

VANCOUVER AIRPORT AUTHORITY

2013 ANNUAL AND SUSTAINABILITY REPORT



Introduction

Vancouver Airport Authority is a community-based, not-for-profit organization that manages Vancouver International Airport (YVR). Canada's second busiest airport, YVR served a record 17.97 million passengers in 2013. Fifty-three airlines serve YVR, connecting people and businesses to more than 109 non-stop destinations worldwide. YVR was voted Best Airport in North America, and Best Airport in the World for its size category of 10 to 20 million passengers, in the 2014 Skytrax World Airport Awards. Vancouver Airport Authority is a dedicated community partner and in 2013 donated more than \$700,000 to local organizations. We are committed to creating an airport that British Columbia can be proud of: a premier global gateway, local economic generator and community contributor. For more information, please visit www.yvr.ca.

This report summarizes the Airport Authority's business results in 2013, categorized by the organization's four sustainability pillars:

The **Economic** report includes financial statements and information on financial performance, customer satisfaction results and the destinations we serve.

The **Environment** report provides information on the Airport Authority's environmental programs, performance targets and results.

The **Governance** report outlines Board and Executive leadership, information on our subsidiary companies and governance practices.

The **Social** report highlights employee programs and results, and the Airport Authority's community engagement and communications activities.

Message from Mary Jordan Chair, Board of Directors

On behalf of Vancouver Airport Authority's community-based Board of Directors, I am pleased to present the 2013 Annual and Sustainability Report.



Remarkable change, milestone achievements and robust growth characterized the busy year that was 2013 at Vancouver International Airport.

A change in leadership of Vancouver Airport Authority was a major focal point for the organization in 2013. It was with great consideration that our community-based Board of Directors conducted an extensive global search for the right person to succeed Larry Berg, the Airport Authority's second President & CEO, a tremendous leader under whose leadership YVR earned its international reputation for airport excellence.

In consultation with local stakeholders, a clear vision for our next leader emerged: the candidate would require extensive aviation industry expertise, a working understanding of the business of airports and a strategic vision for writing the next chapter of YVR's story.

Craig Richmond assumed the role of President & CEO of Vancouver Airport Authority on July 1. Like YVR itself, Craig is a homegrown success story. A unique mix of work experience, skills, education and values amassed over a lifetime in aviation make Craig a great fit for a great job. With a focus on safety, accountability, innovation and teamwork, Craig continues to shape and enhance YVR's reputation as North America's top airport.

That reputation earned an additional boost when, in late March 2014, we learned that YVR had been named Best Airport in North America for the fifth consecutive year by the prestigious Skytrax World Airport Awards as voted by almost 13 million global passengers. This honour marks only the second time in award history that any airport has earned top ranking five years in a row. YVR also remains one of the world's best airports, the only North American airport included in the global top 10.

More people than ever enjoyed the YVR experience in 2013, as we welcomed a record 17.97 million passengers to YVR. In the years to come, we will continue to deliver on our strategic gateway vision for YVR, investing in facilities and inventing new processes that make our airport the preferred connection point between the Americas and Asia-Pacific.

We also deepened our connections within the local airport, Richmond and Metro Vancouver communities in 2013. Our popular Take-Off Friday celebrations continued for a fourth straight year, the YVR elementary school tour program educated more than 1,500 travellers of the future, and we paid tribute to our outgoing President & CEO with the grand opening of Larry Berg Flight Path Park, sure to be a favourite community destination for years to come.

Of course, business challenges inevitably arise, even in phases of tremendous growth and opportunity. In 2013, we faced a challenging situation with our subsidiary company, Vantage Airport Group. While we had a significant setback with the divestment of the Liverpool John Lennon Airport asset, Vantage continues to be a strong financial investment for YVR.

As more airlines can and choose to fly to YVR, more British Columbians will benefit - whether that means taking a trip to northern Europe via Iceland to visit family, accessing a new global market for a locally-made product, employing more staff at a local tourist attraction, or visiting our park for a family picnic. Whatever your connection with YVR, we strive to continue earning your confidence in us as British Columbia's airport.

Mary B. Jordan
Chair, Board of Directors, Vancouver Airport Authority

Message from Craig Richmond President & CEO

It was with great delight and a tremendous sense of responsibility that I returned to Vancouver International Airport as President & CEO in July 2013. I joined an airport in terrific shape, and I would like to acknowledge my predecessor, boss and mentor for many years, Larry Berg.



Larry deftly managed the incredible balancing act that is YVR for a decade and a half, bringing us through both tough times like recessions and uplifting moments like the Vancouver 2010 Winter Olympic Games. He laid a solid financial foundation for the company, developed relationships with allies and friends across the province and the world, and made a lot of difficult but far-reaching decisions that turned YVR into one of the best airports in the world. Thank you, Larry.

After time spent at airports in other countries, my return required an intensive immersion into the complex and interconnected workings of Canada's second-busiest airport and North America's gateway to Asia. When I took on the leadership of YVR, I went back to study the original purpose for this company. In simple terms, we are a community-based, entrepreneurial organization whose profits are directed back into the airport, and our mandate is to provide safe, efficient air services – but you have heard all of this before.

What I think is most exciting is the reason for this mission: to provide jobs and economic opportunity for the people of Richmond, Vancouver and the entire province. We do this by providing direct jobs here at YVR, and enabling many businesses beyond the airport to thrive as they in turn provide services to airlines, hotels and innumerable other enterprises involved in commercial air travel.

When we report that we welcomed a record 17.97 million passengers in 2013, think for a moment about the job creation and economic activity represented by that number. China Eastern Airlines, for instance, added a second daily flight between YVR and Guangzhou last summer, creating at least 450 new direct local jobs and boosting our weekly number of flights to China to 75. And even as we handled record passenger numbers, we also earned our best-ever customer ratings, with 91 percent of those surveyed pleased with their YVR experience.

Within the terminal, work continued on our ambitious 10-year, \$1.8 billion plan to upgrade our connection facilities, including hundreds of metres of moving walkways and high-speed baggage systems, to help passengers and their bags connect through YVR in less than an hour. And in keeping with our self-funding business model, we also achieved milestones in two major non-aeronautical revenue-generating projects: the very successful sale of YVR's BorderXpress Automated Passport Control kiosks to airports in the U.S., and the start of construction on the McArthurGlen Designer Outlet Vancouver Airport, a luxury outlet shopping centre that will open on Sea Island in 2015.

I am proud to count myself amongst the 23,600 employees who get to come to work at YVR, ranked by Skytrax in 2013 as North America's best airport for the fifth year in a row. This is a tremendous honour, and one that is about much more than YVR's iconic art and architecture. It encompasses our commitment to customer care, safe and efficient operations and our award-winning shopping and dining. But most importantly, it is a powerful testament to the airport community's best efforts each day to share the magic of YVR with every passenger, making their journeys easy, pleasant and safe. Guided by our history and our values, I promise that we will continue to strive for excellence by providing connections that work, by building global routes, creating local jobs, contributing to the economy and investing in our community. It's great to be back!

Craig Richmond
President & CEO, Vancouver Airport Authority

VANCOUVER AIRPORT AUTHORITY
2013 ECONOMIC REPORT



Our Business

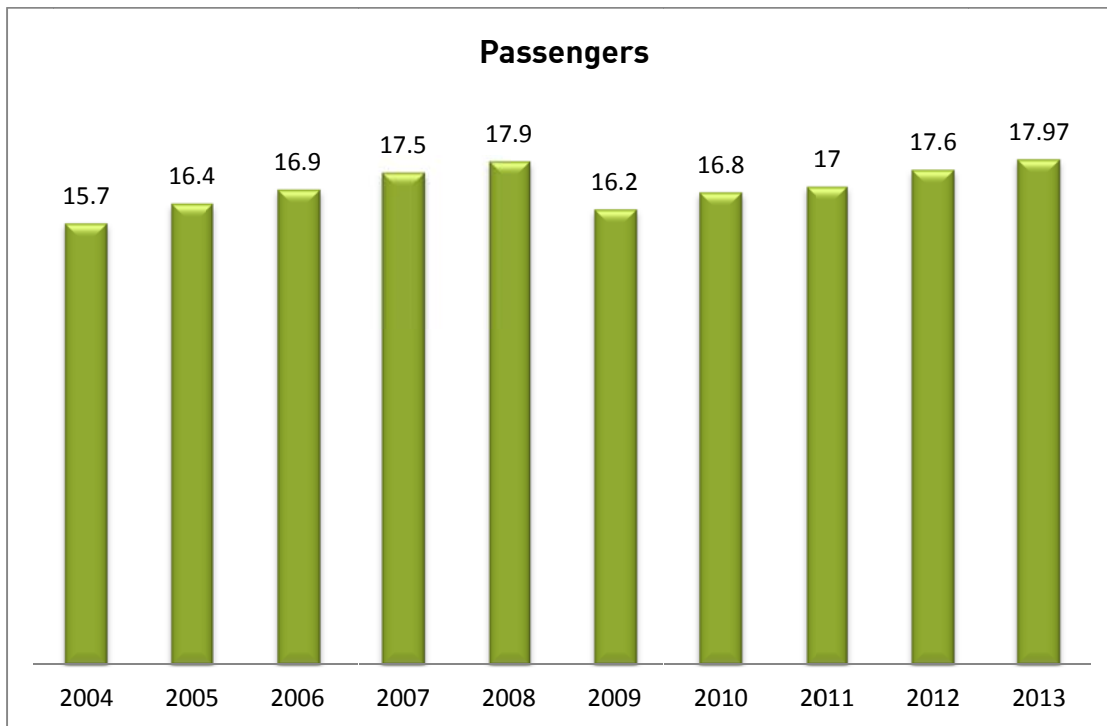
Financial and Operating Highlights (2004 – 2013)									
Year	Revenue (millions)	Operating Expenses (millions)	Ground Lease (millions)	Excess of Revenue over Expenses (millions)	Net Assets (millions)	Capital Expenditures for the Year (millions)	Passengers (millions)	Aircraft Runway Take-offs and Landings (thousands)	Cargo Handled (thousands of tonnes)
2013	433.3	292.3	42.3	97.1	1,259.9	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
2005	329.8	176.7	78.7	74.4	654.6	137.6	16.4	275	223.7
2004	276.9	158.5	73.9	44.5	580.2	123.0	15.7	270	229.9

Our Customers

YVR welcomed a record 17.97 million passengers in 2013, representing a 2.1 per cent increase over the previous year, and surpassing the previous record of 17.85 million set in 2008. Within this record total traffic, several key themes emerged, including:

- Continued strength of YVR's established domestic travel sector, with passengers travelling within Canada up 3 per cent over 2012; and
- Record passenger volumes to Asia-Pacific, with traffic to the region up 4.9 percent over 2012 and traffic to Mainland China up 19.8 per cent alone.

