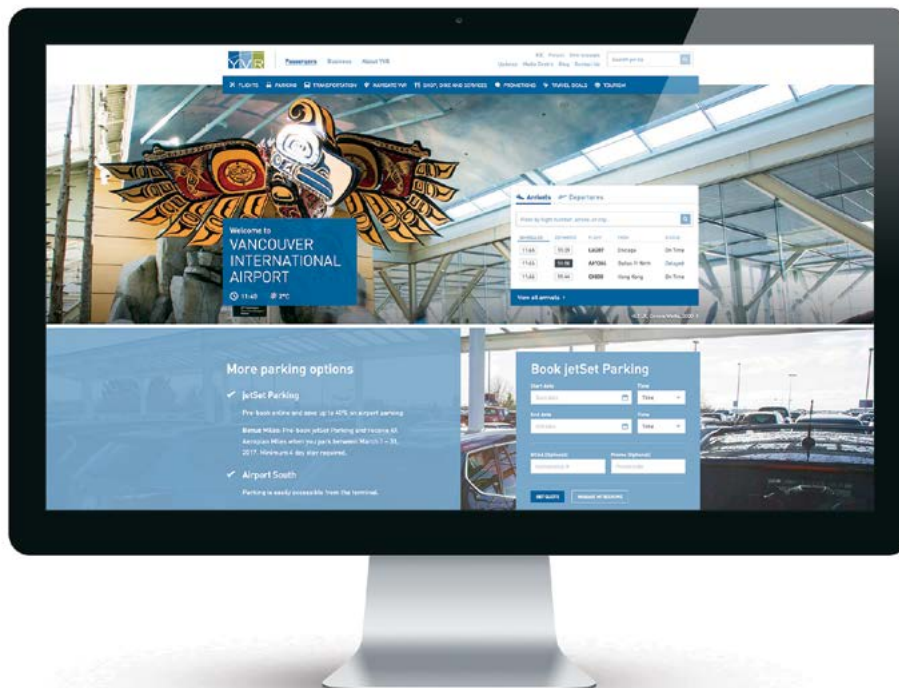
partners, conducting a range of activities including year-round marketing in the local community to encourage people to dream about where they could fly direct from YVR. In addition, YVR and Tourism Whistler formed a new partnership, targeting key markets in the United States and United Kingdom.

## PERCEPTIVE AIRPORT

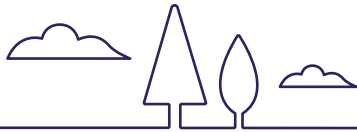
### yvr.ca

YVR strives to be a perceptive airport—one that anticipates customers' needs and wants—and in 2016 we made great progress towards this goal with the launch of our new, mobile-optimized website. Available in English, French and Simplified Chinese, the website provides users with easy access to desired information through responsive design, interactive maps, flight search, accessibility features compliant with Web Content Accessibility Guidelines (WCAG) and much more. It marks an evolution in YVR's innovative use of technology, aligning our digital tools with YVR's Digital Gateway, a cloud-based solution that acts as the central information hub for YVR's various services, facilities and data. At all times, we are committed to privacy. Through the Digital Gateway, YVR securely stores information and only shares non-personal and non-sensitive data with our partners. This includes maps, points of interest and other data sources that help YVR further enhance the airport experience. The Digital Gateway also supports YVR's App, which we upgraded in 2016 with enhanced maps, facility data and user tools.

*For more information on website stats, see page 150.*



# BEING A LEADER IN SUSTAINABILITY



YVR is a committed business, community and environmental leader and in 2016 we continued to integrate sustainability into our planning and operations.

## YVR'S MASTER PLAN

Community engagement should be purposeful, creative and mutually beneficial—and YVR demonstrated this in 2016 with Phase 2 development of its Master Plan. To ensure we set no limits on innovation, we enlisted the services of futurist Nikolas Badminton who, together with YVR's CEO Craig Richmond, inspired the community to describe its future airport. Nikolas and Craig sparked the public's imagination with fantastical ideas such as vertical gardens and floating robotics. And you responded—through YVR's Master Plan website, at various meetings and through our communications channels—with great suggestions, including more air services, improved green space and a better focus on technology, to name just a few.







Learn more about YVR's Master Plan including Phase 2 consultation results at [yvr2037.ca](http://yvr2037.ca).



## Community Chill Out

YVR hosted its first Community Chill Out Day this past summer at Larry Berg Flight Path Park and it was a huge success! Almost 2,000 people attended the free family event, which included entertainment, activities and opportunities to interact with our community investment partners. We look forward to hosting this popular event again in 2017 and hope to see you there.

## ENVIRONMENTAL MANAGEMENT PLAN: YEAR 2

2016 marked the second year of YVR's five-year Environmental Management Plan. This ambitious plan sets aggressive 2020 targets to reduce emissions, waste and potable water consumption, while improving ecosystem health.

## 51% waste diversion rate

In 2016 YVR diverted 51 per cent of its terminal waste, which exceeds the 2020 target of 50 per cent! There are many great programs and initiatives that led to this success, including:

### Waste Wars



North America  
Environmental  
Achievement  
Award



For the second year, YVR promoted its waste reduction efforts and targets through the Waste Wars program. During April and May, we paid surprise visits to food and beverage tenants, inspecting recycling and waste bins to ensure proper sorting and recycling habits. The program had a 100 per cent participation rate and received industry-wide recognition, winning the 2016 Airports Council International—North America Environmental Achievement Award for the Outreach, Education and Community Involvement category and an Honourable Mention from Airports Going Green.

First Place

**Thai Hang**

VINO  VOLO

Third Place

**SUBWAY**





## Salmon-Safe Certification

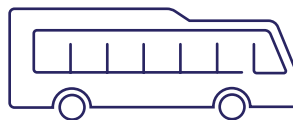


In June, YVR became the first airport in the world to achieve Salmon-Safe certification, a key milestone that fulfills one of our 2020 environmental targets. A team of independent experts conducted preliminary meetings and operational reviews to certify YVR, looking into stormwater management, landscaping practices, water conservation plans and wildlife and pest management. This certification acknowledges YVR's ongoing efforts and commitment to transform land and water management practices, protect the Fraser River water quality and enhance the habitat so Pacific salmon continue to thrive.

## District Energy Building

To better meet the airport's energy needs while improving sustainability, YVR is developing a new District Energy building, known as the CORE Project. Located near YVR's Parkade, this building will centralize and consolidate YVR's energy needs under one roof—and will include a range of sustainability features, including a GeoExchange plant, which will be a major component of our plan to reduce Greenhouse Gas Emissions. We will complete the Project Definition Report in 2017 and will work towards the construction phase, with an estimated completion date of 2021.

## Hybrid Buses



**6 NEW HYBRID BUSES,**  
saving 70,000 litres of diesel

Every year, YVR replaces aging vehicles with more efficient choices. In 2016 we introduced six new hybrid diesel electric buses to service jetSet and employee parking operations. The new buses, which are 30 per cent more fuel efficient, saved over 70,000 litres of diesel—leading to a 34 per cent decrease in consumption compared to 2015.

*Learn more about YVR's Environmental Management Plan targets on page 84.*



# DELIVERING REMARKABLE CUSTOMER EXPERIENCES



YVR understands that our customers have choices and in 2016 we focused on the customer experience with key projects that deliver a more efficient and enjoyable airport for everyone.

## SENSE OF PLACE

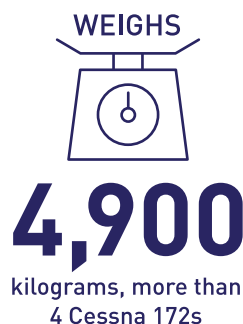
YVR's award-winning Sense of Place is the rich story of our province—with its diverse landscape and people—reflected in beautiful art and architecture.

## New Art

We kicked off the year celebrating a collection of new art from internationally acclaimed First Nations artist Reg Davidson. Located in YVR's Domestic Terminal, the art pieces—Raven Stealing the Beaver Lake, The Blind Halibut Fisherman and Raven with a Broken Beak—recount Haida myths in which Raven features as both beneficent cultural hero and prank-playing Trickster.

## The Jade Canoe Turns 20

2016 marked the 20th anniversary of *The Spirit of Haida Gwaii: The Jade Canoe* arriving at YVR. This iconic sculpture by legendary Canadian artist Bill Reid means so much to YVR. It serves as the natural nexus point for the entire airport, where the public and passengers meet prior to grand adventures and where countless photos have been taken over the past two decades.







## NEW UNIVERSAL DESIGN REQUIREMENTS

To improve access for all airport users, YVR developed a comprehensive, multi-year Universal Design Requirements framework that meets and exceeds the National Building Code of Canada and the Canadian Transportation Agency's "Code of Practice; Passenger Terminal Accessibility." Developed through a cross-departmental team, the framework includes a range of design requirements: circulation spaces (elevators, escalators, moving walkways, stairs and handrails), emergency systems, washrooms, signage and wayfinding, communications, tenant spaces, food court seating, office spaces, vehicle access and more. YVR will continue to work with our partners in 2017, including Rick Hansen Foundation, to further embed universal access into all airport design.

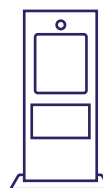
*For more information on our universal access efforts, see page 137.*

## NEW AUTISM ACCESS STICKER

We proudly unveiled the new YVR Autism Access Sticker as part of our I CAN Fly program—a collaboration between YVR and the Canucks Autism Network that provides air travel resources to support individuals and families living with autism. The sticker is a self-identification tool that can be placed on boarding passes. This ensures an expedited airport process through screening and Customs and better communicates the specific needs of passengers to airport employees.

## BORDERXPRESS™

YVR's award-winning BORDERXPRESS™ self-service border kiosks continued to shine, helping improve the airport experience for millions of passengers. We sold another 268 kiosks to airports in Canada and the U.S. and continued to improve eligibility for passengers all over the world. New locations included airports in Guam, Halifax, Winnipeg, Calgary, Oakland, Pittsburgh and New York (JFK Terminal 7), as well as Port Everglades seaport.



**1,050+**  
KIOSKS SOLD



**100+** MILLION  
passengers served



# BUILDING ON OUR EXCEPTIONAL FOUNDATION



YVR's reputation as a safe and efficient airport requires a coordinated team effort, built on a strong foundation.

## INFRASTRUCTURE UPGRADES

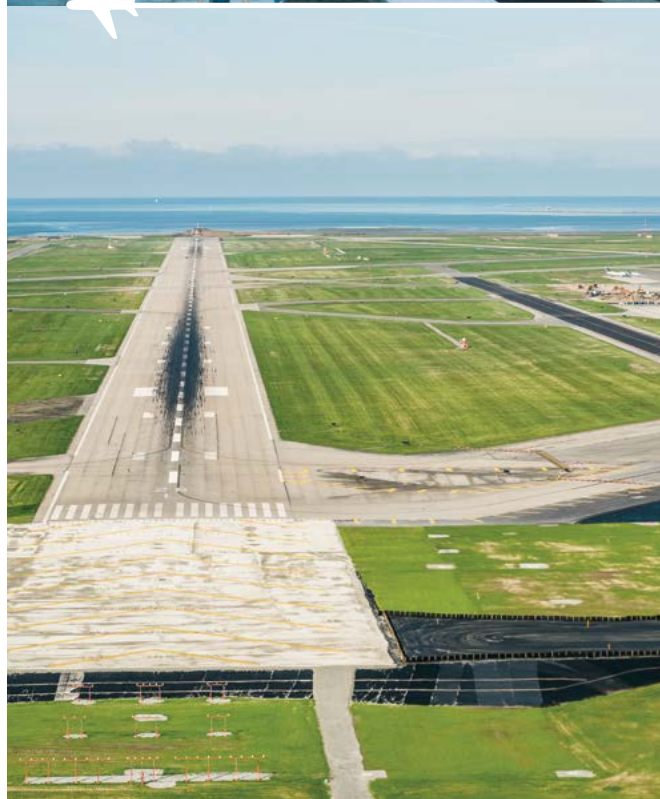
YVR experienced its busiest period ever in the summer, welcoming up to 85,000 passengers on peak days. At the same time, a team of YVR airside employees, contractors and partners at NAV CANADA undertook key infrastructure projects to improve the airfield.

### Runway End Safety Areas

We completed the second construction phase of Runway End Safety Areas (RESAs), which improve safety for aircraft and passengers in the event an aircraft lands short or overshoots a runway.

Each night between April and mid-September, a crew of more than 90 contractors and YVR employees worked with NAV CANADA to close the South Runway and begin work. They placed over 700 concrete panels with associated airfield lighting infrastructure, upgraded navigation aids and carried out new line painting. And every morning, they returned the runway to service—only to start again the next night.

In 2017, we will finish RESA construction on the South and Crosswind Runways and will begin planning for the North Runway.





## Lighting

YVR continued to save energy and cut down on light pollution by installing energy-efficient LED lights on the apron. This included new LED fixtures and high-mast poles, which use an adaptive scheduling model and user-controlled app to save power. When complete in 2017, we will have 433 new LED fixtures and 62 new poles—an energy savings of 715,000 kilowatt hours.

On the airfield, we replaced 130 airfield navigational signs and 250 approach lights on each of the east ends of our north and south runways, which ensure that approaching aircraft have a consistent presentation.

## Dyke Upgrades

YVR is aware of the risks climate change presents to the community. We are part of an inter-jurisdictional initiative working on a coordinated flood management strategy for the lower Fraser River. To safeguard against future flooding, YVR has invested significant resources into a multi-year program to further protect Sea Island by raising dyke levels to 4.7m geodetic—a new height standard. The program started in 2014 and in 2016 we raised another 1 km section of dyke on the South Dyke Road. We also developed designs for dyke improvements in the Sea Island Conservation Area lands on the north side of Sea Island as well as commencing early design work to raise the dyke along Inglis Drive.





## RISK MANAGEMENT

The safety and security of our employees, customers and communities is paramount to our success. In order to be prepared to respond to possible threats, the Airport Authority continuously works on risk management and security upgrades.



Best Practices  
in Enterprise Risk  
Management

### Enterprise Risk Management System

YVR's Enterprise Risk Management (ERM) system helps safeguard the achievement of strategic and business objectives by identifying and mitigating a broad range of risks. It has become a key component of our organizational culture, embedded into every-day planning through our Board and Executive Team, and in November it received industry-wide recognition with the Best Practices in Enterprise Risk Management award at the Governance Professionals of Canada Excellence in Governance Awards. We continued to develop the ERM system throughout the year, updating the risk register on a monthly basis, monitoring and developing action plans and improving ERM Board-level reporting to support decision-making.

As a subset of the ERM system, the Airport Authority's Business Continuity Plan (BCP) facilitates timely recovery strategies from disruptions that affect critical business functions. We continued to develop the BCP in 2016, focusing on those critical functions with the highest impact to our core business.

### Critical System Upgrade

We continued multi-year work focused on providing a safe and reliable power supply to key machines and systems. We installed an Arc Flash Mitigation System at YVR's high-voltage Templeton Sub-Station and Uninterruptible Power Supply Units to back-up communication systems, pre-board screening machines, primary inspection line machines and our Automated Passport Control kiosks. We began waterproofing motor control panels on the baggage system, conducting sprinkler repairs, providing additional cooling in communication rooms to prevent over-heating and modifying electrical equipment to maintain safety standards.





## **BUILDING ON OUR REPUTATION**

As B.C.'s primary airport, YVR is committed to engaging stakeholders and working with industry partners to improve the airport for everyone.

# BCBUSINESS

Most Loved  
Brand

### **Canada-US Aviation Border Summit**

In March, YVR hosted the US-Canada Aviation Border Summit. Over 60 senior decision-makers were represented at the meeting, including airlines, airports and both governments. The goal of the Summit was to develop a future border vision in which border access and security work as catalysts for economic success in both our countries while, at the same time, continuing to improve the passenger experience. The outcomes of the Summit included establishing five bi-national working groups to advance pilot projects and enhance NEXUS, improve security screening, coordinate travel authorizations, remove duplication in cargo manifests and explore innovations in the U.S. Preclearance Area. In addition, our team began planning for the 2017 Asia-Latin America Gateway Summit, a key event that focused on YVR's future as a global connecting hub.

### **Speakers Bureau**

YVR's Speakers Bureau is a speaking tour for our leadership team that helps share our goals and accomplishments with key groups in the region. YVR attended 17 different Speakers Bureau events across the Lower Mainland in 2016. This included presentations to community groups, business networks, municipal councils and provincial caucus meetings.

24	<b>Our Leadership</b>
26	Board of Directors
31	Executive Team
32	An Ethical Workplace
36	Executive and Board Compensation
39	Guidelines for Corporate Governance

# OUR LEADERSHIP



At the core of YVR's success is a strong leadership team, whose vision inspires us to deliver an exceptional airport experience—every day.





Beyond, Every Day.



# BOARD OF DIRECTORS



**MARY JORDAN**  
Chair, Director at Large



**CRAIG RICHMOND**  
President & Chief Executive Officer  
Vancouver Airport Authority



**GEORGE CADMAN**  
Government of Canada



**JOSEPH CARON**  
Director at Large



**JOHN CURRIE**  
Chartered Professional  
Accountants of  
British Columbia



**ANNA FUNG**  
Law Society of  
British Columbia



**KENNETH GOOSEN**  
Association of Professional  
Engineers and Geoscientists of  
British Columbia



**HOWARD JAMPOLSKY**  
City of Richmond



**ANNALISA KING**  
Director at Large



**KENNETH MARTIN**  
The Greater Vancouver  
Board of Trade



**KUSH PANATCH**  
Government of Canada



**GERRI SINCLAIR**  
Director at Large



**TAMARA VROOMAN**  
City of Vancouver



**WAYNE WRIGHT**  
Metro Vancouver (GVRD)

YVR’s community-based Board of Directors provides stewardship for the Airport Authority and seeks to foster the long-term success of the airport. The Board’s fundamental responsibility is to ensure that the Airport Authority fulfills its role in a safe, efficient and reliable manner. Our Board reviews and approves the Strategic Plan, long-term financial plans and annual budgets. It also selects the President & CEO, oversees senior management succession, identifies risks, maintains the integrity of internal controls, monitors health and safety management systems and ensures we have a comprehensive public *Communications Policy*. The Board follows the *Board of Directors Governance Rules and Practice Manual*, available at [yvr.ca/boardmanual](http://yvr.ca/boardmanual), which includes terms of reference, guidelines and policies.

### ABOUT THE BOARD

The Board has four committees:

The Finance and Audit Committee ensures that the Airport Authority has a rigorous system of internal controls and financial reporting and is in compliance with applicable laws and regulations related to financial disclosure. This Committee approves the Strategic, Financial and Capital Plans and plays a lead role in identifying major business risks and reviewing the Airport Authority’s Enterprise Risk Management system.

The Governance Committee is responsible for ensuring that our Board’s governance practices enhance corporate performance and remain transparent and accountable. It develops a long-term plan for the composition of the Board and annually reviews the Airport Authority’s stakeholder relationship activities. The Governance Committee reviews and approves the organization’s Annual & Sustainability Report.

The Human Resources and Compensation Committee guides the Airport Authority’s long-term talent strategy and oversees the human resources and compensation policies, ensuring there is a plan for the development and orderly succession of executives and other key employees.

The Planning and Development Committee assists the Board in meeting its responsibility for long-range planning including strategic, master and capital plans. It reviews the scope, schedule and budget for major capital projects. It also plays a lead role in identifying strategic risks and opportunities.

In addition, the Board periodically establishes Task Forces to undertake specific assignments.

### Term Limits

Our Directors are appointed to a three-year term and are eligible for re-appointment for two additional terms for a total of nine years. To balance the need for renewal and continuity, there is a limited exception allowing a Director to serve for one additional year if more than two Directors retire in a given year.

### Nominating Entities

Our Board has 14 Directors: nine nominated by Nominating Entities, four appointed by the Board from the community at large and one seat held by the President & CEO of the Airport Authority. Our Nominating Entities include:



Except for the President & CEO, all Directors are independent. They have no direct or indirect material relationship with the Airport Authority or its subsidiaries and are independent of management. Our Directors are free from any interest, business or other relationship that could, or could reasonably be perceived to, interfere with a Director’s ability to exercise independent judgment and act with a view to the best interests of the Airport Authority.

Each Nominating Entity has its own nomination process. The Nominating Entities may not nominate a person in their employment; in addition, persons holding or nominated for an elected office are ineligible.



### Engagement with Nominating Entities and Stakeholders

The Board ensures that the Airport Authority pro-actively engages with our Nominating Entities and other stakeholders. To foster positive outreach with the Nominating Entities, Nominated Directors establish an annual communications plan with their Nominating Entity. The process is set out in Tab 13, Communications Plan with Nominating Entity, of our Board Manual and is reviewed annually by the Governance Committee. This formal process is supplemented with numerous informal communications.

The Governance Committee’s mandate also includes a duty to review stakeholder relations; this includes an annual review of the Airport Authority’s *Communications Policy*, relationship with federal and local governments and relations with our neighbouring communities and business

partners. Examples of how we account to the community can be found in Section 2.2 of Tab 12, Accountability and Transparency, of our Board Manual. Numerous examples of community engagement can be found throughout the body of this report.

### Board Succession Planning and Diversity

The Board strives to ensure that it collectively has the skills and experience needed to maintain the health of the organization and guide its long-term success. Our Board Skills and Experience Matrix allows us to see where there may be gaps—to assist both our Nominating Entities in making their nominations and the Board when looking to fill at-large vacancies. The first part of the Matrix, reproduced below, lists Essentials. All Directors are expected to have the 10 included skills.

### Board Skills and Experience Matrix: Essentials

<b>Integrity and Accountability</b>	<ul style="list-style-type: none"> <li>• Demonstrated integrity and high ethical standards both in personal and professional dealings.</li> <li>• Willing to act on, and remain accountable for, decisions made in the boardroom.</li> </ul>
<b>Conflict of Interest</b>	<ul style="list-style-type: none"> <li>• No real or perceived conflicts that are not easily satisfied through disclosure or exclusion from particular issues. This is verified annually.</li> </ul>
<b>Time Availability</b>	<ul style="list-style-type: none"> <li>• Ability to devote the required time for preparation before, and participation at, Board and committee meetings.</li> </ul>
<b>Financial Literacy</b>	<ul style="list-style-type: none"> <li>• Competent in understanding financial matters and statements.</li> <li>• Familiar with current accounting processes used to evaluate a corporation’s financial performance.</li> </ul>
<b>Strategic Insight</b>	<ul style="list-style-type: none"> <li>• Capable of contributing to Board work on identifying key trends, assessing risks and opportunities.</li> <li>• Skilled in providing insight and suggestions in making strategic decisions, including encouraging innovation and focusing the Airport Authority’s strategic vision.</li> </ul>
<b>Board Experience</b>	<ul style="list-style-type: none"> <li>• Service on the Board of a large corporation, preferably with experience as committee chair.</li> <li>• Experience with other types of Boards (e.g. community and not-for-profit) or as CEO reporting to a Board.</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Ability, shown by prior actions, of taking into consideration all stakeholders as part of making sound business decisions.</li> <li>• An understanding of current best practices in corporate management in complex, rapidly evolving business environments.</li> </ul>
<b>Informed Judgment</b>	<ul style="list-style-type: none"> <li>• Ability to communicate wise, thoughtful counsel on a broad range of issues helpfully.</li> </ul>
<b>Mature Confidence</b>	<ul style="list-style-type: none"> <li>• Ability to facilitate superior Board and team performance by demonstrating respect for others.</li> <li>• Places a premium value on collective achievement over individual performance.</li> </ul>
<b>High Performance Standards</b>	<ul style="list-style-type: none"> <li>• High standards for self and others reflected in a record of achievement.</li> </ul>
<b>Diversity</b>	<ul style="list-style-type: none"> <li>• The Board should be reflective of the community we serve in terms of the categories identified in the <i>Employment Equity Act</i> and age.</li> <li>• Consider Directors resident in B.C. communities from outside the Lower Mainland.</li> </ul>

The second part of the Matrix lists desired skills and experience. We look for Directors with these specific skill

sets, which ensure they can analyze issues effectively and make sound decisions.

### Board Skills and Experience Matrix: Desired Skills and Experience

<b>Aviation/ Transportation Industry Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive, in particular: international airports; aviation; airline; development, manufacturing and maintenance of aircraft; cargo and logistics; and other modes of international passenger and cargo movement.</li> </ul>
<b>Senior Executive Experience</b>	<ul style="list-style-type: none"> <li>• Chief Executive Officer, Chief Operating Officer, Executive Vice President or Senior Vice President of a large corporation.</li> </ul>
<b>Financial Experience</b>	<ul style="list-style-type: none"> <li>• Chief Financial Officer or senior financial executive of a large corporation.</li> <li>• Senior Audit Partner with one of the major Canadian audit firms.</li> <li>• Corporate finance leadership, including investment banking, mergers and acquisitions, and other complex financial transactions.</li> </ul>
<b>Retail Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive, in particular: direct to consumer sales; shopping centre design development and management.</li> </ul>
<b>Land or Project Development Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive, oversight and/or project management of large capital projects from inception to completion.</li> <li>• Complex engineering, multi-sourced financing projects; including public, government and environmental approval processes.</li> </ul>
<b>“New Economy” Experience</b>	<ul style="list-style-type: none"> <li>• Senior leader, information technology, social media, e-commerce, digital universe, business intelligence and analytics; and their application in for-profit businesses.</li> </ul>
<b>International Experience</b>	<ul style="list-style-type: none"> <li>• Considerable work outside Canada. Global business and marketing.</li> <li>• Extensive relevant contacts.</li> <li>• Strong credibility with the Canadian government as a senior international business person.</li> </ul>
<b>Government Relations and Community Service</b>	<ul style="list-style-type: none"> <li>• Extensive work with, or within, government. Knows policy and legislation development; credibility and connections within a) political and civil service sectors and b) community organizations.</li> <li>• Experience serving within and leading charitable organizations.</li> </ul>
<b>Customer Service Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive from an industry where meeting individual customer needs is critical to the organization’s success; in particular, travel, hospitality, theme park and cruise industries.</li> </ul>
<b>Compensation &amp; Human Resources Experience</b>	<ul style="list-style-type: none"> <li>• Senior human resource executive in a large corporation: knows executive compensation, performance management systems, succession planning and development.</li> <li>• Senior partner in recognized compensation or human resource consultancy.</li> </ul>
<b>Legal Experience</b>	<ul style="list-style-type: none"> <li>• Senior Partner of a law firm with a broad range of clients and transactions; preferably a leadership role within the firm or senior legal executive in a large corporation.</li> </ul>
<b>Tourism Marketing</b>	<ul style="list-style-type: none"> <li>• Senior executive with experience in tourism marketing; in particular, experience in Asian and other international markets.</li> </ul>
<b>Corporate Sustainability and Environmental Responsibility Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive responsible for health and safety in a large manufacturing or industrial company.</li> <li>• Large corporation involvement in environment, sustainability, community and communications.</li> <li>• Public issues management.</li> </ul>



Diversity

Our Board believes that its composition should reflect the rich diversity of the communities we serve. In December 2016, the Board approved a *Board Diversity Policy*, which is included under Tab 2 of our Board Manual and is a key element of our Social Management System. The Board identifies diversity as an essential element in attracting qualified Directors and maintaining a high-functioning Board. Under the Policy, our Board aspires to achieve a target of having at least half our Board members being made up of individuals from the four designated groups identified in our governing legislation: women, visible minorities, persons with disabilities and aboriginal persons. We consider other factors

such as ethnicity, age, nationality, sexual orientation and geographic location. The average age of our current Directors is 60. The chart below reports the current makeup of the Board with regard to the four groups.

BOARD DIVERSITY	NUMBER	%
Women	5	35.7
Visible Minorities	2	14.3
Persons with Disabilities	0	0
Aboriginal Persons	0	0

The *Board Diversity Policy* also charges the Board with monitoring management’s implementation of its workforce diversity policy. Information on employment equity in the workforce and in management can be found in the Respect and Equality section on page 132.



# EXECUTIVE TEAM

Our Executive Team guides over 450 employees, whose daily mission is to operate the airport in a safe, efficient and reliable manner.



**CRAIG RICHMOND**  
President &  
Chief Executive Officer  
Vancouver Airport Authority



ACI honoured Craig Richmond—YVR's President & CEO—with the new Excellence in Visionary Leadership Award for his outstanding contribution to the aviation industry.



**GLENN MCCOY**  
Senior Vice President,  
Strategy and  
Chief Financial Officer



**MICHELE MAWHINNEY**  
Vice President, Human  
Resources and Supply  
Management



**DON EHRENHOLZ**  
Vice President,  
Engineering and  
Environment



**ARGIRO KOTSALIS**  
Vice President Legal,  
General Counsel and  
Corporate Secretary



**STEVE HANKINSON**  
Vice President,  
Operations and  
Maintenance



**ANNE MURRAY**  
Vice President, Marketing  
and Communications



**LYNETTE DUJOHN**  
Vice President,  
Information Technology  
and Chief Digital Officer



**SCOTT NORRIS**  
Vice President,  
Commercial Development

YVR would like to welcome our new Executive Team members, Lynette DuJohn and Scott Norris, who joined us in 2016!





# AN ETHICAL WORKPLACE



We expect our team to be honest and to conduct themselves in accordance with the highest standards.

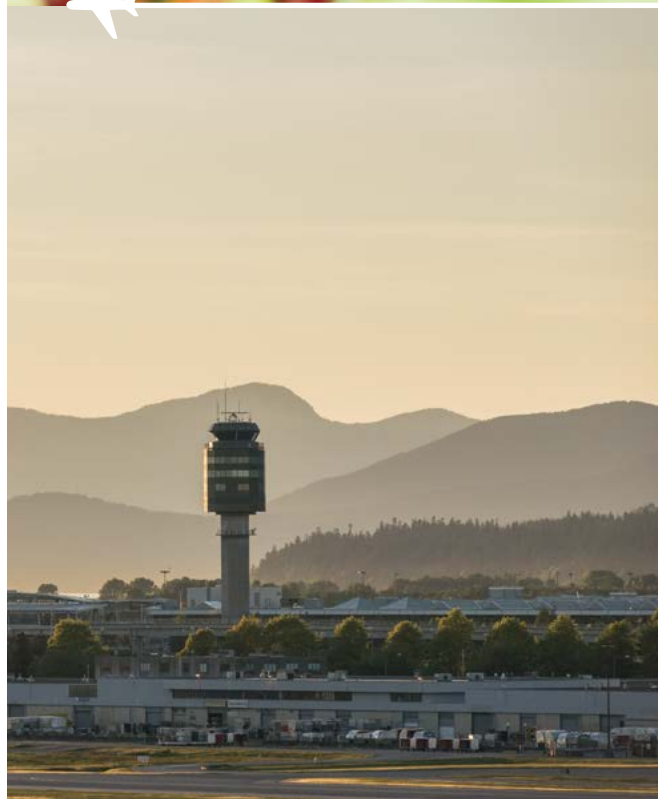
## SOCIAL POLICY

YVR is committed to being a socially responsible organization. This means articulating our philosophy in the areas of social, economic and environmental practices with the goal of increasing awareness about Corporate Social Responsibility (CSR) amongst our employees (domestically and internationally located), stakeholders, customers and communities.

We want to be an organization that British Columbians can be proud of and an airport that is considered a leader of CSR practices. In defining our *Social Policy*, we embrace the United Nations Global Compact and the ISO26000 standards. YVR is committed to measuring, auditing and sharing our performance on CSR practices. Our *Social Policy* and related programs are the direct responsibility of the President & CEO and the Executive Team and are managed through our Social Management System. The Board of Directors oversees the conduct of the organization and ensures the President & CEO and the Executive Team are monitoring and enforcing compliance.

We have articulated our *Social Policy* commitments in seven areas:

1. Adherence to sound corporate activities—Business Ethics and Transparency
  - Comprehensive Enterprise Risk Management that reduces risk and sets specific action plans
  - Transparent and sound governance practices
  - Strong fiscal responsibilities
  - Public accountability



- Political neutrality
  - Commitment to ethics through training and supporting policies
2. Respect for human beings
    - Uphold and promote Canadian Human Rights in all regards
    - Respect for diversity and individual human rights
    - Positive Indigenous Peoples engagement
    - Commitment against child labour
  3. Consideration of our Supply Chain
    - Pursue total compliance of Supplier Code of Conduct
    - Fair and open procurement processes
    - *Sustainable Purchasing Policy*
  4. Positive employee relations
    - Fair treatment of employees with dignity and consideration
    - A diverse and equitable workforce
    - Fair labour practices as defined by the International Labour Organization
    - Safe and healthy work environment
    - Support for individual development and training
    - Effective Safety management system
    - Health and Wellness program, which includes financial incentives
    - Respect for the employees' freedom to associate and participate in a union
  5. Protection of the natural environment
    - Development and enactment of a strong Environmental Management Plan with set targets
    - Proactive engagement to mitigate impacts on the environment, specifically in the area of greenhouse gas emissions, water consumption and waste management
    - Commitment to being recognized as a leader of sustainability in the aviation industry
    - Green Commuter Program with financial incentives to encourage employees to support reductions in greenhouse gas emissions
  6. Support for Community and Consumer
    - Strong commitment to transparent and effective public engagement
    - Responsive communications
    - Financial support for community initiatives including an employee matching donation program
    - Support through employment and economic opportunities

## 7. Communication

- Commitment to open, honest and timely communication
- Effective and responsive media relations and social media
- Publicly available annual results and financial statements

## SOCIAL MANAGEMENT SYSTEM

Vancouver Airport Authority created a Social Management System in 2016 to demonstrate how we will uphold our *Social Policy*. This system encompasses all of the programs, processes and systems that ensure we are meeting the criteria outlined in ISO2600. It addresses the Policy's seven focus areas—sound corporate practices, respect for human beings, consideration of supply chain, positive employee relations, protection of the natural environment, support for the community, communication—through numerous policies, procedures and systems that ensure we are meeting our commitments and regulatory requirements.

YVR's Social Management System is broad and encompasses a large portion of our programs and actions—as seen throughout this report. For instance, to maintain sound corporate practice the Social Management System includes annual, third-party financial audits, the *Board Diversity Policy*, the Code of Conduct and mandatory business ethics training. It includes a Sustainable Purchasing Program and Supplier Code of Conduct to demonstrate our commitment to the supply chain. It includes a *Competition Compliance Policy* and training to ensure we comply with applicable competition laws. And to ensure that we protect the natural environment, it includes our five-year Environmental Management Plan and our *Safety, Security and Environmental Policy*. For more information on YVR's social management system, including a full description of its programs and procedures, please visit [yvr.ca/2016](http://yvr.ca/2016).

YVR's Sustainability Steering Committee, chaired by the Vice President of Human Resources, is responsible for overseeing the Social Management System and monitoring the policies and programs under our *Social Policy*. The committee sets targets, monitors performance and reports its findings and recommendation to our Executive Team.

If an area of non-compliance under the Social Management System is identified in the daily course of business, it is addressed as per its governing policy or system. An annual review of adherence to the *Social Policy* is included in the development of the Annual & Sustainability Report where areas of non-compliance and the associated mitigation actions are reported.

### AIRPORT AUTHORITY CODE OF CONDUCT

The Airport Authority is committed to ethical practices throughout our organization and has both policies and an employee Code of Conduct to encourage and ensure ethical behaviour.

Our Code of Conduct plays an important role in ensuring we meet our *Social Policy* objectives. It outlines rules for the benefit of all YVR employees and includes information on the importance of following safety procedures, reporting conflicts of interest and reporting discrimination. We regularly communicated and reinforced the contents of the Code to employees in 2016 and encouraged reporting. In 2016, we did not discipline any employees under the Code of Conduct.

### CORPORATE POLICIES

As required under Canadian Aviation regulations (CARS), YVR implements an effective Safety Management System—a system of reporting information related to acts, deficiencies, hazards, or occurrences that threaten safety, security or the environment. Under our *Non-Punitive Reporting Policy*, we encourage employees to self-report on unintentional errors and safety hazards, as the root causes and lessons-learned can help improve safety for everyone.

YVR's internal *Whistleblower Policy* provides a framework to report any perceived wrongdoings. Overseen by our Vice President Legal, General Counsel and Corporate Secretary and our Internal Audit team, the Policy offers several options: reporting to superiors, reporting anonymously through our Safety Management System and calling a 24-hour hotline. YVR shares this policy with employees and select vendors.

There were two complaints reported in 2016. One complaint was reported anonymously under the *Whistleblower Policy* using the hotline, which was investigated and effectively resolved. Details of the nature of this complaint are not being disclosed in order to protect the complainant's anonymity. However, it can be confirmed that while the behaviour in question did not meet the test for workplace harassment, it was brought to an end.

The second anonymous complaint involved allegations of mishandling of private information and was reported directly to senior management. This matter was independently investigated initially by the Vice President Legal, General Counsel and Corporate Secretary and subsequently continued with the assistance of external legal counsel. The majority of the allegations were deemed to be unfounded and based on misinformation. However, the complaint that calls to the customer service line were being recorded without advising customers that the call is being recorded was found to be legitimate. The investigation revealed that the outgoing message used to include this notification about recordings being made had been inadvertently disabled during an upgrade to the telephone messaging systems. This was remedied once discovered, so all customers now calling into the customer service line are advised that, "this call may be recorded for airport operational and security purposes," in both English and French.

### INTERNAL AUDITING

Reporting to the Board's Finance and Audit Committee, YVR's Internal Audit Department provides independent and objective assurance as to whether risks are being managed to acceptable levels. The Department provides risk-based advice and insight to enhance and protect organizational value and develops an annual risk-based audit plan that includes assurance on the effectiveness of the Enterprise Risk Management program and the Safety Management System. It also performs post-project reviews, assists in investigations of suspected fraudulent activities and conducts continuous audits of core policies, such as our *Expense Reimbursement Policy*, and assesses the Airport Authority's compliance with applicable regulation and contractual obligations.



## GLOBAL RISK MANAGEMENT

As YVR becomes increasingly interconnected to countries around the world through our marketing, air service development and innovative technology efforts, we recognized a need to understand and mitigate the risks associated with new global opportunities. We developed a scalable and sustainable Global Risk Management Program to help protect the critical elements of the Airport Authority's global activities—our people, our assets, our operations and our business reputation—in accordance with prevailing political, security, integrity and other key risks. The Global Risk Management Program provides a due diligence framework from which we assess potential international business activities, including weighing such opportunities against a risk assessment by country. A regularly updated matrix now informs new opportunities based on geopolitical and related risks. The Airport Authority also developed an *Anti-Corruption and Anti-Bribery Policy* to govern its business activities and will be rolling out customized training workshops for employees in 2017. Additionally, in order to ensure our staff travelling for work were as supported as if they were in the office, we created a Global Crisis Management Strategy. The plan is intended to facilitate an appropriate response should a team member find themselves in a global or personal crisis while away on business travel. A standard operating procedure outlines the notification and response tactics and identifies different triggers for escalation. The Global Risk Management program also offers immediate travel SOS service for employees travelling on company business.

## PRIVACY MANAGEMENT PROGRAM

For a number of years, the Airport Authority has had comprehensive policies and protocols aimed at complying with the applicable laws relating to private information belonging to our employees, our passengers and our business partners. As a private federal organization, the Airport Authority is subject to federal privacy legislation, specifically the *Personal Information Protection & Electronic Documents Act*. We care strongly about upholding privacy laws—this is in keeping with our corporate values of trust and accountability. Privacy matters are overseen by the Airport Authority's Vice President Legal, General Counsel and Corporate Secretary, in her capacity as Privacy Officer, as well as a Privacy Committee comprised of the Privacy Officer, Vice President, Human Resources and Supply Management, Vice President, Operations and Maintenance and Vice President, Information Technology and Chief Digital Officer.

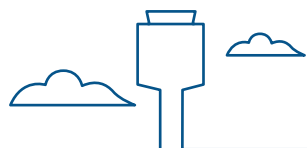
Throughout 2016, we focused on building on the existing strong foundation to develop an expanded framework for our Privacy Management Program, with the goal of making it even more robust and comprehensive. Some of the elements of the expanded Privacy Management Program are as follows:

- **Cyber Security/Privacy Team**—recognizing that privacy and cyber security go hand in hand, we have put together a cross-departmental team (Legal, IT, Operations/Security, Communications, HR) to respond to privacy breaches, to be supported by external legal counsel.
- **Expanded Policies**—we are developing a new *Privacy Breach Policy* and reviewing and updating our existing privacy policies.
- **Data Mapping**—in order to understand the information life cycle for each type of personal information that we collect, we are applying a data mapping approach to proactively answer questions about the personal data we are charged with safeguarding.
- **Incident Response Plan**—in the event of a privacy breach, we would immediately engage the Cyber Security/Privacy Team to contain the breach, evaluate the risks of the breach with reference to our applicable data mapping, notify appropriate individuals and if necessary the Canadian Privacy Commissioner and affected customers or employees and mitigate the immediate breach.
- **Training and Testing**—we are developing privacy and cyber awareness training and expect to begin rolling it out in 2017. The training will include a video module element so that new employees can receive the customized training at the beginning of their employment and others can refresh their training annually or as otherwise required. We will also be implementing regular testing of the program and our protocols.

## COMPETITION BUREAU

In 2016, the Commissioner of Competition chose to file an application with the Competition Tribunal, seeking to require the introduction of new inflight catering services at YVR. Vancouver Airport Authority continues to cooperate fully with the investigation and will vigorously defend its right to determine how services are provided at YVR for the greatest overall benefit of its stakeholders. Making such determinations is at the heart of the Airport Authority's unique, not-for-profit, public interest mandate to operate a safe and efficient airport and to promote economic development.

# EXECUTIVE AND BOARD COMPENSATION



It's paramount that YVR remain an economic generator, a jobs creator and a sustainable and fiscally responsible airport for British Columbia. To ensure YVR remains a global leader and an economic generator for the region, the Airport Authority has a comprehensive executive compensation program in place. This enables the Airport Authority to remain competitive in the marketplace, attract and retain the calibre of executive required and motivate executives to achieve business results, support the strategic vision and reinforce accountability to our customers and communities.

The targets in the Strategic Plan inform the incentive measures that are core to YVR's executive compensation program. The key elements to the executive compensation program are base salary and incentive compensation, with short-term (one year) measures that include individual performance objectives and long-term (three year) measures.

## INCENTIVE MEASURES

The short-term incentive plan measures focus on net operating margin, customer satisfaction, employee engagement, our reputation within the community and operating costs per enplaned passenger. The results are determined based on audited financial information and through surveys conducted by independent, third-party firms.

The long-term incentive plan measures are based on a rolling cycle that measures performance over three years. The measures are based on continued performance in passenger growth, on sustainability leadership and a sound financial management/interest coverage ratio. The long-term incentive plan incorporates the aspirational goal of sustainability leadership compared to both other international airports and

local community organizations. This leadership position is measured by an independent external firm. The long-term incentive plan also includes sustainability measures for reductions in greenhouse gas emissions, water usage and airport waste.

In addition, the Human Resources and Compensation Committee and the Board of the Airport Authority review the individual objectives set annually for the President & CEO and each executive. Performance on these objectives is part of the short-term incentive award calculation and also influences salary increase decisions.

## EXECUTIVE COMPENSATION PEER GROUP

To monitor the competitiveness of executive pay levels, the Airport Authority is compared to three peer groups:

1. Canadian airport authorities, and for reference purposes, international airports of comparable size in the U.S., Europe and Australia;
2. Canadian organizations in industries where skillsets for executive-level jobs are similar including transportation, utilities, communications, engineering, construction and commercial real estate industries;
3. Canadian organizations with similar ownership including privately held or subsidiary organizations from a wide range of industries.

The Airport Authority targets compensation at the median of the peer group with the opportunity for pay to exceed median when individual and corporate performance exceed expectations.

## EXECUTIVE COMPENSATION REVIEW PROCESS

The Human Resources and Compensation Committee retains an independent compensation consultant, Mercer, to provide market compensation data, assistance with incentive plan design and information on trends in executive pay. The Committee recommends to the Board the compensation of the CEO and the executive team only after considering market data, recommendations from the CEO on compensation for positions reporting to the CEO and individual and corporate performance objectives.

## EXECUTIVE COMPENSATION

The salary range for the President & CEO is \$388,000 to \$582,000, with a midpoint of \$485,000. The salary range for the Senior Vice President is \$260,000 to \$390,000, with a midpoint of \$325,000. For Vice Presidents the salary range is \$188,000 to \$282,000, with a midpoint of \$235,000.

All executives participate in the short-term incentive plan. Under the short-term plan, the President & CEO has a target opportunity of 50 per cent of base salary and a maximum opportunity of 75 per cent of base salary; and the Senior Vice President and Vice Presidents have a target opportunity of 30 per cent of base salary and a maximum opportunity of 45 per cent of base salary.

All executives also participate in the long-term incentive plan. This plan has a target opportunity of 45 per cent of base salary and a maximum opportunity of 90 per cent of base salary for the President & CEO and Senior Vice President. The long-term incentive program for Vice Presidents has a target opportunity of 30 per cent of base salary and a maximum opportunity of 60 per cent of base salary.

Under both the short and long-term incentive programs, actual performance results measured against the various metrics determine the magnitude of the payouts. If performance objectives are not met, no incentives would be paid.

In 2016, the average base salary increase for executives was 2.3 per cent, along with other adjustments to increase salaries further within the salary range for certain executives to reflect development in their role. In addition to the programs described above, the executives participate in standard health and retirement programs.

## DIRECTORS' REMUNERATION

The Governance Committee reviews Directors' compensation every two years with the assistance of an independent compensation consultant. The consultant provides market compensation data and advice on industry best practices. The Board approved the 2016 Board retainer and meeting fee structure in late 2015, effective for both 2016 and 2017. The President & CEO receives no additional compensation for services as a Director.

In making its recommendation to the Board, our Governance Committee is guided by the compensation principles set out below.

Compensation Principles:

1. Compensation paid to Directors will neither unduly reward, nor unduly penalize, an individual for choosing to serve on the Airport Authority Board rather than on any other Board of Directors.
2. Every two years, the Board will review market data and set compensation at a level generally consistent with the mid-range of that being paid to Directors of B.C. corporations of similar size and responsibility and Canadian Airport Authorities (the Comparable Corporations—defined below).
3. To reflect both the inherent responsibilities and the variable time commitments, each Director will be paid through a combination of an annual retainer and fees for each meeting attended.
4. To reflect the additional time and responsibility of serving as Chair of a Committee or Task Force, these Directors will receive additional compensation in the form of an additional annual retainer.
5. To reflect the extra legal responsibilities and time commitments entailed in the role, the Chair of the Audit Committee's additional annual retainer will be 125 per cent of the additional annual retainer.
6. The Board Chair will be paid an annual retainer, calculated as 275 per cent of the average total annual compensation of the other Directors.
7. The Comparable Corporations that formed the basis for the 2013 and 2015 reviews are:
  - a. Airport Authorities of Toronto, Montreal and Calgary;
  - b. British Columbia's major government transportation companies and;
  - c. Twenty corporations in British Columbia with assets greater than \$1 billion, whose shares are publicly traded.



8. The Board will be guided by, but not bound by, the following calculation:

**(a + b + c) divided by 3 = mid-range of Comparable Corporations**

a = average of the average annual total compensation paid to Boards in group A;

b = average of the average annual total compensation paid to Boards in group B;

c = average of the average annual total cash compensation (stock options and other compensation are excluded) paid to Boards at the 50th percentile in group C.

The remuneration for non-management Directors in 2016 is set out in the table below.

<b>Annual Retainer</b>	Chair	\$175,000
	Directors	\$30,000
<b>Additional Retainer for Committee Chairs</b>	Chair Finance and Audit Committee	\$8,000
	Chair other Board Committees	\$6,500
<b>Board and Committee meeting attendance fee</b>		\$1,400
<b>Other meetings fee</b>		\$ 700

Directors are also reimbursed for reasonable out-of-pocket expenses, which are reviewed by the Chair and the Corporate Secretary. The Chair’s expenses are reviewed by the Governance Committee Chair. We do not reimburse Directors for travel expenses to attend Board and Committee meetings unless the Director resides outside the Metro Vancouver Regional District.

The total remuneration paid during 2016 to each Director was as follows:

M. Jordan <sup>1</sup>	\$175,000	A. King	\$58,700
G. Cadman	\$76,400	K. Martin	\$58,700
J. Caron	\$58,700	K. Panatch	\$57,300
J. Currie	\$74,400	G. Sinclair	\$62,650
A. Fung	\$60,100	T. Vrooman	\$71,050
K. Goosen	\$67,300	W. Wright	\$59,400
H. Jampolsky	\$60,800		
<b>Total</b>	\$765,500		
<b>AVERAGE<sup>2</sup></b>	\$63,792		

1 Our Chair receives an annual retainer only for her work on the Airport Authority Board and does not receive any additional meeting fees.  
 2 Excludes the salary for the Chair of the Board of Directors.

In addition to the above remuneration, Directors were reimbursed for expenses totalling \$3,080 in 2016.



# GUIDELINES FOR CORPORATE GOVERNANCE

## ETHICS AND CODE OF CONDUCT

Our Directors are expected to carry out their duties honestly, with integrity and in good faith. They are expected to demonstrate the highest ethical standards and to be accountable for their decisions. Directors are required to comply with all applicable rules concerning conflicts of interest, which can be found in the *Governance Rules and Practices Manual* at [yvr.ca/boardmanual](http://yvr.ca/boardmanual).

Every Director is required to file a disclosure statement at the start of his or her appointment. After that, each Director must file an annual disclosure statement, which is reviewed by the Chair, the President & CEO, the Corporate Secretary and our external auditors. In addition, any

Director may review the statements upon request to the Corporate Secretary.

Our by-laws require that we report annually in writing on the Directors’ compliance with these conflict of interest guidelines. The Airport Authority confirms that all Directors complied in all material respects with the rules concerning conflicts of interest in 2016.

## DISCLOSURE

Although we are not a listed company, we choose to report against *National Policy 58-201, Corporate Governance Guidelines*, and the accompanying *National Instrument 58-101, Disclosure of Corporate Governance Practices*.

### Vancouver Airport Authority Corporate Governance Disclosure

Guideline	Disclosure
<p>1. <b>The Board of Directors</b></p> <p>Disclose: Independent Directors and whether or not majority are independent.</p> <ul style="list-style-type: none"> <li>– Directors who are not independent and explain.</li> <li>– If Independent Directors hold regularly scheduled meetings at which members of management are not in attendance.</li> <li>– If the Chair of the Board is an Independent Director, the identity of the Chair and his or her responsibilities.</li> <li>– Disclose the attendance record of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>– All Directors are independent with the exception of the President &amp; CEO, who is an employee and executive officer of the Airport Authority.</li> <li>– Independent Directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2016; i.e., at nine regular Board meetings and 19 Committee meetings. In addition, the Finance and Audit Committee, which consists entirely of independent Directors, holds separate in-camera sessions with the External Auditor and the Internal Auditor at each meeting they attend.</li> <li>– Mary Jordan, the Chair, is an Independent Director. The Chair’s Terms of Reference can be found at Tab 4 in the Board’s <i>Governance Rules and Practices Manual</i>.</li> <li>– The Governance Committee reviews the Chair’s Terms of Reference annually.</li> <li>– The Governance Committee reviews Director attendance annually. In 2016, there were 31 meetings of the full Board and Board Committees as well as the Annual Public Meeting and Board Retreats. In addition, Directors participated in 12 Task Force meetings in 2016. Including all of these meetings, the Board had an overall average attendance rate of 98 per cent.</li> </ul>
<p>2. <b>Board Mandate</b></p> <ul style="list-style-type: none"> <li>– Disclose the text of the Board’s written mandate.</li> </ul>	<ul style="list-style-type: none"> <li>– The Administrative Guidelines and Terms of Reference for the Board of Directors can be found at Tabs 2 and 3, respectively, in the Board’s <i>Governance Rules and Practices Manual</i>.</li> </ul>

## 3. Position Descriptions

- Whether the Board has developed written position descriptions for the Chair and the Chair of each Board Committee.
- Whether the Board and CEO have developed a written position description for the CEO.
- The Terms of Reference for the Chair (Tab 4), Guidelines for Committees (Tab 15b) and Terms of Reference for each individual Committee (Tabs 15c to 15f) can be found in the Board's *Governance Rules and Practices Manual*. The latter two effectively guide the Committee Chairs.
- The Terms of Reference for the President and CEO can be found at Tab 5 in the Board's *Governance Rules and Practices Manual*.

## 4. Orientation and Continuing Education

- What measures the Board takes to orient new Directors regarding the role of the Board, its committees and its Directors and the nature and operation of the corporation's business.
- What measures the Board takes to provide continuing education for its Directors and how the Board ensures its Directors maintain the skill and knowledge necessary to meet their obligations as Directors.
- The orientation and continuing education programs are described in Tab 8, Director Development and Education Plan, in the Board's *Governance Rules and Practices Manual*.
- The Orientation program includes an Aviation 101 course for all new Directors including an introduction to the industry, presentations from each Vice President and an overview of key issues facing the Airport Authority in the near to medium term. The orientation program also includes a briefing on the Airport Authority's executive compensation program. An orientation checklist is prepared for each new Director and the completed list is circulated to the Governance Committee. The Education and Development program is reviewed annually by the Governance Committee.
- In terms of ongoing development, the Board receives periodic sessions with either outside or internal experts on topics of importance to the industry. Directors are also informed of external seminars.





## Vancouver Airport Authority Corporate Governance Disclosure

### Guideline

### Disclosure

#### 5. Ethical Business Conduct

- Whether the Board has adopted a written code of conduct; how an interested party may obtain a copy; and how the Board monitors compliance with its code.
- Any steps the Board takes to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a Director or executive officer has a material interest.
- Any other steps the Board takes to encourage and promote a culture of ethical business conduct.
- The Code of Conduct for Directors and Rules Concerning Conflicts of Interest can be found at Tab 7 in the Board's *Governance Rules and Practices Manual*.
- The Finance and Audit Committee is charged with ensuring that the conflict of interest guidelines are strongly maintained and reviews this matter annually.
- Each Director is required to file an annual disclosure statement; the statements are reviewed by the Chair, President and Corporate Secretary and available for review by any Director upon request to the Corporate Secretary.
- The by-laws require an annual statement on Directors' compliance with its conflict of interest guidelines. See page 39 of this report.
- Should a Director engage in an activity which may be construed as a conflict, the Director must make full disclosure to the Chair, copying the Corporate Secretary, who will rule on the conflict in writing. It would be a very rare occurrence for a Director or Executive to have a material interest in a transaction or agreement being considered by the Board; should this occur, the Director or executive will not receive written material and will recuse him or herself from the Board discussion and decision making.
- The Chair has appointed the Corporate Secretary to serve as the Designated Officer for the administration of rules for Airport Authority employees concerning Conflict of Interest. The *Conflict of Interest Policy* and form is circulated annually to all budget holders, all members of the Supply Management Department and other key employees.
- The Board adopted a formal *Whistleblower Policy* in 2004 and revised the Policy in 2009; copies of the Policy are available upon request to the Corporate Secretary. In addition to internal channels for reporting, the *Whistleblower Policy* includes an option to report via a third party confidence phone line or website.
- Periodic reminders of the *Whistleblower Policy* are distributed to employees and to third-party vendors.



## 6. Nomination of Directors

- The process by which the Board identifies new candidates.
- Whether or not the Board has a nominating committee composed entirely of Independent Directors.
- If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.
- The Board may appoint up to five Directors from the Community at large. The Governance Committee, which is composed entirely of Independent Directors, acts as the Nominating Committee and is responsible for the recruitment and recommendation of candidates to the Board for its consideration to fill at-large positions.
- The Governance Committee annually reviews a Director Skills and Experience Matrix to ensure that the matrix continues to be aligned with the strategic direction of the business. It then reviews the skills, knowledge and attributes of current Directors—as well as their length of tenure—in order to identify current and upcoming gaps. It also considers the *Board Diversity Policy*.
- The Governance Committee may engage assistance from an external consultant to help with this process.
- For Director positions nominated by Nominating Entities, the Chair reviews the Board Matrix with the Entity and discusses the skills and experience currently required by the Board as well as our *Diversity Policy* and requests that the Entity keep these in mind in making its nomination.
- The Governance Committee's Terms of Reference can be found at Tab 15d in the Board's *Governance Rules and Practices Manual*.

## 7. Compensation

- The process by which the Board determines the compensation for Directors and officers.
- Whether or not the Board has a compensation committee composed entirely of Independent Directors.
- If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee.
- If a compensation consultant or adviser has, at any time since the beginning of the corporation's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's Directors and officers, disclose the identity of the consultant or adviser and summarize the mandate for which they have been retained.
- See page 36 – Executive and Board Compensation.
- The Human Resources and Compensation Committee is composed entirely of Independent Directors.
- The Human Resources and Compensation Committee's Terms of Reference can be found in the Board's *Governance Rules and Practices Manual*.
- The Human Resources and Compensation Committee engaged Mercer to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized on page 37 of this report.

## 8. Other Board Committees

- Disclose whether or not the Board has standing committees other than audit, compensation and nominating committees and describe their function.
- The Board also has a Planning and Development Committee. Its Terms of Reference can be found in the Board's *Governance Rules and Practices Manual*.

## Vancouver Airport Authority Corporate Governance Disclosure

### Guideline

### Disclosure

#### 9. Assessments

- Disclose whether or not the Board, its committees and individual Directors are regularly assessed with respect to their effectiveness and contribution and describe the process used for the assessment.
- This is an annual process to review Board, Committee and individual Director effectiveness, which is set out in Tab 10 – The Board Evaluation Process in the Board's *Governance Rules and Practices Manual*.
- In 2016, the Board engaged Watson Inc. to conduct both a Board and Individual Director Peer Evaluation process.
- The evaluation process included an overall review of Board and Committee effectiveness through the use of a preliminary written survey followed by a one-on-one interview conducted by Watson. Directors received a comprehensive interview guide to assist with their interview preparation. In 2016, members of the Executive Team, excluding the Corporate Secretary, also took part in the evaluation for the first time by completing a written survey.
- The Individual Director Peer Evaluation results were tabulated by Watson and discussed with the individual Director and the Board Chair only.

#### 10. Director Term Limits and Other Mechanisms of Board Renewal

- Disclose whether or not the Board has adopted Term Limits for the Directors on its Board or other mechanism of Board renewal and, if so, include a description of those Director term limits or other mechanisms of Board renewal.
- The Airport Authority has adopted term limits. As set out in Section 1.4 of the corporate by-laws, Directors may serve a maximum of nine years, three terms of three years each. The by-law includes a provision that allows it to appoint a Director for an additional 10th year in circumstances where the turnover on the Board in a given year would be greater than two.

#### 11. Policies Regarding the Representation of Women on the Board

- Disclose whether the Board has adopted a written policy relating to the identification and nomination of women Directors.
- The Board adopted a written *Board Diversity Policy* in 2016. The Policy includes a target of half the Board membership being drawn from the four groups designated under applicable federal legislations: women, visible minorities, persons with disabilities and aboriginal peoples. Five seats on the Board are currently occupied by women.

#### 12. Consideration of the Representation of Women in the Director Identification and Selection Process

- Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board.
- As set out in our *Diversity Policy*, the Governance Committee, which acts as the Nominating Committee, specifically instructs third-party search firms to identify women and other diversity candidates, where possible, who have the skill sets and experience required at a given time. It has successfully recruited women with experience in finance, the airline industry and the new economy/technology sector. We also encourage our Nominating Entities to consider women candidates along with other candidates who reflect the diversity of our community in their nomination processes.



### 13. Consideration Given to the Representation of Women in Executive Officer Appointments

- Disclose whether and, if so, how the corporation considers the level of representation of women in executive officer positions when making executive officer appointments.
- The Airport Authority has a policy that says we will strive to create a workplace that reflects the diversity of the community we serve and this includes a commitment to diversity and inclusion in our management team. We support the *Employment Equity Act* and take measures to ensure fair employment practices across our organization. We are an equal opportunity employer and encourage applications from women, visible minorities, aboriginal peoples and persons with disabilities.

### 14. Board's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

- Disclose whether the corporation has adopted a target (percentage or range by a set date) regarding women on the corporation's board.
- The *Board Diversity Policy* includes a target that half of the Board will be made of members from the four designated groups: women, visible minorities, persons with disabilities and aboriginal persons .
- Disclose whether the corporation has adopted a target regarding women in executive officer positions of the corporation.
- The Airport Authority has a long-term stretch target of 50 per cent of all management positions, including executive roles, being held by women. For executive roles, we have actively recruited into management positions below the executive ranks, which is a pool from which future corporate officers may be drawn. As of the end of December 2016, women accounted for 41 per cent of the Airport Authority's management team, excluding those in executive positions. This exceeds the 30.9 per cent representation of women in middle and other management roles across Canada.

### 15. Number of Women on the Board and in Executive Officer Positions

- Disclose the number and proportion (in percentage terms) of Directors on the board who are women.
- In 2016, there were five women, including the Chair, on the Board. This represents 36 per cent of the Board which has a total of 14 Directors. It exceeds the average of 21.6 per cent on Financial Post 500 Boards.
- Disclose the number and proportion (in percentage terms) of executive officers, including all major subsidiaries of the corporation, who are women.
- In 2016, there were four women Vice Presidents, which constituted 44 per cent of the nine officers of the company. This exceeds the 27.4 per cent representation of women senior managers across Canada.



**Cormorant**  
Wood carving, Stephen Bruce, 2000

46	<b>Our Business</b>
50	Air Services
58	Our Destinations
62	Commercial Services
66	Finances
68	Business Units
70	Supply Management
74	Customer Care

# OUR BUSINESS



2016 was an incredible year for YVR. We welcomed a record 22.3 million passengers—two million more than 2015—and celebrated a diverse range of new air services connecting our passengers to destinations all over the world. All sectors saw strong growth including Latin America and the Asia Pacific, which grew by 27 and 15.7 per cent, respectively. And we handled 281,018 tonnes of cargo, a 3.4 per cent increase over 2015 and the highest volume in over a decade.







# 22.3 MILLION PASSENGERS—A NEW RECORD

**+7.6%**  
Domestic

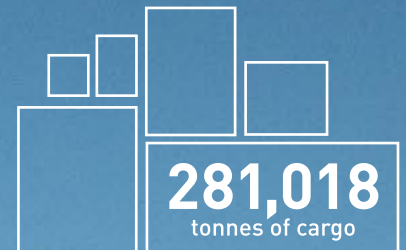
**+7.4%**  
Transborder  
(U.S.)

**+9.7%**

**+27.0%**  
Latin  
America

**+15.7%**  
Asia Pacific

**+14.9%**  
Europe



A 3.4% INCREASE OVER 2015

**\$4.9 MILLION—**  
overall revenue increase

## FINANCIAL AND OPERATING HIGHLIGHTS (2006 – 2016)

YEAR	REVENUE (MILLIONS)	OPERATING EXPENSES (MILLIONS)	GROUND LEASE (MILLIONS)	EXCESS OF REVENUE OVER EXPENSES (MILLIONS)	NET ASSETS (MILLIONS)	CAPITAL EXPENDITURES FOR THE YEAR (MILLIONS)	PASSENGERS (MILLIONS)	AIRCRAFT RUNWAY TAKE-OFFS AND LANDINGS (THOUSANDS)	CARGO HANDLED (THOUSANDS OF TONNES)
2016	489.7	358.5	50.6	84.0	1,559.4	160.2	22.3	280	281.0
2015	484.7	337.7	49.3	100.0	1,478.4	205.0	20.3	279	271.8
2014	464.9	320.4	46.6	101.7	1,377.8	277.6	19.4	273	256.9
2013	433.3	291.1	42.3	98.3	1,273.6	186.0	18.0	263	228.3
2012	403.6	280.2	39.1	84.9	1,162.8	106.0	17.6	261	227.9
2011	369.3	275.9	34.8	59.1	1,087.9	59.9	17.0	258	223.9
2010	368.7	280.8	33.2	56.0	1,028.8	71.2	16.8	255	228.4
2009	359.1	256.7	65.6	38.8	972.8	226.6	16.2	258	197.5
2008	373.8	236.3	65.6	81.8	934.0	233.1	17.9	279	211.7
2007	368.3	212.2	65.6	89.5	852.2	289.7	17.5	275	226.2
2006	363.8	190.2	65.7	107.8	762.3	315.9	16.9	271	222.7

YVR's Airport Improvement Fee remains one of the lowest of the major airports in Canada and continues to provide one of the lowest fees for travel within B.C. and the Yukon.

### OUR BUSINESS MODEL

In 2016, the Minister of Transport released a report titled *Pathways: Connecting Canada's Transportation System to the World*, a review of the *Canada Transportation Act* (CTA). The report identifies priorities and potential actions that will support Canada's long-term economic well-being.

Vancouver Airport Authority welcomes a number of recommendations in the report, including liberalizing air bilaterals, improving security screening and offering our passengers Arrivals Duty Free. However, we strongly oppose the recommendation to privatize Canada's major airports. Canada's unique, not-for-profit

airport model is the key to our success. Under this model, we serve our regions through a community-based Board of Directors whose mandate is to provide economic and social benefits—with no government funding. Thanks to this model, YVR has become one of North America's most efficient airports (*2016 Airport Benchmark Report*, Air Transport Research Society) and is one of the most financially successful airports in the world, having received a AA credit rating for 11 consecutive years. YVR is a world-leader because, since the inception of the Vancouver Airport Authority in 1992, we constantly reinvest our success back into the airport—creating a \$3.3 billion asset that has already been paid for by passengers, partners and airlines.

We look forward to working with the Government of Canada in 2017 to address this important issue.



# AIR SERVICES



AEROMEXICO



AIR CANADA /  
AIR CANADA  
EXPRESS



AIR CANADA  
ROUGE



AIR CHINA



AIR FRANCE



AIR  
NEW ZEALAND



AIR NORTH



AIR TRANSAT



ALASKA  
AIRLINES



ALL NIPPON  
AIRWAYS



AMERICAN  
AIRLINES



BEIJING CAPITAL  
AIRLINES



BRITISH  
AIRWAYS



CANADIAN  
NORTH



CATHAY PACIFIC  
AIRWAYS



CENTRAL  
MOUNTAIN AIR



CHINA  
AIRLINES



CHINA EASTERN  
AIRLINES



CHINA SOUTHERN  
AIRLINES



CONDOR



DELTA  
AIR LINES



EDELWEISS AIR



EVA AIR



HARBOUR AIR



HELIJET  
AIRWAYS



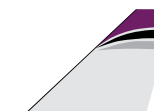
HONG KONG  
AIRLINES\*



HORIZON AIR



ICELANDAIR



ISLAND  
EXPRESS AIR



JAPAN  
AIRLINES



KD AIR



KLM ROYAL DUTCH  
AIRLINES



KOREAN AIR

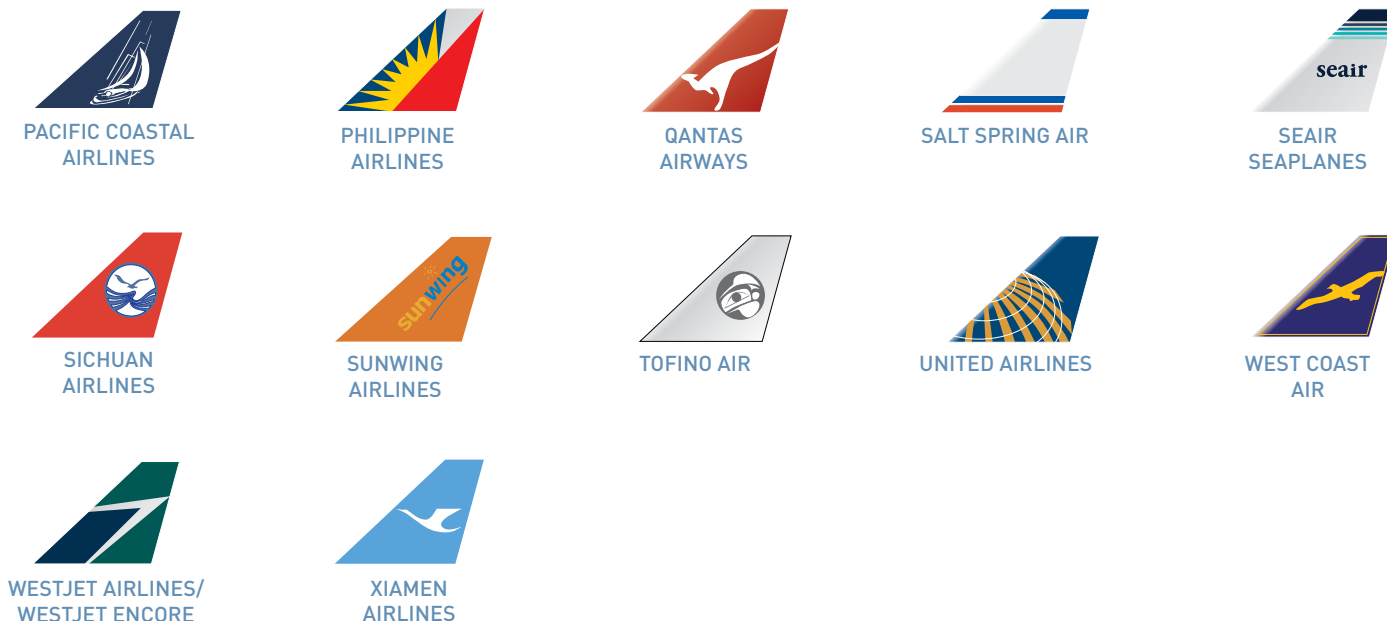


LUFTHANSA  
GERMAN AIRLINES

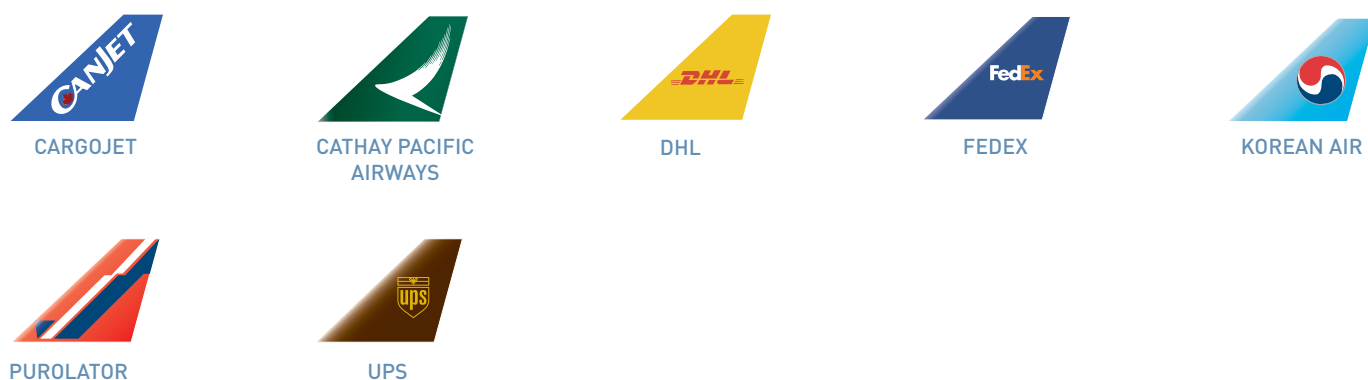


ORCA  
AIRWAYS

\* Hong Kong Airlines will begin service to YVR on June 30, 2017



#### CARGO AIRLINES SERVING YVR



#### THANK YOU

YVR would like to thank our airline partners, who delivered an exceptional year in 2016. Our existing partners provided a strong foundation for growth, maintaining and expanding their services. Our new partners made the decision to invest in our airport and helped us achieve our mission to connect B.C. proudly to the world.