Visit the [Facts & Stats](#) page on our website for detailed passenger, cargo and aircraft take-off and landing numbers.



CUSTOMER CARE

Caring for every customer is central to our business and essential to our success. More than 120 Customer Care representatives provide information and assistance at nine information desks located throughout YVR's terminal facilities and via phone line and email address monitored 24 hours per day. In 2013, staff responded to 736,117 customer enquiries, or the equivalent of more than 2,000 enquiries per day.

Green Coat Volunteer Program

More than 450 volunteers offer directions, travel information and friendly salutations as part of YVR's award-winning Green Coat volunteer program. Green Coats delivered 80,693 volunteer hours in service to our customers in 2013. This dedicated group speaks a combined total of 33 different languages. In 2013, more Green Coats were deployed to assist connecting passengers in strategic areas of the terminal, including international-to-domestic transfer facilities. We also opened a new full-service volunteer desk on the Arrivals level of the Domestic Terminal, to help arriving passengers with baggage queries and directions to ground transportation.

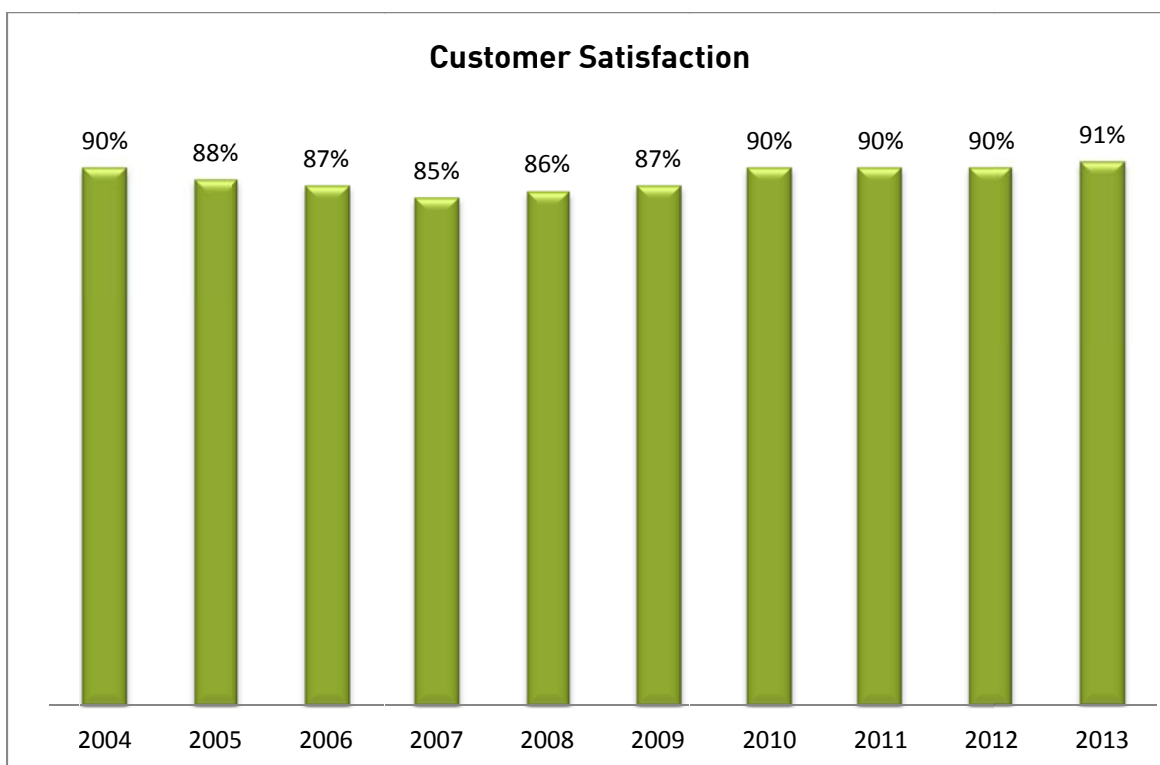
Accessibility

We strive to offer travellers of all abilities a positive experience when visiting YVR. Since 1992, we have worked with an independent accessibility consultant to apply the principles of universal access to all new terminal design and construction. Accessible features include universally accessible washroom facilities, restaurants, retail stores and common areas, audio and visual paging services and courtesy phones equipped with voice and TTY/TTD service.

BEST AIRPORT IN NORTH AMERICA. For the fourth consecutive year, YVR was named best airport in North America by the prestigious Skytrax Awards, which rank airlines and airports based on voluntary survey results of 12 million global passengers. YVR was the top-rated airport in its size category of 10 to 20 million passengers, and the only North American airport in the Top 25.

Customer Satisfaction Surveys

The Airport Authority employs quarterly customer satisfaction surveys conducted by an independent consulting firm to track our performance. In 2013, customers gave YVR a 91 per cent satisfaction rating, the highest satisfaction score in more than a decade. Results are based on 2,761 separate surveys.



Key Initiatives in 2013

WELCOMING A NEW LEADER

2013 was marked by a significant change in leadership, as the Airport Authority welcomed a new President & CEO. Following a global recruitment effort led by a dedicated Airport Authority Board search committee, Craig Richmond assumed leadership of the Airport Authority on July 1, 2013. Craig brings to the role a unique mix of experience, skills and education amassed over a lifetime in aviation, including CEO positions at six different airports in Vantage Airport Group's global network. Following his arrival, Craig completed an ambitious 100-day YVR immersion, including connecting with employees, engaging with stakeholders and a proactive media relations campaign. Craig has set the tone for an organization

that demands safety, values teamwork, fosters innovation and maintains accountability. He assumed responsibility from the Airport Authority's second President & CEO, Larry Berg, during whose 15-year leadership YVR earned its international reputation for airport excellence.

BUILDING THE GATEWAY

Construction continued in 2013 in the Domestic Terminal's A and B Piers, one of the oldest remaining sections of YVR's original 1968 terminal building. By the end of 2013, approximately 50 per cent of the project was completed, with major milestones including the installation of giant steel roof trusses. Phase one is scheduled for completion in November 2014, A-B Pier will feature upgraded gates, new shops and restaurants and an original art installation with a design theme reflecting British Columbia's Interior region.

Passenger Corridors & High-Speed Baggage Systems

To remain a gateway airport of choice, the Airport Authority is investing in facilities that will make it faster and easier for connecting passengers and their bags to move through YVR. In 2013, construction continued on a new high-speed baggage system and more than 700 metres of moving walkways and secure corridors, to reduce connection times for passengers to less than 60 minutes. The project will be complete in Spring 2016.

Integrated Operations Centre

2013 saw the opening of an Integrated Operations Centre, which centralizes a number of important real-time operations functions, including maintenance, scheduling, customer care, curbside operations and parking. This integration will continue to help YVR's complex, interconnected operations run smoothly.

Airside Operations Building

Construction began in earnest for YVR's new Airside Operations Building in 2013. Once complete in Fall 2014, the Airside Operations Building will be an integrated home to all airside operations staff, from airport fire and rescue responders to airside planners. This world-class facility will also house the fire hall and a large storage and parking bay for the Airport Authority's dozens of airside maintenance, snow removal and emergency vehicles.

Designer Outlet Centre

An important component of the Airport Authority's 20-Year Master Plan is non-aeronautical development on Sea Island. Site preparation for B.C.'s first luxury designer outlet centre got underway in 2013. McArthurGlen Designer Outlet Vancouver Airport – a partnership between the Airport Authority and McArthurGlen Group, Europe's leading owner, developer and manager of designer outlets – is set to open on the northeast corner of Sea Island near the Templeton Canada Line station in Spring 2015. Featuring 35,000 square metres of luxury retail, the project will increase the region's tourism and destination appeal, offer an alternative revenue source to keep airport costs lower and create an estimated 1,000 new local jobs.

Larry Berg Flight Path Park

To recognize outgoing President & CEO Larry Berg's outstanding leadership, the Airport Authority undertook a comprehensive upgrade of the former Flight Path Park, a favourite community-gathering place located at the end of the South runway. Larry Berg Flight Path Park was dedicated at a community ceremony in September. An ideal plane-spotting locale, the park's new features include raised viewing areas, runway-style walking paths, interpretive panels and a central plaza featuring a giant climbable globe.