## NEW ROUTES AND SERVICES

**18**  
New Services



**2**  
New carriers



2016 was a busy year for YVR, full of exciting new routes and services. WestJet was very active, launching new domestic services to London Ontario, Hamilton and Halifax. They added two new U.S. destinations, San Diego and Orlando, and launched new service to London Gatwick on May 6—their first European flight from YVR. British Airways introduced the Airbus A380—the world’s largest passenger aircraft—on its busy YVR to London route. Air Transat launched new service to Rome, another first for YVR, and restarted service to San Jose Del Cabo. Xiamen Airlines started new service to Xiamen, followed by China Eastern and their new route to Nanjing. Sichuan Airlines launched new service to Zhengzhou on November 11, followed by Beijing Capital Airlines on December 30 with its new connection between YVR with Hangzhou and Qingdao. And Air Canada had a spectacular year, with new services to Chicago, San Jose, San Diego, Brisbane, Delhi, Dublin and Cancun!



**CAKE  
of the  
WEEK**

WestJet London  
Gatwick Inaugural  
Air Canada Brisbane  
Inaugural



**ROUTE  
of the  
WEEK**

Xiamen Airlines to  
Xiamen





# HIGHLIGHTS





“The operating economics of the 787 Dreamliner together with the efforts of the Vancouver Airport Authority, who have maintained airport operating costs at levels among the lowest in Canada, have enabled us to grow our Vancouver hub. Together with our extensive western Canada domestic and western U.S. transborder network, combined with the seamless connection experience through YVR’s U.S. in-transit pre-clearance facilities, position YVR to be the preferred gateway hub for transpacific travel to and from North America.”

– **BENJAMIN SMITH**, President, Passenger Airlines, Air Canada, 2016



#### **AIR CANADA AND THE DREAMLINER**

A big thanks to our long-standing partner Air Canada, whose decision to expand its transpacific hub out of YVR has led to incredible growth. Not only does Air Canada represent approximately 50 per cent of our passengers, their efforts in 2016 contributed

to 1.2 million new passengers—62 per cent of our growth. Air Canada launched seven new international services in 2016 including non-stop to Delhi and Brisbane on the Dreamliner aircraft, a technological marvel that’s making new routes possible for our passengers and products.





#### THE WORLD'S LARGEST PASSENGER AIRCRAFT

On May 1, YVR welcomed British Airways' Airbus A380—the largest passenger aircraft in the world—for the first time. This was a significant milestone in YVR's history as it marked over two decades of careful planning.

Thanks to large aircraft like the A380, we can move more passengers with less airside traffic. This is efficient, economical and sustainable as it cuts down on emissions and resources.





### XIAMEN AIRLINES

Xiamen Airlines arrived at YVR on July 26 to much fanfare. YVR is excited to add the beautiful coastal city Xiamen to our growing list of Chinese destinations and we are proud to be Xiamen Airline's first service to North America.

### BEIJING CAPITAL AIRLINES

On December 30, YVR welcomed Beijing Capital Airlines and its new service to Hangzhou and Qingdao—two key hub cities with amazing scenery, history and business opportunities.



## 2017 SERVICE ANNOUNCEMENTS

During 2016, we welcomed an exciting range of new services for 2017. Cathay Pacific announced increased frequency on its Hong Kong route in April, from 14 to 17 per week—on the new A350-900, marking the first time this aircraft will arrive in Canada. Air Canada Express will launch new daily service to Dallas in February and double daily to Denver in May. This will be followed by Air Transat and its new, twice-weekly

seasonal service to Montreal. Air Canada announced daily Dreamliner service to Frankfurt and Taipei, starting in June. In the same month, we will welcome Air Canada Rouge's four-times weekly service to Nagoya and three-times weekly service to Gatwick. And our new airline partner, Hong Kong Airlines, will launch daily service to Hong Kong on June 30.



# OUR DESTINATIONS

Fifty-five airlines serve YVR, connecting people and businesses to more than 125 non-stop destinations worldwide.













YVR is achieving its vision of being a world class sustainable connecting hub between Asia and the Americas. In addition to Air Canada’s many services to the Asia Pacific, YVR is the only airport in the Americas or Europe with service from six mainland China carriers: China Southern, China Eastern, Air China, Sichuan Airlines, Xiamen Airlines and Beijing Capital Airlines.

NEW CARRIERS AND NEW ROUTES

2016	
 <b>Air Canada:</b> YVR – Brisbane	 <b>China Eastern:</b> YVR – Nanjing
 <b>Air Canada:</b> YVR – Chicago	 <b>Sichuan Airlines:</b> YVR – Zhengzhou
 <b>Air Canada:</b> YVR – Delhi	 <b>Xiamen Airlines:</b> YVR – Xiamen
 <b>Air Canada Express:</b> YVR – San Jose	 <b>WestJet:</b> YVR – London, Ontario
 <b>Air Canada Rouge:</b> YVR – San Diego	 <b>WestJet:</b> YVR – Hamilton
 <b>Air Canada Rouge:</b> YVR – Dublin	 <b>WestJet:</b> YVR – Halifax
 <b>Air Canada Rouge:</b> YVR – Cancun	 <b>WestJet:</b> YVR – San Diego
 <b>Air Transat:</b> YVR – Rome	 <b>WestJet:</b> YVR – Orlando
 <b>Beijing Capital Airlines:</b> YVR – Hangzhou and Qingdao	 <b>WestJet:</b> YVR – London Gatwick

NEW CARRIERS AND NEW ROUTES

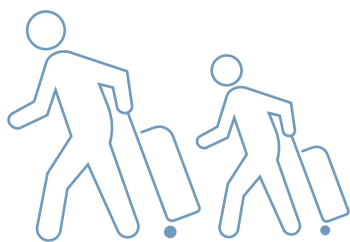
2017*		
	<b>Air Transat:</b>	YVR – Montreal
	<b>Air Canada:</b>	YVR – Frankfurt
	<b>Air Canada:</b>	YVR – Taipei
	<b>Air Canada Rouge:</b>	YVR – Nagoya
	<b>Air Canada Rouge:</b>	YVR – London Gatwick
	<b>Air Canada Express:</b>	YVR – Dallas
	<b>Air Canada Express:</b>	YVR – Denver
	<b>Hong Kong Airlines:</b>	YVR – Hong Kong

\* As of the publication of this report. Includes new and upcoming carriers and routes.

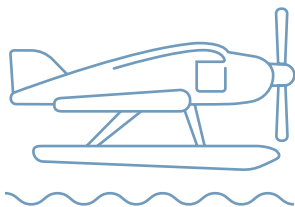
## AIRPORT SOUTH

Airport South is a unique reflection of our history and province. In addition to being the location of the original airport, it connects passengers to a range of locations that demonstrate our diverse economy and people. It includes the South Terminal Building, the public Floatplane Facility on the Fraser River and is a hub for regional and coastal air services, helicopter operations, corporate charters, sport fishing camps and aerospace facilities.

YVR's South Terminal connected passengers and communities across British Columbia to the world in 2016 with float plane operators such as Harbour Air and Seair Seaplanes and regional carriers including Pacific Coastal Airlines. A total of 309,611 passengers (scheduled and charter) went through Airport South in 2016, an 8.9 per cent increased over 2015.



**309,611**  
passengers (+8.9%)



**30,428**  
Float Plane Movements (+4.5%)





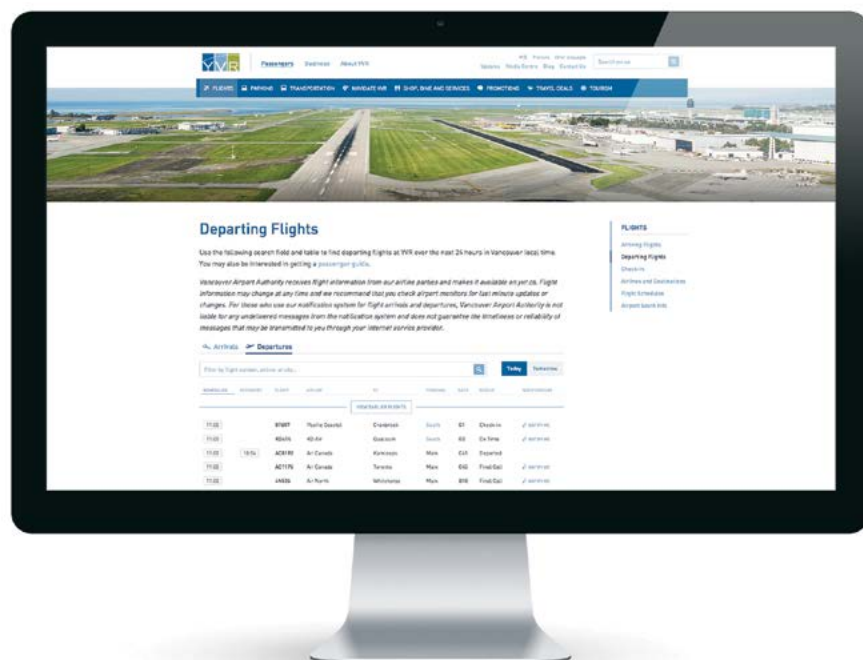


Harbour Air Seaplanes, the largest seaplane airline in the world, and B.C.'s second largest floatplane airline, Seair Seaplanes, among others, provide world class floatplane access from YVR's Airport South, connecting people and products to British Columbia.

In 2016, we continued to improve operations at Airport South. We installed non-slip matting at our floatplane ramp and we upgraded our floatplane ramp gate arms to be more visible. On the apron, we added two new parking positions for aircraft and we installed new high-mast lighting to improve visibility, while cutting down on energy consumption.

Passengers using the South Terminal pay a reduced AIF of \$5, receive free shuttle service to and from YVR's Main Terminal Building and enjoy the same level of superior customer care and passenger experience for which we are renowned.

Looking for information on South Terminal Flights? In 2016 we provided South Terminal passengers with easy access to information, with flight information on YVR's new, mobile-optimized website. Passengers can now view the status of arriving and departing flights and sign up for mobile or email notifications.

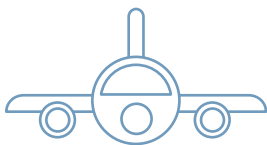




# COMMERCIAL SERVICES



YVR's commercial services are an important part of our business model because they help offset costs and keep fees low for our partners. And 2016 was a strong year, with sales up 12 per cent and overall revenue up 9.1 per cent over 2015. We opened new stores, improved our transportation system and continued to offer great deals and fun events for the community.



**HIGHEST SALES**  
per enplaned passenger  
in North America



**BEST CONCESSION  
DESIGN PROGRAM—**  
recognizing YVR's high  
design standards





## THANK YOU

To make way for YVR's new offerings, we undertook construction throughout the terminal in 2016 and we recognize that this impacted our passengers and partners. For most of the year, there were limited full-service dining options for passengers in the International Departures area, but with the recent launch of our new partner Lift Bar & Grill we are pleased to offer an exciting new dining experience. We have also added new specialty retail programs in the Transborder and Domestic areas and look forward to their success.

## SHOPS, SERVICES AND RESTAURANTS



## RECORD DUTY FREE SALES

10.5% increase over 2015

Our partners opened a range of new shops, restaurants and services. World Duty Free had a great year with record Duty Free sales, up 10.5 per cent over 2015. They opened three new stores—Bottega Veneta (the first to launch at a North American airport), Gucci and Les Boutiques. We welcomed Discover BC, Go Travel and Vancouver Marketplace pre-security in our Domestic and International terminal buildings. And we welcomed a number of offerings throughout the terminal post-security including: Travel Lab, Brooks Brothers, Lolë, Sea to Sky Marketplace and a new Plaza Premium Lounge (Domestic); Bench, Desigual, Eddie Bauer, Discover BC and CNN Newsstand (Transborder); Lift Bar & Grill and Church's Chicken (International).

## Lift Bar & Grill

On December 28, YVR celebrated the launch of Lift Bar & Grill, a popular full-serve restaurant originating in Vancouver's Coal Harbour and well-known for its seasonal cuisine and ocean-wise offerings. The restaurant is wrapped around the airport's iconic aquarium in the international departures area, providing customers with a unique atmosphere that reflects YVR's award-winning sense of place.



## YVR TAKE-OFF FRIDAYS

YVR held its seventh annual YVR Take-Off Fridays, a free in-terminal summer celebration that includes live entertainment, terminal tours, lunch and retail specials, contests, product sampling and more.

## YYoga@YVR

Departing passengers welcomed our new pilot program with YYoga, which provided an opportunity to stretch out and relax every Friday between July 15 and August 26. The program was a big hit and received considerable attention from the media, general public and yoga enthusiasts.

## LEASING

Our office, storage and concession leased space is currently at 96.3 per cent capacity and in 2016 we leased 74,974 m<sup>2</sup> of space to our partners. In addition, we opened YVR's Sea to Sky meeting room in our Domestic Terminal Building. With its great view of the Rivers Monument art piece and our new A-B Connector, this is the first room that YVR rents to tenants—an effort that helps generate non-aeronautical revenue.

## PARKING



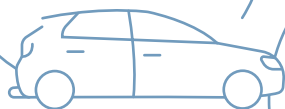
Parking had a great year, with record-high revenues that saw an increase of \$1.86 million. To improve the customer experience, we upgraded the jetSet parking lot to use YVR's new environmentally friendly paperless token system, which we installed in YVR's Parkade and Value Lot in 2015. In addition, we installed license plate recognition software in the jetSet lot, providing a more efficient and seamless parking experience, and we opened a new cashier and parking administration booth. We also began planning for a new Parkade, with construction set to begin in 2018.







**19%**  
INCREASE  
in car rental sales



**1+**  
MILLION  
taxi trips



## GROUND TRANSPORTATION

YVR's car rentals had a strong year, with rental sales up 19 per cent. Our taxi program also continued to grow, with a record 1,036,064 outbound trips—a 2.6 per cent increase—and several zone revisions to the Flat Fare program in response to customer feedback.

## TENANT CUSTOMER SERVICE AWARDS

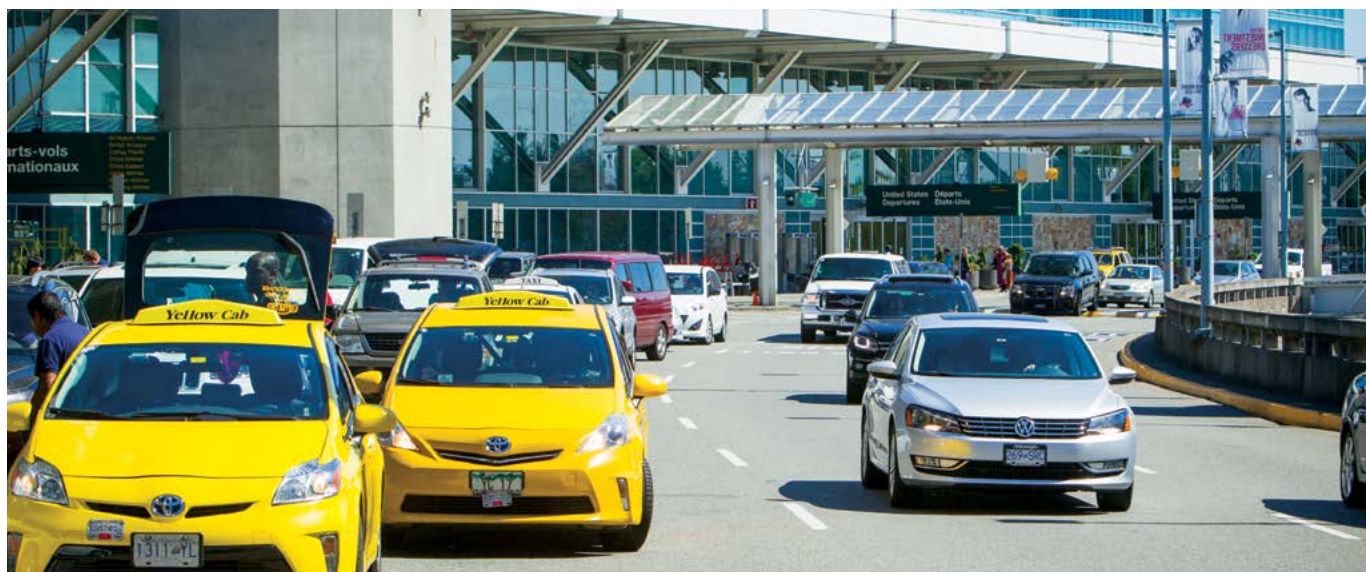
To ensure customers receive a positive and seamless experience, YVR conducts a secret shopper program with tenants year-round. In 2016, we rated concessions quarterly, totalling 674 mystery shops for the year—a sharp increase from 600 in 2015. We were thrilled to see that 107 front-line employees achieved perfect scores, a 14 per cent increase from the previous year. We recognized these winners at our 2017 YVR Stars awards, demonstrating YVR's commitment to delivering exceptional customer experiences.

## PRICE AUDITS

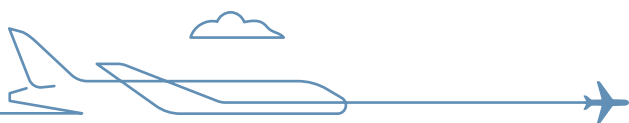
We regularly check to make sure our concession tenants are charging fair market prices. To do this, we conduct annual price audits of our newsstand operators and our branded food and beverage concessions. In 2016, we compared these prices to other High Street locations in Greater Vancouver and found that they were consistent.

## TENANT FEEDBACK

We always seek to improve our relationship with tenants and to do this we conducted a Business Partner Survey with our concession management teams in 2016. The survey asked tenants to provide feedback on the level and quality of YVR's communication, marketing and promotions and relationship-building efforts. The results were overall positive and the feedback received will help YVR to improve its relationships with business partners. We will continue to monitor these relationships and are planning future surveys to further improve the YVR experience for everyone.



# FINANCES



Sustainability requires strong financial health, which is one of the Airport Authority's fundamental responsibilities. Our sound financial planning is reflected in our consistently high credit rating, which is among the best in the world. Both Standard & Poor's and Dominion Bond Rating Service confirmed the Airport Authority's ratings at AA and AA (low), respectively, in 2015. Other than Hong Kong International Airport, which is rated at AAA, the Airport Authority's AA rating is the second-highest airport rating in the world. Los Angeles International Airport and Massachusetts Port Authority are the only other airports with a AA rating.

**AA**  
CREDIT  
RATING  
Second-highest  
airport rating in  
the world

  
**1.7%**  
INCREASE  
in non-aeronautical  
revenue in 2016

## FINANCIAL REVIEW

The Airport Authority earns revenue from three main sources:

- **Aeronautical revenue:** The Airport Authority collects landing and terminal fees to recover the operating and capital costs related to airline operations. This revenue amounted to \$127.2 million in 2016, a decrease of \$12.2 million from \$139.4 million in 2015. In 2016, the Airport Authority introduced ConnectYVR, an innovative five-year program that freezes aeronautical rates for

five years designed to incent growth and efficiency. ConnectYVR incents carriers to utilize the same aircraft gates for flights to allow the Airport Authority to best utilize its terminal infrastructure.

- **Non-aeronautical revenue:** This includes revenue from concessions, such as duty free and advertising, as well as car parking, kiosks and terminal and land rents. Revenue from these sources amounted to \$212.1 million in 2016, an increase of \$3.7 million from \$208.4\* million in 2015, due mainly to the increased concessions and car parking revenue partially offset by the decreased grant and kiosk revenue.
- **Airport Improvement Fee (AIF):** The revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. To fund capital projects, the Airport Authority collects an Airport Improvement Fee (AIF). Total revenue earned in 2016 was \$150.4 million, an increase of \$13.5 million from \$136.9 million in 2015, due mainly to the 9.7 per cent growth in passenger traffic over 2015. YVR's AIF remains one of the lowest of the major airports in Canada and continues to provide one of the lowest fees for travel within B.C. and the Yukon.

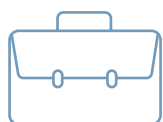
\*On page 49 of YVR's 2015 Annual & Sustainability Report, we reported 2015 Non-Aeronautical Revenue as \$219.5 million, which included \$11.1 million for a fee that is no longer discretely charged and is now incorporated into our ConnectYVR rates and charges program. Therefore, the overall number was adjusted to reflect a year-over-year comparison.

Non-AIF revenue goes towards covering the costs of operating the airport, which include salaries, wages and benefits, materials, supplies and services, payments in lieu of taxes and insurance. In 2016, these costs increased to \$190.6 million, an increase of \$12.9 million from 2015. These increases were mainly due to materials, supplies and service costs for snow operations, marketing, baggage sortation, terminal repair and maintenance, legal services, customer care and cleaning, while salaries, wages and benefits costs increased based on the negotiated wage increases per the Collective Bargaining Agreement as well as from an increase in the number of employees.

**Did you know?** Almost half of YVR's revenue comes from non-aeronautical sources. This includes sales of our award-winning BORDERXPRESS™ kiosks, revenue earned through the McArthurGlen Designer Outlet Centre, parking and tenant rent. We reinvest this revenue back into the airport, keeping costs low for our airline partners and passengers.

The Airport Authority also uses a portion of its revenue to pay rent to the federal government under the Ground Lease, which amounted to \$50.6 million in 2016, an increase of \$1.3 million from 2015. The increase in rent resulted from the increase of the Airport Authority's revenue upon which the rent payment is based. The Airport Authority also paid \$16.2 million to City of Richmond, with a minor contribution to City of Vancouver, for payments in lieu of taxes.

## ECONOMIC IMPACT



**23,000+**  
**JOBS SUPPORTED**  
on Sea Island



**\$100 – \$200**  
**MILLION**  
Economic impact  
of each daily  
international flight

**\$1+ MILLION**  
**DONATED**



to community  
organizations

As a community-based organization, YVR is committed to providing economic benefits to the region. We are a jobs generator, a community contributor and a hub of innovation.

The total cash needed to pay for capital projects can exceed the amount available after payment of operating costs, ground lease and interest costs. In these situations, debt financing is required. The Airport Authority takes a conservative approach to debt levels and strives to achieve a reasonable balance between debt and sources of revenue. Consistent with the prior year, the Airport Authority had \$550.0 million in outstanding debt financing consisting of a series of three long-term debentures with fixed interest rates and varying maturity dates. Interest cost, which included interest payments, standby fees and service charges, amounted to \$29.9 million in 2016, a decrease of \$1.6 million from 2015 due to the lower

interest expense associated with the issuance of a 30-year Series F debenture (\$200 million, 3.857 per cent) that replaced the matured Series E debenture (\$200 million, 5.050 per cent) in November 2015.

As required under generally accepted accounting principles and in the statement of operations, the costs of capital projects are spread over the useful life of the assets, as opposed to being recognized as the total cash paid for the projects in the current year. This spreading of cost over the useful life is reflected as amortization on the statement of operations, which is a non-cash charge. Total amortization in 2016 amounted to \$137.9 million, an increase of \$9.4 million from 2015 as a result of new facilities that came into operation.

The Airport Authority earned \$4.8 million in partnership income from the rental of buildings owned by the Airport Authority.

Total excess of revenue over expenses, which includes amortization, was \$84.0 million in 2016, a decrease of \$16.0 million from 2015. When amortization, a non-cash item, is removed, the Airport Authority generated \$199.1 million of net cash flow, prior to its investment in capital projects.

During 2016, the Airport Authority invested \$160.2 million in capital projects. The capital projects included baggage system upgrades, Runway End Safety Areas, the A-B Connector and District Energy.

In order to pay for these capital projects, the following amounts were used:

- Net cash flow (excluding AIF) of \$54.7 million.
- Net AIF in the amount of \$144.4 million.

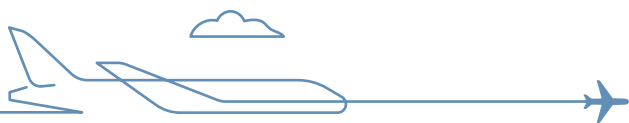
These amounts in total were more than sufficient to pay for the 2016 capital project costs, which when combined with the cash available at the start of the year leaves \$159.7 million in cash available to pay for capital projects in 2017 and future years.

## FINANCIAL STATEMENTS

Vancouver Airport Authority's 2016 Consolidated Financial Statements are available in the Appendix on page 154. The 2016 Non-Consolidated Financial Statements are available at [yvr.ca/2016](http://yvr.ca/2016).



# BUSINESS UNITS



## INNOVATIVE TRAVEL SOLUTIONS

YVR's strategy is not only to innovate for itself, but to incubate its technology innovations and bring them to market to improve the overall industry. Innovative Travel Solutions (ITS) is an independent business unit within the Airport Authority that is responsible for solving passenger processing challenges and, where appropriate, commercializing those solutions for sale to other airports. To date, the ITS team has been primarily focused on developing, selling and supporting its BORDERXPRESS™ kiosks. ITS is the largest provider of non-registered, self-service border control solutions with more than 1,000 kiosks operating in major international airports in Canada, the United States and the Caribbean. This solution has helped more than 100 million passengers clear the border quickly and safely.

*For more information on Innovative Travel Solutions, visit [yvr.ca/inv](http://yvr.ca/inv)*





## **VANCOUVER AIRPORT AUTHORITY (HONG KONG) LTD.**

Vancouver Airport Authority (Hong Kong) Ltd. was established as a wholly-owned subsidiary of Vancouver Airport Authority to strengthen airline relationships and forge new partnerships in the Asia Pacific region. 2016 was a busy year for the Asia office, which focused its efforts on attracting new airlines and destinations to emerging hub cities in China. The team's efforts resulted in two new carriers—Xiamen Airlines and Beijing Capital Airlines—and five new destinations including Xiamen, Hangzhou, Qingdao, Nanjing and Zhengzhou. Our Asia team played a vital role in YVR's Integrated Marketing Strategy, working with airlines, tourism and government partners to promote YVR in Asia, attending travel-trade and media briefings and participating in World Routes in Chengdu.

## **YVR PROJECT MANAGEMENT**

A wholly-owned subsidiary of Vancouver Airport Authority, YVR Project Management Ltd. (YVRPM) was established in 2005 to oversee major capital expansion projects at YVR and on Sea Island. YVRPM managed the construction of the first phase of the McArthurGlen Designer Outlet Centre and is currently working through the planning phase of a number of other potential developments on Sea Island.

## **VANCOUVER AIRPORT PROPERTY MANAGEMENT LLP**

Vancouver Airport Authority established Vancouver Airport Property Management LLP (VAPM) in 2014 to own and operate the multi-tenanted cargo and office facilities on Sea Island. The VAPM team manages these facilities with a focus to develop and expand cargo business at YVR. We also created Vancouver Airport Property Holdings LLP (VAPH) as a second partnership in 2014. The Airport Authority owns 99.9 per cent of VAPH and 99.9 per cent of the partnership interest with VAPM. As of December 31, 2016 the portfolio of assets is 91 per cent occupied.

## **VANCOUVER AIRPORT ENTERPRISES (TEMPLETON) LTD.**

Vancouver Airport Enterprises (Templeton) Ltd. is a wholly-owned subsidiary of the Vancouver Airport established in 2012 to hold our 50 per cent investment in the McArthurGlen Designer Outlet Centre. McArthurGlen, a leading European outlet developer, holds the other 50 per cent. The Centre is now over 90 per cent leased and management is expected to make a decision on proceeding with the final phase of development later in 2017.



# SUPPLY MANAGEMENT



Every day, we make purchasing decisions that impact much more than our organization. We understand this and believe that, to be a leader in sustainability, we must set policies and guidelines to promote YVR's values among suppliers and partners.

## SUSTAINABLE PURCHASING POLICY

In 2016 we implemented YVR's new *Sustainable Purchasing Policy*, which plays a large role in our *Social Policy* and its commitment to the supply chain. It aims to embed sustainability in our purchasing decisions and ensure meaningful consideration of environmental, social, economic and governance criteria when selecting suppliers, products and services.

We recognize that our team acts as sustainability coordinators, making purchasing decisions that reflect our standards. To ensure this team is knowledgeable about the new policy, we developed a Sustainability Tool Kit to assist in making sustainable purchasing decisions. We encourage our team to undergo training and concurrently have several employees receiving training in sustainability and diversity.

Under the Sustainable Purchasing Policy, we consider sustainability criteria throughout all types of Requests for Proposals (RFPs) and Requests for Expression of Interest (RFEIs) and weigh suppliers' responses as part of evaluating submissions. To do this, we included a new Sustainability Leadership Questionnaire for select RFPs in 2016. We set a first year target to include the Questionnaire for all major service contracts (over \$1 million over multiple years). We met our target and had six major service contract RFPs where the Questionnaire was completed as part of the process.







The Questionnaire asked respondents 14 key questions about management systems and reporting, environmental, workplace and supply chain practices and leadership activities. Questions sought information on a range of topics including environmental certifications and accreditations, policies related to energy efficiency and water conservation, programs aimed at diversity and universal access and more. The responses will help YVR improve and expand its Sustainable Purchasing Policy and Supplier Code of Conduct.

We included this questionnaire in the selection criteria for bids that involved the procurement of goods, including an electronic display board and network devices, which impact our greenhouse gas (GHG) emissions and energy consumption. We also included the questionnaire in bids for the procurement of services, including maintenance and waste management, as they either create GHG emissions or consume energy.

YVR includes environmental commitments in the majority of its agreements. We have environmental provisions in our land leases with tenants and our construction contracts. 100 per cent of YVR's supply contracts and purchase orders clearly state that suppliers and contractors will comply with international, federal, provincial and municipal environmental protection laws and regulations. There were no terminations of supplier contracts in 2016 for environmental, social or corporate governance reasons.

### What we bought

Through the new *Sustainable Purchasing Policy*, we obtained a range of services and products that will significantly improve YVR's environmental performance. We purchased our first fully electric ecobus for remote gate operations, cutting CO<sub>2</sub> emissions by 100 per cent, and purchased six hybrid buses that cut fleet diesel consumption by 34 per cent. We purchased five electrical vehicles and decreased water consumption for laundry by 33 per cent through an innovative new program developed by our uniform and cleaning contractor. We also replaced our existing LED display board in the Transborder (U.S.) check-in area with a new big board that produces a 33.5 per cent energy savings.

*For more information on our environmental activities, see page 76.*

## Future Development

We will continue to include the questionnaire in all RFPs (excluding tenders). We will further promote the Policy by including it with the roll-out of our new Contractor Safety Management Program and including it on yvr.ca.

We are looking into a number of potential developments. In some cases, we will be auditing partners to ensure they uphold the Policy and requiring partners to have ISO 14001 certification. We are looking at how to assess the social impacts of contractors and business partners, as per our *Social Policy*, and are gathering data to report on how much business YVR has done with select groups including First Nations, visible minorities, women, fair trade partners and local suppliers.

YVR's Environment Department is developing a value chain management program and is currently gathering data in an effort to set targets for suppliers. Once we have established a benchmark, we will incorporate sustainability targets into bids as part of an innovation section.

## SUPPLIER CODE OF CONDUCT

Developed in 2015, YVR's Supplier Code of Conduct identifies minimum standards for suppliers and their subcontractors to promote safe and healthy workplaces, basic fair labour practices and environmental responsibility. These standards are based on the core labour conventions of the International Labour Organization. They include conventions focused on freely chosen employment, age of employment, non-discrimination and diversity, health and safety, employee treatment, freedom of association and collective bargaining, wages and benefits, hours of work, environmental responsibility and anti-corruption business practices. In 2016, eight suppliers signed the Supplier Code of Conduct.

YVR is working on several initiatives as part of the Supplier Code of Conduct to engage the supplier community and continuously improve and uphold the pillars of sustainability.

## REPORT ON SINGLE-SOURCE CONTRACTS

In general, the Airport Authority's procurement of goods and services will be awarded following a competitive process. Exceptions to this policy may be made in the circumstances described in the list below. The persons with the appropriate signing authority will state in writing upon what grounds the exception is being made.

Reasons\* for exceptions:

1. The goods or services are of a proprietary nature or there is only one qualified supplier;
2. The urgency of a safety, security or critical operating need so requires;
3. In compliance with a product or equipment standardization program;
4. When the supplier has satisfactorily performed previous related services that provided a cost saving to the Airport Authority;
5. The essential partnership of the transaction exists between a major third party (for example, airlines, hotels, cruise ship lines) and the supplier;
6. The value of the product or service does not warrant the cost and time required to invite competitive submissions; and
7. The supplier has been awarded a contract for a similar product or service by the Airport Authority as the result of a competitive process within the previous five years.

In keeping with our policy of being transparent, we publish the list of goods and services costing more than \$133,126 (\$100,000 in 2000 dollars) that were not awarded on the basis of a competitive process during 2016. The table below reports \$18,031,817 in single source contracts, representing 7.0 per cent of the total goods and services purchased in 2016.



Aggregate Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$1,965,502	Vestergaard Company Inc.	De-Icing Trucks	N	3
\$1,783,771	John Bean Technologies Canada Ltd.	Dual Bridge Installation	N	7
\$1,571,574	Volvo Group Canada dba Nova Bus	Hybrid-electric Buses	N	7
\$1,058,200	Cobus Industries GmbH	Electric Bus	N	3
\$988,711	John Bean Technologies Canada Ltd.	Construction Services	N	7
\$822,231	Induperm	Airfield Light Supplies	N	3
\$612,120	Britco LP	Trailers	N	2
\$559,315	Induperm	Airfield Sign Replacement	N	3
\$525,259	PricewaterhouseCoopers Advisory Services LLC	Consulting Services	N	4
\$524,706	Cooper Crouse-Hinds	Airfield Sign Replacement	N	3
\$487,020	Tyco Integrated Fire & Security Canada, Inc.	Fire Alarm Upgrades	N	1
\$465,952	John Bean Technologies Canada Ltd.	Bridges	N	1
\$404,902	Trinimbus	IT Services	N	4
\$384,953	Record Automatic Doors Inc.	Automatic Door Replacement	N	3
\$365,000	InterVistas Consulting Inc.	Consulting Services	Y	1
\$359,756	Glidepath Systems Ltd.	Self-Bag Drop Equipment	N	1
\$357,674	Kerr Wood Leidal Associates Ltd.	Consulting Services	N	3
\$330,320	Glidepath Systems Ltd.	Baggage Sorters	N	2
\$326,400	GSE Holdings Inc.	GSU Power Converters	N	1
\$317,367	Kasian Architecture Interior Design and Planning Ltd.	Consulting Services	N	2
\$299,217	Arcadia Chair Company	Holdroom Furniture	N	3
\$295,865	Young Electric Ltd.	Construction Services	N	2
\$287,299	AeroVironment Inc.	Charging Station Equipment	N	3
\$228,860	DDB Canada	Consulting Services	Y	3
\$228,090	Emboss North America Ltd.	Kiosks	N	3
\$224,294	CEM Systems Ltd.	Access Control System	N	3
\$215,361	Armtec	Construction Services	N	3
\$204,235	RJ & Associates Environmental Consulting	Consulting Services	N	3
\$197,000	Artistic Tile Ltd.	Construction Services	N	3
\$181,800	Studio One Architecture Inc.	Consulting Services	N	7
\$179,165	iVeKteR Inc.	Holdroom Furniture	N	3
\$173,200	Team Eagle Ltd.	Airfield Equipment	N	1
\$173,000	Canadian Dewatering Fluid Management Ltd.	Water Treatment Services	Y	3
\$172,070	Jaquith Industries Inc.	Construction Services	N	7
\$170,635	DesignTex Inc	Holdroom Furniture	N	3
\$155,000	Graham Construction and Engineering LP	Construction Services	N	2
\$154,700	Graham Construction and Engineering LP	Construction Services	N	7
\$146,195	Heritage Office Furnishings Ltd.	Office Furniture	N	4
\$135,097	Heritage Office Furnishings Ltd.	Office Furniture	N	4



# CUSTOMER CARE



From 2012 to the end of 2016, YVR welcomed over five million new passengers, for a growth rate of over 30 per cent.

During this time, we maintained our highest customer satisfaction rating ever at 91 per cent through quarterly customer surveys. And over 13 million passengers awarded YVR Best Airport in North America at the Skytrax World Airport Awards in 2016 and again in 2017—for an unprecedented eight years in a row.

How has YVR continued to deliver in the face of such tremendous growth? We have focused on the customer experience—through innovation, an efficient terminal and, of course, a friendly team.

YVR continued to provide exceptional customer care to passengers in 2016. Our employees answered 813,810 enquiries at information counters—a 16.5 per cent increase over 2015. We responded to 29,143 interactions through our communications channels, up 12 per cent over 2015. This included 1,256 responses through Twitter, 5,027 through email and 22,136 phone calls.





A big thank you to the 2016 YVR Stars—your efforts are key to our success.

## GREEN COAT VOLUNTEERS

For over 27 years, YVR's Green Coat volunteers have assisted travellers and visitors. They are located throughout the terminal and are always happy to help answer questions and ensure everyone has a great experience. This friendly team of 444 volunteers delivered 81,014 hours of service in 21 languages in 2016.

Our Green Coat volunteers are continually going beyond for our passengers. From reuniting passengers with lost items to providing directions and assistance, they are core to our customer care efforts.

### From a passenger . . .

*"Ann, a volunteer at the information booth, saved the day when I came through YVR! I had left some items in my hotel room in Vancouver and only realized when I reached the airport to travel to Montreal. I didn't have time to return to the hotel without missing my flight so got through security and tried to call the hotel from my mobile. My mobile would not connect and I was looking for someone to help me with the dialling codes.*

*Ann checked the number on the web and then immediately used her own mobile to call the number and handed me the phone once connected. I was so relieved to get through before I flew and she would not accept any payment for the use of her phone.*

*I could have hugged her! She was fabulous!"*

## YVR STARS

The YVR Stars program encourages travellers, visitors and employees to nominate anyone who works or volunteers on Sea Island for providing exceptional customer care. In addition to promoting great customer services, the program inspires the YVR community to take pride in their work. In 2016, YVR Stars received 545 nominations encompassing 55 companies on Sea Island. We hosted our second annual celebration event in February for YVR Stars, welcoming winners that demonstrated exceptional safety and security, teamwork and overall customer care.

<b>Safety Award</b>	Alan Mou, Carillion
<b>Security Award</b>	Fabien Morere, Green Coat Volunteer
<b>Teamwork Award</b>	Bob Bigelow, Securiguard; Lupita Silva and Elena Tam, Aeromexico
<b>Beyond, Every Day</b>	Hassan El Haimeur, Marquise

76	<b>Our Environment</b>
78	Safety, Security and Environment Policy
80	Instilling Excellence
84	Environmental Plan: Year 2
86	Reducing Emissions
96	Reducing Waste
102	Reducing Potable Water Consumption
106	Improving Ecosystem Health

# OUR ENVIRONMENT



YVR strives to be a leader in environmental management. To effectively manage the environment, we maintain robust policies and procedures aligned with our values and regulatory obligations. We actively identify, seek out and report issues and hazards, promoting a culture of accountability. And we always seek to improve our performance—because we care about our environment and our place in it.







# SAFETY, SECURITY AND ENVIRONMENT POLICY



Our *Safety, Security and Environment Policy* serves as a reminder to each Airport Authority Employee that we are all individually responsible to report hazards and to always look for ways to improve our programs and processes—especially regarding safety, security and environmental performance. This Policy plays an important role in YVR’s Social Management System. Each member of our Executive Team has signed the Policy, which is available externally in YVR’s Environmental Management Plan.





Vancouver Airport Authority is committed to excellence in safety, security and environmental management. Our primary objective is to build, operate and maintain a safe, secure and environmentally sustainable airport for our employees, stakeholders and customers.

Our commitment is delivered through a collaborative approach with continuous review and improvement of our operating performance, processes and procedures. Our safety, security and environmental programs are driven and supported by our Executive Team working together with our strong, flexible and capable team of professional employees.

#### **THE EXECUTIVE TEAM WILL LEAD OUR EFFORTS TO:**

- Meet all applicable safety, security and environmental laws and regulations;
- Train and educate our employees and allocate sufficient resources in support of safety, security and environmental excellence;
- Set specific measurable goals for safety, security and environmental performance and regularly report on these results; and
- Promote transparency and accountability through a culture whereby employees and stakeholders can:
  - » Voluntarily self-report any acts, deficiencies, hazards, incidents or occurrences that threaten safety, security or the environment; and
  - » Actively and collaboratively identify, seek out, report, analyze and rectify hazards in order to prevent or mitigate re-occurrence and maintain a safe, secure and environmentally sustainable airport.



# INSTILLING EXCELLENCE



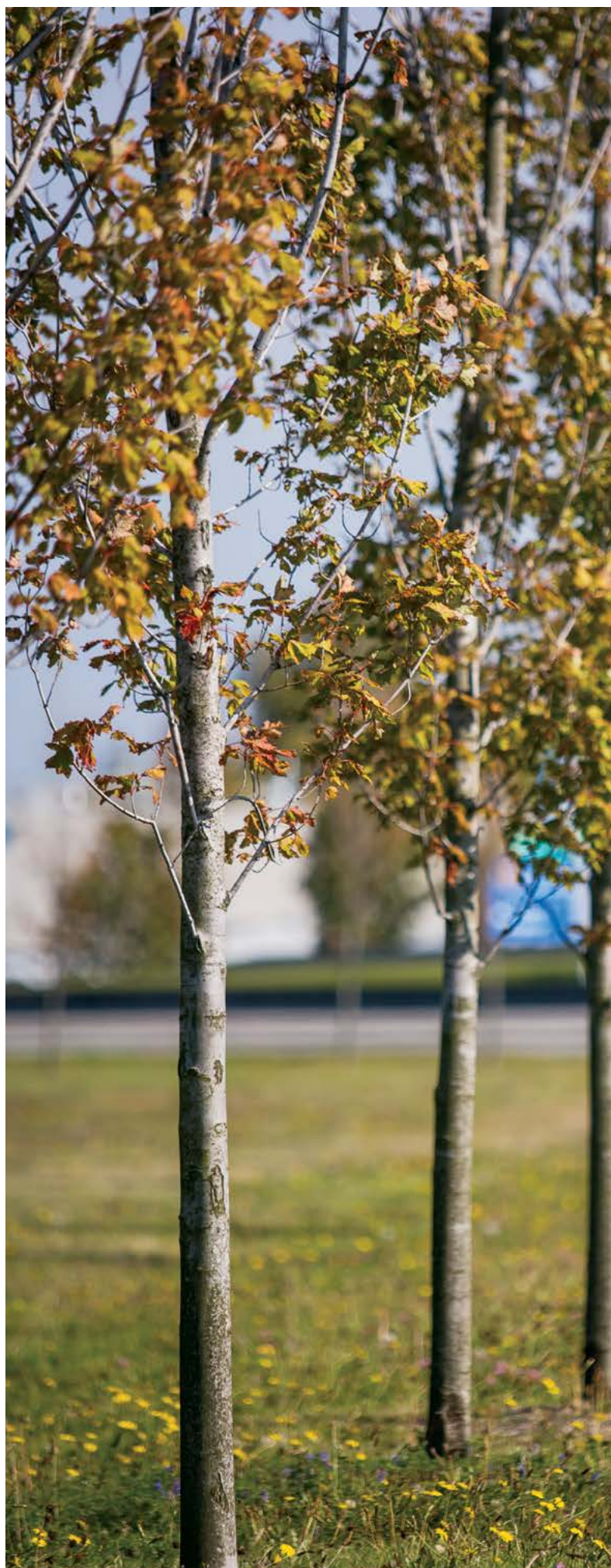
We consider the welfare of Sea Island, where YVR is based, in all areas of sustainability. To do this, we keep our employees and business partners up-to-date on YVR's environment policy through a wide range of initiatives. We have strict environmental protocols in place and regularly present YVR's Environmental Management Plan to the Sea Island community, through training, meetings, workshops, audits and unique programs.

## REWARDING PERFORMANCE

Each year, YVR recognizes a Sea Island company that demonstrates its commitment to sustainability with the Clear Skies Award. In 2016, we awarded two winners for the first time: World Duty Free Group and Signature Flight Support. World Duty Free completed a lighting retrofit and demonstrated its commitment through an active Green Committee. Signature Flight Support implemented several energy and waste reduction measures and underwent a successful audit of their petroleum storage tanks and hazardous materials management procedures.

## INDUSTRY INVOLVEMENT

We strongly believe in working with our peers to improve sustainability across the airport industry. We are involved in several external organizations and committees including Canadian Airports Council Environment Committee, Airports Council International World Environmental Affairs Committee and the Ground Operations subgroup to Canada's Action Plan to Reduce Greenhouse Gas







Emissions from Aviation. In 2016 we received Reduction Level 2 recognition from Airport Carbon Accreditation for our efforts. We also discussed Accelerating Sustainability at the Passenger Terminal Expo in Germany and at Airports Going Green in Amsterdam.

### ENVIRONMENTAL AUDITS

To ensure YVR maintains high environmental standards, we regularly conduct internal and external audits as part of a multi-year environmental audit program. Environment Canada conducts regular audits of YVR and in 2016 YVR had no penalties, fines or issues of non-compliance. We also underwent third-party audits in 2016 to assess the processes and documentation that allowed the airport to become Airport Carbon Accredited and to become the first certified Salmon-Safe airport in the world.

### Working with our Partners

In 2016, we conducted waste audits of all food and beverage tenants as part of the new Waste Wars program. Using third-party environmental assessors, we conducted environmental audits on 34 per cent of a select group of YVR's Sea Island tenants based on risk assessment criteria—focused on hazardous materials management, spill response and petroleum storage tank management. All audits resulted in minor recommendations for improvement and no tenants were in non-compliance.

### EMPLOYEE PROGRAMS

The Airport Authority has developed several financial incentives to help the organization achieve its environmental goals and support our *Social Policy*.

## Green Commuter Program



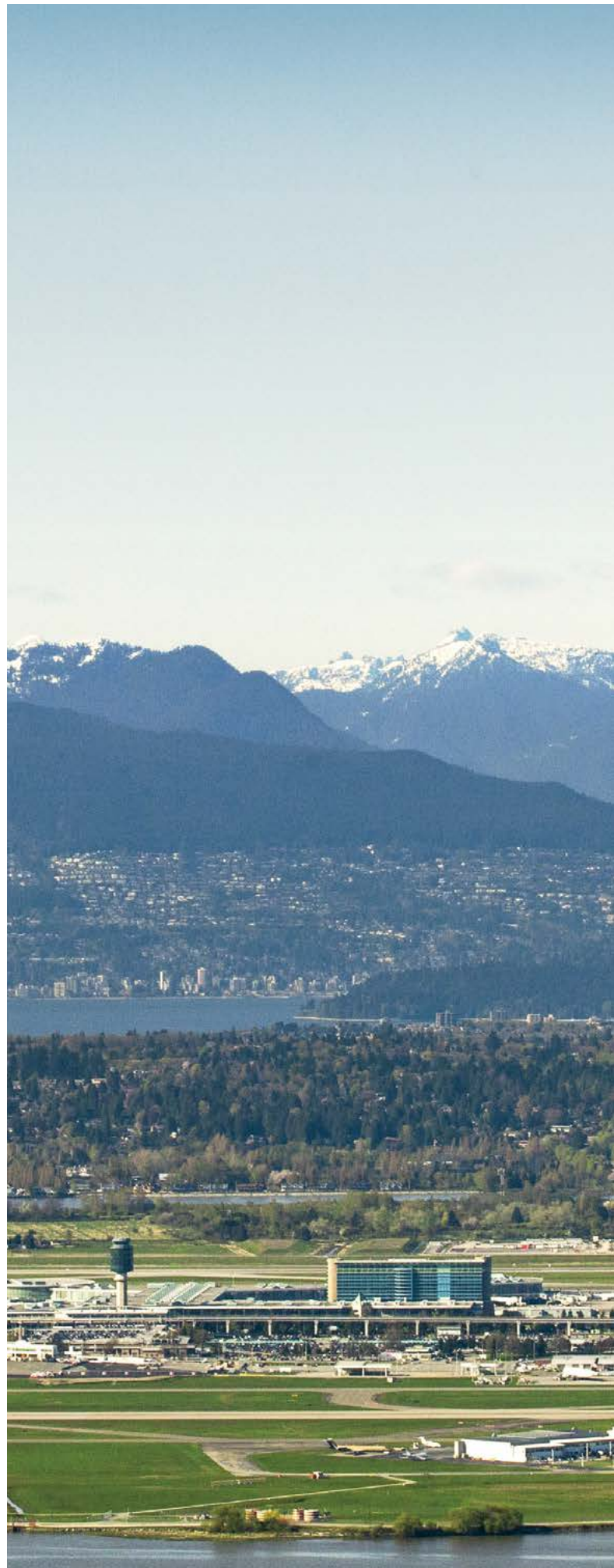
Our popular Green Commuter Program offers employees a \$50 per month rebate to take public transit, bike, walk or carpool. In 2016, 187 employees (39 per cent of our workforce) participated, a slight increase over 177 employees in 2015. Their collective efforts helped us avoid 1,234,251 km of single vehicle trips and 219 tonnes in carbon emissions. Since the program started in 2006, YVR has saved 9,305,322 km of vehicle trips and 1,591 tonnes of emissions.

## Sustainability Challenge

In November, we launched the YVR Sustainability Challenge—a friendly and competitive program where we asked employee teams to come up with ideas to improve sustainability among our organization. Nine groups entered 27 innovative initiatives. Our winning group received \$200 in gift certificates per team member for their great initiatives that included using renewable water bottles, promoting reusable bags, highlighting the importance of participating in YVR's Green Commuter program and creating a sustainability calendar that lists seasonal fruits and vegetables and includes simple sustainability tips.

## TRAINING

YVR integrates environmental considerations into emergency response procedures. We conducted regular training for employees and business partners in 2016 through our Climate Smart and Waste Wars programs. We provided eight hazardous materials emergency spill training sessions to 91 YVR employees and we provided technical advice and training to contractors through the environmental assessment and Facility Permit processes.







## CLIMATE CHANGE PLANNING

YVR takes a proactive stance on mitigating the effects of climate change. Our Environmental Management Plan reflects our commitment to address our climate performance, with targets and programs to reduce our greenhouse gas emissions. Our Board and Executive Team are responsible for our commitment to reduce greenhouse gas emissions and they uphold this through ensuring that the operations and development of YVR are environmentally friendly and by including climate change in our robust Enterprise Risk Management program.

In 2016, YVR hosted an internal stakeholder workshop to assess the resiliency of its utilities infrastructure and developed an action plan for future improvements. We also continued a multi-year dyke program, as detailed on page 21.

## Heat Island Effect

Paved surfaces, buildings and airport processes all contribute to warmer temperatures, a phenomenon known as Heat Island Effect. While YVR does not have formal programs in place to reduce a potential Heat Island Effect, we indirectly reduce this through our Environmental Management Plan and its objectives to reduce greenhouse gas emissions and improve ecosystem health. For instance, we plant trees and vegetation and incrementally build our infrastructure as required, reducing our impact.



# ENVIRONMENTAL PLAN: YEAR 2

YVR's 2015-2019 Environmental Management Plan provides the framework for our environmental initiatives. The plan's four strategic priorities present ambitious goals and 2020 targets, based on 2012 baselines. These strategic priorities align with YVR's *Safety, Security and Environment Policy*—they are measurable, transparent and focus on improving our sustainability efforts. They also direct a wide range of initiatives and activities that drive our environmental work throughout the year.

The Environmental Management Plan builds on YVR's Environmental, Health and Safety Management System (EHSMS), which aligns to criteria in the International Organization for Standardization (ISO) 14001 and safety standards in the Occupational Health & Safety Advisory Services (OHSAS) 18001. The EHSMS sets out the framework for ensuring accountability for implementation and operation at the department level, along with a program of auditing.





# STRATEGIC PRIORITIES

## REDUCE

GREENHOUSE GAS EMISSIONS Page 86



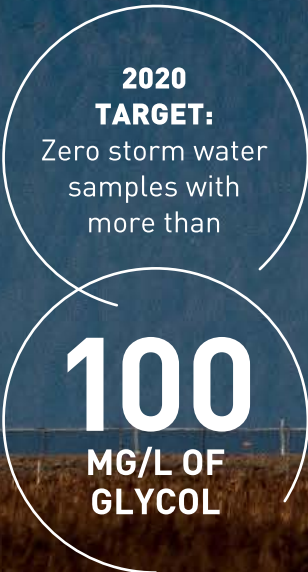
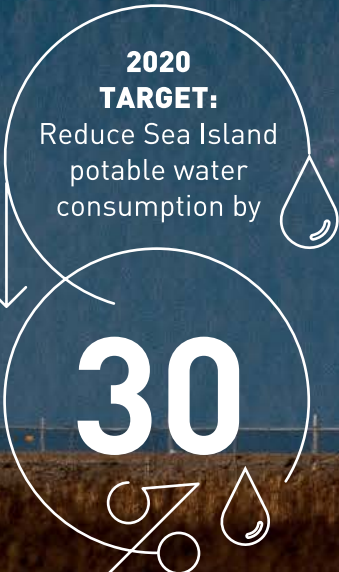
## REDUCE

WASTE Page 96



## REDUCE

POTABLE WATER CONSUMPTION Page 102



## IMPROVE

ECOSYSTEM HEALTH Page 106





# REDUCING EMISSIONS

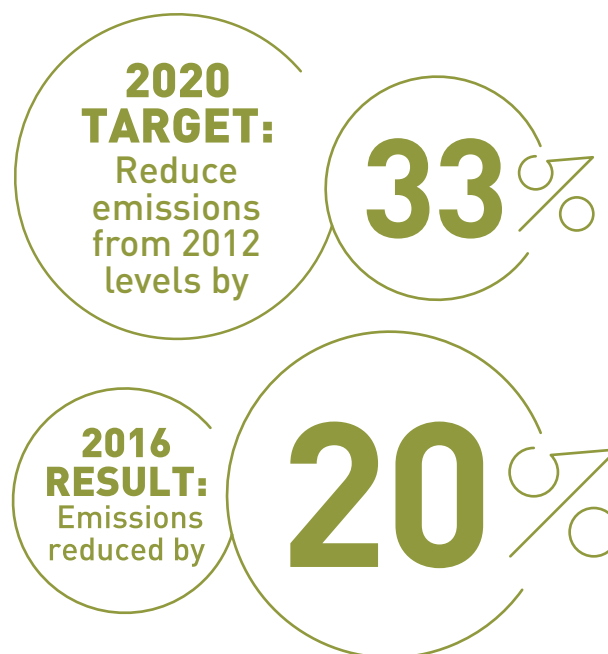


YVR works with employees, business partners and communities to minimize vehicle, building and aircraft greenhouse gas (GHG) emissions. We do this by promoting alternative forms of transportation to and from Sea Island, upgrading our fleet and improving airport infrastructure, reducing fossil fuel consumption and raising awareness of clean air practices. Additionally, we include consideration of GHG emissions as key criteria when evaluating major projects.

Every five years, we hire external consultants to conduct a detailed emissions inventory of all sources of GHGs at the airport. We measure, monitor and review emissions under two categories: direct emissions from Airport Authority-owned and controlled operations, which include heating sources and vehicle operations, as well as indirect emissions from the purchase of electricity for our operations (Scope 1 and 2); other indirect emissions from airport businesses and public sources including aircraft operations and commuter traffic on Sea Island (Scope 3).

In our Environmental Management Plan, we set an ambitious target to reduce Airport Authority emissions (relative to Scope 1 and 2) by 33 per cent in 2020 from 2012 levels. We calculate annual emissions using a methodology consistent with the Provincial Government's framework for reporting greenhouse gas emissions, which draws on

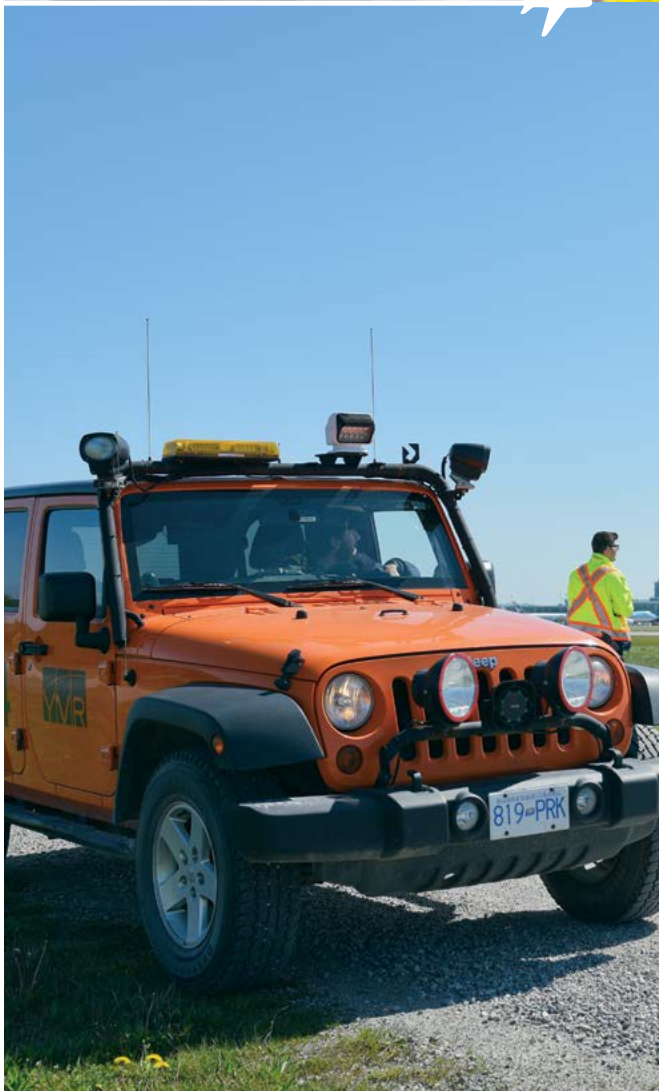
protocols established by the World Resources Institute and the Climate Registry. Under this methodology, our direct emissions were 7,720 tonnes of carbon dioxide equivalent units (CO<sub>2</sub>e) in 2016. This shows an encouraging trend: compared to 2007 (11,076 tonnes), we have reduced direct emissions by 30 per cent while welcoming over 27 per cent more passengers. We have also reduced direct emissions by 14 per cent over 2015 and 20 per cent over 2012—13 per cent shy of our 2020 target.



The Airport Authority has low to moderate control over Scope 3 (Sea Island) emissions, but is in a position to influence reductions in GHGs from the public and our business partners. When aircraft landing, taxiing and take-offs are included, our 2012 baseline measure is 311,304 tonnes of CO<sub>2</sub>e. Comprehensive emission inventories are performed every five years and we will update the public on the next baseline when it becomes available.

	2012	2013	2014	2015	2016	2020 Goal
Scope 1 emissions (tonnes of CO <sub>2</sub> e) Fleet vehicles, plant operation, emergency power	7,761	8,185	8,564	7,861	6,612	
Scope 2 emissions (tonnes of CO <sub>2</sub> e) Purchased electricity	1,852	1,322	998	1,096	1,108	
<b>Total</b>	<b>9,613</b>	<b>9,507</b>	<b>9,562</b>	<b>8,958</b>	<b>7,720</b>	<b>6,441*</b>

\*Represents a 33 per cent reduction over 2012 levels.



## AIRPORT CARBON ACCREDITATION



Our sustainability efforts reached a new pinnacle in 2016 when we became carbon accredited through Airports Council International (ACI) and its Airport Carbon Accreditation program. As the only independent, institutionally endorsed global standard for carbon management at airports, this program provides four levels needed to reach carbon neutrality: mapping, reduction, optimization and neutrality. We entered the program at Reduction Level 2 accreditation, due to our strong efforts in measuring our carbon footprint and making significant steps towards reducing emissions each year. To achieve this certification, ACI verified our carbon footprint in accordance with the greenhouse gas accounting protocol ISO 14064.

## IMPROVING FLEET EFFICIENCY

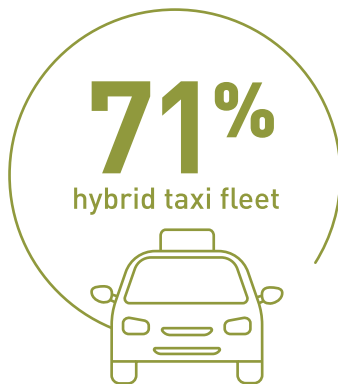
YVR has a comprehensive Fleet Management Plan that we update annually to reflect priorities and purchasing decisions. In 2016, we reduced our fleet size by retiring 31 vehicles while commissioning 22 new vehicles. YVR now has six electric fleet vehicles.

## Fuel Consumption

YVR has used a five per cent blend of biodiesel for fleet vehicles since 2007. In 2016, we introduced six new hybrid diesel buses to our fleet, which saved over 70,000 litres of diesel—leading to a 34 per cent decrease in diesel consumption, or 175 tonnes of CO<sub>2</sub>e, compared to 2015. In total, we purchased 161,177 litres of gasoline and 254,999 litres of biodiesel, a decrease of three per cent and 24 per cent, respectively, over 2015.



## IMPROVING GROUND ACCESS

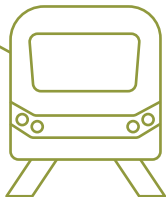


Our existing initiatives continued to reduce emissions and improve ground access. This included a 71 per cent hybrid taxi fleet, two electric vehicle parking stalls in our Parkade, the ongoing use of the Canada Line, carpooling options, cycling infrastructure and our cellphone waiting lot.

### Canada Line



**2.88**  
**MILLION**  
passengers using the  
Canada Line

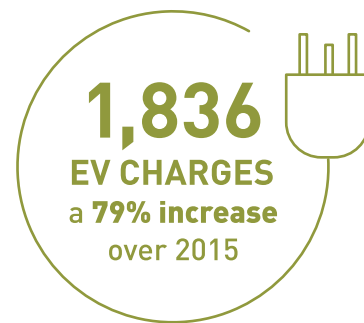


As part of our commitment to sustainable transportation, we invested \$300 million in the Sea Island portion of the Canada Line rapid transit system, which began operations in August 2009. Approximately 2.88 million passengers used the Canada Line to travel to and from YVR in 2016—an increase of three per cent over 2015. YVR has some of the highest transit ridership in North America, with 25 per cent of the people coming to the airport arriving on the Canada Line and buses. Travel between the three stations on Sea Island remains free of charge.





## Electric Vehicle Charging Stations



YVR currently has eight electric vehicle charging stations for public, employee and fleet use. This includes two units in our Parkade, four units for employees and two units for fleet vehicles. In 2016, we recorded 1,836 charges from our public and employee stations—an increase of 79 per cent over 2015. Since 2013, there have been 3,376 charges recorded from these stations. We also began planning an expansion of YVR's charging infrastructure, which will include 11 new stations for public and fleet use in 2017.

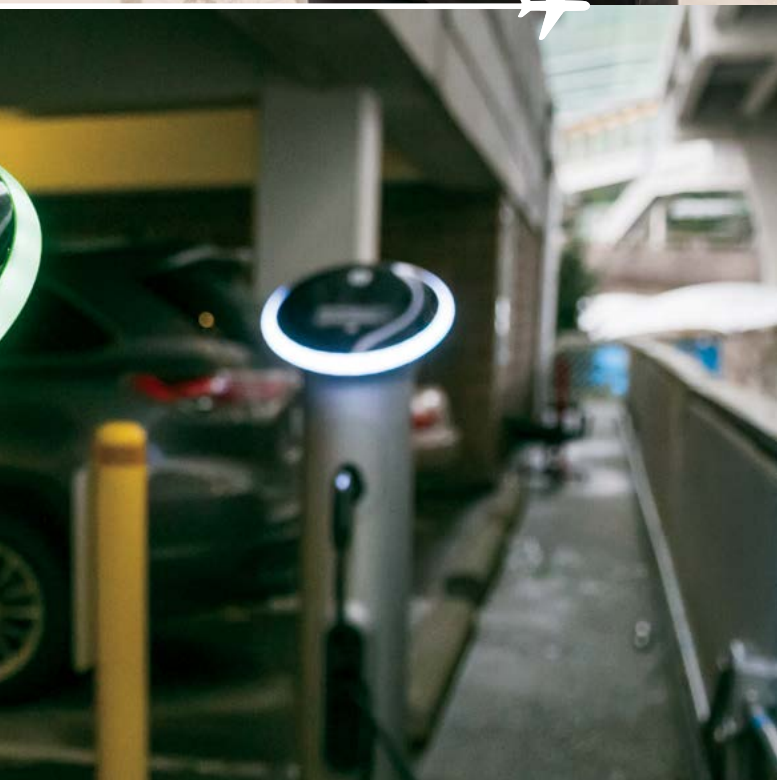
## Cycling Improvements

In September, we launched our Fleet Bicycle Program, which provides six common-use bikes for all Airport Authority employees to use for business trips. The fleet bikes provide a zero-emission alternative to using fleet vehicles, helping the airport reduce its emissions footprint.

## Encouraging Cycling



Cycling continues to grow at YVR. Our bike trackers, located at three key locations, recorded 84,319 cyclists on Sea Island in 2016. To encourage this positive trend, we continued support for HUB, Metro Vancouver's largest





cycling coalition, and participation in Bike to Work Week. We sponsored two one-day cycling commuter station events at Larry Berg Flight Path Park. A total of 63 cyclists visited these events. We organized a Sea Island Cycling tour to promote Bike to Work Week, which saw 32 Airport Authority employees participate in both spring and fall events, travelling a total of 2,495 km and avoiding 0.5 tonnes of carbon emissions—a participation increase of 45 per cent and emissions decrease of 70 per cent over 2015.

### Commuter Challenge

For 16 years, YVR has participated in the Commuter Challenge, a national, week-long event during Canadian Environment Week encouraging Canadians to walk, cycle, take public transit, carpool, or work from home. In 2016, 44 Airport Authority employees participated in the Commuter Challenge, travelling 5,168 km and avoiding 0.6 tonnes of carbon emissions.

### SUPPORTING OUR BUSINESS PARTNERS

YVR is part of an industry group working with Transport Canada to reduce emissions from aircraft auxiliary power units and ground support equipment. We also work closely with our Sea Island businesses to reduce their ecological footprints.

### Climate Smart



We continued our business partnership with Climate Smart, a local organization that specializes in business engagement and providing training and tools to manage carbon emissions, waste and water use with a goal of reducing greenhouse gas emissions. We helped 12 Sea Island businesses join the program and become Climate Smart Certified, bringing the total to 18. In addition to supporting these partners in reducing their ecological footprints, we build stronger and more coordinated relationships and through a year-end meeting and evaluation form, their feedback allows us and the program to continually improve.





## Gate Infrastructure

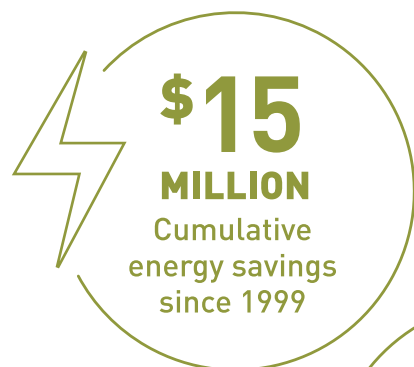
YVR works closely with airlines to optimize gate infrastructure and reduce environmental impacts. For instance, we provide an eco-friendly alternative to traditional electrical and cabin air conditioning methods by connecting aircraft to the local grid for electrical and HVAC services. Airlines use this technology to reduce the amount of fuel burned in auxiliary power units and ultimately lower greenhouse gas emissions.