Infrastructure Upgrades

Multi-year upgrades to general airport infrastructure continued in 2013, including pavement repairs and dyke upgrades. On the airfield, crews paved taxiways and shoulder areas and installed upgraded centre line lights on several taxiways, to ensure continued, safe airside operations for planes and vehicles.

Russ Baker Way, a major roadway thoroughfare connecting YVR to Richmond, was repaved during the summer of 2013. This major construction project was supported with extensive community outreach to address traffic impact to neighbouring Burkeville and Richmond commuters. Concurrently, we continued to upgrade Sea Island's cycling infrastructure, adding one additional kilometre of paved pathway to the network. This pathway offers a connection to and through Larry Berg Flight Path Park and to Richmond via the No. 2 Road Bridge.

Research and planning for expected Runway End Safety Areas (RESA) standards also continued in 2013, with a focus on examining options and improving airport safety.

SAFETY AND SECURITY

In April 2013, the Airport Authority staged its largest-ever emergency exercise, with more than 780 people from 30 different agencies participating in a simulated plane crash response. Airport Authority employees, business partners and volunteers worked together to test our Emergency Management Plan, which focuses on three key principles: plan, prepare and practice. From immediate airfield and emergency response protocols to in-terminal and public and media communications response, all aspects of the plan were tested and critiqued, with key learning integrated back into the plan.

SIMPLIFIED PASSENGER TRAVEL

Vancouver Airport Authority has long been a pioneer in the development of technology that speeds up, streamlines and simplifies the passenger travel experience. From introducing common-use self-service check-in to championing NEXUS Air and inventing Automated Border Clearance for Canadians returning from abroad, YVR's innovations are improving the airport travel experience here at home, and at airports across North America.

In 2013, the Airport Authority launched Automated Passport Control (APC), designed to partially automate the customs clearance process for U.S. Customs and Border Protection (US CBP). APC helps eligible passengers clear the border up to 89 per cent faster than the typical inspection process, reducing wait times, terminal congestion and operational costs.

After successfully installing 19 kiosks in YVR's own U.S. preclearance facility in May, the Airport Authority successfully sold its technology to four other airports in 2013, including:

- Montréal-Trudeau Airport (12 kiosks);
- Chicago O' Hare International Airport (32 kiosks),
- John F. Kennedy International Airport, Terminal 4 (40 kiosks); and
- Seattle-Tacoma International Airport (14 kiosks).

In 2013, more than two million passengers at these five airports used Automated Passport Control to safely and efficiently clear U.S. customs. This technology has also provided the Airport Authority with a good source of additional non-aeronautical revenue, which goes directly into airport improvements for ongoing efficient operations.

COMMERCIAL SERVICES

Shops, Services and Restaurants

2013 was an exceptional year for YVR's commercial services, with the addition of seven brand new shops, services and restaurants to our award-winning concession program. These include Vancouver Canucks Sports Bar & Grill in the U.S. Departures area and the award-winning Airport Butler, a customizable meet-and-greet service which completed its first full year of operations in 2013.

North America's first World Duty Free store continued successful operations at YVR in 2013. Featuring the best in beauty, fragrance, premium liquor and other luxury goods, YVR's duty free sales soared to nearly \$108 million in 2013.

Travellers and the local community came out in force for YVR's fourth annual *Take-Off Fridays*, our free in-terminal summer festival. Events kicked off with a well-attended paper airplane competition, and sales of food, beverage and retail items were up 7.5 per cent over 2012 festival sales.

Leasing

In 2013, all available office space throughout YVR's terminal facilities was leased to business partners, including airlines and retail concession operators. This group donated more than nine metric tonnes of building materials to *Habitat for Humanity Restore*. Additionally, we received many enquiries for retail leasing opportunities in the A-B Pier when it opens in 2015.

More than 85 concession employees were recognized in the Airport Authority's Customer Service Excellence Program for 2013, which is expected to grow to include taxi drivers in 2014.

Parking & Ground Transportation

The Airport Authority and its 16 taxi operators successfully executed a new ten-year taxi agreement in 2013, which outlines key customer service requirements, as well as benefits and amenities for drivers serving YVR customers.

Early 2013 saw the launch of jetSet Parking, a refreshed brand for our long-term parking lot. Supporting tactics for the new parking option included an online reservation system on YVR.CA, where customers can pre-book parking spots for preferred rates. Thanks to a dedicated advertising campaign and competitive pricing, more than 25 per cent of jetSet parking was booked online in the system's first year of operation, exceeding all targets.

Together, these commercial service projects helped increase YVR's sales per passenger by 8.4 percent, to an average of \$20.69 spent by every passenger. As a not-for-profit organization, all non-aeronautical revenue earned at YVR helps us reduce airline operating costs, in order to keep our operations lean and competitive.

BEST NEW CONSUMER CONCEPT. Airport Butler, offering customizable meet-and-greet airport services, earned a 2013 Airports Council International North America for Best New Consumer Concept.

NEW ROUTES AND SERVICES

YVR's routes and services continued to grow across its domestic, transborder (U.S.) and international sectors in 2013. WestJet Encore inaugurated regional service with flights from YVR to Fort St. John, Terrace-Kitimat, and Victoria, B.C. Additionally, several new summer seasonal services inaugurated in 2013, including:

- Lufthansa's daily service to Munich, Germany
- United Airlines' service to Washington, D.C., and
- Delta Airlines' daily service to JFK in New York

YVR continues to strengthen its position as the key North American gateway to Asia. China Eastern Airlines, China Southern Airlines, Air China, Air Canada and Sichuan Airlines all added frequencies between YVR and destinations in China in 2013. This service increase brought YVR's weekly tally of flights to China to 75, more than any other airport in North America in the summer of 2013.

In 2013, additional air service announcements were made for 2014 operations. Icelandair announced its plans to operate twice-weekly seasonal summer service between YVR and Reykjavik, Iceland – from which this new airline partner can connect passengers to more than 20 European destinations. Additionally, All Nippon Airways (ANA) announced plans to operate daily service between YVR and Tokyo's Haneda Airport, inaugurating at the end of March 2014.

Our Destinations

B.C.

Abbotsford
Anahim Lake
Bella Bella
Bella Coola
Campbell River
Castlegar
Comox
Cranbrook
Dawson Creek
Fort Nelson¹
Fort St. John
Ganges Harbour
Kamloops
Kelowna
Lyll Harbour
Maple Bay
Masset
Miner's Bay
Montague Harbour
Nanaimo
Nanaimo Harbour
Penticton
Port Hardy
Port Washington
Powell River
Prince George
Prince Rupert
Qualicum Beach
Quesnel
Sandspit
Sechelt
Silva Bay
Smithers
Telegraph Harbour
Terrace
Tofino
Trail
Victoria
Victoria Harbour
Williams Lake

CANADA

Calgary
Edmonton
Fort McMurray
Montreal
Ottawa
Regina
Saskatoon
Toronto
Whitehorse
Winnipeg

U.S.A.

Anchorage
Atlanta
Chicago
Dallas
Denver
Detroit
Honolulu
Houston
Kahului (Maui)
Kona (Hawaii)
Las Vegas
Lihue (Kauai)
Los Angeles
Minneapolis
New York (JFK)
Newark
Orange County
Palm Springs
Phoenix
Portland
Salt Lake City
San Francisco
Seattle
Washington D.C.

MEXICO

Cancun
Huatulco^c
Ixtapa/Zihuatanejo
Manzanillo^c
Mazatlan
Mexico City
Puerto Vallarta
San José del Cabo

ASIA

China

Beijing
Chengdu
Guangzhou
Hong Kong S.A.R.
Shanghai
Shenyang¹

Japan

Tokyo Narita
Tokyo Haneda*

South Korea

Seoul

Philippines

Manila

Taiwan

Taipei

EUROPE

France

Paris^c

Germany

Frankfurt
Munich

Iceland

Reykjavik*

Netherlands

Amsterdam

Switzerland

Zurich^c

United Kingdom

Glasgow, Scotland^c
London, England (Gatwick)^c
London, England (Heathrow)
Manchester, England^c

LATIN AMERICA

Cuba

Santa Clara^c
Varadero^c

Dominican Republic

Punta Cana^c

Jamaica

Montego Bay

OCEANIA

Australia

Sydney

New Zealand

Auckland

**Planned for 2014*

¹ *One stop en route*

^c *Scheduled charter service only;
may have a stop en route*

Financial Planning

The Airport Authority's sound financial planning is reflected in our consistently high credit ratings, which are 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 2013.

Other than the 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 is the only other airport with an AA rating.

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 \$121.5 million in 2013, an increase of \$1.2 million from \$120.3 million in 2012. In 2011, the Airport Authority introduced the Gateway Incentive Program (GIP), a five-year program that freezes total aeronautical charges at 2010 levels for individual airlines, regardless of actual landed weight and aircraft capacity. This reduces the marginal cost of an additional flight to zero for an airline participating in the GIP and provides an incentive to expand capacity at YVR. The annual increase resulted from a rate increase and net capacity growth for those carriers not participating in the GIP.
- **Non-aeronautical revenue:** This includes revenue from concessions, such as duty free and car rentals, as well as car parking and terminal and land rents. Revenue from these sources amounted to \$189.5 million in 2013, an increase of \$13.3 million from \$176.2 million in 2012, due mainly to increased concessions, sale of Automated Passport Control (APC) kiosks to other airports, contribution and land lease 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 AIF. Total revenue earned from the fee in 2013 was \$122.3 million, an increase of \$15.2 million from \$107.1 million in 2012, due mainly to the full year impact of the \$5 AIF rate increase for travel outside of B.C. and the Yukon that was implemented on May 1, 2012.