In 2016, we upgraded three gates at YVR with pre-conditioned air units, which maintain the temperature and air quality of parked aircraft by bringing external, filtered air into the cabin. With three additional gates equipped, 74 per cent of YVR's gates now have both pre-conditioned air and ground power, enabling even more airlines to turn off their auxiliary power units. We also conducted a trial at two gates to relocate the gate infrastructure to the alternate side of the aircraft, enabling a faster connection time.

## Ground Service Equipment

We are actively working on our electrical charging infrastructure to reach our goal of having 50 per cent of the ground handling fleet at YVR running on electric power by 2020. In 2016, 22 per cent of the overall licensed Ground Service Equipment operator fleet and 38 per cent of all baggage support equipment were electric.

## ENERGY CONSERVATION





YVR is committed to improving energy efficiency and advancing energy conservation. In 2015, we developed a long-term energy plan that aims to reduce our consumption through a range of methods. Under this plan, we have no specific consumption targets; rather, we constantly aim to reduce our energy use and include total consumption in our target of reducing greenhouse gas emissions 33 per cent by 2020.

Since 2012, YVR's terminal area has grown by nine per cent—from 366,643 m<sup>2</sup> to 399,904 m<sup>2</sup> in 2016—yet we've maintained our electrical efficiency and have reduced natural gas use, while reducing greenhouse gas emissions and reducing costs. Since 1999 we've seen a cumulative savings of more than \$15 million in electrical and gas costs from energy-efficient initiatives.

In 2016, we consumed \$733,387 in natural gas and \$5,790,344 in electricity for a total of \$6,523,731 to heat and power all Airport Authority buildings and activities—representing 6.1 per cent of our total materials, supplies and services costs. This is a slight reduction from 6.5 per cent in 2015.

We reduced our natural gas consumption by 12 per cent in 2016 thanks to a range of initiatives. Our solar hot water heating in the Domestic and International Terminal Buildings saved 8,790 GJ of natural gas (see page 94).

2016 saw efficiencies associated with greater integration of YVR's systems: we connected our lighting with our heating, ventilation and air conditioning (HVAC) system, modified our terminal heating and cooling to use more outside air in the terminal and began piloting the integration of our HVAC and lighting to gate schedules through automation—all with positive early results.

We implemented a new policy that requires food and beverage tenants to install hydronic (hot water heating)

air units for their kitchens and our tenants continue to install kitchen exhaust hoods for food operators across the terminal. We also continued to see the benefits of our recent switch to a new low-energy air filtration HVAC system, which is consuming three times less energy for terminal ventilation.

### Smart Lighting

In addition to using schedules and sensors to reduce lighting, we have shifted towards efficient LED technology over the last several years. Every year, LED lighting saves 1.3 GWh of electricity in the terminal, 77,000 kWh on Arthur Laing Bridge and 25,000 kWh for theatrical lighting of art installations.

In 2016 we continued a multi-year project to convert airfield lighting to LED technology, improving airfield safety and maintenance efficiency. We also improved our lighting control system, enabling our maintenance team to more easily view lighting conditions and levels.

### Light Pollution and Reduction

YVR is committed to research and development to control light levels and reduce impacts on surrounding communities. We are constantly reviewing best practices for lighting to determine how we can lessen our impact. In 2016, we continued to use light shields to reduce glare and we undertook a multi-year project to improve lighting on the apron, installing high mast poles that allow for better lighting levels, lower power consumption, reduced glare and less light pollution. Our maintenance team monitored interior and exterior terminal lighting to assess illumination levels and minimize the impacts on our neighbours, addressing potential issues and ensuring prompt follow-up.

	2012	2013	2014	2015	2016
Natural Gas consumption (GJ) – terminal building	115,695	124,897	130,956	121,303	101,799
Electrical consumption (GWh) – terminal building	91.48	91.02	93.30	97.05	98.13
Natural Gas – heating efficiency per area (GJ/1000m <sup>2</sup> /yr)	285.99	325.37	310.02	281.98	225.64
Natural Gas – heating efficiency per passenger (GJ million passengers)	0.0066	0.0069	0.0068	0.0060	0.0046
Electrical efficiency per area (GWh/1000m <sup>2</sup> /yr)	0.250	0.253	0.241	0.246	0.245
Electrical per passenger (GWh/million passengers)	0.52	0.51	0.48	0.48	0.44





## Renewable Energy

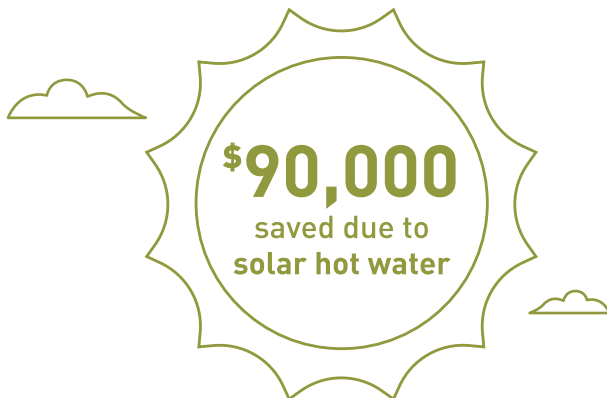
YVR has focused investment on renewable energy to reduce our greenhouse gas footprint, pilot technologies to offset additional electrical demand and increase resiliency through self-sufficient energy generation. Our Energy Plan includes a focus on renewable energy and in the future we will calculate the savings from renewable energy in our target to reduce emissions 33 per cent by 2020.

We report on our purchased energy (natural gas, electricity, vehicle fuels) and, although we have several on-site renewable energy systems in place, we are working on metering and collecting data that will allow us to fully report on their value. The following reports on what we are currently tracking.

### Airside Operations Building

2016 marked the first full year of operation for YVR's Airside Operations Building (AOB). Consolidating all airside operations under one roof, the AOB includes plenty of sustainability features including a GeoExchange field, solar hot water, photovoltaic panels, a wind turbine, a rainwater collection system and energy-efficient LED lighting. While very small in output, the building's renewable energy features act as a pilot for YVR to benchmark its ability to produce alternative energy sources. In 2016, the AOB consumed 1,946,461 kWh of energy and approximately 87 per cent was from renewable sources, including 636,318 kWh from the AOB's renewable energy features and 1,066,358 kWh in hydro-electric power from BC Hydro.

### Solar Hot Water



In 2003, YVR installed a solar panel system on the roof of the Domestic Terminal Building and connected it to 80 per cent of the hot water distribution system. This system was so successful that we applied it to the International Terminal





Building in 2014, installing 72 solar panels. These panels now power two solar hot water systems in our terminal buildings, which heat more than 1,500 gallons of hot tap water every hour—resulting in an annual energy savings of 8,790 GJ of natural gas, totalling \$90,000.

### **GeoExchange**

YVR has GeoExchange systems at the Airside Operations Building and at our International Terminal Building. Like geothermal energy, GeoExchange involves using groundwater as a heat medium; however, it can also use this water for cooling. This is the case in our Airside Operations Building, which has a heating and cooling GeoExchange system, whereas our International Terminal Building uses GeoExchange for cooling only.

YVR continued a multi-year research project to assess the viability of a closed-loop vertical GeoExchange system to provide heating and cooling for our terminal buildings. This included research into a GeoExchange system for our future District Energy building (see page 17), which will consolidate all of YVR's energy needs under one roof. We will begin initial work on the building in 2017 and will continue to look at GeoExchange as its core source of heating and cooling, as well as additional renewable energy features.

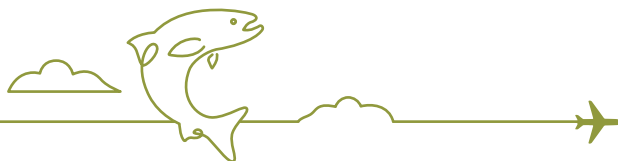
### **Power Smart Programs**

YVR continued to participate in BC Hydro's Power Smart Programs. We worked closely with BC Hydro on many initiatives and we participated in the Energy Manager Program, which dedicates an employee to manage the implementation of energy-saving projects and improve existing operational and maintenance procedures. Through this program, YVR undertook an Energy Management Assessment in 2016 to identify priority areas for future action, including the need to improve employee energy awareness.

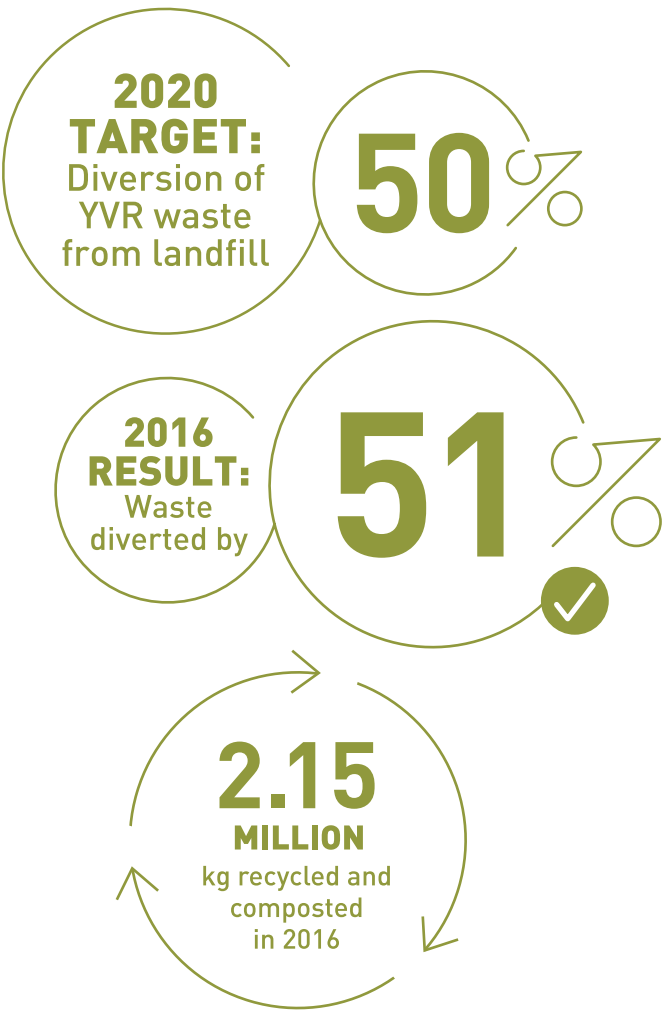




# REDUCING WASTE



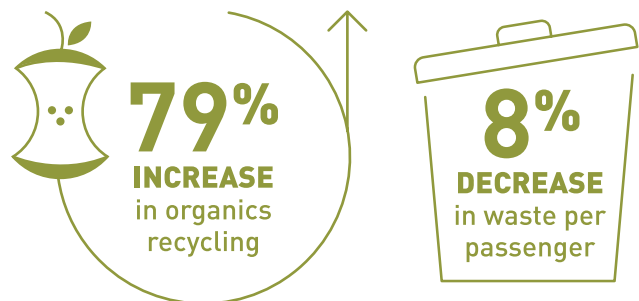
Every year, we aim to keep more garbage out of landfills. In 2016, we recycled and composted 2.15 of 4.22 million kilograms of terminal building waste, totalling a 51 per cent diversion rate—5 per cent higher than 2015 and one per cent over our 2020 target! We did this by working with our partners, promoting our waste reduction initiatives and constantly checking our progress.





YVR strives to reduce, reuse and recycle. Our terminal waste diversion focuses on three recyclable waste streams including organics, containers (plastics, metals and glass) and fibre (paper and cardboard). We saw increases in diversion for all terminal waste types in 2016, with an impressive 79 per cent increase in organics diversion thanks to several unique programs. Passenger waste declined from 0.106 kg per person in 2015 to 0.093 kg in 2016—an 8 per cent reduction.

YVR is very proud to have surpassed our 2020 target for diverted waste—three years early—but we are not stopping there. We are committed to constantly improving and in 2016 we demonstrated this through a range of terminal improvements, programs and initiatives.



## REDUCING ORGANIC WASTE

2016 was a milestone year for YVR's organic waste program, as we focused on complying with Metro Vancouver's ban on organic materials to landfill. Our successes stemmed from the implementation of a diversion program and the ongoing efforts of our team and partners.

### Composter

Our International Terminal Food Court got a new composter, which will reduce food court waste by up to 80 per cent. The machine is sustainable in many ways: it turns food waste and food-soiled paper into compost, it saves costs by reducing food waste management and it prevents waste from going to landfill.



### Centralized Food Court

To improve waste sorting and support our new food composter, we installed a centralized food court station in the International Terminal Building. The new station allows for better sorting of waste when patrons leave their tray on the counter for staff to sort. This saves passengers confusion and ensures that we are diverting everything properly.

### New Hand Soap

We found a unique way to reduce waste and water use by replacing liquid soap in the public washrooms with DEB Refresh Clear Foam Soap. This unscented foam soap uses 20 per cent less water than regular liquid soap, comes in recyclable plastic bottles and leaves no residue behind—avoiding further waste.



### Chopsticks

**19,000+**  
**CHOPSTICKS**  
recycled in  
one month

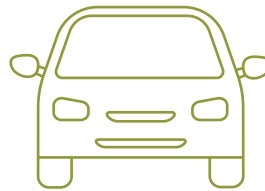
In just one month, we collected over 19,000 chopsticks and donated them to ChopValue, a local company that takes used wood and bamboo and makes beautiful wood products.





### YVR Parking Token

In 2015, we launched a new plastic token parking system in our Parkade and Value Lot. This system uses chip-embedded tokens, which replace paper tickets as a means to reduce waste. We used only 40,000 paper tickets in 2016 compared to 140,000 in 2015—a decrease of 71 per cent.



**71%**  
**REDUCTION** in  
paper parking tickets

### OUTREACH

We are committed to managing the environmental impacts of contractors and business partners and in 2016 we continued working together to improve waste reduction.

Since 2011, YVR has helped to divert 5,548 kg of food and other items from landfill by placing them in Quest's not-for-profit markets. This has resulted in a reduction of 11.58 metric tonnes of greenhouse gases.

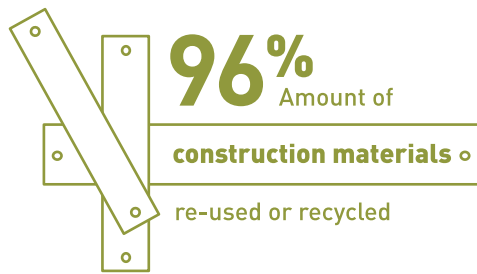
### WASTE WARS

In 2016, YVR hosted the second annual Waste Wars competition. *See page 16*





## CONSTRUCTION MATERIAL REUSE AND RECYCLING



**4.2 MILLION KG**  
of construction waste diverted



The weight of ten Boeing 747 aircraft!

In addition to our terminal waste diversion, we have an extensive recycling program and a very successful construction waste diversion program.

We work with our partners to re-use and recycle construction waste materials from large capital projects. All construction projects must have site and project-specific construction waste management plans. In 2016, we diverted just over 4.2 million kilograms of construction waste—the equivalent of ten Boeing 747 aircraft. This includes a range of materials such as wood, drywall, metals, asphalt and 2.7 million kg of concrete (61 per cent of recycled materials). This equalled a 96 per cent recycling rate, matching our average over the last five years.

### WASTE AUDITS

YVR regularly conducts tenant waste audits to identify opportunities for improvement. In 2016, our contracted waste removal providers regularly assessed our waste material for quality assurance. We conducted a range of spot-check waste assessment audits for all terminal food and beverage tenants as part of our Waste Wars program. Tenants did very well during these audits, demonstrating commitment to our waste reduction efforts.







## MATERIALS RECYCLED IN 2016



**2.7** MILLION KG  
of concrete

**61%**  
of recycled  
materials

**22,990** KG of  
runway lights

**new**

**25,294** KG of  
scrap metal

**+7%**  
OVER 2015

**77,514** KG of kitchen  
grease

**+16%**  
OVER 2015

**47,204** LINEAR FEET  
of fluorescent  
tubes

**+19%**  
OVER 2015

**23,730** KG of e-waste

**+170%**  
OVER 2015

**1,005** KG  
of batteries

**-19%**  
OVER 2015

**57,150** KG  
of landscaped  
materials

**+106%**  
OVER 2015

**25,658** KG of metal

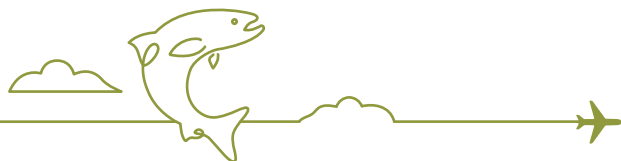
**+8%**  
OVER 2015

**11,918** LIGHT BULBS

**+23%**  
OVER 2015



# REDUCING POTABLE WATER CONSUMPTION



In 2016, YVR's passenger count and water consumption moved almost equally, but in opposite directions. Passenger growth increased almost 10 per cent, by an impressive two million people, while potable water consumption per passenger decreased by 10 per cent, from 56 litres to 51 litres. Overall, Sea Island potable water consumption decreased by one per cent—from 1,143,278 m<sup>3</sup> in 2015 to 1,130,906 m<sup>3</sup> in 2016—a six per cent reduction from YVR's 2012 baseline.

**2020  
TARGET:**  
Reduce Sea Island  
potable water  
consumption by

**30%**  
over 2012  
levels

**2016  
RESULT:**  
Potable water  
consumption  
reduced by

**6%**

**10%**  
**DECREASE**  
in potable water  
consumption per  
passenger







**97,000 m<sup>3</sup>**  
**POTABLE WATER**  
**saved since 2015**

## **WATER MANAGEMENT**

As noted in YVR's 2015–2019 Environmental Management Plan, the Airport Authority is committed to reducing potable water use on Sea Island 30 per cent by 2020 (over 2012 levels). Since 2015, we have saved approximately 97,000 m<sup>3</sup> of potable water as a result of utilizing the rainwater collection system at the Airside Operations Building, limiting use of the heat exchangers at the International Terminal Building from July to September and periodically shutting off select irrigation and water feature systems in the summer.

To further improve potable water use and efficiency, we installed water meters in select public washrooms and are exploring the installation of additional water meters, upgrading our sanitary pump stations to minimize flushing, conducting water audits in tenant spaces and assessing the feasibility of non-potable water for existing systems and future expansions.

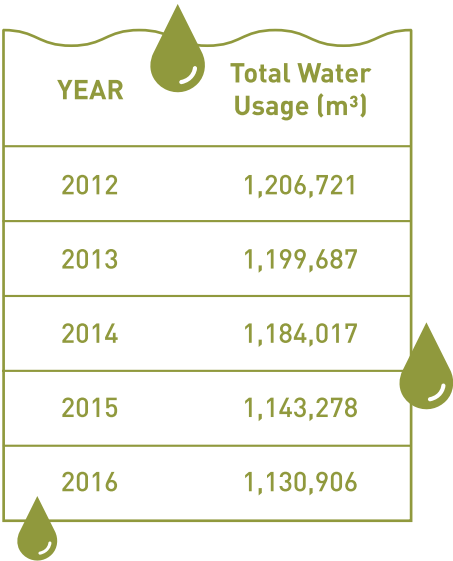


# OUR PROGRESS

To achieve YVR’s ambitious water consumption target, we have to constantly check its progress. The City of Richmond provides our potable water and we take quarterly readings of potable water through its metered infrastructure.

## Water Use Trends

Potable water use on Sea Island has steadily decreased since YVR established its baseline in 2012.

A table with a wavy top border and three green water drop icons. The first icon is at the top left, the second is on the right side next to the 2015 row, and the third is at the bottom left.

YEAR	Total Water Usage (m³)
2012	1,206,721
2013	1,199,687
2014	1,184,017
2015	1,143,278
2016	1,130,906

Unlike many other airports, YVR tracks all water consumed for the lands it leases from Transport Canada across Sea Island. This means that the water consumption we track and report on is also that of our business partners and our on-site contractors. We established our 2012 potable water use baseline at 1,206,721 m³ after an audit revealed that our initial baseline reading of 1,041,278 m³ was inaccurate due to two malfunctioning water meters. According to our 2016 water study, our terminals consume one-third of our water and washrooms used the most water followed by food services and heating and cooling systems. Construction projects recorded 25,485 m³ of water in 2016 and tenants consumed over 40 per cent of the water on Sea Island, with the top five users totalling over 31 per cent.





## RESEARCH AND DEVELOPMENT

While there is a plentiful supply of potable water in the region, we are cognizant of climate change and the potential for increased periods of drought. YVR's water conservation planning is key to tackling this issue; it's an important part of our risk management system and provides the framework for ensuring we prioritize and ultimately conserve water.

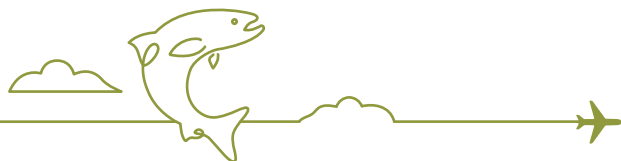
In 2016 the Airport Authority contracted a local environmental engineering firm to conduct a Sea Island Water Conservation Study, which sought to review the historical and current volumes of potable water consumed on Sea Island and to identify long-term strategies to reduce potable water use based on forecast water demands. The study, which used metered water use and bottom-up estimates to calculate total volumes, concluded that YVR will need to implement a significant combination of water conservation measures—such as washroom retrofits, water audits, water fixture rebates and the implementation of non-potable water systems—to reach its 2020 target.

### Rainwater capture

YVR collects rainwater from the rooftop of its new Airside Operations Building and currently uses this water for non-potable uses. We are closely monitoring this system, which we estimate saves approximately 620 m<sup>3</sup> of potable water per year. We plan to include this feature in future buildings including YVR's new Parkade and we anticipate it will have a significant positive impact on our water use.



# IMPROVING ECOSYSTEM HEALTH



YVR strives to protect the ecosystem and reduce our impact on the natural environment. In 2016, we improved air and water quality, focused on minimizing wildlife hazards and became the first airport in the world to receive Salmon-Safe certification—a 2020 Environmental Management Plan target, four years ahead of schedule.

**2020  
TARGET:**  
Become  
Salmon-Safe  
certified



**2016  
RESULT:**  
Salmon-Safe  
certified





## REMEDIATION

When Transport Canada transferred management of YVR to Vancouver Airport Authority in 1992, they remained financially responsible for all documented historical contaminated sites identified in the Ground Lease<sup>1</sup>. The Airport Authority administers a responsible contaminated sites program, which has the primary objective of protecting human health and the environment. We follow federal and provincial environmental guidance and procedures with respect to land reclamation under our Contaminated Sites Program, which consists of four key activities: Site Identification, Assigning Responsibility, Management Plans and Monitoring.

We monitored a number of historical contaminated sites that occurred prior to the formation of the Airport Authority and we will continue to work with Transport Canada to address these sites under our Contaminated Sites Program.

In 2016, we did not have any contaminated sites requiring full remediation. We did, however, remove soil from two construction sites to an approved soil treatment facility and we conducted investigations of two areas to better delineate contamination and develop options for remediation.

## ENVIRONMENTAL IMPACT ASSESSMENTS

YVR conducts environmental reviews of all proposed projects, in accordance with Section 67 of the *Canadian Environmental Assessment Act*. These reviews identify potential impacts, such as loss of sensitive habitats, and include an analysis of potential social impacts.

Our Environment team regularly monitors construction projects to ensure mitigation efforts are implemented and are effective. We conducted more than 130 site visits in 2016 to 18 different construction projects and we are pleased to share that in 2016 no projects were found to cause significant adverse environmental or social effects. YVR also regularly monitors projects to ensure mitigation efforts are implemented and we undertake regular archaeological assessments to ensure projects do not impact heritage values; in 2016 no new archaeological assessments were required.

In addition to environmental reviews and monitoring, YVR regularly conducts sustainability assessments for new operations and facilities, looking at how they will affect the environment and communities. To do this, we developed the

<sup>1</sup> See the Consolidated Financial Statements, which start on page 154, for more information.



Sustainability Case Document (SCD), which is a tool that helps us consider an array of options. After narrowing down our choices to the most viable options through the SCD, we then develop a comprehensive sustainability matrix to rate each option based on specific criteria identified in the areas of social, governance, economic and environment.

## NATURAL HABITAT MANAGEMENT

Through YVR's Natural Habitat Management Program, we strive to protect important ecosystem values and functions while proactively managing wildlife hazards. We lease 1,340 hectares of land on Sea Island and are responsible for striking a balance between safe airport operations, wildlife control and environmental protection. We have developed a habitat enhancement program to identify opportunities to improve aquatic habitats and in 2016 we made great progress towards protecting and enhancing biodiversity and ecological health.

## Sustainable Landscapes

We constantly improve our landscaping practices, which include the types of grasses we use airside and larger plantings we use as features. In 2016, we researched possible native plant species replacement choices that would reduce the need for watering, repel invasive plant species and keep our runways clear of birds.

## Invasive Species and Pest Management

We created an Integrated Pest Management Plan, which will limit the airport's impact on biodiversity by committing to key principles: identifying pests and invasive species, using ecological approaches to pest management, using accepted best practices and using a risk-based approach. Under this plan, we aim to reduce the use of chemical herbicides and pesticides and will continue identifying and removing invasive plants from airport lands, controlling the spread of Japanese knotweed and Giant Hogweed.

## Contributions to Conservation

We constantly seek to restore natural habitats and we work with our neighbours to minimize any impacts to existing wildlife. There are currently no known International Union for Conservation of Nature (IUCN) Red-Listed species with critical habitat on airport land.







YVR coordinates and sponsors the annual Great Canadian Shoreline Cleanup in cooperation with the Vancouver Aquarium on Sea Island at Iona Beach. And as part of the habitat compensation project related to the North Runway construction, YVR supports the Delta Farmland & Wildlife Trust to plant winter cover crops south of the airport to feed migrating waterfowl.

### Wildlife Management

YVR is located on a migratory bird path and as a result we have a responsibility to ensure safe aircraft operations while conserving wildlife. We use limited pesticides to reduce bird-attracting insects and the YVR Wildlife Team patrols the airfield year-round, using lethal and non-lethal methods—trained dogs, pyrotechnics, sirens, falconry, trapping and translocation, lasers and stock whips—to scare and disperse hazardous wildlife. In 2016 the Wildlife Team began using new, non-lethal pyrotechnics, with a range of up to 10 times greater than our previous versions. This improved capability has allowed us to manage birds at greater distances, increasing our effectiveness.

During 2016, we moved 1,032,913 birds away from aircraft operating areas using active control techniques and we safely captured and released 142 raptors—including Red-tailed Hawks, Great-horned Owls and Coopers Hawks—through our Raptor Trap & Translocation Program. This program is a leader in collecting re-sighting data on translocated raptors, providing YVR with a better understanding of risk and raptor ecology.

In 2016, there were 225 bird strike incidents, a slight increase over 2015. These bird strikes included 268 birds struck by aircraft, a decrease from 2015. To maintain safe aircraft operations, the Airport Authority uses lethal control when necessary and in 2016 killed 305 birds, an increase from 212 in 2015.

We deter coyotes from entering the airfield through a variety of methods including buried fences and grated culverts. Our wildlife team monitors the perimeter fence year-round to minimize the risk of coyotes accessing the airfield and uses a range of methods to scare them away from runways. The Airport Authority uses lethal control when necessary and in 2016 culled five coyotes.





## HAZARDOUS MATERIALS MANAGEMENT

We employ a lifecycle approach to hazardous and controlled products—from carefully selecting green and less harmful products at the outset to managing the storage, transportation, use and cleanup of the products while onsite to ensuring the proper disposal of products offsite. Through the Hazardous Materials Management Program, we educate employees and advise our contractors on these key elements and we inspect and audit our facilities and operations to minimize risks associated with hazardous product use. We also assess our tenants through annual auditing to ensure they are complying with hazardous materials regulations, including the use of pesticides and other hazardous materials.

Under the Hazardous Materials Management Program, we research product options and provide the technical expertise to assess less harmful products for people and the environment. We track existing and pending regulations on material bans and restrictions and we audit the number and quantities of controlled products and look at locations and work activities to assess how best to eliminate or substitute materials.

We work with our contractors and business partners under the Hazardous Materials Management Program to dispose of hazardous materials following applicable Federal and Provincial regulations. Our Environment team is responsible for tracking and storage and we use a third party to oversee proper hauling, recycling and disposal of hazardous waste. In 2016, we recycled and disposed of 4,913 kg of hazardous waste, an increase from 3,832 kg in 2015. At the same time, we recycled and re-purposed 11,280 litres of waste oil, waste oily water and antifreeze—89 per cent more than 2015.







## Spill Response

Our Spill Response Plan provides clear guidance on preventing and mitigating releases of hazardous substances and ensuring their effective cleanup if a spill occurs. We regularly track existing and pending regulations on hazardous substances and our staff is on call 24/7 for emergency spill management.

In 2016, we recorded 134 spills, an increase of 27 per cent over 2015. All of these spills were considered small, meaning less than 100 litres—a three per cent improvement over 2015. Hydraulic oil from baggage loaders and lavatory fluid from aircraft accounted for the majority of total utilities spilled.

## WATER MANAGEMENT

Our Water Quality Program aims to prevent pollution from entering surface waters. We do not discharge water into the environment; instead, we send all waste water to a sewage treatment facility. We constantly investigate methods of managing runoff and recently installed new infiltration swales and raingardens to reduce water pollution. We have a robust monitoring system, we strategically use oil-water separators and de-icing pads and we educate the Sea Island community about water quality.






Winter Ops


Under our Water Quality Program, we set clear targets for reducing impacts to water quality. This includes a 2020 target that strives for zero water samples with glycol concentration above the Canadian Glycol Guideline level of 100 mg/L. In 2016 we tested 279 water samples from airport stormwater runoff for glycol. Two of these samples had glycol at concentration levels above the guideline.

While YVR did not achieve our target of zero water samples above the glycol guideline, we recognize that 2016 was a challenging year for snow operations. In December 2016, our snow operations team was put to work for the first time in about 1,000 days—with five days of snowfall and one of the longest cold-weather periods on record. During this time, we applied 1,567,860 litres of deicing fluid, 209 per cent more than in 2015.

We are proud of the work this team did and we will continue to strive for our glycol target in 2017 and beyond.



GLYCOL SAMPLING DATA	
Samples above 100 mg/L	
2012	1
2013	1
2014	4
2015	0
2016	2







## SEA ISLAND AIR QUALITY

YVR has a commitment to reduce air pollution and tracks its air quality through continuous ambient air quality monitoring. We report data to the National Pollutant Release Inventory (NPRI).

In 2016, we continued to participate voluntarily in the Lower Fraser Valley Air Quality Monitoring Network. As part of this network, Metro Vancouver operates an air quality monitoring station located at YVR east of the south runway, near the community of Burkeville. Data collected from this station is displayed on a live stream through Metro Vancouver's website. Metro Vancouver analyzes this data each year to demonstrate trends and performance against annual, hourly, and 24-hour objectives. Data is released in May of each year in the Caring for the Air report and is presented in the following table, compared with several of Metro Vancouver's current ambient air quality objectives.

The Caring for the Air report details regional advisories and trends in air emissions data. In 2015, Metro Vancouver issued air quality advisories in July and August due to high levels of fine particulate matter due to wildfires outside the region. They also issued an air quality bulletin, which included Richmond, in November. In addition to these regional air quality concerns in 2015, YVR exceeded the Metro Vancouver ambient air quality objectives for inhalable particulate matter (PM<sub>10</sub>). This was due to the Runway End Safety Area construction project. Several measures were implemented to mitigate dust concerns in 2015.

We submitted a report to the NPRI in 2016 for the 2015 emissions period and found that we had the same substances below the reporting thresholds as reported in 2014—Carbon Monoxide, Sulphur Dioxide, Oxides of Nitrogen and Volatile Organic Compounds. Additionally, the amount of asbestos disposal from the demolition of older structures was below the reporting threshold in 2015, which is a decrease from 2014. The only substance that was slightly above reporting is particulate matter from boilers, emergency generators and dust. 2015 particulate matter levels were very slightly above 2014 levels; hence, our initiatives are continuing to have a positive effect with increasing passenger volumes. YVR also voluntarily retires older non-road diesel equipment to reduce emissions to the environment.



## YVR Air Pollutants

Annual Averages	2012	2013	2014	2015*	Metro Vancouver objectives
Nitrogen Dioxide (NO <sub>2</sub> ) (ppb)	14	14	15	14	21
Carbon Monoxide (CO) (ppb)	239	244	239	254	No annual average
Sulphur Dioxide (SO <sub>2</sub> ) (ppb)	0.8	0.7	0.6	0.4	11
Fine Particulate Matter (PM <sub>2.5</sub> ) (µg/m <sup>3</sup> )	4.2	6.3	6.4	6.0	8
Fine Particulate Matter (PM <sub>10</sub> ) (µg/m <sup>3</sup> )	11.1	11	11	12.8	20
Ozone (O <sub>3</sub> ) (ppb)	18	16	17	16	No annual average

\*2016 data will be available in May 2017

## MANAGING NOISE

YVR strives to be a good neighbour and has a comprehensive approach to mitigating the impacts from aircraft noise. Our Aeronautical Noise Management Program seeks to minimize the level of disturbance to those living in the vicinity of the airport, while recognizing the need for 24-hour airport operations.

YVR's Aeronautical Noise Management Program has come a long way, starting with a noise monitoring system in 1988 to a modern-day, multi-faceted program that meets the challenges of a growing airport. Our program includes a wide range of initiatives, from increased engagement with community representatives through our Aeronautical Noise Management Committee (ANMC), to our support of international efforts to develop noise mitigation standards. In 2016, we conducted noise impact studies associated with YVR's growth to support our Master Plan process. We also conducted research on the use of increased glideslope as a potential noise mitigation strategy and we presented our Noise Management Program to students at UBC. We are constantly improving the program and encourage the community to reach us through [yvr.ca](http://yvr.ca) for more information.

YVR currently uses the Aircraft Noise & Operations Monitoring System to monitor aircraft operations and noise levels at 20 permanent locations throughout Metro Vancouver. The data collected helps us understand the impact of aircraft noise in communities, perform trend analysis, investigate noise concerns and select winners for the annual YVR Fly Quiet Awards.

## YOUR FEEDBACK

Our 2016 community survey of Metro Vancouver residents shows that only 14 per cent of respondents reported being annoyed by aircraft noise—down from 15 per cent in 2015. We received 1,886 noise concerns in 2016—a 13 per cent increase from 2015—with the top three complainants accounting for 73 per cent of concerns. The number of individuals who registered a complaint increased slightly, from 298 in 2015 to 301 in 2016.

## GROUND RUN-UP ENCLOSURE

2016 marked the fifth full year of operations for our Ground Run-Up Enclosure (GRE), a noise reduction structure that primarily serves business jets and propeller aircraft on the south side of the airport. In 2016, the GRE accommodated 1,064 run-ups, an increase from 2015. We received 51 noise complaints from 21 people regarding run-up noise and 41 per cent of these complaints came from one person.

## FLY QUIET AWARDS

2016 marked the 11th year of the YVR Fly Quiet Awards. This annual award acknowledges airlines that demonstrate good noise management practices, with winners selected based on having the lowest average measured noise levels and being in good standing with the YVR Noise Abatement Procedures. YVR selects winners based on three aircraft classes: wide body, narrow body and propeller. The winners are:



Propeller



Narrow Body



Wide Body







116	<b>Our Community</b>
118	Our People
126	Health and Safety
132	Respect and Equality
138	Connecting with Communities
144	Communications

# OUR COMMUNITY



We are committed to serving our region and we do this through a dedicated and diverse team, who live and work in our communities—and who give back, every day, through a commitment to excellence.





# OUR PEOPLE



**Dream Employer of BC**



**Named one of BC's Top Employers—ten years in a row**

Our success starts with an engaged and motivated team, which cares for every customer and takes pride in their work. In 2016 the core YVR team grew to 459 employees, 348 of whom are members of the Public Service Alliance of Canada.

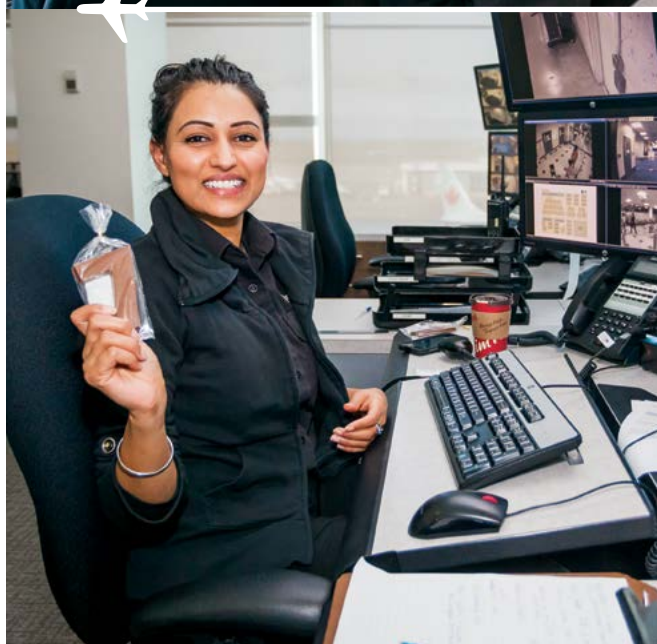
Our 10.7-year average length of employee service and our voluntary turnover rate of under three per cent demonstrate a healthy and motivated workplace. And our ranking as one of BC's Top Employers—for the tenth year in a row—and Dream Employers of BC award show that we are getting noticed.

## CAREER DEVELOPMENT

We are committed to supporting our employees. We maintain a target of 35 hours of training per employee during each year and we exceeded this target in 2016, with an average of 36 hours.



**Excellence in Human Resources Recognition Program – Overall winner**





## Performance Management

Performance Management is the continuous process of setting objectives, assessing progress and providing ongoing coaching and feedback to ensure that employees are meeting their objectives and career goals. As part of this program, employees outline their objectives and development plans each year and then meet with their managers to obtain performance feedback and ideas for improvement, culminating in a final review. In 2016, we achieved a 94 per cent completion rate for Union employees and a 93 per cent completion rate for excluded employees.

## Continuous Learning

Our Human Resources team manages a number of programs that support continuous learning and development.

In 2016, we offered 218 courses through the Corporate Learning and Development Program, many of which were led by our employees. This program is available to all employees and includes a mix of internal and external courses, aligned to desired learning outcomes.

Through our Management and Leadership Development Program, we provide guidance to help our leaders grow. Our managers are enrolled in a five-year certificate program with the University of British Columbia's Sauder School of Business. In addition, all Directors will participate in Rotman's Executive Leadership Development Program.

We provide access to a number of online courses. This includes Harvard Manage Mentor, a learning and performance support resource that combines the latest in thinking and proven practices from Harvard Business Publishing's world class experts, as well as LifeSpeak on Demand, which offers modules ranging from diversity to stress management and resilience to financial planning and relationship health. In 2016, we asked our employees to complete a Business Ethics course and invited them to share relevant scenarios that they may have encountered or experienced so that we can create a customized, YVR-specific Business Ethics training program for 2017.

We continued to support YVR's Managing My Career, a process that assists employees in developing their custom career development plans. Located on YVR's corporate intranet, employees have access to guidelines, a process map, a checklist and career success stories. They also have access to myLearning, a library that contains all courses available for Airport Authority employees including instructor-led training or computer-based training.



## Innovation

We offered several programs with a focus on innovation—one of our key values. We partnered with the Sauder School of Business to offer a new YVR Innovator course to employees, modeled on our successful Creativity and Innovation course from the previous year. We also offered a new, two-hour program called Foursight, which looks at how employees bring innovative approaches through their own perspectives.

### *Growing Good Ideas*

At YVR, we love watching great ideas take off. Our new Innovation Accelerators program encourages employees to pitch their creative ideas by planting a seed in the Innovative Garden, located on YVR's corporate intranet, with the aim of receiving funding for a pilot. As an idea gains traction and support, it grows from a seed to a full flower and is then trialled at the airport.

We received 54 great ideas in 2016 and six of these fully blossomed into tangible projects. This included an internal employee directory, a centralized waste sorting station for YVR's food courts, safety guards between airline check-in desks and the baggage belt (to minimize lost items and maintenance) and a custom-designed dashboard for taxi usage to help manage fleet deployment. We look forward to many more great ideas in 2017 and turning last year's winners into real airport improvements.





## Formal Education

Our HR team supports a number of formal education programs, including the Industry Training Authority Apprenticeship Program, external training for professional development and a Long-Term Education program where we offer up to \$20,000 of tuition reimbursement on the successful completion of education programs. We also provide up to 20 scholarships each year for our employees' children and in 2016 five employees accessed this program, receiving \$750 per scholarship.

YVR has an active paid co-op student program that provides an exciting and valuable environment for training and career exploration. In 2016, we filled 51 four-month co-op terms with bright, young professionals. These individuals brought fresh new ideas and perspectives to YVR. Over the years, a number of students who started through co-op programs have moved on to become permanent members of the team.

## Skilled Trades

To ensure we maintain a diversified team, we encourage our skilled trades employees and supervisors to develop a second trade. In 2016, 77 per cent of our eligible maintenance trade groups were dual-ticketed or in the process of becoming dual-ticketed. We also supported eight tradespersons who completed 1,280 hours in classroom training, 9,120 hours in practical training and 28,175 in total workplace hours in their respective program.





## Training Hours

We invested 17,257 training hours for Airport Authority employees in 2016, averaging 36 training hours per person. All full-time, part-time, term and casual employees are included in this count, for a total of 476 employees (189 women, 287 men) as of December 31, 2016. Casual employees are included in this count as some operate in high-risk positions and partake in a number of health and safety-related training courses. Apprenticeship classroom training hours are included and students are not included.

	Total Training Hours	Average
Women	7,100	37 hrs/woman
Men	10,157	35 hrs/man
<b>Total</b>	<b>17,257</b>	<b>36 hrs/employee</b>

Unionized (348) and excluded (128) employees received an average of 35 hours and 39 hours of training, respectively, in 2016.

Employee Class	Total Training Hours	Average
Excluded	5,001	38 hrs/excluded
Unionized	12,256	35 hrs/unionized

In 2016, we had 135 employees in high-risk positions. On average, these employees received more than twice the hours of health and safety training as employees in low-risk positions.

	Total Training Hours	Average
Health and Safety	3,002	6 hrs/employee
<b>Health &amp; Safety Training Hours: High and Low Risk</b>		
High Risk	1,429	11 hrs/employee
Low Risk	1,573	5 hrs/employee

*For more information on Health and Safety, see page 126.*





## RECOGNITION

In 2016, we continued our tradition of recognizing employees in meaningful and creative ways.

Our Stellar Awards reflect our core values and are the highest form of recognition YVR employees can receive. At our 2016 holiday party, we handed out three awards for safety, accountability and innovation to individuals and a teamwork award to a deserving team.



Sophie Wang, our Aviation Marketing Analyst, was awarded the Stellar Award for Innovation in 2016. Sophie built a database on her own to help increase our business intelligence knowledge when pitching to airlines. She took classes on the weekends to learn how to use the software and then built a customized version for YVR. In addition to delivering exceptional work, she constantly challenges herself and others around her to find better ways of doing things—which made her an exceptional choice for this award.

The Bravo Awards recognize those who have gone above and beyond their regular scope of duties. These awards range from thank-you cards to gift certificates. In 2016, we gave 169 to exceptional employees.

The Long Service Awards celebrate the long-term commitment of employees who have worked for the Airport Authority for 5, 10, 15, 20, 25 and 30 years at an annual banquet with the Board of Directors and Executive Team. In 2016, we presented 86 of these awards—a sharp increase from 48 in 2015.

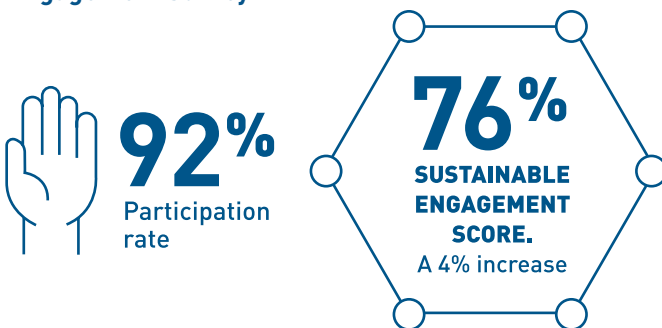


## EMPLOYEE FEEDBACK

The Airport Authority values its employees and encourages feedback through our bi-annual employee survey, all-employee meetings and the Airport Authority's corporate intranet.

We held three rounds of all-employee meetings in 2016, where employees had an opportunity to learn about what's happening in the organization and provide immediate feedback. We held eight meetings per round across multiple dates to accommodate our employees' shift schedules and filmed the meetings for those unable to attend. The average attendance was 74 per cent. In addition, we held three all-management meetings.

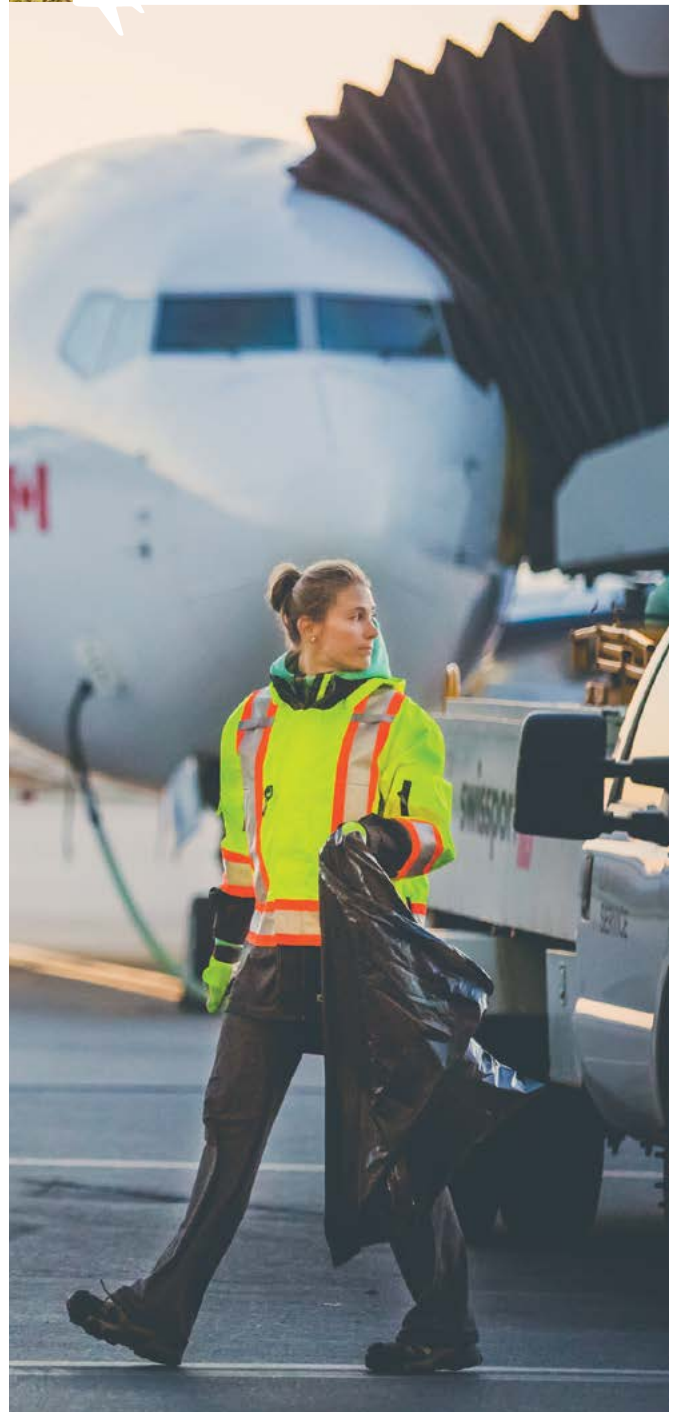
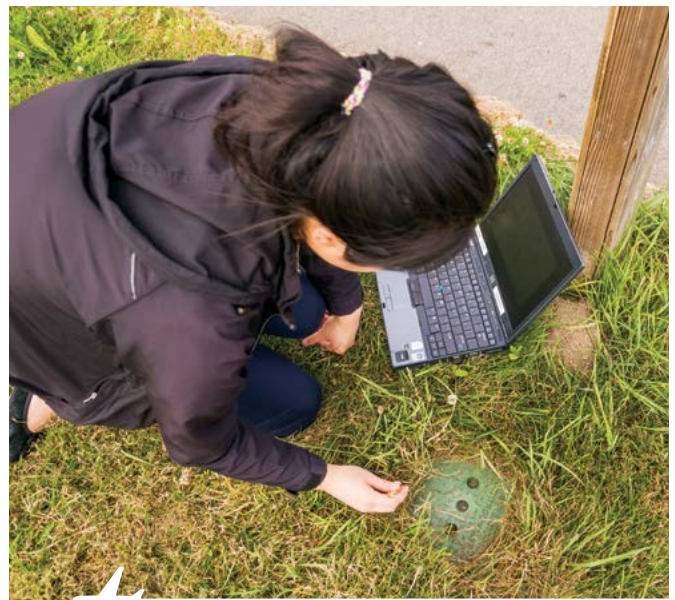
### Engagement Survey



In 2016 we held our bi-annual employee engagement survey. Based on Willis Towers Watson's Sustainable Engagement model, the survey consisted of 62 opinion items across 15 categories. Overall, the survey results were very positive, with a 92 per cent employee participation rate and all categories improving over 2014. Our key strength areas—Customer Focus, Goals and Objectives and Communications—demonstrate our teams' clear understanding of our commitment to customer care, corporate objectives and sharing information. Our most improved areas included Career Development, Performance Evaluation and Empowerment.

We made great progress with sustainable engagement, which is the lasting connection between employees and their organization, marked by a committed effort to achieve goals in environments that support productivity while maintaining personal well-being. Our overall sustainable engagement score is now at 76 per cent, four points higher than our 2014 result of 72 per cent.

We shared survey results at our all-employee meetings and posted them on the corporate intranet in July. Each management team presented the results to their teams, who were asked to develop a plan that details how they will sustain or improve their scores.



## WORKING WITH OUR UNION

Non-exempt employees of Vancouver Airport Authority are part of a bargaining unit with the Public Service Alliance of Canada Local 20221. 2016 marked the last year of the former Collective Agreement, which maintained harmonious and mutually beneficial relationships between the Airport Authority, the Union and the employees and outlined the terms of conditions of employment.

In October 2016, the Union and the Airport Authority negotiating teams met and exchanged bargaining proposals. A number of sessions took place in 2016 and the new Collective Agreement was ratified in 2017.

### Compensation and Benefits

Vancouver Airport Authority respects the privacy of each employee. Within the Collective Agreement that is printed and made available to all team members, the Airport Authority publishes its compensation salary structure reflecting a broad range of bargaining unit positions. The salary structure has 11 bands in it, each with six steps that employees progress through on an annual basis. This ranges from Band 1, with an entry level salary position at \$34,689 and a maximum at \$45,336, to Band 11, which includes roles such as IT Business Analyst, Environmental Specialist, Senior Project Engineer and Corporate Financial Analyst—with a starting salary of \$80,708 and a maximum of \$105,479. The median base salary for Union employees in 2016 was \$78,403. The Collective Agreement provided for a 2.25 per cent salary increase in 2016 to bargaining unit employees.

Union and management jointly developed the job evaluation system that ensures gender neutrality and internal equity.

The Airport Authority provides employees with a competitive compensation and benefits package in relation to the Greater Vancouver regional job market.

The Collective Agreement benefits package includes an RRSP contribution program where the employee contributes six per cent and the Airport Authority contributes an additional seven per cent. Additional employer paid benefits include medical, dental, extended health, long-term disability, sick leave, employee assistance for the employee and family members and life insurance. The Airport Authority pays 100 per cent of the premium cost of all benefits except long-term disability. Employees pay 15 per cent of the premium cost for long-term disability.

In 2013, the Airport Authority negotiated a pilot for the Shared Performance Pay program for Union employees, which was put in place for 2014–2016. When the organization achieves specific financial targets, employees receive a shared incentive payment, between \$500–\$1,250 per employee based on Net Operating Margin (revenues excluding the Airport Improvement Fee). In 2016, eligible employees received a Shared Performance incentive of \$879 per person for exceeding the target.

Management and excluded employees also participate in an incentive program based on corporate and personal performance.

In 2016, Vancouver Airport Authority spent \$51.47 million on salaries, wages and benefits. We added 27 new permanent roles across the organization to our existing base of employees, for a net job gain of 27 as there were no layoffs.

### Breakdown of YVR Employees for year ending December 31, 2016

	Management and Excluded Non-bargaining Unit	Bargaining Unit	Total
Full-time	123	311	434
Part-time	2	10	12
Term	3	10	13
<b>Total</b>	<b>128</b>	<b>331</b>	<b>459</b>

### Grievances and Arbitration

In 2016, the Airport Authority heard four grievances. Only one grievance was forwarded to arbitration, which will be heard in 2017.



# HEALTH AND SAFETY



The health and safety of everyone at YVR is our top priority. In 2016, we continued to focus on improving initiatives—through training, education and industry involvement.

## HEALTH AND SAFETY MANAGEMENT SYSTEM

YVR's integrated *Safety, Security and Environment Policy* provides the framework for our Health and Safety Management System. This system is verified by the three-year Certificate of Recognition program and is based on the Occupational Health & Safety Advisory Services 18001 standard.

## Certificate of Recognition

In 2016, we successfully passed our recertification audit through WorkSafeBC's Certification of Recognition (COR) Program, with outstanding scores of 95 per cent for the occupational health and safety management system audit and 96 per cent for the injury management audit. These high scores reflect our safe working conditions, which meet Canada Labour Code. We worked with two newly certified COR internal auditors and we will continue to make recommendations to improve our Health and Safety Management System.





## Occupational Safety and Health Committee

Under the Health and Safety Management System, our joint Occupational Safety and Health Committee reviews policies, programs and safe work practices on an annual basis—cross-referencing with applicable regulations, standards, guidelines and best practices.

Comprised equally of men, women, management and bargaining unit employees across departments, the Committee discusses, promotes, recommends and resolves safety and health issues through consensus. The Committee is active in developing and promoting our health, safety and wellness initiatives, along with regulatory activities such as conducting inspections and investigations and reviewing health and safety programs. In 2016, this team continued to set specific targets for health and wellness performance, including no lost-time accidents, zero non-compliances, training and attendance.

Employment and Social Development Canada (ESDC) issued one Assurance of Voluntary Compliance (AVC) citing 14 minor workplace health and safety non-compliance items. All 14 items were addressed and corrected.

## NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH WEEK

From April 28 to May 6, YVR participated in the North American Occupational Safety and Health (NAOSH) Week, which is a continent-wide event that highlights the importance of increasing understanding, raising awareness and reducing injuries and illness in the workplace, at home and in the community.

We started NAOSH week with the annual Day of Mourning ceremony, an event where we honour the memory of workers who have been killed, injured or suffered illness as a result of work-related accidents and illness. While there were no such losses at YVR, this important event set a strong reminder of why safety is our number one priority.

NAOSH week included a range of activities to promote health and wellness such as courses and presentations on mental health, workplace violence de-escalation and proper use of fire extinguishers. It also included a Core Conditioning Fitness program, yoga and the annual Foreign Object Debris Walk, which saw a large number of employees clear the airfield of debris.



## INDOOR AIR QUALITY

In accordance with our Environmental Air Quality Program, we have three industrial hygienists and a multitude of Indoor Air Quality (IAQ) monitoring equipment to keep air quality in check. This includes CO<sub>2</sub> sensors, which monitor and regulate building ventilation. In 2016, our Health & Safety team conducted baseline and ongoing IAQ assessments in our International Terminal Building to monitor potential air quality impacts for a significant construction project. They found the air quality was within acceptable levels, as determined by Canada Occupational Health and Safety Regulations and WorkSafeBC Occupational Health and Safety Regulations.

## WELLNESS

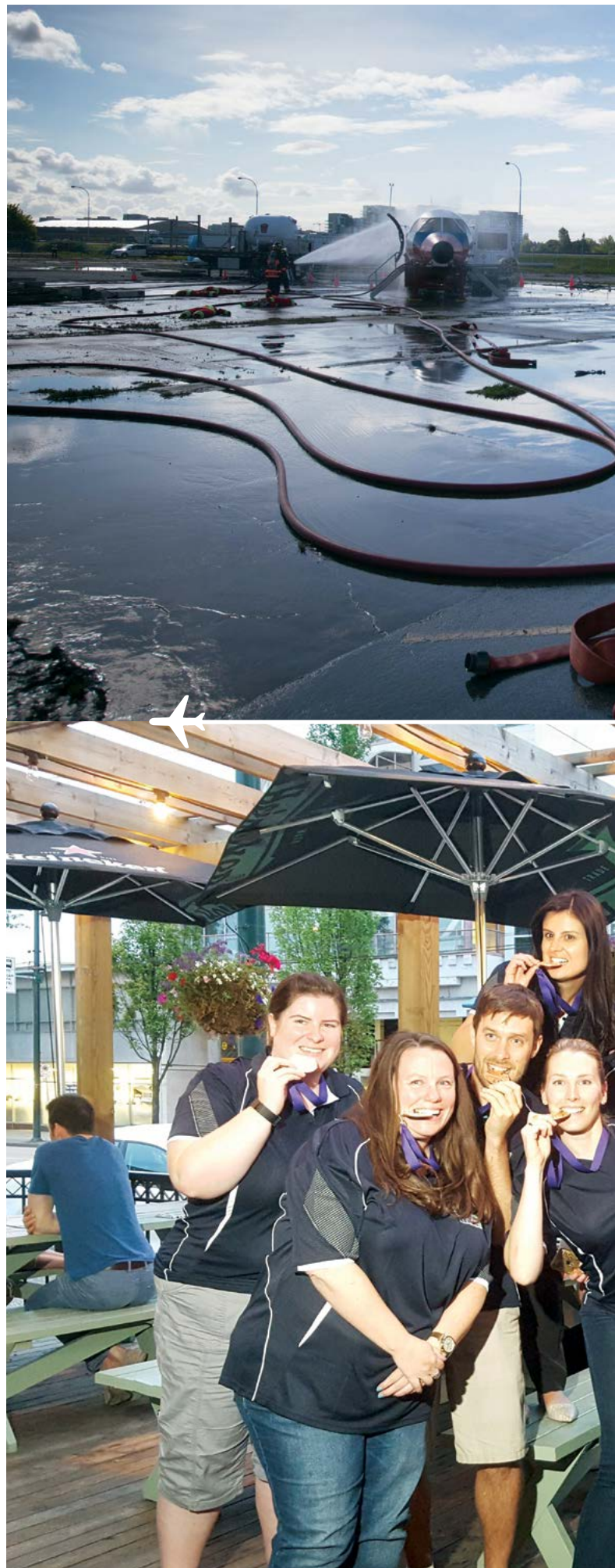
Our incentive-based Wellness Program, now in its fifteenth year, continued to support our *Social Policy* by promoting health and wellness through fitness classes, mental health courses, lunch-and-learn sessions, career development training and community involvement. Our employees continued to engage, with 90 per cent participating in the program through various events and functions. We emphasized all aspects of wellness, including mental health, into workplace initiatives and will continue to build on this momentum in 2017. We provided financial incentives through a detailed system of points that awards people up to \$210 per year as gift cards in pursuit of their health and social goals. And we provided two permanent accommodations and 12 temporary accommodations for employees and conducted five formal employee health and safety investigations.

### Corporate Champions!

In June, over 100 Airport Authority employees participated in 29 sport and activity teams across 12 events at the annual Corporate Champions Vancouver competition. For the first time, the Airport Authority placed first overall in the entire competition among 65 organizations, with six gold, two silver and five bronze medals.

## LOST-TIME INJURIES

We measure health and safety performance by tracking any at-work injuries that result in an employee missing work. In 2016, we had four lost-time injuries and 29 lost-time days. This did not meet our zero target.







## WORK FROM HOME PILOT

We believe in offering a flexible working environment and in 2016 we took this commitment one step further with our new Work from Home pilot. Open to all full-time, day-shift Union employees, the project included 14 participants from a range of departments, with the majority opting for one set day or flexible day per week. The feedback from these participants was very positive.

## EMERGENCY RESPONSE PROCEDURES

To ensure we maintain the best safety standards, we have an Emergency Management Plan focused on three principles—prevent, prepare and practice—integrated with a Crisis Communications plan focused on delivering open, honest and timely information. In 2016, we tested and improved our plans through tabletop exercises and emergency simulation drills. We look at the physical impact to the facility and airfield as well as the social impact as we coordinate with local municipalities, hospitals and key stakeholders to prepare for large-scale emergencies. We involve the local community in our training and emergency preparedness, sharing information and learning from their programs. In 2016, we participated as a contributor and as an observer in the Provincial Government's major earthquake and tsunami exercise Coastal Response.

## Tabletops and Live Exercises

Every year, we conduct a series of small to medium-scale exercises to test and discuss our expected emergency responses. During 2016, we participated in a Contagious Disease Tabletop exercise with the Public Health Agency of Canada, which brought representatives from the airport community together to discuss responses and strategies for dealing with a potential viral outbreak. We also hosted an aircraft crash tabletop with our responder and partner agencies. Both exercises provided valuable training and helped YVR and our partners identify areas to improve. The Communications team held three tabletops to further discuss responses to security and operational threats and updated the Crisis Communications Plan to better meet the rapidly changing nature of traditional and online media.

In 2016 we began planning for our bi-annual, full-scale emergency exercise, which will take place in April 2017. The exercise will include a large number of participants across multiple agencies, testing our Emergency Management Plan and those of our partners while providing valuable insights that help us improve our emergency response procedures.



## Earthquake Preparedness

YVR conducts annual safety drills to ensure employees are informed and prepared for emergencies. We conducted a building assessment drill involving our employees that are trained to perform rapid damage assessments and we participated in the Great BC ShakeOut Earthquake drill. In addition, we conducted an evacuation drill for our team of trained Floor Wardens.

## Incident Command Training

To ensure that YVR and our partners operate under the same emergency response principles when involved in major incidents, we partnered with the Justice Institute of BC to provide YVR-tailored Incident Command System (ICS) training in 2016. The ICS training included YVR operations and communications employees, emergency responders and partner agency personnel.

## Universal Access

In 2016, we completed a number of terminal improvements that will help us ensure we put social considerations into our Emergency Response program. We developed a Universal Access Coordinator position in our Emergency Operations Centre to provide support for persons with disabilities. We deployed stair-descending equipment in areas that rely on elevators for vertical access. We also started upgrading the communications capabilities in our Areas of Refuge, from the basic alarm notification system to two-way voice communications.

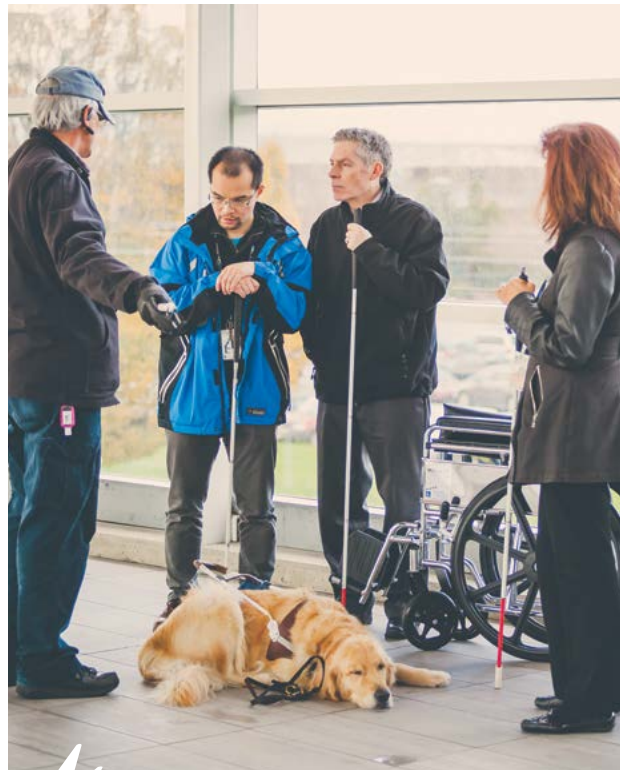
## COMMUNITY PROGRAMS

While we constantly ensure that our employees adhere to strict safety requirements, we also understand that it is our responsibility to work with the public to help make our airport safer.

## Airport Watch

YVR and Securiguard recently launched Airport Watch—a volunteer, community-based initiative, modeled after Neighbourhood Watch, that seeks to improve the safety and security of our airport by engaging active community members. Airport Watch members provide extra eyes and ears around the airport perimeter, recording and reporting any suspicious activities. YVR recruited several community members to the Airport Watch team in 2016 and will work with this team to further develop the program in 2017.

*More information on the program is available at [yvr.ca/airportwatch](http://yvr.ca/airportwatch).*









# RESPECT AND EQUALITY



YVR's vibrant and diverse workforce reflects the communities we live and work in. We comply with the *Employment Equity Act* and to ensure fair employment practices across our organization we regularly identify areas for improvement through voluntary surveys, workshops, audits and interviews. We also conduct a number of initiatives that promote respect and equality.

## EMPLOYMENT EQUITY

The Airport Authority aims to have a diverse and inclusive workforce. As part of our organizational commitment to employment equity, we identify occupational gaps in our workforce and set specific hiring targets for the four designated groups including women, Aboriginal Peoples, persons with disabilities and members of visible minorities. In addition to creating a new employment equity position in 2016, we provide extensive training on diversity and respect in the workplace. We publicly report on our progress annually with semiannual internal updates between Human Resources and the Executive Team. Responsibility for achieving equal employment rests at a high level within the Airport Authority.

Each year, the Airport Authority evaluates its employment equity progress. We set targets based on the demographics of designated groups in the National, Provincial and Metro Vancouver recruitment areas using current labour market data.



The following table is a summary of the Airport Authority's year-end 2015 representation levels compared to labour market availability. The figures indicate the difference in the actual number of employees when comparing our

representation by occupation groups to labour market availability. The shaded cells denote where we have gaps of more than one.

Occupational Group	Women*	Aboriginal Peoples*	Persons with Disabilities**	Members of Visible Minorities*
Senior Managers	1	0	-1	-1
Middle & Other Managers	7	-2		5
Professionals	1	-2	-3	17
Semi-Professionals & Technicians	0	-2	-2	1
Supervisors	-1	0	0	0
Supervisors: Crafts & Trades	1	0	0	3
Admin & Sr. Clerical Personnel	8	0	-1	-3
Skilled Crafts & Trades Workers	2	-1	-1	6
Clerical Personnel	4	0	1	-2
Intermediate Sales and Service Personnel	0	0	0	0
Semi-Skilled Manual Workers	0	-1	0	0
<b>Total</b>	23	-8	-7	26

\*Source: 2011 National Household Survey

\*\*Source: 2012 Canadian Survey on Disability

### Airport Authority Demographics vs Labour Market Demographics (2015\*)

Designated Group	Airport Authority	Labour Market**	Airport Authority Representation
Women	37.6%	32.5%	+5.1%
Aboriginal Peoples	0.9%	2.8%	-1.9%
Persons with Disabilities	2.5%	4.4%	-1.9%
Visible Minorities	29.2%	23.4%	+5.8%

\* 2016 data was unavailable at the time of reporting

\*\* Includes combined Metro Vancouver, Provincial and National employment data

The Airport Authority has an Employment Equity Plan that outlines initiatives and goals to reduce potential barriers for the designated groups. Special measures are in place to address potential barriers for certain occupational categories, in particular Aboriginal Persons and persons with disabilities. Targeted recruitment and internal

awareness training are ongoing approaches towards removing barriers and achieving alignment to labour market availability. In 2016, for instance, the Airport Authority attended three career fairs for Aboriginal Peoples and sponsored the Project EveryBODY Employment & Hiring Fair for persons with disabilities at the airport.



## **RESPECT IN THE WORKPLACE AND NON-DISCRIMINATION POLICY**

Vancouver Airport Authority is committed to providing a work environment where all employees are treated with dignity and respect, as noted in our *Social Policy*. This includes the right for every employee to work in an atmosphere that promotes respect, consideration and is free from personal harassment, bullying or discrimination. Our commitment aligns with the obligations under the *Canadian Human Rights Act*, which prohibits discrimination in respect to employment. For instance, our Collective Agreement includes a No Discrimination provision. The *Respect in the Workplace Policy* includes definitions, examples and a complaint process that encourages employees to deal with interpersonal issues by first speaking directly to the other person involved. To ensure employees understand the Policy, we provide Respect in the Workplace training in our new employee orientation process. The Airport Authority commits to investigating all complaints in an objective manner. If a complaint is found to have merit, then decisive and suitable action will be taken. In 2016, we investigated four formal complaints through an external party. Only one complaint was found to have involved conduct that was deemed harassment under the Policy and corrective measures were taken.

## **WOMEN IN MANAGEMENT**

We remain committed to achieving gender equity at all levels of the organization including on our leadership teams. At the end of December 2016, women accounted for 41 per cent of our management team and 44 per cent of the Officers of the Executive. In 2016, women accounted for 36 per cent of the Board, including the Chair of the Board.

Since 2014, the Airport Authority has sponsored the Women in Management program—an initiative that promotes and supports the advancement of women in the workplace. In 2016, we held bi-annual meetings for the program on inclusive leadership and resiliency. We have sponsored women's coaching circles since 2014 and at present the majority of women in management participate, with 12 senior leaders sponsoring five coaching circles.