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 2013, these costs increased to \$150.1 million, an increase of \$9.3 million, from \$140.8 million in 2012. These increases were mainly due to costs for management consulting, terminal repair and maintenance, utilities, RCMP, AIF commissions and the costs of APC kiosks sold to other airports.

The Airport Authority also uses a portion of its revenue to pay rent to the federal government, which amounted to \$42.3 million in 2013, an increase of \$3.2 million, from \$39.1 million in 2012. The increase in rent was the result of the increase of the Airport Authority's revenue upon which the rent payment is based.

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. In 2013, 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. Debt carries an annual interest payment, which in 2013 amounted to \$31.5 million, consistent with 2012.

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 2013 amounted to \$110.7 million, an increase of \$2.7 million, from \$108.0 million in 2012.

The Airport Authority realized \$0.3 million in dividend revenue from interest on cash held within Vancouver Airport Enterprises Limited.

The Airport Authority recorded a \$2.3 million write off of capital assets as a result of the required demolition of a Canadian Air Transport Security Authority (CATSA) funded screening facility to allow for site preparation work on the Domestic Terminal's Pier A expansion. The corresponding \$2.3 million of deferred CATSA grant revenue for the construction of the screening facility was recognized as contribution revenue.

Total excess of revenue over expenses, which includes amortization, was \$97.1 million in 2013, an increase of \$12.2 million from \$84.9 million in 2012. When amortization, a non-cash item, is removed, the Airport Authority generated \$206.1 million of net cash flow, prior to its investment in capital projects.

During 2013, the Airport Authority invested \$186.0 million in capital projects. The capital projects included redevelopment of the Domestic Terminal's A and B Piers, baggage system upgrades, infrastructure upgrades, Airside Operations Building, Integrated Airport Operations Centre and the corporate systems project.

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

- Net cash flow (excluding AIF) of \$88.7 million.
- Net AIF in the amount of \$117.4 million.

These amounts in total were more than sufficient to pay for the 2013 capital project costs, leaving \$162.3 million in cash available to pay for capital projects in 2014 and future years.

Financial Update - Subsidiaries

VANTAGE AIRPORT GROUP

Vancouver Airport Authority created Vantage Airport Group (Vantage) in 1994 to market the expertise, operating philosophies and leading-edge systems developed at YVR. Vantage is jointly owned by Vancouver Airport Authority and Citi Infrastructure Investors (CII), and its portfolio consists of nine airports in five countries. Vancouver Airport Authority appoints four of eight seats to Vantage's Board of Directors.

In 2013, the Airport Authority's interest in Vantage experienced a \$49.7 million write-down and loss due to Vantage's investment in Liverpool John Lennon Airport as a result of a sustained downturn in the economy, a tough regulatory regime and a highly competitive market. Vantage, a 65 per cent owner in Liverpool Airport, made the decision to exit the project rather than invest additional funds. While this write-down and loss is significant, this was the right business decision for Vancouver Airport Authority and Vantage. This decision does not impact Vancouver Airport Authority's operations in any way.

Subsidiary activities are separate from operations at YVR. Funds for the investment in Liverpool Airport came from Vancouver Airport Authority's sale of 50 per cent of its shares to CII in 2008.

YVR PROJECT MANAGEMENT (YVRPM)

A wholly owned subsidiary of Vancouver Airport Authority, YVRPM was established in 2005 to oversee major capital expansion projects at YVR. In 2013, the majority of YVRPM's revenue was generated by its management of Airport Authority projects, as well as project management and construction of the McArthurGlen Designer Outlet Vancouver Airport.

VANCOUVER AIRPORT ENTERPRISES LTD. - TEMPLETON

Vancouver Airport Enterprises Ltd. – Templeton (VAEL Templeton), a wholly owned subsidiary of Vancouver Airport Authority, was established in 2012 to hold the Airport Authority's 50 per cent share in the McArthurGlen Designer Outlet Vancouver Airport. In 2013, the company incurred pre-opening marketing expenses but did not generate operating revenue. This resulted in a net loss, of which the Airport Authority's portion was \$58,000.

Note: Information on subsidiaries' contributions to Vancouver Airport Authority can be found in our financial statements, available via the links below.

[Unaudited Non-Consolidated Financial Statements of Vancouver Airport Authority](#)

Financial statements for Vancouver Airport Authority's operations at Vancouver International Airport (YVR) are provided in the Unaudited Non-Consolidated Statements.

[Audited Consolidated Financial Statements of Vancouver Airport Authority](#)

Financial statements for all operations of Vancouver Airport Authority, including subsidiaries Vantage Airport Group, YVR Project Management Ltd. and Vancouver Airport Enterprises Ltd. – Templeton, are provided in the Audited Consolidated Statements.

VANCOUVER AIRPORT AUTHORITY
2013 GOVERNANCE REPORT



Our Governance Process

The Airport Authority's comprehensive governance procedures are contained in the *Board of Directors' Governance Rules and Practices Manual*, which is available on our [website](#). The manual includes:

- Terms of Reference for the Board, Board Chair, President & CEO and Directors
- Conflict of interest guidelines
- Director compensation
- Accountability and transparency practices
- Guidelines, Terms of Reference and membership for each of the Board's committees: Finance and Audit, Governance, Human Resources and Compensation and Planning and Development.

Board of Directors

Our Board has up to 15 Directors with nine appointed by eight nominating entities with key ties to the local community. Up to five additional Directors may be appointed by the Board from the community at large. The President & CEO also serves as a Director. Joining the Board in 2013 was Anna Fung, nominee of the Law Society of British Columbia, and Craig Richmond in his role as President & CEO. Retiring from the Board in 2013 were Larry Berg, former President & CEO, Ruston Goepel, Director at-large and Carol Alter Kerfoot, previous nominee of The Law Society of BC.

Director	Representative Capacity (Nominating Entity)	Term Expiry	Committee Memberships (see key below)
Mary Jordan	Chair, Director at Large	2015	b, c, e
Brian Bentz	Institute of Chartered Accountants of British Columbia	2014	d, e
George Cadman	Government of Canada	2014	b, c, e
Joseph Caron	Director at Large	2014	b, d
John Currie	Director at Large	2015	a, c
Anna Fung	The Law Society of British Columbia	2016	b
Kenneth Goosen	Association of Professional Engineers and Geoscientists of British Columbia	2014	d
Grayden Hayward	The Vancouver Board of Trade	2015	a, c
Howard Jampolsky	City of Richmond	2014	a, d
Wilson Parasiuk	Metro Vancouver	2014	a, d
Craig Richmond	President and Chief Executive Officer	n/a	
Gerri Sinclair	Director at Large	2014	c, d
Tamara Vrooman	City of Vancouver	2014	a
Peter Webster	Government of Canada	2015	a, b

- a Finance and Audit Committee
- b Governance Committee
- c Human Resources and Compensation Committee
- d Planning and Development Committee
- e CEO Search Committee

The Executive Committee

The Airport Authority's senior executive team oversees the effective operation and management of Vancouver International Airport.

Craig Richmond	President & Chief Executive Officer
Don Ehrenholz	Vice President, Engineering
Tony Gugliotta	Senior Vice President, Business Development
Steve Hankinson	Vice President, Operations & Information Technology
Glenn McCoy	Senior Vice President, Finance & Chief Financial Officer
Michele Mawhinney	Vice President, Human Resources
Anne Murray	Vice President, Marketing & Communications
Michael O'Brien	Corporate Secretary and Vice President Strategic Planning & Legal Services

Subsidiaries

VANTAGE AIRPORT GROUP

Vantage Airport Group (Vantage) markets the expertise, operating philosophies and leading-edge systems developed at YVR. Vantage is jointly owned by Vancouver Airport Authority and Citi Infrastructure Investors (CII). Vantage's portfolio consists of 10 airports in six countries. The Vantage network of airports welcomed more than 34.7 million passengers in 2013. More information on Vantage can be found at www.vantageairportgroup.com

YVR PROJECT MANAGEMENT

YVR Project Management (YVRPM) is a wholly owned subsidiary of Vancouver Airport Authority established in 2005 to oversee major expansion projects at YVR. YVRPM was responsible for completion of the International Terminal expansion project in 2007, as well as the five-gate expansion of the Domestic Terminal's C Pier, completed in 2009. Currently, YVRPM is overseeing construction of the McArthurGlen Designer Outlet Vancouver Airport, the 35,000 square metre luxury designer retail centre set to open on Sea Island in Spring 2015.

VANCOUVER AIRPORT ENTERPRISES LTD. - TEMPLETON

Vancouver Airport Enterprises Ltd. – Templeton (VAEL – Templeton) is a wholly owned subsidiary of Vancouver Airport Authority established in 2012 to hold the Airport Authority's 50 per cent share in the McArthurGlen Designer Outlet Vancouver Airport. The other 50 per cent of the Designer Outlet is held by McArthurGlen, a leading European outlet developer. The Designer Outlet is expected to open in Spring 2015.

Our Planning Process

The Airport Authority's planning process is comprised of a number of key elements, including the Strategic Plan, the Master Plan, the Capital Plan and the Financial Plan.

The Airport Authority's Strategic Plan provides the fundamental direction—the mission, vision and values—for the organization. Our mission: "Connecting B.C. proudly to the world."