## **EMPLOYMENT EQUITY AND DIVERSITY TEAM**

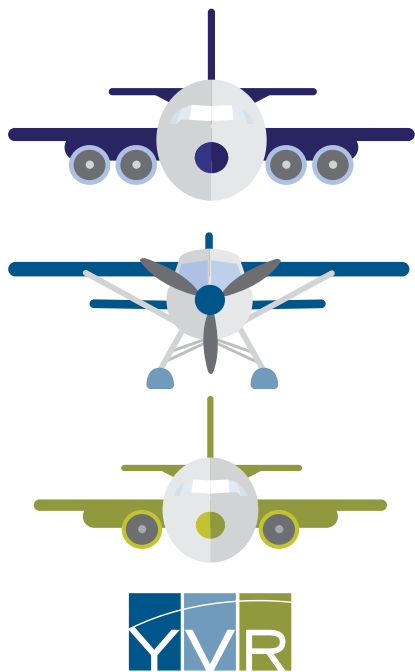
Vancouver Airport Authority has an Employment Equity and Diversity Team comprised of employee and employer representatives, including the President of the Local Union and employees from the designated groups. The team's mandate is to oversee the implementation of the employment equity programs with the objective of developing fair, equitable and barrier-free employment practices. The team meets quarterly to review employment equity statistics and annual submissions and provide feedback towards identified initiatives. This team also sponsors our annual Diversity Awareness Month.

In October, we hosted a number of initiatives for Diversity Awareness Month. This included a speaker series with diverse topics on the LGBTQ community, advancement of women, Indigenous Peoples and persons with disabilities. Speakers included: Dara Parker, an advocate for LGBTQ rights and awareness; Minister Michele Stilwell, Provincial Minister of Social Development and Social Innovation and Paralympic champion; and Dr. Gwen Point, the Chancellor of the University of the Fraser Valley and respected Indigenous educator.

## **EMPLOYEE AWARENESS**

We offer regular training to our employees on preventing workplace discrimination. We encouraged employees to attend diversity-related training in 2016 on the topics of LGBTQ awareness, Autism Spectrum Disorder awareness and disability awareness. A large portion of our management team also received Unconscious Bias training, a new course focused on identifying bias to ensure a fair employment process.

## YVR EMBRACES DIVERSITY.



## Queer Competency Training



### Customer Service Program – First place

For the first time, we partnered with QMUNITY to deliver an experiential workshop to help employees better understand diversity and become more inclusive. In addition to providing employees with a terminology booklet, we held two sessions in 2016 and invited a well-known LGBTQ advocate to present to our employees as part of Diversity Month. The feedback from this workshop has been very positive and will help us evolve and tailor the training program for 2017 and beyond.

## INDIGENOUS PEOPLES ENGAGEMENT

The Airport Authority recognizes that Indigenous Peoples are an important part of the community we serve. We honour the traditional and contemporary culture of Indigenous Peoples and we commit to mutually beneficial and resilient relationships based on respect, trust and meaningful engagement.

In 2016, we completed our draft Indigenous Peoples Engagement Strategy. The strategy contains actions across three time horizons: Short Term (2016), Medium Term (2017) and Long Term (2018 and beyond). It serves as a roadmap for our journey to create thriving, respectful and resilient relationships with Musqueam and other Indigenous Peoples in our region and across Canada. This is a starting point and reflects our preliminary thinking on how we should be moving forward. The principles of this strategy, which include respect, collaboration, inclusivity and innovation, align with various Articles in C169—Indigenous and Tribal Peoples Convention, 189 (No. 169). In 2016, we met and engaged with our Indigenous Peoples partners to obtain feedback and identify areas of collaboration.

We continue to send our job postings to local First Nations and have expanded this to include post-secondary institutions with programs for Indigenous students. The expanded outreach resulted in a successful practicum opportunity in 2016 for a local Indigenous student participating in a training program through the Tsleil-Waututh and Squamish Nation





Partnership Training Center. The pilot practicum helped us understand how we can continue to partner with local First Nations to provide learning opportunities and work experience to Indigenous job seekers.

### YVR Art Foundation

YVR Art Foundation is a non-profit, charitable organization founded in 1993 by Vancouver Airport Authority that fosters the development and enhancement of B.C. and Yukon First Nations art and artists. The Foundation is partnered with three B.C. museums and has expanded its partnerships to include the Bill Holm Centre for the Study of Northwest Native Art at the Burke Museum in Seattle and the Field Museum in Chicago. The Airport Authority has an ongoing partnership agreement with the Foundation and in 2016 contributed \$100,000 and other in-kind support. A volunteer Board of Directors governs the Foundation, while an Executive Director oversees its operations with the support of a Program Coordinator who manages the Scholarships & Awards program.

To date, the Foundation has awarded scholarships and awards to over 90 youth, mid-career and master artists. The Foundation provides a unique opportunity for scholarship recipients to exhibit their art at YVR. Over 60 artists have exhibited, contributing to our award-winning sense of place.

In 2016, the Foundation awarded five Masterpiece Grants to artists from B.C. and the Yukon. Together with airline and hotel partners, the Foundation flew all Youth Scholarship Award recipients to Vancouver for a weekend to attend the Scholarship Awards Reception and see Vancouver museums and galleries.

### Live Art @ YVR Take-Off Fridays

During our 2016 Take-Off Fridays events, we invited several artists to demonstrate their skills for the public. This included two YVR Art Foundation scholarship winners: James Harry, a Coast Salish carver from Squamish Nation, and Cody Lecoy, a Coast Salish painter of Okanagan and Esquimalt ancestry. The artists were a big hit with the public, who appreciated the opportunity to learn more about their culture and traditions.

### UNIVERSAL ACCESS

YVR is committed to providing a positive airport experience for everyone. We focus on minimizing obstacles for people with disabilities and anyone requiring extra help.





## Training

In 2016, we held universal access working group meetings and we continued to train Airport Authority employees through a Disability Awareness Training program, in partnership with the Rick Hansen Foundation. Through this program, 55 per cent of our employees completed the Ramping Minds experiential training and 38 employees took our RespectAbility seminar.

We partnered with the Canadian National Institute for the Blind (CNIB) and we engaged the Western Institute for the Deaf and Hard of Hearing (WIDHH) to provide a terminal audit, complete with focus groups on YVR facilities. We worked with the Pacific Autism Family Centre to offer employees the Autism Spectrum Disorder Awareness Lunch & Learn. And our popular tours for persons with spinal cord injuries and families living with autism continued throughout the year.

We also completed a new computer-based training program to complement existing training programs, which can be shared with our business partners. This includes language and communication, information on terminal services and assistance techniques.

## Terminal Improvements

In 2016, we continued to improve the terminal to be more welcoming for everyone under our multi-year accessibility plan. We updated our washroom design and installed new inclusive signage. To better assist passengers who experience hearing challenges, we upgraded our visual paging system to include some of our Flight Information Displays (FIDs). We installed high-contrast tiles to support people with vision loss, providing directional orientation from International Departures check-in to security screening. And to improve in-terminal transportation, we conducted an in-depth review of guest transportation operations in collaboration with UBC Sauder Centre for Operational Excellence, which we will use to explore future internal options and look at ways to improve existing operations.

## Animal Relief Area

Travelling with service animals can be challenging, which is why YVR constructed and opened an animal relief area in the United States Departures area, making travelling with a companion animal more convenient and comfortable. The new area includes a range of accessibility features: touchless entry, lowered counters and an easy-to-maneuver interior, providing an easy and seamless experience for travellers with companion dogs, pets and assistance animals.



# CONNECTING WITH COMMUNITIES



YVR is a community-based organization: we receive no government funding and our mandate is to provide social and economic benefits to the people of British Columbia. We constantly share our story and success and in 2016 we shared a lot—launching the second phase of our Master Plan, attending 62 community event days across B.C. and kicking off a broad range of new programs and events.

## COMMUNITY INVESTMENT

**\$1+ MILLION  
DONATED**



**to community  
organizations**

At YVR, we have a responsibility to the communities we serve. Building meaningful relationships with the community through partnerships connects our business values with our social responsibility and this is reflected in our community investment program theme: *Caring Beyond, Every Day.*





A key component of YVR's Social Management System is to support our communities and in 2016 we did this through a range of methods—including donating over \$1 million to 65 organizations and an additional \$83,031 to organizations through one-time funding sources of lost and found money at the airport. Our coin ball money raised over \$16,241 and we donated another \$3,500 of in-kind donations—both to local organizations. Major funding contributions included YVR Art Foundation, Vancouver Fireworks Society, Canucks Autism Network, Hope Air, BC Mobility Opportunities Society, Hub Cycling, Vancouver Aquarium Marine Science Centre, Vancouver Park Board, YVR for Kids, Talking Stick Festival, Vancouver Adaptive Snow Sports, Covenant House and Canadian National Institute for the Blind.

Our community investment program has three key areas of focus: **Accessibility**, **Community** and **Environment**. We constantly look for opportunities to support organizations that focus on at least one of these areas and are creating innovative programs in our community.

Our employees represent YVR at all times—at work and in the community. We encourage our employees to volunteer and in 2016 we provided opportunities to do so at a number of YVR-sponsored community events. Almost 80 employees volunteered with YVR at the Canada Day Parade, the Santa Claus Parade and the Vancouver Pride Parade. In addition, we formed a givers' group to help provide direction for YVR's employee giving program.





## Highlights

### Pride Parade

YVR was thrilled to be the official Accessibility Partner of the Vancouver Pride Festival in 2016—providing wheelchair-accessible viewing areas and braille program guides. YVR also participated with a float and a team of YVR ambassadors showing their support for the cause.

### Quest Food Exchange

YVR holiday  
hamper drive

**770**  
**HAMPERS**  
**DONATED**

In 2016 we continued to support Quest Food Exchange as the not-for-profit's official transportation sponsor. And for the sixth year, we led the annual airport-wide Christmas Hamper Food Drive, setting a new record of 770 donated hampers, 100 more than our previous record-setting year. Each hamper feeds a family and for every hamper donated YVR contributed a turkey to complete the holiday meal.

*"I just got home and WOW! I am so impressed! Quest and YVR—big applause.*

*The turkey, veggies, snacks and fruit is amazing! It really helped us and will definitely make a fantastic turkey feast—especially since it is our very first one. We have never roasted a turkey or have had a turkey dinner. So this is definitely something different—especially with the stuffing, potatoes, cranberry sauce, etc.*

*We are extremely impressed! Will definitely let you know about the meal when we have it for Christmas and will take a picture to share it with you too."*

—Quest Holiday Hamper Participant





### **Great Canadian Shoreline Cleanup**

On September 18th, we had almost 400 volunteers from the airport and the community join us at Iona Beach Regional Park to take part in the Great Canadian Shoreline Cleanup. This team wielded gloves and pick-up-sticks to help clear the beach of debris and help to protect local habitats. Thanks to the efforts of our volunteers, we removed and recycled an estimated 600 kg of waste. YVR donated \$55,000 to the Vancouver Aquarium in support of this initiative, ensuring we continue to keep Canada's shorelines clean.

### **COMMUNITY ENGAGEMENT**

Engaging with our communities is fundamental to the success of our airport. And we don't just communicate—we find ways for the community to actively provide input, ideas and insight into projects that impact them. We provided multiple opportunities throughout 2016 for the community to engage with our team: at our Annual Public Meeting, at local festivals and events throughout the Lower Mainland, through YVR presentations at local Chambers of Commerce and organizations such as Tourism bodies, at our annual Take-Off Fridays event and online where we engage through Facebook, Twitter, Instagram, LinkedIn and Weibo.

During summer 2016—our busiest period ever—we undertook a number of construction projects at YVR that could impact our community. We notified our neighbours of our taxiway repairs and engaged with key groups regarding summer construction on the South Runway's Runway End Safety Area (RESA) project and plans for the North Runway.

### **YVR 2037 – Phase 2 Consultation**

In 2016, we launched Phase 2 consultation for YVR's new 20-year Master Plan—YVR 2037. We received a lot of great feedback about the Master Plan and look forward to working with communities in 2017 to develop the future airport.

*See page 14 for more information on Master Plan consultation activities in 2016.*



## Community Survey

We undertake a community survey each year as part of our public engagement strategy to monitor and measure our social impact. In 2016, we reimagined our approach, with a goal of using our survey as an aggregate for data to provide better insight on our local community. We launched an initial survey in November, which showed a 76 per cent favourable impression of YVR. This is a positive development—up two per cent from 2015.

In addition to metrics on brand familiarity and overall impression of YVR, we will aim to get a better understanding of the perceptions and attitudes people have for YVR's programs and community involvement. We will continue to build on this insight in 2017 and will use it to better understand our communities and ensure we are communicating with them in the manner they prefer.

## Explorer Tour



Our Explorer Tour has been very successful. The free year-round, guided tour of YVR showcases our award-winning art, accessible terminal features and architecture. In 2016, we hosted 154 tours, up from 135 in 2015, totalling 3,265 participants. This included day camps, school groups, adult students, seniors, social support groups, leisure groups and other interested community members. Our participants gave us a record 98 per cent satisfaction score, up two per cent from 2015.

## Summer Festival Series

As a good neighbour and a local contributor, it's essential for YVR to connect with the communities to support their initiatives and share our story. We were very active doing this throughout 2016—especially in the summer, which saw the introduction of YVR's new interactive Get Packing game, a fun contest where participants competed







to arrange their travel destination-specific items in a suitcase for a chance to win round-trip tickets to anywhere YVR flies. The contest promoted many of our exciting new destinations—London, Mexico City, Rome, Brisbane, Delhi and Xiamen—and our airline partners Air Canada, WestJet, Aeromexico, Air Transat, Xiamen Airlines and British Airways. We brought this crowd-pleaser to all 47 event days, starting with European Festival in May and ending with the PNE in September, welcoming 35,506 participants.

## COMMUNITY ASSOCIATIONS

The Airport Authority is committed to the local communities surrounding the airport as well as the business organizations that benefit from its role as an economic hub and jobs creator. YVR has a long-standing partnership with the Greater Vancouver Board of Trade, Richmond Chamber of Commerce, Canada China Business Council, Hong Kong Canada Business Association, BC India Business Network, Canada Korea Business Association, British Columbia Council for International Education, Surrey Board of Trade and numerous business and trade organizations throughout the province.



Sustainability is about more than just reducing our impact—it's also about maintaining positive relationships with our neighbours. Both the Environmental Advisory Committee (EAC) and the Aeronautical Noise Management Committee (ANMC) enable our community to give us direct feedback. Representatives in the committees are appointed by their stakeholder groups, which include community and environment groups, industry, government, Musqueam First Nation, airlines, NAV CANADA, Transport Canada and the Airport Authority. These committees allow the Airport Authority to stay actively engaged with our communities, ensuring open and honest two-way communications. More information on the EAC and ANMC is available at [yvr.ca](http://yvr.ca).

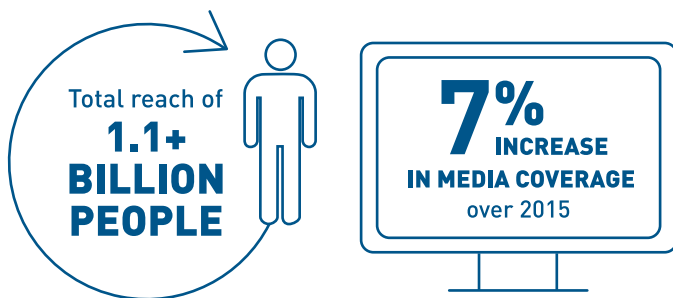


# COMMUNICATIONS



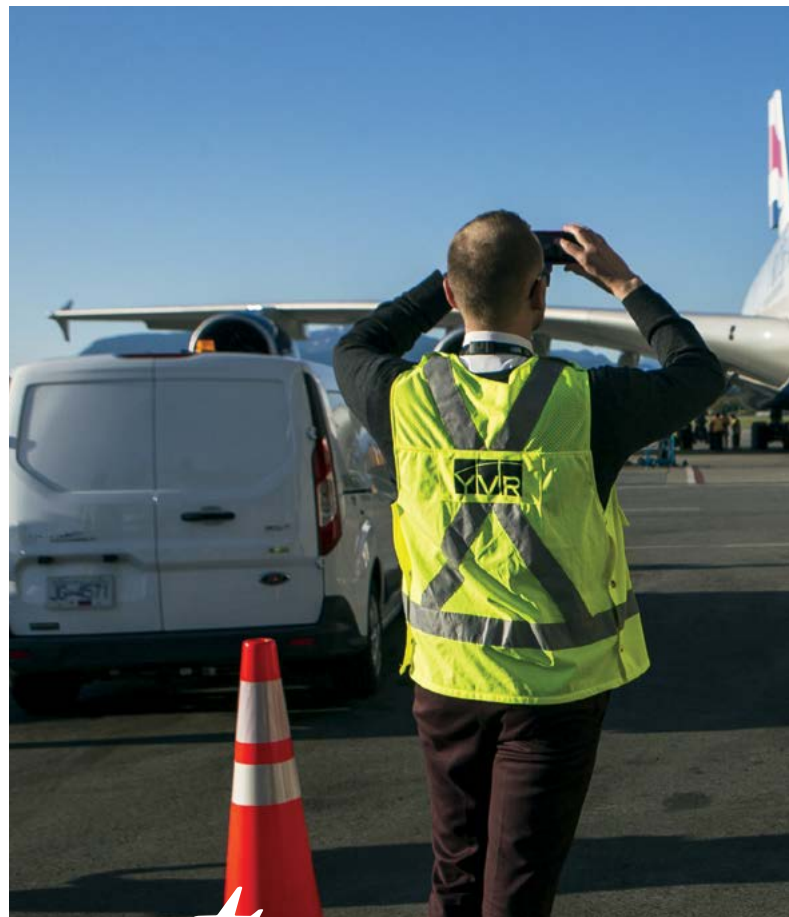
As detailed in our *Communications Policy*, YVR is committed to providing open, honest and timely information to our many customers. This includes travellers, the general public, over 23,000 people who live and work on Sea Island, business partners, industry associations, local communities, government, indigenous peoples, charities and media.

## MEDIA RELATIONS



YVR monitors and responds to media requests 24/7 and in 2016 we had over 700 phone and email media enquiries—a 16 per cent increase over 2015. These enquiries covered a wide range of topics including the impact of weather, news and events at YVR, irregular operations, information for flights and services and much more.

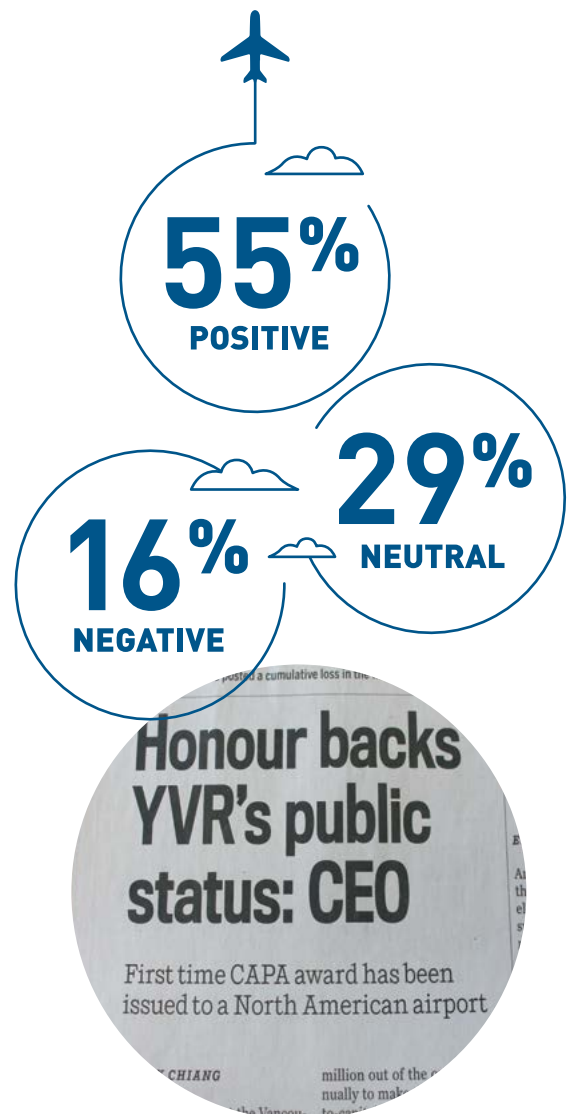
Every year, YVR works with an external consultant to gauge print, online and broadcast media clips and in 2016 we continued to see positive growth. There were 6,262 media items that contained YVR coverage in 2016, a seven per cent increase over 2015 with a total reach of over 1.1 billion people. And thanks to our team's efforts, more than half of this coverage was positive—a significant increase from seven per cent in 2015.





## Overall tone

This surge in positive coverage, which aligns with the results in our 2016 Community Survey (see page 142), is testament to our team's efforts. In 2016, we focused considerable energy on promoting our new air services and the positive economic impact they create. And the result is that the top two key messages in 2016 were YVR as an economic generator and jobs creator, with the majority of media mentions centred on the introduction of new flights to Europe and Asia. The next most popular key messages focused on YVR as a sustainable connecting hub and a community partner, reflecting the many community and environmental activities we conducted throughout the year—including the second phase of our Master Plan consultation, our extensive summer festival series, our Speakers Bureau across the Lower Mainland and our environmental achievements including being the first airport in the world to be Salmon-Safe certified.





# HEADLINES

“VANCOUVER  
AIRPORT NAMED  
BEST IN THE WORLD”

— **CBC NEWS**, October 28



Local media interviewed YVR's President & CEO, Craig Richmond, at Qingdao Airport prior to departure on Beijing Capital Airlines' new service.



“YVR’S ASIA STRATEGY  
ADDS RECORD NUMBER OF  
CHINESE AIRLINES”

— **VANCOUVER SUN**, August 28

“YVR REHEARSES ITS  
SNOW REMOVAL PLANS”

— **GLOBAL NEWS**, November 10



“PASSENGER NUMBERS AT  
YVR REACH ALL-TIME HIGH”

— **CKNW**, October 18



“VANCOUVER AIRPORT  
LAUNCHES FREE YOGA  
FOR TRAVELLERS”

— **METRO NEWS**, July 12



“AIR CANADA TO LAUNCH  
NON-STOP VANCOUVER  
TO DELHI FLIGHT”

— **NEWS 1130**, April 27



“VANCOUVER INTERNATIONAL AIRPORT  
RANKED NORTH AMERICA’S BEST AIRPORT  
FOR 7TH STRAIGHT YEAR”

— **THE HIVE**, March 16



## SOCIAL MEDIA

As a 24-hour business, social media allows us to engage with the community and communicate directly with our customers, partners and passengers. In 2016, we saw strong growth across Twitter, Facebook, Instagram and Weibo of over 41,000 people, totalling almost 124,000 followers—a 24 per cent increase over 2015.

### Twitter



Our Twitter account (@yvrairport) gained 11,000 followers, a 31 per cent increase from 2015, to reach over 46,000—making it the most followed airport in Canada and the second-most followed airport in North America. Our ratio of followers to passengers is the highest of any airport in North America, demonstrating our effective and innovative use of Twitter as a key communications tool. We posted 604 times and had 4,207 retweets for our highest reach ever at 17,007,811.

# 2.3

ratio of followers  
to passengers,  
the highest in  
North America



**MOST  
FOLLOWED  
AIRPORT**  
in Canada in 2016

### Top tweet

Our February 17 tweet announcing WestJet's 767 reached more than 73,000 people.





## Facebook



latest happenings at YVR.

Our Facebook page gained 21,632 likes in 2016—an increase of 33 per cent over 2015. We focused content on a range of interesting topics, including operations highlights, events, competitions and the

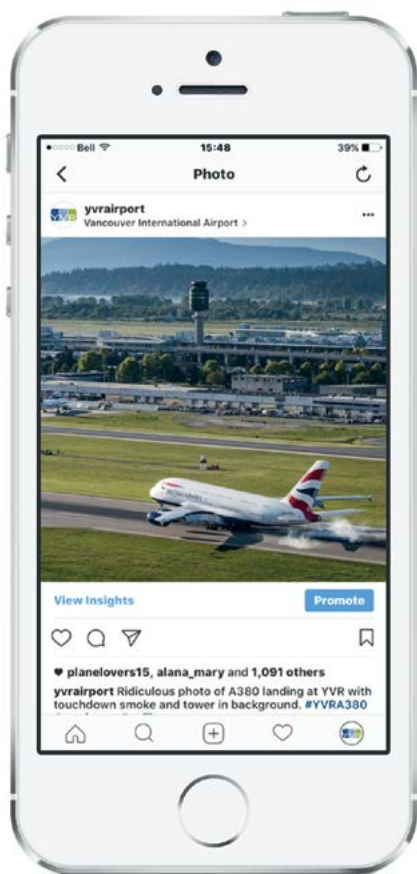


## SECOND MOST FOLLOWED AIRPORT in Canada in 2016

### Top Post

On April 9, YVR delivered a special treat for our active plane-spotting community: the arrival of legendary heavy metal band Iron Maiden and their Ed Force One aircraft. This custom-designed Boeing 747 is actually piloted by Iron Maiden band leader Bruce Dickinson. Our Facebook post displaying the arrival had an organic reach of 570,364—making it the top post of the year.





## Instagram



Our Instagram account continued to grow, with 7,268 new followers, a 106 per cent increase from 2015! We've had great success with Instagram, thanks to our active community, and held the top spot for Canadian airports—and the thirteenth position globally.



**MOST  
FOLLOWED  
AIRPORT**  
in Canada in 2016

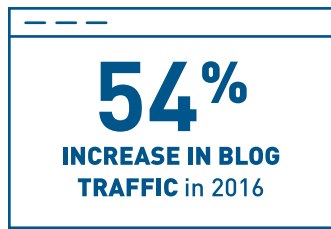


## Weibo

In 2016, we continued to grow our presence on Weibo—building on our reputation as the first airport in North America with a Weibo account. We promoted YVR as the preferred connecting hub between Asia and the Americas and worked closely with our tourism and duty free partners. We grew by 1182 followers or 118 per cent in 2016.



## WEBSITE



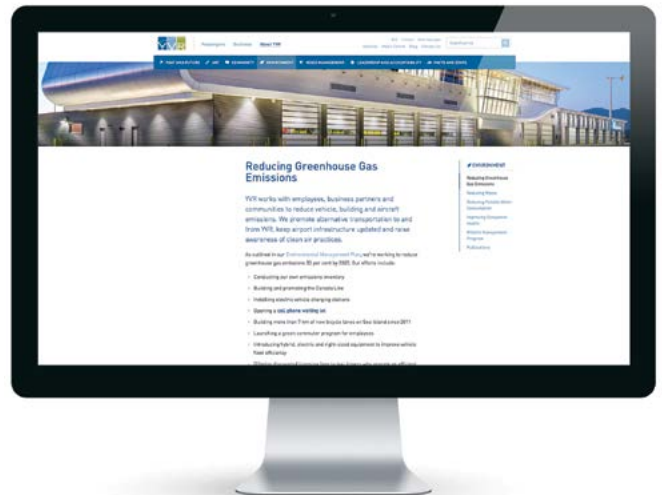
YVR's online presence got a big boost in 2016 thanks to the launch of our new, mobile-optimized website on March 30. From launch to the end of the year, we received over 8.4 million unique page views, with an average of over two minutes spent on the website per visitor. Top viewed content reflected our new, intuitive design and included the following in order of views: Arriving Flights, Departing Flights, Navigate YVR, Shop, Dine and Services, jetSet Parking, Transportation and Parking. Our new SMS and email flight notification tool was very successful, with over 90,000 uses per month.

We continued to see our mobile traffic increase, with over 60 per cent of all visitors using a mobile device to view YVR in 2016. Our blog received 170,428 views, a 54 per cent increase over 2015. Most read articles included our Top 20 Photos of 2016, the Boeing 777x and 13 Things You Can Do Besides Fly at YVR.

### Air Mail

In conjunction with our new website, we revamped Air Mail—our popular e-newsletter. With 8,000 monthly subscribers and an open rate of 40 per cent, Air Mail provides our team with a key communications tool. It highlights the latest happenings at YVR and provides a quick snapshot of the previous month, presenting a YVR story for those on the go.

Want to hear more? Sign up at [yvr.ca/newsletter](http://yvr.ca/newsletter).







# APPENDIX



## Consolidated Financial Statements





# INDEPENDENT AUDITORS' REPORT

To the Directors of  
**Vancouver Airport Authority**

We have audited the accompanying consolidated financial statements of **Vancouver Airport Authority**, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

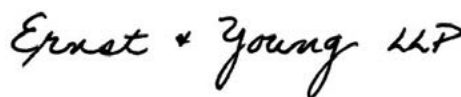
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Vancouver Airport Authority** as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Vancouver, Canada  
April 13, 2017

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in thousands of dollars)

As at December 31

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash .....		240,511	205,804
Accounts receivable .....	3	37,390	26,987
Other receivables .....		3,223	3,581
Current portion of net investment in lease .....	4	1,386	1,196
Inventory .....	5	9,182	7,288
Prepaid expenses.....		5,421	3,777
<b>Total current assets</b> .....		<b>297,113</b>	<b>248,633</b>
Net investment in lease .....	4	2,913	4,299
Partnership interests.....	7, 14, 17(c)	26,292	21,778
Capital assets, net .....	8	1,923,768	1,925,381
Other long-term assets, net .....	9	38,810	38,571
		<b>2,288,896</b>	<b>2,238,662</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current</b>			
Accounts payable and accrued liabilities .....	11, 12, 16(c), 17(a)	74,785	108,992
Current portion of deferred revenue .....		15,685	11,502
<b>Total current liabilities</b> .....		<b>90,470</b>	<b>120,494</b>
Deferred revenue .....	14	15,718	15,063
Other long-term liabilities .....	16(b), 16(c)	16,366	14,571
Deferred capital contributions.....	13(a)	43,638	48,860
Debentures .....	12	544,719	543,848
<b>Total liabilities</b> .....		<b>710,911</b>	<b>742,836</b>
Commitments, contingencies and guarantee .....	17		
<b>Net assets</b> .....		<b>1,577,985</b>	<b>1,495,826</b>
		<b>2,288,896</b>	<b>2,238,662</b>

See accompanying notes

On behalf of the Board:



Director



Director



# CONSOLIDATED STATEMENT OF OPERATIONS

(expressed in thousands of dollars)

Year ended December 31		2016	2015
	Note	\$	\$
<b>REVENUE</b>			
Landing fees.....		42,346	36,556
Terminal fees .....		84,883	91,741
Concession.....		115,204	102,477
Airport improvement fees.....	15	150,447	136,916
Car parking .....		33,484	31,430
Rentals.....		36,336	36,782
Fees and miscellaneous .....		21,410	37,524
Contributions .....	13(b)	6,348	12,078
		<b>490,458</b>	<b>485,504</b>
<b>EXPENSES</b>			
Salaries, wages and benefits.....		52,469	49,058
Materials, supplies and services.....		108,250	98,070
Payments in lieu of taxes, insurance and other .....		31,383	39,761
Amortization of capital assets .....		137,938	128,524
		<b>330,040</b>	<b>315,413</b>
<b>Other expenses</b>			
Ground lease .....		50,587	49,267
Interest and financing charges .....		30,014	31,510
		<b>80,601</b>	<b>80,777</b>
Excess of revenue over expenses before undernoted items.....		79,817	89,314
Write-down of capital assets .....		(1,345)	(3,058)
Gain on disposal of capital assets .....		107	75
Foreign exchange gain (loss) .....		(234)	940
Equity loss of DOC Partnership .....	7(a)	(730)	(1,960)
Partnership income of VAPH .....	7(b)	4,508	2,253
Gain on disposition of investment in Vantage Airport Group .....	6	3,000	33,981
Equity earnings of Vantage Airport Group.....	6	-	8,209
Amortization of deferred gain on deemed disposition of shares.....		-	1,720
<b>Excess of revenue over expenses for the year .....</b>		<b>85,123</b>	<b>131,474</b>

See accompanying notes

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(expressed in thousands of dollars)

Year ended December 31		2016	2015
	Note	\$	\$
<b>Balance, beginning of year</b> .....		<b>1,495,826</b>	1,360,688
Excess of revenue over expenses for the year .....		<b>85,123</b>	131,474
Employee future benefit plan measurements.....	16	<b>(2,964)</b>	581
Other comprehensive income from investment in Vantage Airport Group.....		<b>—</b>	3,083
<b>Balance, end of year</b> .....		<b>1,577,985</b>	1,495,826

See accompanying notes



# CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in thousands of dollars)

Year ended December 31		2016	2015
	Notes	\$	\$
<b>OPERATING ACTIVITIES</b>			
Excess of revenue over expenses for the year .....		85,123	131,474
Add (deduct) items not involving cash			
Amortization of capital assets.....		137,938	128,524
Amortization of deferred capital contributions.....	13(b)	(6,291)	(8,963)
Amortization of deferred financing costs.....		871	459
Amortization of other long-term assets .....		1,848	2,249
Write-down of capital assets .....		1,345	3,058
Gain on disposal of capital assets.....		(107)	(75)
Foreign exchange loss (gain).....		234	(940)
Partnership income of VAPH.....		(4,508)	(2,253)
Equity loss of DOC Partnership.....		730	1,960
Equity earnings of Vantage Airport Group .....		-	(8,209)
Amortization of deferred gain on deemed disposition of shares .....		-	(1,720)
Gain on disposition of investment in Vantage Airport Group.....		(3,000)	(33,981)
Changes in non-cash operating working capital.....	20(a)	(21,997)	10,925
<b>Cash provided by operating activities .....</b>		<b>192,186</b>	<b>222,508</b>
<b>INVESTING ACTIVITIES</b>			
Additions of capital assets.....		(160,212)	(205,026)
Investments in DOC Partnership.....	7(a), 14	(1,100)	-
Partnership distribution from VAPH.....	7(b)	485	-
Proceeds on disposal of capital assets .....		110	75
Decrease in net investment in lease .....		1,196	1,028
Increase in other long-term assets.....		(3,746)	(5,036)
Proceeds on disposition of investment in Vantage Airport Group .....		3,000	38,517
Dividends received from Vantage Airport Group .....		-	20,383
<b>Cash used in investing activities .....</b>		<b>(160,267)</b>	<b>(150,059)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in other long-term liabilities .....		1,795	906
Deferred capital contributions received .....		1,227	5,949
Repayment of deferred ground lease.....		-	(2,052)
Increase in deferred financing fees.....	12(a), 12(b)	-	(4,823)
Issuance of Series F debentures .....	12(b)	-	200,000
Repayment of Series E debentures .....	12(c)	-	(200,000)
<b>Cash provided by (used in) financing activities .....</b>		<b>3,022</b>	<b>(20)</b>
Effect of exchange rates on cash.....		(234)	940
<b>Net increase in cash during the year .....</b>		<b>34,707</b>	<b>73,369</b>
Cash, beginning of year .....		205,804	132,435
<b>Cash, end of year .....</b>		<b>240,511</b>	<b>205,804</b>

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 1. OPERATIONS

The Vancouver Airport Authority (the "Airport Authority") is incorporated under the *Canada Not-for-profit Corporations Act*. The Airport Authority is governed by a Board of Directors (the "Board"), with nine members appointed by the Government of Canada and various government and professional bodies, up to five directors appointed by the Board from the community at large, and one seat on the Board held by the President and CEO of the Airport Authority.

The Airport Authority operates the Vancouver International Airport (the "Airport") pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada (the "Ground Lease").

The Airport Authority has four wholly owned subsidiaries:

- Vancouver Airport Enterprises Ltd. ("VAEL") holds a 100% investment in YVR Project Management Ltd. ("YVRPM"), which provides capital project management and consulting services to affiliated and non-affiliated entities. VAEL previously held a 50% equity interest in Vantage Airport Group Ltd. ("Vantage"), which invests in and manages a number of airports across Canada and around the world (*note 6*).
- Vancouver Airport Authority (Hong Kong) Ltd. ("YVRHK") is a Hong Kong domiciled company that provides various marketing and support services to promote the Airport Authority as a premier passenger and air cargo hub for Asian customers.
- Vancouver Airport Enterprises (Templeton) Ltd. ("VAEL Templeton") holds the Airport Authority's 50% investment in the Templeton DOC Limited Partnership ("DOC Partnership"), which has developed a retail designer outlet centre ("DOC") on Sea Island.
- Vancouver Airport Properties Ltd. ("VAPL") holds a 0.1% interest in and manages the following partnerships:
  - Vancouver Airport Property Holding LLP ("VAPH") – VAPH's purpose is to hold the leasehold interest from the Airport Authority. The Airport Authority holds the other 99.9% interest in VAPH.
  - Vancouver Airport Property Management LLP ("VAPM") – VAPM is the limited liability partnership that owns and operates multi-tenanted buildings on Sea Island. VAPH holds the other 99.9% interest in VAPM.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Presentation and basis of accounting

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the results of the Airport Authority's wholly owned subsidiaries and partnership interests. All intercompany transactions and balances have been eliminated on consolidation.

The Airport Authority prepares its consolidated financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Corporations".

### Inventory

Inventory is valued at the lower of weighted average cost and net realizable value. Weighted average cost includes the purchase price, import duties, other net taxes, transportation, handling and other costs directly attributable to acquisition. Net realizable value is the estimated current replacement cost.

### Investment in Vantage

The Airport Authority accounts for its 50% investment in Vantage using the equity method. The Airport Authority's share of Vantage's net income is recorded as equity earnings and any change in other comprehensive income is recorded in net assets. The Airport Authority disposed of its investment in Vantage in 2015 (*note 6*).

### Partnership interests

The Airport Authority accounts for its partnership interests using the equity method. The Airport Authority's share of its partnership net income is recorded in the consolidated statement of operations.

### Borrowing cost

Interest on debt is recognized as an expense in the period in which it is incurred.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Capital assets

Capital assets are recorded at cost less accumulated amortization. The cost includes the purchase price and other acquisition and construction costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation, transportation charges, labour, insurance and duties. Software that is an integral part of the related hardware is capitalized to the cost of computer equipment and systems and included in capital assets. The costs included in construction-in-progress are capitalized during the construction phase and are not amortized. Upon completion of the project, the assets will be allocated to the respective capital asset classes and amortized at the rates provided in the table below.

Amortization is provided at cost less estimated salvage value on a straight-line basis over a period not exceeding the estimated useful lives as follows:

Buildings and other structures	5 to 40 years
Runways and other paved surfaces	3 to 30 years
Rapid transit infrastructure	50 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	5 to 15 years
Computer equipment and software	3 to 10 years
Art collection	Not amortized

### Deferred revenue

Deferred revenue represents payments received in advance from tenants and operators, which are deferred and recognized over the terms of the related agreements.

### Revenue recognition

Revenue is recognized when the amount to be received is fixed or can be reasonably estimated, delivery has occurred, and collection is reasonably assured as follows:

- (i) Aeronautical charges, which consist of landing and terminal fees, are generally recognized as revenue when airport facilities are utilized.

- (ii) Concession revenue is recognized based on a percentage of reported concessionaire sales and/or specified minimum annual guarantees. Specified minimum annual guarantee amounts and incentives for lessees to enter into lease agreements are recognized evenly over the lease term, even if the payments are not made on such a basis.

- (iii) Revenue from the Airport Improvement Fee ("AIF"), which is collected from passengers by air carriers, is recognized based on monthly passenger numbers submitted by individual air carriers.

- (iv) Car parking revenue is recognized when airport facilities are utilized.

- (v) Rental revenue is recognized on a straight-line basis over the term of the respective agreements. Revenue from rental arrangements classified as direct finance leases is recognized over the term of the lease in order to reflect a constant periodic return to the Airport Authority's net investment in the finance lease.

- (vi) Contributions are accounted for using the deferral method as follows:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to offset specific operating costs are recorded as revenue when the related costs are incurred.

Contributions received and designated by third parties for specific capital purposes are deferred and recorded as revenue on a basis consistent with the amortization of the related capital assets.

The Airport Authority does not have any endowment contributions.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Ground lease expense

The ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined in the Ground Lease and is charged to operations.

The Airport Authority does not receive title to the underlying parcels of land; therefore, the ground lease has been accounted for as an operating lease.

### Dividend income

Dividend income is recorded when the dividend is declared and collection is reasonably assured.

### Taxes

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes under the *Airport Transfer (Miscellaneous Matters) Act*.

A payment in lieu of taxes is made for municipal services and is based on the municipality's rates applied to the assessment of property values.

Operations of each subsidiary are subject to taxes in the jurisdictions in which the subsidiaries operate and recorded in payments in lieu of taxes, insurance and other. Taxes in these entities are measured using the future income taxes method.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

### Employee future benefits

The Airport Authority has a contributory defined benefit pension plan that covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan that covers new employees who have joined the Airport Authority since June 1992; and unfunded supplemental plans that cover its senior executives and some of its senior management.

#### *Defined benefit pension plans*

The Airport Authority accrues its obligations under defined benefit pension plans as the employees render the service necessary to earn the employment benefits.

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets as at December 31 of each year, using the most recent funding valuation for the defined benefit pension plan, adjusted to remove the margin for adverse deviation from the discount rate. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of December 31, 2015. The next valuation for funding purposes will be as of December 31, 2016, the results of which are expected to be available during 2017.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service. Obligations for the pension plans are calculated using the assumptions from the actuarial funding valuation including an estimate of future salary levels, pension indexing, retirement ages of employees, and other actuarial factors. Obligations for the non-pension benefit plan are calculated using assumptions that incorporate management's best estimate of cost escalation, retirement ages of employees, and other actuarial factors.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the reporting date.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee future benefits (continued)

#### Defined benefit pension plans (continued)

Remeasurements, which include settlement and actuarial gains and losses, arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, differences in demographic and economic experience compared to expectations, or from changes in actuarial assumptions used to determine the accrued benefit obligation. These remeasurements are recognized directly in net assets and presented separately.

Past service costs arising from plan amendments are recognized immediately on the consolidated statement of operations.

#### Defined contribution benefit plans

The Airport Authority records contributions to defined contribution benefit plans as an expense, which is included in salaries, wages and benefits expense as services are rendered.

### Financial instruments

#### Recognition and measurement

The Airport Authority recognizes a financial asset or financial liability when the entity becomes a party to the contractual provisions of the financial instrument.

At initial acquisition, financial assets or financial liabilities acquired or assumed in an arm's length transaction are measured at fair value, adjusted for directly attributable financing fees and transaction costs if the instrument is subsequently measured at cost or amortized cost.

The following is a summary of the Airport Authority's financial instruments that are subsequently measured at cost or amortized cost: cash, accounts receivable, other receivables, accounts payable and debentures.

### Financing costs

The Airport Authority capitalizes all transaction costs relating to the acquisition of financing as an offset to the related debt and amortizes the costs to interest expense using the effective interest rate method over the term of the underlying debt.

### Translation of foreign currencies

The Airport Authority records foreign currency denominated transactions in Canadian dollars at exchange rates in effect at the time of the transactions. Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the consolidated statement of financial position date. Foreign exchange gains and losses are included in the results of operations in the period in which they occur.

Integrated foreign subsidiary YVRHK's monetary assets and liabilities are translated into Canadian dollars at the period end exchange rate. Revenue and expenses are translated at average exchange rates for the period. Foreign exchange gains or losses are recorded on the consolidated statement of operations.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, allowance for doubtful accounts, percentage of completion for construction-in-progress, useful lives for amortization of capital assets, accrued liabilities, assumptions with respect to defined benefit plans, fair values of identified assets and liabilities acquired in business combinations, and provisions for contingencies. Actual results could differ materially from those estimates.

### 3. ACCOUNTS RECEIVABLE

(a)	2016 \$	2015 \$
Current.....	31,495	24,763
31–60 days past due.....	3,372	1,691
61–90 days past due.....	871	502
90+ days past due .....	2,204	576
Less allowance for doubtful accounts.....	(552)	(545)
	<b>37,390</b>	<b>26,987</b>
(b)	2016 \$	2015 \$
Allowance for doubtful accounts, beginning of year .....	545	485
Increase in allowance for doubtful accounts .....	7	149
Write-off of specific accounts.....	–	(89)
Allowance for doubtful accounts, end of year .....	<b>552</b>	<b>545</b>

### 4. NET INVESTMENT IN LEASE

During 2002, the Airport Authority acquired a cargo facility for cash consideration of \$11,254,000, which was then leased back to the vendor under an agreement expiring December 31, 2019. The Airport Authority's net investment in the direct financing lease consists of the following:

	2016 \$	2015 \$
Minimum lease payments receivable.....	5,167	6,994
Unearned income.....	(868)	(1,499)
	<b>4,299</b>	<b>5,495</b>
Less current portion .....	1,386	1,196
	<b>2,913</b>	<b>4,299</b>

As at December 31, 2016, the future minimum lease payments receivable under the direct financing lease are as follows:

	\$
2017 .....	1,854
2018.....	1,882
2019.....	1,431
	<b>5,167</b>

### 5. INVENTORY

At December 31, 2016, the Airport Authority has a \$754,000 (2015 – \$644,000) valuation allowance on its inventory. The cost of inventory recognized as materials, supplies and services expense and payments in lieu of taxes, insurance and other during the year ended December 31, 2016 was \$6,907,000 (2015 – \$6,888,000).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 6. INVESTMENT IN VANTAGE

On November 23, 2015, VAEL sold its 50% equity interest in Vantage and recorded a gain on disposal of \$33,981,000.

On June 15, 2016, as a result of the occurrence of a post-closing event, the Airport Authority received additional proceeds of \$3,000,000.

The disposition of VAEL's investment in Vantage resulted in income tax expense of \$685,000 (2015 – \$8,073,000), which is recorded in payments in lieu of taxes, insurance and other on the consolidated statement of operations.

The disposition of VAEL's investment in Vantage also resulted in the full recognition of the remaining deferred gain on the deemed disposition of shares that was initially generated on VAEL's 2008 sale of the other 50% of its interest in Vantage.

The calculation of the gain on disposition of investment in Vantage is presented below:

	\$
Gain on disposition of Class B preferred shares.....	9,743
Loss on disposition of Class C common shares.....	(13,310)
Recognition of deferred gain on deemed disposition of shares .....	37,548
	<u>33,981</u>

In 2015, prior to the transaction closing, VAEL received \$20,383,000 in previously declared but unpaid ordinary course dividends on its class B preferred shares.

Summarized consolidated statements of financial position, operations and cash flows of VAEL's 50% share of Vantage as at and for the period ended November 22, 2015, the date of disposition of VAEL's investment in Vantage are presented below:

	<b>November 22, 2015</b>
	\$
Assets.....	89,823
Liabilities.....	(81,013)
<b>Net liabilities</b> .....	<u>8,810</u>

	<b>January 1 to November 22, 2015</b>
	\$
Revenue .....	22,115
Expenses.....	13,906
<b>Net income</b> .....	<u>8,209</u>

	<b>January 1 to November 22, 2015</b>
	\$
Cash flows provided by	
Operating activities .....	11,500
Financing activities .....	2,650
Investing activities.....	<u>1,041</u>

## 7. PARTNERSHIP INTERESTS

	2016 \$	2015 \$
DOC Partnership (a).....	19,602	19,111
VAPH (b) .....	6,690	2,667
	<b>26,292</b>	<b>21,778</b>

### (a) DOC Partnership

On April 22, 2016, the Airport Authority contributed \$1,100,000 in equity to the DOC Partnership to fund ground improvements required prior to the construction of Phase 2 of the DOC. To date, the Airport Authority has contributed \$22,558,000 (2015 – \$21,337,000) in equity to the DOC Partnership.

For the year December 31, 2016, the Airport Authority recorded an equity loss of \$730,000 (2015 – \$1,960,000) from the DOC Partnership. The amount was recorded as a reduction in the partnership interests.

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's 50% (2015 – 50%) share of the DOC Partnership as at and for the years ended December 31, 2016 and 2015 are presented below:

	2016 \$	2015 \$
Assets.....	74,140	70,162
Liabilities.....	(54,538)	(50,930)
<b>Net assets</b> .....	<b>19,602</b>	<b>19,232</b>

	2016 \$	2015 \$
Revenue .....	6,221	2,444
Expenses.....	6,951	4,404
<b>Net loss</b> .....	<b>(730)</b>	<b>(1,960)</b>

	2016 \$	2015 \$
Cash flows provided by (used in)		
Operating activities .....	758	574
Financing activities .....	6,417	42,885
Investing activities.....	(7,819)	(39,991)



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 7. PARTNERSHIP INTERESTS (continued)

### (b) VAPH and VAPM

For the year ended December 31, 2016, the Airport Authority recorded \$4,508,000 (2015 – \$2,253,000) of partnership income in the consolidated statement of operations based on its partnership interest in VAPH and investment in VAPL. The amount was recorded as an increase in the partnership interests.

In April 2016, the Airport Authority received a partnership distribution from VAPH of \$485,000 (2015 – nil). The distribution was recorded as a reduction in the partnership interests.

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's share of VAPH (99.9%), which include equity earnings in VAPM as at and for the years ended December 31, 2016 and 2015, are presented below:

	2016 \$	2015 \$
Assets.....	16,700	8,320
Liabilities.....	(11)	(13)
<b>Net assets</b> .....	<b>16,689</b>	<b>8,307</b>
	2016 \$	2015 \$
Revenue .....	4,511	2,257
Expenses.....	12	8
<b>Net income</b> .....	<b>4,499</b>	<b>2,249</b>
	2016 \$	2015 \$
Cash flows provided by (used in)		
Operating activities .....	482	(46)
Financing activities .....	(577)	(719)
Investing activities.....	–	–

## 8. CAPITAL ASSETS

	2016		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Buildings and other structures .....	1,940,733	791,903	1,148,830
Runways and other paved surfaces.....	523,566	258,582	264,984
Rapid transit infrastructure.....	298,948	44,303	254,645
Machinery and equipment .....	127,187	89,379	37,808
Furniture and fixtures .....	32,871	27,569	5,302
Computer equipment and software.....	180,510	136,798	43,712
Art collection.....	9,804	–	9,804
Construction-in-progress.....	158,683	–	158,683
	<b>3,272,302</b>	<b>1,348,534</b>	<b>1,923,768</b>

	2015		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Buildings and other structures .....	1,879,424	709,317	1,170,107
Runways and other paved surfaces.....	513,836	236,569	277,267
Rapid transit infrastructure.....	298,948	38,323	260,625
Machinery and equipment .....	116,293	81,908	34,385
Furniture and fixtures .....	31,060	26,388	4,672
Computer equipment and software.....	163,183	123,819	39,364
Art collection.....	9,613	–	9,613
Construction-in-progress.....	129,348	–	129,348
	<b>3,141,705</b>	<b>1,216,324</b>	<b>1,925,381</b>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 9. OTHER LONG-TERM ASSETS

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Operating lease receivables (a) .....	29,893	13,740	16,153
Leasehold interest (b).....	4,640	681	3,959
Development costs (c).....	961	–	961
Intangible asset (d) .....	1,400	1,400	–
Accrued benefit asset (note 16).....	17,737	–	17,737
	<b>54,631</b>	<b>15,821</b>	<b>38,810</b>
	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Operating lease receivables (a) .....	28,204	13,008	15,196
Leasehold interest (b).....	4,640	609	4,031
Development costs (c).....	961	–	961
Intangible asset (d) .....	1,400	1,400	–
Accrued benefit asset (note 16).....	18,383	–	18,383
	<b>53,588</b>	<b>15,017</b>	<b>38,571</b>

- (a) In certain circumstances, the Airport Authority provides lease inducements to tenants. These lease inducements are recorded as long-term assets and recognized evenly as a reduction of revenue over the term of the lease. During the year ended December 31, 2016, the Airport Authority provided lease inducements of \$31,000 (2015 – \$452,000) to tenants and recognized \$1,776,000 (2015 – \$1,827,000) as a reduction of concession and rental revenue.

In October 2011, the Airport Authority entered into a sublease with a tenant for a parcel of land on Sea Island. The initial term of the sublease is 40 years with two subsequent renewal options of 10 years each at the option of the tenant. The sublease has been classified as an operating lease, with rental revenue being amortized evenly over the initial term of the sublease. As at December 31, 2016, the cumulative difference between the rental income recognized and cash lease payments received is \$8,546,000 (2015 – \$7,561,000).

- (b) In June 2008, the Airport Authority acquired a leasehold interest on Sea Island for \$5,043,000, which included the estimated cost of decommissioning and demolishing the existing building on the land. Accordingly, the Ground Lease with Transport Canada was amended to include this additional site.

The leasehold interest is being amortized over the remaining term of the Ground Lease. For the year ended December 31, 2016, the amortization of the leasehold interest was \$71,000 (2015 – \$71,000).

- (c) Costs in this account relate to a potential commercial development on Sea Island and will form part of the Airport Authority's future investment, likely in a separate entity that will own and operate the development.

## 9. OTHER LONG-TERM ASSETS (continued)

(d) In October 2012, the Airport Authority purchased intellectual property rights from a third party relating to a technology the Airport Authority is currently developing and selling. This intangible asset is being amortized on a straight-line basis over three years, which represents the period over which the asset is expected to generate future economic benefit. As at December 31, 2015, the intangible asset was fully amortized.

## 10. LINE OF CREDIT

The Airport Authority has an unsecured bank operating line of \$250,000,000 (2015 – \$250,000,000) bearing interest at the bank prime rate, which was 2.7% as at December 31, 2016 (2015 – 2.70%), or at prevailing market interest rates if issuing bankers' acceptances. The unsecured bank operating line remained undrawn as at December 31, 2016 (2015 – nil).

	2016 \$	2015 \$
Unsecured bank operating line .....	250,000	250,000
Outstanding letters of credit, reducing available balance .....	14,694	14,694
Available unsecured bank operating line .....	235,306	235,306

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable, which include amounts payable for sales, parking and payroll related taxes, as well as ground lease payments to Transport Canada.

	2016 \$	2015 \$
Transport Canada (note 17(a)) .....	1,319	2,633
TransLink .....	576	536
Canada Revenue Agency.....	355	243
	2,250	3,412

## 12. DEBENTURES

	2016 \$	2015 \$
Debentures		
Amended Series B 7.425%, due December 7, 2026 (a) .....	150,000	150,000
Series D 4.424%, due December 7, 2018 (a).....	200,000	200,000
Series F 3.857%, due November 10, 2045 (b) .....	200,000	200,000
	550,000	550,000
Less unamortized deferred financing costs.....	5,281	6,152
	544,719	543,848

The Amended Series B debentures are issued under the Trust Indenture dated December 6, 1996 and amended under the Supplemental Indentures dated December 7, 2006 and October 5, 2015. The Series D debentures are issued under the Supplemental Indenture dated December 7, 2006 and amended October 5, 2015. The Series F debentures are issued under the Supplemental Indenture dated November 10, 2015.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 12. DEBENTURES (continued)

- (a) On September 28, 2015, the Airport Authority received approval from holders of the Series B and D debentures to make amendments to the certain provisions in the Trust Indenture by way of a Fifth Supplemental Indenture dated October 5, 2015. These amendments include changes to the calculation of the interest coverage ratio, a means and time for resolution of deficiencies in the financial covenant, if required, and amendments to the limitations on investments and guarantees.

As a result of the amendments, voting debenture holders received an approval fee on the Series B and D debentures of \$10.00 for each \$1,000 principal amount outstanding. This resulted in an approval fee payment of \$1,464,000 and \$1,864,000, respectively, on the Series B and D debentures. The total approval fee and other financing costs incurred of \$3,500,000 relating to the amendments were deferred and recorded as a reduction to each respective debenture. The deferred financing costs are amortized to interest and financing charges on the consolidated statement of operations over the remaining term of the respective debentures.

- (b) On November 10, 2015, the Airport Authority issued \$200,000,000 of 30-year Series F debentures through a Sixth Supplemental Trust Indenture dated November 10, 2015 to refinance the \$200,000,000 Series E debentures that matured on November 13, 2015. The Sixth Supplemental Trust Indenture incorporates the amendments made to the Trust Indenture by way of the Fifth Supplemental Indenture dated October 5, 2015.

The total financing costs of \$1,323,000 relating to the issuance were deferred and recorded as a reduction to the Series F debentures. The deferred financing costs are amortized to interest and financing charges on the consolidated statement of operations over the remaining term of the Series F debentures.

- (c) The Airport Authority repaid the \$200,000,000 outstanding on the Series E debentures when they became due on November 13, 2015.

The effective interest rates on the Series B, D and F debentures are 7.668%, 4.814%, and 3.895%, respectively. As at December 31, 2016, the Airport Authority has accrued debenture interest of \$2,440,000 (2015 – \$2,468,000), which is recorded in accounts payable and accrued liabilities.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B and D and in May and November for Series F. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time. For the Series B and D debentures, the redemption price is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.15% for the Series B debentures and 0.125% for the Series D debentures. For the Series F debentures, the redemption price prior to May 10, 2045 is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.37%. The redemption price on or after May 10, 2045 is par.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further new issues of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets, acquisitions of corporations, investments and guarantees. As at December 31, 2016 and 2015, the Airport Authority was in compliance with its covenants.

### 13. DEFERRED CAPITAL AND OPERATING CONTRIBUTIONS

#### (a) Deferred capital contributions

The Airport Authority receives funding from Canadian Air Transport Security Authority ("CATSA") towards specific security infrastructure upgrades. The funds received are deferred and brought into revenue as contributions at a rate consistent with the amortization of the related capital assets.

	2016 \$	2015 \$
Capital contributions		
CATSA .....	134,651	133,582
Other .....	3,647	3,647
	138,298	137,229
Less accumulated amortization .....	94,660	88,369
	43,638	48,860

#### (b) Contributions

	2016 \$	2015 \$
Amortization of deferred capital contributions .....	6,291	8,963
Operating contributions .....	57	3,115
	6,348	12,078

### 14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, key management personnel, subsidiaries and affiliates. The Airport Authority has not engaged in any significant related party transactions with directors and key management personnel for the years ended December 31, 2016 and 2015.

The Airport Authority provides certain administrative support services including information technologies, legal, accounting, and human resources to its subsidiaries for no consideration.

The Airport Authority pays legal, administrative, salaries and wages expenses on behalf of its subsidiaries in the normal course of operations, which are included in other receivables and are measured at the agreed upon exchange amount. All receivables from subsidiaries are due and payable upon the Airport Authority's demand.

During the year ended December 31, 2016, the Airport Authority received \$1,000,000 (2015 – \$16,274,000) for rental revenue pursuant to a land lease for the DOC. The amounts received have been deferred and are recognized in rental revenue over the term of the lease.

During the year ended December 31, 2016, the Airport Authority recognized \$396,000 (2015 – \$434,000) of rental revenue, nil (2015 – \$660,000) of management fees, and nil (2015 – \$418,000) of construction project management revenue, all from the DOC Partnership, which are included in fees and miscellaneous revenue.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 15. AIF – USE OF FUNDS

The AIF is collected on the airline ticket by air carriers under a Memorandum of Agreement (“MOA”) between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under the MOA, all AIF revenue collected is to be used to fund capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers.

During the year ended December 31, 2016, the Airport Authority recorded \$149,746,000 (2015 – \$136,234,000) main terminal AIF revenue, and main terminal AIF eligible capital expenditures totalled \$134,797,000 (2015 – \$212,584,000). The remainder of the AIF revenue is from the south terminal. To December 31, 2016, the cumulative main terminal AIF revenue totalled \$1,853,325,000 (2015 – \$1,703,579,000), and cumulative AIF eligible expenditures totalled \$3,191,757,000 (2015 – \$3,056,960,000). To December 31, 2016, the cumulative AIF revenue has been used to fund AIF eligible capital expenditures in accordance with the MOA.

## 16. EMPLOYEE FUTURE BENEFITS

### (a) Funded pension plans

#### *Defined contribution plans*

The Airport Authority participates in a Registered Retirement Savings Plan, which covers employees who have joined the Airport Authority since June 1992. Employees covered by this plan are required to contribute 6%, and the Airport Authority contributes an additional 7% of their earnings. Total contributions for 2016 were \$2,485,000 (2015 – \$2,345,000).

The Airport Authority participates in a defined contribution plan, which covers some of the senior executives who are also in an unfunded supplementary plan discussed in (b) below. Pension expense for the supplementary plan for the year ended December 31, 2016 was \$18,000 (2015 – \$15,000).

#### *Defined benefit plan*

Information regarding the Airport Authority’s defined benefit pension plan is as follows:

	2016 \$	2015 \$
<b>Accrued benefit obligation</b>		
Balance, beginning of year .....	46,223	49,058
Current service cost.....	438	652
Employee contribution.....	143	154
Interest cost .....	2,699	2,933
Benefits paid .....	(2,132)	(1,969)
Actuarial loss (gain) .....	4,185	(2,114)
Obligation extinguished on settlement (i) .....	–	(2,491)
<b>Balance, end of year .....</b>	<b>51,556</b>	<b>46,223</b>

## 16. EMPLOYEE FUTURE BENEFITS (continued)

### (a) Funded pension plans (continued)

#### Defined benefit plan (continued)

	2016 \$	2015 \$
<b>Fair value of plan assets</b>		
Balance, beginning of year .....	64,606	66,028
Actual return on plan assets .....	6,206	3,651
Administration cost.....	(175)	(150)
Employer contributions .....	645	873
Employee contributions.....	143	154
Benefits paid .....	(2,132)	(1,969)
Assets distributed on settlement (i) .....	—	(3,981)
<b>Balance, end of year .....</b>	<b>69,293</b>	<b>64,606</b>
<b>Accrued benefit asset .....</b>	<b>17,737</b>	<b>18,383</b>

The accrued benefit asset is included in other long-term assets (note 9).

Plan assets (measured as of the measurement date of December 31 each year) comprise the following:

	2016 %	2015 %
<b>Asset category</b>		
Equity shares.....	66.0	65.3
Debt securities .....	27.5	28.6
Cash and short-term investments.....	6.5	6.1
	<b>100.0</b>	<b>100.0</b>

The significant assumptions used are as follows (weighted average):

	2016 %	2015 %
<b>Accrued benefit obligation as of December 31</b>		
Discount rate	5.20	6.00
Rate of compensation increase	3.20	3.25
<b>Benefit costs for the years ended December 31</b>		
Discount rate	5.20	6.00
Expected long-term rate of return on plan assets	5.20	6.00
Rate of compensation increase	3.20	3.25



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 16. EMPLOYEE FUTURE BENEFITS (continued)

### (a) Funded pension plans (continued)

#### *Defined benefit plan* (continued)

The elements of the defined benefit plan costs recognized in the year are as follows:

	2016	2015
	\$	\$
Current service cost.....	438	652
Administration cost.....	175	150
Interest cost .....	2,699	2,933
Expected return on plan assets.....	(3,772)	(3,944)
<b>Pension credit</b> .....	<b>(460)</b>	<b>(209)</b>

#### *Total cash payments*

- (i) In 2015, an annuity contract with a third party insurance company was purchased using plan funds to fully settle the benefits of members with accrued plan service at Vantage Airport Group Ltd. or its affiliates. The purchase of the annuity contract resulted in a loss on settlement of \$1,490,000, which has been recorded directly in net assets.
- (ii) In April 2011, amendments were made to the Pension Benefits Standards Regulations, which permitted plan sponsors to secure structured letters of credit in lieu of making solvency payments to the pension plan, up to a limit of 15% of plan assets. On August 31, 2011, the Airport Authority issued a letter of credit to fund its required solvency payments to its defined benefit plan. As at December 31, 2016, the total amount of the letter of credit was \$8,296,000 (2015 – \$8,296,000), which reduced the available bank operating line (*note 10*).

Total cash payments for employee future benefits for the year ended December 31, 2016, consisting of cash contributed by the Airport Authority to its funded pension plans (the defined benefit plan and defined contribution plans), were \$3,130,000 (2015 – \$3,555,000).

### (b) Unfunded pension plans

The Airport Authority participates in supplementary plans for its senior executives, along with some of its senior management.

Pension expense for the year ended December 31, 2016 was \$1,113,000 (2015 – \$1,013,000). Based on an actuarial report, the total accrued benefit liability of these plans as at December 31, 2016 was \$12,906,000 (2015 – \$11,507,000), which has been accrued in other long-term liabilities.

### (c) Retiring allowance

The Airport Authority provides a retiring allowance to bargaining unit employees based on their number of years of service and their salary at retirement. The accrued benefit liability is determined using an actuarial valuation and as at December 31, 2016, the total accrued benefit liability of this plan is \$3,988,000 (2015 – \$3,411,000) of which \$528,000 (2015 – \$478,000) is recorded in accounts payable and accrued liabilities and \$3,460,000 (2015 – \$2,933,000) in other long-term liabilities.

## 17. COMMITMENTS, CONTINGENCIES AND GUARANTEES

### (a) Ground Lease

The Ground Lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending on June 30, 2072.

The Ground Lease requires that the Airport Authority operate the Airport as a “first class international airport” and that, as the operator, the Airport Authority exercise sound business judgment.

Under the Ground Lease, Transport Canada is required to assume all costs associated with environmental remediation of any noxious or hazardous substance when such substance was present prior to the commencement of the Ground Lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the Ground Lease and the general duty to the environment are the tests to determine when an obligation exists. These matters are under active discussion.

Effective January 1, 2010, the ground lease expense is based on a progressive scale of percentages of the Airport Authority’s revenue as defined in the Ground Lease. At a minimum, the required monthly payments are based on the immediately preceding year’s actual ground lease expense while the expense is calculated as a percentage of current year revenue.

The difference between the Airport Authority’s required ground lease payments based on its estimated 2016 Airport Revenue at the beginning of the year and its expenses is \$1,319,000 (2015 – \$2,633,000). This amount is included in accounts payable and accrued liabilities at December 31, 2016.

Projected lease payments under the amended Ground Lease for the next five years are estimated as follows:

	\$
2017 .....	49,916
2018 .....	52,830
2019 .....	54,208
2020 .....	55,679
2021 .....	61,882

### (b) Capital and operating commitments

As at December 31, 2016, in connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding of approximately \$16,608,000 (2015 – \$14,186,000).

As at December 31, 2016, in connection with operating the Airport, the Airport Authority has total operating commitments of approximately \$114,662,000 (2015 – \$104,780,000). These commitments extend for periods of up to five years.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

## 17. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

### (c) Guarantees

- (i) On December 6, 2013, the Airport Authority entered into a payment guarantee agreement as the guarantor for a loan agreement between DOC Partnership and its bank. The maximum amount of the guarantee is \$24,500,000, and will be reduced for any repayment of the principal amount of the loan made with cash capital contributions to the DOC Partnership directly or indirectly from the Airport Authority that are not proceeds of the collateral securing the loan.
- (ii) On February 18, 2015, the Airport Authority entered into an agreement to irrevocably and unconditionally guarantee the timely payment of the obligations of DOC Partnership to the utility company for electrical services, up to an amount of \$974,800. The agreement remains valid until February 28, 2020 and may be automatically extended without notice for a one-year period, unless the utility company provides notice at least 90 days prior to the expiry that the guarantee is not extended.

### (d) Legal claims

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings.

While the final outcome with respect to these claims and legal proceedings cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations.

As at December 31, 2016, there are no material claims pending against the Airport Authority.

## 18. CUSTOMER CONCENTRATION

The Airport Authority derives approximately \$40,500,000 (2015 – \$46,566,000) in aeronautical charges and rents from one airline and \$48,846,000 (2015 – \$44,676,000) in concession revenue from one concession operator. The Airport Authority believes that the cessation of operations of an airline or concession operator would not have a material long-term effect on the Airport Authority's revenue or operations as the lost revenue would eventually be recovered by other service providers.

## 19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Airport Authority primarily has exposure to credit, currency, interest rate and liquidity risk on its financial instruments.

### Credit risk

The Airport Authority is subject to credit risk through its financial assets. Ongoing credit valuations are performed on these accounts and valuation allowances are maintained for potential credit losses. The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about the customer. The Airport Authority held security deposits in the amount of \$2,450,000 as at December 31, 2016 (2015 – \$2,478,000). An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The accounts receivable aging and allowance for doubtful accounts reconciliation are detailed in note 3.

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this diversification, the concentration of credit risk is considered to be minimal.

## 19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

### Currency risk

The Airport Authority has minimal transactions denominated in foreign currencies, as the majority of revenue, expenses and capital asset purchases are denominated in Canadian dollars.

### Interest rate risk

The Airport Authority had no bank indebtedness in both 2016 and 2015 either in the form of bankers' acceptances or drawings on the bank operating line. The balance of outstanding debt is by way of debentures (*note 12*), which have fixed interest rates for their term and, therefore, any changes in market interest rates do not impact the Airport Authority's interest payments.

### Liquidity risk

The Airport Authority manages liquidity risk by maintaining adequate cash or available credit facilities. Cash flow projections are continually updated and reviewed by management to ensure a sufficient continuity of funding.

## 20. SUPPLEMENTARY CASH FLOW INFORMATION

### (a) Changes in non-cash operating working capital

	2016 \$	2015 \$
Accounts receivable .....	(10,403)	(1,868)
Other receivables .....	200	217
Inventory .....	(1,894)	(93)
Prepaid expenses.....	(1,644)	(767)
Accounts payable and accrued liabilities .....	(13,094)	(5,864)
Deferred revenue .....	4,838	19,300
	<u>(21,997)</u>	<u>10,925</u>

### (b) Other supplementary information

	2016 \$	2015 \$
Non-cash transactions		
Construction-in-progress accrual .....	21,373	43,791
Deferred capital contribution accrual.....	1,719	1,877
Employee future benefit plan remeasurements .....	(2,964)	581
Prior year costs contributed to DOC Partnership.....	121	—

## 21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the year ended December 31, 2016.



**Beyond, Every Day.**

Looking for more information? The 2016 Annual & Sustainability Report and its supporting documents—including the Non-Consolidated Financial Statements, the Social Management System and more—are available online at [yvr.ca/2016](http://yvr.ca/2016).