The Master Plan outlines how the Airport Authority will meet the needs of its stakeholders and the communities it serves over the medium term—20 years. It also supports YVR's long-term viability and includes an Airport Land Use Plan to protect existing operational areas and allocate sufficient land for future operational needs. The Master Plan process includes a comprehensive public consultation program and evaluates potential airside, terminal, cargo and ground access development options based on sustainability criteria that are divided into four areas: Governance, Economic, Environmental and Social. The Airport Authority is required to update its Master Plan every 10 years pursuant to the terms of its lease with the federal government. The Airport Authority's most recent Master Plan and accompanying Land Use Plan, *YVR: Your Airport 2027 Master Plan* is available on yvr.ca.

The Airport Authority's multi-year Capital Plan determines the timing of airport infrastructure developments based on the Master Plan and applying enterprise risk analysis to guide ongoing maintenance and replacement of infrastructure. The Financial Plan defines funding requirements for future capital projects and major initiatives, and the annual Business Plan outlines the Airport Authority's objectives, initiatives and metrics for the coming year.

Corporate Governance Report

PART ONE – CORPORATE GOVERNANCE

I. Introduction

The Airport Authority's Board of Directors and management regard effective corporate governance as critical to the proper execution of its responsibilities. The Board's fundamental role is to ensure that the Airport Authority fulfills its objectives in a safe, efficient and reliable manner. Its responsibilities include oversight, review and approval of the Airport Authority's Strategic Plan, long-term financial plans and annual budgets. Critical Board functions include maintaining the integrity of internal controls; assuring that prudent plans are in place for Board renewal, management and succession; and approving a comprehensive public communications policy.

II. Composition of the Board

Except for the President & CEO, all Directors are independent and have no direct or indirect material relationship with the company or its subsidiaries. Each is independent of management and free from any interest, business or other relationship that could, or could reasonably be perceived to interfere materially with the Director's ability to exercise independent judgment and act with a view to the best interests of the Airport Authority. The Airport Authority's President & CEO is not independent by virtue of his position in management.

The Board is currently composed of 14 directors with, nine appointed 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.

The following organizations appoint Directors as the Airport Authority's Nominating Entities:

- The Association of Professional Engineers and Geoscientists of British Columbia - One Director
- City of Richmond - One Director
- City of Vancouver - One Director
- Government of Canada – Two Directors
- Metro Vancouver – One Director
- The Institute of Chartered Accountants of British Columbia - One Director
- The Law Society of British Columbia - One Director
- The Vancouver Board of Trade – One Director

Directors are appointed to a three-year term and are eligible for re-appointment subject to a limitation that no person may serve as a Director for more than 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 otherwise the number of individuals ceasing to be Directors in a given year would be more than two.

Each Nominating Entity has its own process for selecting its appointee. As is considered best practice, when there is a vacancy the Airport Authority reviews its Directors' matrix with the Entities and discusses the skills and experience required on the Board. The Nominating Entities may not appoint a person in its employment or providing services on a full-time basis under contract; in addition, persons holding, or nominated for, an elected office are ineligible.

III. Committees of the Board

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 as they relate to financial disclosure. This Committee also 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 Board governance practices enhance corporate performance and remain transparent and accountable. It also develops a long-term plan for the composition of the Board and annually reviews the Airport Authority's stakeholder relationship activities.

The Human Resources and Compensation Committee oversees human resources and compensation policies and ensures that there is a plan for the development and orderly succession of executive and other key employees.

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

In 2103, the Board also created a CEO Search Committee to identify and review candidates to succeed the retiring CEO and to recommend an individual to the Board of Directors for approval. The Committee was dissolved once it completed its work.

In addition to the above Committees, the Board periodically establishes Task Forces. A Task Force is established for a specific period of time to undertake a specific assignment and is then disbanded.

IV. Ethics and Code of Conduct for Directors

As set out in the Board of Directors Manual, Airport Authority 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 rules concerning conflicts of interest, to ensure continued public confidence in the Airport Authority's leadership.

Every Director is required to file a disclosure statement upon becoming a Director. Thereafter, each Director must file an annual disclosure statement, which is reviewed by the Chair, the President & CEO, the Corporate Secretary and the Airport Authority's external auditors. In addition, any Director may review the statements upon request to the Corporate Secretary.

The Airport Authority's by-laws require that it report annually in writing on the Directors' compliance with its conflict of interest guidelines. Therefore, the Airport Authority confirms that all Directors complied in full with the rules concerning conflicts of interest in 2013.

PART TWO - EXECUTIVE AND BOARD COMPENSATION

I. Executive Compensation Philosophy

The objectives of the Airport Authority's executive compensation program are:

1. To remain competitive in the marketplace and attract and retain the caliber of executive required to ensure the Airport Authority remains a global leader; and
2. To motivate our executives to achieve business results and reinforce accountability to our customers and our community.

The key elements of our executive compensation program are base salary and incentive compensation. Incentive compensation is dependent on achieving the following corporate and individual performance objectives:

Incentive Measures

- Non-Aeronautical Revenues: To increase non-aeronautical revenues.
- Variable Operating Costs: To improve the Airport Authority's net operating margin which is defined as revenue (excluding airport improvement fees) less operating costs.
- Customer Service: To improve the annual satisfaction score on the customer satisfaction survey. The survey is based on passenger evaluations and is conducted quarterly by an independent external firm.
- Community Relations: To enhance the relationship with, and overall satisfaction levels from, our community. This is measured annually using survey results which rate the overall impression of Vancouver International Airport, conducted by an independent external firm.
- Return on Capital Assets: To earn a reasonable level of return on capital assets.
- Excess Revenue over Expenses: To achieve a desired level of revenue and control over expenses to generate funds available for capital reinvestment or debt reduction.
- Trans-Pacific Flights: The number of flights between YVR and Asia, excluding Australia and New Zealand.
- Trans-Pacific Passengers: The number of passengers on flights between YVR and Asia, excluding Australia and New Zealand.
- Individual Objectives: Each executive has four stretch goals to achieve. The goals are established at the beginning of each year through consultation with the CEO.

Commencing in 2009, the executive incentive program also measures sustained performance over the longer term (three years) based on two key financial measures listed above: Return on Capital Assets and Excess Revenue over Expenses. In 2012, two longer-term gateway measures, listed above, were added to the program: Trans-Pacific flights and Trans-Pacific passengers.

Executive Compensation Peer Group

In determining executive pay levels, the Airport Authority is compared to select private sector companies from a variety of industries across Canada, as well as other major domestic and international airports. Where applicable, a size adjustment is made to the compensation data for the Airport Authority's revenue in relation to the comparator firms' revenues.

Market Positioning

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 exceeds expectations.

II. Executive Compensation Review Process

The Airport Authority's policy is for the Human Resources and Compensation Committee to retain an independent compensation consultant to provide market compensation data, which is one factor used to inform compensation decisions, as well as assistance with incentive plan design and information on trends in executive pay. The Committee then recommends to the Board the compensation of the CEO and the executive team after considering the market data, as well as individual and corporate performance.

In 2008, the Board established a compensation task force to conduct a comprehensive review of executive pay. To assist with this review, the Airport Authority retained the services of an independent compensation consultant, Towers Watson. Based on the results of this review, the Human Resources and Compensation Committee updated the compensation philosophy, developed a compensation framework and modified the incentive program to align more closely with the Airport Authority's business strategy.

In 2012, the incentive programs were more closely aligned with the Airport Authority's new growth strategy with the addition of gateway measures, specifically the growth of flights and passengers between YVR and Asia.

In 2013, the Human Resources and Compensation Committee requested proposals for a compensation consulting firm to assess the executive pay arrangements including the appropriateness of the philosophy, peer groups, market positioning of executive pay levels, and the alignment of the incentive program to the strategic direction of the Airport Authority. This comprehensive review and any resulting recommendations will be completed in 2014.

III. Executive Compensation

The salary range for the President is \$360,000 to \$540,000, with a midpoint of \$450,000. The President participates in a short-term incentive program that has a target opportunity of 50% of base salary and a maximum opportunity of 75% of base salary.

The salary range for Senior Vice Presidents is \$196,000 to \$294,000 with a midpoint of \$245,000. The salary range for the Vice Presidents is \$168,000 to \$252,000 with a midpoint of \$210,000. Vice Presidents participate in a short-term incentive program that has a target opportunity of 30% of base salary and a maximum opportunity of 45% of salary.

As indicated earlier, the executives have longer term performance measures based on two key financial measures and two measures aligned to achieving the Gateway growth strategy for YVR.

In 2013, the average increase for executives was 2.9%, in addition to adjustments to move some executive salaries closer to the salary range midpoint.

Executives also participate in post-retirement arrangements as reported in the Consolidated Financial Statements, footnote no.17b on page 29.

IV. Directors' Remuneration

Directors' compensation is reviewed by the Governance Committee of the Board every two years with the assistance of an independent compensation consultant to provide market compensation data and advice on industry best practices. There was no increase in Directors' compensation rates in 2013, following an increase in 2012. The Board of Directors' compensation principles, set out below, apply to setting the levels of compensation for Airport Authority Directors. The President & CEO, who is an employee of the Airport Authority, is not remunerated for services as a Director.

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 BC 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 are:
 - A. Airport Authorities of Toronto, Montreal and Calgary.
 - B. British Columbia's three major government transportation companies: TransLink, BC Ferries and Port Metro Vancouver; and,
 - C. Twenty corporations in British Columbia, with assets greater than \$1 billion, whose shares are publically traded, adjusted to match the Airport Authority's size.
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 per centile in group C.

The remuneration for non-management Directors in 2013 was:

Annual Retainer	Chair	\$135,000
	Directors	\$25,000
Additional Retainer for Committee Chairs	Chair Finance and Audit Committee	\$8,000
	Chair other Board Committees	\$6,500
Board and Committee meeting attendance fee		\$1,250
Other meetings fee		\$ 625

Subject to approval from the Governance Committee, Directors are reimbursed for all reasonable out-of-pocket expenses. Out of town travel expenses incurred to attend to the business of the Airport Authority must be pre-approved by the Chair in the case of Directors and by the Governance Committee Chair in the case of the Chair. Travel expenses for attendance at Board and Committee meetings are not reimbursed unless the Director resides outside the Metro Vancouver Regional District.

The total remuneration paid during 2013 to each Director was as follows:

M. Jordan ¹	\$135,000	G. Hayward	\$72,375
B. Bentz	\$78,750	H. Jampolsky	\$54,375
G. Cadman	\$77,750	C. Kerfoot ²	\$55,750
J. Caron	\$49,375	W. Parasiuk	\$62,500
J. Currie	\$52,500	G. Sinclair	\$53,500
A. Fung ²	\$21,250	T. Vrooman	\$45,000
R. Goepel ²	\$20,000	P. Webster	\$57,625
K. Goosen	\$46,250		

¹The Chair receives an annual retainer only for her work on the Airport Authority Board and does not receive any additional meeting fees. During the year, Ms. Jordan also received remuneration in the amount of \$27,000 from Vantage Airport Group for serving on its Board of Directors.

²Ms. Fung joined the Board in July 2013. Mr. Goepel retired from the Board in May 2013 and Ms. Kerfoot retired in June 2013.

In addition to the above remuneration, Directors were reimbursed for expenses totaling \$9,377.85 in 2013. Most of the expenses arose from travel and accommodations associated with two meetings of the Canadian Airports Council.

PART THREE - PURCHASING POLICIES

I. Conflict of Interest and Confidentiality

All Airport Authority employees and consultants must comply with the Airport Authority's Conflict of Interest Guidelines.

II. Environmental and Safety Considerations

The Airport Authority is committed to meeting or exceeding any laws or regulations concerning both environmental protection and workplace safety. During the purchasing process, suppliers are encouraged to offer, and the buyer will seek out, environmentally responsible products or

services. Contractors and suppliers will be required to abide by all Airport Authority safety and environmental rules and regulations.

III. Insurance

No contractor shall commence work on the airport site until evidence of adequate insurance and Workers Compensation Board coverage is provided.

IV. Acquisition Methods

Best Value Purchasing

Best value purchasing is assessed in terms of legal and financial risks as well as timing of delivery, quality, pricing, life cycle costs including warranties, operating and maintenance costs, disposal and any other costs associated with ownership, function and use.

Competitive Submissions

In general, the procurement of goods and services will be awarded following a competitive process.

The Airport Authority will provide information to all proponents including:

- written competitive specifications;
- proposed terms and conditions;
- whether alternatives will or will not be considered;
- an indication of the evaluation criteria that will be used to assess the offers.

If a site visit or contractor meeting is required prior to submission closing time, the Airport Authority will ensure all proponents are invited. At the conclusion of the meeting, the Airport Authority will prepare and distribute minutes of the meeting, and issue in writing any required addenda to all contractors.

Submissions will be received in accordance with the instructions given by the Airport Authority. The Airport Authority reserves the right to accept or reject late or incomplete submissions. Following the submission closing time, submissions are opened by Purchasing and Contracting Services in the presence of a witness. All submissions are initialed, and date and time stamped at time of receipt and opening.

Exceptions

Exceptions to this policy may be made in the circumstances described in the list following the table in Part Four. The persons with the appropriate signing authority will state in writing upon what grounds the exception is being made.

PART FOUR - REPORT ON SINGLE-SOURCE CONTRACTS IN EXCESS OF \$100,000

The table below reports contracts for the purchasing of goods and services in excess of \$128,721 (\$100,000 in 2000 dollars) awarded during 2013, which were not awarded on the basis of a competitive process.

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 program to use a product or equipment from a single manufacturer in order to gain operational, maintenance or cost efficiencies available from using a standard item;
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;
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.

Note: There is a year-over-year increase in the number of single-source contracts which list reason # 3 for exception. The reason for this increase is due to the number of ongoing construction projects at YVR that require connection or integration with existing systems, resulting in the choice to standardize some systems and suppliers for long-term efficiencies. Examples of these projects include elevators, moving walkways, baggage systems, bridges and carpets.

Aggregate Contract Value	Contractor	Draft Published Description	Reason
\$21,848,574	Fujitec Canada	Supply, Install and Maintain Elevators, ESC, & Autowalks	3
\$10,277,787	Vanderlande Industries Canada	Design Services	3
\$4,026,201	Jacob Bros	Construction Services	2
\$3,737,380	Crosstown Metal Industries	Kiosk enclosures	1
\$2,523,938	John Bean Tech	Jetway bridge upgrades	3
\$1,933,556	Kasian Architecture Interior Design and Planning	Design Services	3
\$1,730,324	Team Eagle Ltd.	Fire Truck and Accessories	3
\$1,372,086	Viking Fire Protection	Sprinkler Replacement	1
\$1,292,200	Booz & Co	Consulting services	4
\$942,240	Hobart	Ground Power Unit	3
\$889,210	Hi-Lite Canada	Line Painting	4

\$860,818	Hatch Mott	Design Services	3
\$849,272	IBM Canada Ltd.	Consulting Services	2
\$759,919	Ledcor Construction Ltd	Construction Management Services	2
\$731,732	InterVistas Consulting Inc.	Consulting Services	4
\$683,275	Studio One Architecture Inc.	Design Services	4
\$676,150	3M Canada	IT supplies	1
\$599,157	Compugen	IT equipment for ETF	4
\$561,372	MMM Group Ltd	Design Services	3
\$535,660	ARINC International of Canada	IT Support	1
\$509,600	KPMG LLP	Project Management Services	2
\$506,875	Safegate Group	Supply of Gates	3
\$499,898	Compugen	Cisco equipment for MPLS	4
\$481,583	Mannington Commercial Carpet	Multi-year supply of Carpet	3
\$447,760	Thurber Engineering	Geotechnical Services	3
\$362,608	FSM Management	Construction Management	1
\$359,506	Graham Construction	Construction Management	2

\$311,983	Liebert Canada	IT supplies	1
\$300,000	Western Weed Control 1980	Weed Control	4
\$297,784	Canadian Engineering Products & Sales	Hot water boiler	4
\$285,506	Long View Systems Corp	Contractor	5
\$255,482	Xylem Inc	Pump Station Supplies	3
\$254,364	Prolog Development Center	Software Licenses	1
\$250,000	Mobiquity Inc.	IT Services	4
\$240,577	IBM Canada Ltd.	IT Supplies	1
\$230,000	C.E.S. Engineering	Commissioning Services	7
\$228,771	Kerr Wood Leidel	Design Services	3
\$200,134	Jaquith Industries Inc.	Taxiway Inset Cans	1
\$190,400	3DS Three Dimensional Services Inc.	Design services	2
\$186,000	Pacific NorthWest Raptors	Bird Control	1
\$182,864	Oracle Canada	Software Licenses	1
\$168,710	Aeroplan	Loyalty program	1
\$168,600	Babcock Airports	Consulting services	1

\$165,307	Ledcor Technical Services	Construction Management Services	2
\$153,680	Cooper Crouse-Hinds	LED Runway Guard Light	1
\$151,381	Scalar Decisions	IT Supplies	7
\$147,486	Bruel & Kjaer	Software Support	1
\$145,921	MALMS Photometric Measurement Systems	Equipment	1
\$144,921	Semler	Potable Water Cabinet	3

**Reasons are explained above.*

PART FIVE - GUIDELINES FOR CORPORATE GOVERNANCE

The Airport Authority chooses to report against National Policy 58-201 Corporate Governance Guidelines and the accompanying National Instrument 58-101 Disclosure of Corporate Governance Practices.

The following table demonstrates how Vancouver Airport Authority meets these Corporate Governance Guidelines.

Vancouver Airport Authority Corporate Governance Disclosure		
Guideline		Disclosure
1.	The Board of Directors Disclose: <ul style="list-style-type: none"> ➤ Independent Directors and whether or not majority are independent. ➤ Directors who are not independent and explain. ➤ If Independent Directors hold regularly scheduled meeting at which members of management are not in attendance. 	<ul style="list-style-type: none"> ➤ All Directors are independent with the exception of the President and CEO, who as an employee and executive officer of the Airport Authority is not independent. ➤ Independent Directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2014, i.e., at six regular Board meetings and 46 Committee and Task Force meetings. In addition, the Finance and Audit Committee, which consists entirely of independent directors,

Vancouver Airport Authority Corporate Governance Disclosure		
Guideline		Disclosure
	<ul style="list-style-type: none"> ➤ If the Chair of the Board is an Independent Director, the identity of the Chair and his or her responsibilities. ➤ Disclose the attendance record of Directors. 	<p>holds separate <i>in camera</i> sessions with the External Auditor and the Internal Auditor at each meeting they attend.</p> <ul style="list-style-type: none"> ➤ Mary Jordan, the Chair, is an Independent Director. The Chair's Terms of Reference can be found at Tab 4 in the Board's Governance Rules and Practices Manual. ➤ The Chair's Terms of Reference are reviewed annually by the Governance Committee. ➤ Director attendance is reviewed annually by the Governance Committee. In 2013, there were 52 meetings of the full Board, Board Committees and Task Forces. Including all of these meetings, the Board had an overall average attendance rate of 93 percent.
2.	Board Mandate <ul style="list-style-type: none"> ➤ Disclose the text of the Board's written mandate. 	<ul style="list-style-type: none"> ➤ 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 Governance Rules and Practices Manual.
3.	Position Descriptions Disclose: <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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.

Vancouver Airport Authority Corporate Governance Disclosure		
	Guideline	Disclosure
4.	Orientation and Continuing Education Briefly describe: <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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 <i>Aviation 101</i> 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.
5.	Ethical Business Conduct Disclose: <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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. <p>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</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

	Guideline	Disclosure
	<ul style="list-style-type: none"> ➤ 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. 	<p>by any Director upon request to the Corporate Secretary.</p> <p>The by-laws require an annual statement on Directors' compliance with its conflict of interest guidelines. See Part One, Section IV of this report.</p> <ul style="list-style-type: none"> ➤ Should a Director engage in an activity which may be construed as a conflict, the Director must make full disclosure to the Chair 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 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 hotline telephone number or website.

**Vancouver Airport Authority
Corporate Governance Disclosure**

	Guideline	Disclosure
6.	<p>Nomination of Directors Disclose:</p> <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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 Composition 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. ➤ The Governance Committee may engage assistance from an external consultant to help with this process. ➤ For Director positions appointed by Nominating Entities, the Chair reviews the Board Matrix with the Entity and discusses the skills and experience currently required by the Board and requests that the Entity keep this in mind in making its appointment. ➤ The Governance Committee's Terms of Reference can be found at Tab 15d in the Board's Governance Rules and Practices Manual.

**Vancouver Airport Authority
Corporate Governance Disclosure**

	Guideline	Disclosure
7.	<p>Compensation Disclose:</p> <ul style="list-style-type: none"> ➤ 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 advisor 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. 	<ul style="list-style-type: none"> ➤ See Part Two - Executive and Board Compensation of this report. ➤ 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 at Tab 15d in the Board's Governance Rules and Practices Manual. ➤ Towers Watson was engaged by the Human Resources and Compensation Committee to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized in Section III of this report.
8.	<p>Other Board Committees</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board has standing committees other than audit, compensation and nominating committees and describe their function. 	<p>The Board also has a Planning and Development Committee. Its Terms of Reference can be found at Tab 15f in the Board's Governance Rules and Practices Manual.</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline		Disclosure
9.	Assessments <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ This is an annual process, which is set out in Tab 10 – The Board Evaluation Process in the Board’s Governance Rules and Practices Manual. ➤ The Board undertakes an overall review of Board and Committee effectiveness through the use of an interview guideline and interviews by a third party consultant engaged to conduct the annual review. ➤ The Board also completes an Individual Director Peer Evaluation Questionnaire annually; results are tabulated by a third party consultant and discussed with the individual Director and the Board Chair only.

VANCOUVER AIRPORT AUTHORITY
2013 ENVIRONMENT REPORT



Vancouver Airport Authority seeks to operate Vancouver International Airport safely, efficiently and sustainably. Our Environment team oversees [Environmental Management and Noise Management Plans](#), which outline environmental policies and programs around key sustainability issues associated with airport operations.

Managing Aircraft Noise

The Airport Authority has a comprehensive five-year Noise Management Plan (2009-2013), which identifies 16 initiatives aimed at minimizing the impact of noise on our neighbours while recognizing the need for continued airport operations.

The Airport Authority received 1,297 noise complaints from 279 individuals in 2013; this represents a 44 per cent increase in complaints and a 25 per cent increase in the number of individual complainants over 2012. An annual community survey which asks Metro Vancouver residents if they are bothered by aircraft noise in their homes showed that 88 per cent of residents surveyed were not annoyed by aircraft noise in 2013. This is consistent with survey results from previous years.

2013 marked the second full year of operations of the Airport Authority's Ground Run-Up Enclosure (GRE). Located at YVR's Airport South, the GRE reduces noise from run-ups performed by propeller and jet aircraft. The first such facility in Canada, the \$12 million GRE uses aerodynamic design combined with special sound absorbing panels to reduce and direct noise away from residential areas. Since it opened in January 2012, operators have conducted more than 1,400 run-ups in the facility, and noise heard in neighbouring communities has been reduced by up to 50 per cent.

Environmental Management Plan

Our Environmental Management Plan (2009-2013) outlines five strategic priorities:

- Reduce emissions
- Reduce energy
- Reduce waste
- Implement a Communication, Awareness, Recognition and Education (CARE) program
- Continually improve environmental programs

Reduce Emissions

The Airport Authority works with our business partners to minimize vehicle and aircraft emissions; promoting alternative forms of transportation to and from Sea Island; improving airport infrastructure to allow for low-emission practices; and raising awareness of clean air practices.

Our efforts to reduce emissions were acknowledged in 2013 by Airports Council International-North America (ACI-NA) with an Environmental Achievement Award in the Outreach, Education and Community Involvement Category. This award recognizes the Airport Authority's Green Commuter Program and our ongoing infrastructure and community sponsorships of events such as Bike to Work Week.

EMISSIONS INVENTORY

In 2013, the Airport Authority conducted an emissions inventory which estimated pollutants released from a variety of sources such as aircraft, ground support equipment, public vehicle traffic, point sources and Airport Authority facility operations for the 2012 calendar year. While emissions from the Airport Authority corporate operations decreased, the inventory found an overall increase in YVR-wide emissions over the previous inventory completed in 2007. We will use this data to plan emission reduction activities by setting out priority areas and track future progress.

AMBIENT AIR QUALITY

The Airport Authority is a voluntary partner in the Lower Fraser Valley Air Quality Monitoring Network. Metro Vancouver operates a continuous monitoring station at YVR, east of the south runway, near the community of Burkeville. Data collected from this station are reported on [Metro Vancouver's website](#).

CANADA LINE

As part of its commitment to sustainable transportation and connectivity, the Airport Authority invested \$300 million in the Sea Island portion of the Canada Line rapid transit system, which began operations in August 2009. Approximately 16 per cent of Sea Island employees used the Canada Line to access YVR in 2013.

CYCLING INFRASTRUCTURE IMPROVEMENTS

In 2013, one kilometre of off-road cycling pathway was built to connect the community of Burkeville and airport employees to Richmond's No. 2 Road Bridge, providing a connection to Larry Berg Flight Path Park. Opened in September 2013, the park features cycling amenities, including bicycle racks and a public bicycle repair station. A detailed map of Sea Island's bike routes is available on the [Bicycles & Cycling](#) page on yvr.ca.

BIKE TO WORK WEEK

For the fifth consecutive year, the Airport Authority continued to support HUB, Metro Vancouver's largest cycling coalition, to promote Bike to Work Week activities for employees. Efforts included a one-day cycling commuter station at Larry Berg Flight Path Park.

GREEN COMMUTER PROGRAM

The Green Commuter Program encourages employees to use alternative forms of transportation to get to and from work. Airport Authority employees receive a \$ 50 per month financial incentive to take public transit, bicycle, walk or carpool to work. The Green Commuter Program had 171 participants, or 43 per cent of employees, in 2013. This collective effort reduced the amount of single-occupant vehicle trips to Sea Island by more than 818,000 kilometres.

IMPROVING FLEET EFFICIENCY

The Airport Authority continues to improve its fleet by replacing older, larger vehicles with appropriately-sized, fuel-efficient models. In 2013, eight light-duty and seven off-road vehicles were introduced in to the fleet. In addition to introducing these vehicles, 11 light-duty vehicles, one bus and seven off-road vehicles were retired.

TAXI INCENTIVES

The Airport Authority offers a significant annual discount on licensing fees to taxi operators with low-emission vehicles. In 2013, hybrid-electric vehicles accounted for 398 of 525 – or 76 per cent – of taxis serving YVR.

ELECTRIC VEHICLE CHARGING STATIONS

The Airport Authority opened two electric vehicle charging stations in our parkade in June 2013. The stations are located on Level 1 of the parkade, adjacent to International Arrivals. Since the units became operational in June, 167 charges have been recorded.

BEST OUTREACH, EDUCATION AND COMMUNITY

INVOLVEMENT: Vancouver Airport Authority's Green Commuter Rebate Program earned an Airports Council International North America (ACI-NA) award for best environmental outreach, education and community involvement award.

Reduce Energy

The Airport Authority promotes resource-efficient operations and identifies ways to reduce consumption of natural gas, diesel, gasoline, water and electricity at YVR. We have a long-term goal to improve electrical efficiency, which has resulted in cumulative savings of more than \$11 million dollars in electricity costs since 1999. In 2013, the Airport Authority slightly decreased overall electrical energy consumption. However, due to reduced total operational floor space as a result of construction initiatives, our electrical efficiency per square metre did not meet our target to decrease energy consumption by two per cent.

SMART LIGHTING

Changing technologies, new concepts, operating procedures and terminal renovations offer opportunities. Our internal Energy Efficiency Committee, a cross-departmental team of employees, identified lighting that could be turned off at times by schedules, photocells, motion detectors or eliminated altogether. Two lighting upgrade projects – one in the terminal and one on the Arthur Laing Bridge are helping us move towards our electrical target.

In 2009, we created a lighting technology team to look at options for improving lighting throughout Sea Island, with a focus on the Domestic Terminal. Between 2009 and 2013, the Airport Authority lighting team tested more than 50 samples of LEDs to find the best solution for lighting Domestic check-in counters. In 2013, we selected and installed custom-built LEDs that offer better light control, consistent colour and provide a 60 per cent energy reduction.

In 2013, the lighting team also completed a substantial upgrade to fixtures on the Arthur Laing Bridge, which was completely refitted with new LED light fixtures. As one of the first pieces of YVR infrastructure seen by travellers coming and going from YVR, the bridge and its new lights offer a more welcoming aesthetic while saving us approximately 77,700 kilowatt hours of savings every year.

POWER SMART PROGRAMS

The Airport Authority continued to participate in BC Hydro's Energy Manager Program in 2013. This program dedicates an existing employee to energy-saving projects at YVR. Our Energy Manager is supported by the Energy Efficiency Committee.

Reduce Waste

The Airport Authority seeks to reduce landfill waste and increase recycling and waste diversion by airport employees and passengers. In 2013, our overall diversion rate of materials away from landfill remained at 38 per cent, consistent with the 2012 rate. Diverted materials included:

- Paper and cardboard;
- Glass, metal and plastic mixed containers;
- Organic waste;
- Electronic waste;
- Wooden pallets;
- Construction waste and metals;
- Used lighting products;
- Batteries;
- Hazardous materials such as used oil and antifreeze;
- Landscape materials; and
- Sweeper debris.

ORGANIC WASTE DIVERSION PROGRAM

In 2013, the Airport Authority continued to raise awareness about the need to divert organic waste from landfill and send it for composting. Building on the success of composting programs first piloted in 2012,

we kept more than 23,000 kilograms of compostable material out of the landfill. We continue to increase our efforts in this area, driving toward an anticipated Metro Vancouver initiative to ban organic materials from landfill, starting in 2015.

CONSTRUCTION MATERIAL REUSE AND RECYCLING

The Airport Authority and its construction contractors continued to successfully reuse and recycle construction waste materials generated from three major airside building expansion projects and roadway and tarmac re-pavement. In 2013, 98 per cent of this material was successfully re-purposed for projects both on and off airport.

MATERIALS RECYCLING

An additional 227,586 kilograms of used wood, metals, landscaping materials and other miscellaneous debris associated with YVR maintenance activities were recycled or diverted in 2013. Instead of being sent to the landfill, these items were processed by a sorting facility in Richmond.

Communication, Awareness, Recognition and Education ("CARE")

The Environmental CARE program is designed to improve communication, awareness, recognition and education of environmental sustainability across the airport community, including employees, business partners, tenants and passengers.

ENVIRONMENT WEEK

The Airport Authority's annual employee, tenant and public outreach campaign took place during the 2013 national Environment Week, the first week in June. A public display was mounted in the terminal to educate and inform our employees and customers about the wide range of environmental programs underway at YVR. We also held an internal workshop with our staff about how to start up a home worm-composting system.

CLEAR SKIES AWARDS

The Airport Authority's fourth annual Clear Skies Awards were held during Environment Week in June 2013. The Fairmont Vancouver Airport Hotel earned the 2013 Clear Skies award with its commitment to improving environmental performance and the work of its in-house sustainability committee. The hotel's waste diversion program kept more than 73 per cent of its waste out of landfills, including a robust diversion of compostable materials, primarily from the restaurant's kitchen. Fairmont Vancouver Airport Hotel's winning submission also highlighted energy-saving features in guest rooms and the hotel's unique distinction as the world's first hotel to produce and harvest its own honey with a colony of honeybees located on land near the airport.

EMPLOYEE TRAINING

To effectively do their jobs, many Airport Authority employees require training on topics such as spill response and noise management. In 2013, the Environment team prepared and delivered training modules to Airfield and Emergency Services, Airport Operations Centre employees and Terminal Duty officers.

WASTE REDUCTION WEEK

The Airport Authority held its second annual Waste Reduction Week in October 2013, to coincide with national Waste Reduction Week. Part of this year's campaign focused on paper waste and was targeted at Airport Authority office employees. We also offered electronic waste collection and a screening of *The Clean Bin Project*, meant to inspire and inform about zero-waste living. More than 100 employees participated in one or more components of Waste Reduction Week.

Continuous Improvement of Environmental Management

While the Airport Authority's key environmental priorities are reductions in energy, emissions and waste, minimizing the environmental impact of an airport includes many more elements. The Airport Authority strives for continuous improvement in the following program areas:

ENVIRONMENTAL IMPACT ASSESSMENT AND SUSTAINABLE BUILDING DESIGN

The Airport Authority's sustainable design guidelines are used to ensure all major facilities on Sea Island incorporate energy efficiency, water efficiency and environmental management into building design. All airport facility permits are subject to an environmental review under the Airport Authority's environmental assessment program. In 2013, all 151 facility permit applications received were reviewed by the Environment department for environmental issues.

HAZARDOUS MATERIALS

The Airport Authority maintains a Hazardous Materials Management Program to manage the use of hazardous materials at YVR. With more than 1 billion litres of jet fuel passing through YVR each year, effectively preventing and responding to spills is vital. The Airport Authority has robust spill prevention and response plans and 24-hour response capability. We also analyze all spills to determine root causes. No fuel spills of amounts greater than 100 litres occurred in 2013.

WATER QUALITY

As part of our ongoing water quality assessment, the Airport Authority samples airport water to monitor for impacts from construction sites, groundwater cooling system outfall and to ensure the successful containment of de-icing fluid. In 2013, Airport Authority technicians collected 600 water samples, of which 280 were checked specifically for de-icing fluid contamination. Only one sample exceeded the Canadian Glycol Guideline limit of 100 parts per million. While our target for glycol exceedances is zero, the 2013 results still demonstrates effective minimization of airport-related pollutants.

WILDLIFE MANAGEMENT PROGRAM

YVR is committed to the safety of our passengers and employees and to the conservation of the rich diversity of life that relies upon the Fraser delta, in which YVR's Sea Island Home is located. Our comprehensive wildlife management program is designed to mitigate bird strikes with aircraft, which can put the safety of passengers and planes at risk. Focusing on research and knowledge, habitat management and active control, our constantly-evolving program yielded positive results in 2013.

During 2013, there were 199 bird strikes involving 254 birds. The number of strikes is consistent with the 10-year average, while the number of birds struck was down from the 10-year average by 51 per cent. Using habitat management and active control techniques including wildlife patrols, the use of border collies, trained raptors including a juvenile bald eagle and a trap-and-translocation program for wild raptors, approximately 544,561 individual birds were moved away from aircraft operating areas in 2013. This marks a 23 per cent decrease from the 2012 total. While habitat management and harassment techniques are our primary tools, lethal control is necessary when wildlife behavior is perceived to be a safety risk. This may be an immediate risk to an approaching aircraft or a chronic risk that has reached unacceptable levels. In 2013, a total of 209 birds were killed, a marked decrease from the 2012 total of 564 birds.

BEST BIKE-FRIENDLY BUSINESS. HUB, Metro Vancouver's cycling coalition, recognized the Airport Authority's amenities for cycling commuters at its first Bike Friendly Business Awards.

2013 Environmental Performance Indicators

The Airport Authority is committed to operating YVR in a manner that minimizes its impact on the environment, both natural and urban. The following table summarizes environmental performance indicators and results for 2013.

Objective	Measure	2013 Target	2013 Results
REGULATORY COMPLIANCE <i>Comply with environmental legislation and regulations</i>	Number of violations of environmental regulations	0	0
GLYCOL EXCEEDANCES <i>Minimize pollution that results from airport-related activities</i>	Number of water samples exceeding Canadian Glycol Guideline of 100 parts per million of glycol	0	1
WASTE DIVERSION RATES: TERMINAL AND SATELLITE FACILITIES <i>Decrease the amount of solid waste sent for disposal</i>	Percentage of waste diverted from landfill from Airport Authority facilities and satellite locations	Greater than 32%	38%
WASTE DIVERSION RATES: CONSTRUCTION WASTE <i>Decrease the amount of solid waste sent for disposal</i>	Percentage of waste diverted from landfill from Airport Authority construction projects	Greater than 75%	98%
ENERGY: ELECTRICITY <i>Reduce energy consumption</i>	Percentage of year over year reduction of energy consumption/m ²	2% reduction	1.2% increase
NOISE ANNOYANCE <i>Minimize aircraft noise disturbance on the community</i>	Percentage of community indicating they have not been annoyed by aircraft noise (as per Community Survey)	80%	88%

VANCOUVER AIRPORT AUTHORITY
2013 SOCIAL REPORT



Our People

Our people are essential to our success. With 408 employees, of whom 302 are members of the Public Service Alliance of Canada (PSAC), the Airport Authority strives to create a workplace where employees truly enjoy and are fulfilled by their jobs. In 2013, the Airport Authority and PSAC reached a fair and equitable four-year collective agreement, which ensures continued operations at YVR.

The average age of an Airport Authority employee is 45.4, with an average length of service of 11 years. Our voluntary five-year average turnover rate is 2.7 per cent, with a consistently high average attendance rate of 97 per cent. The Airport Authority's annual voluntary turnover rate increased from 2.8 per cent to 3.4 per cent in 2013.

OUR CORPORATE VALUES

- Safety
- Teamwork
- Accountability
- Innovation

We maintain a highly skilled and efficient workforce by investing in the development of our team members, listening to feedback and recognizing outstanding contributions.

CAREER DEVELOPMENT

To enable a cross-functional and flexible team, the Airport Authority's skilled trade employees are encouraged to develop proficiency in a second trade. In 2013, approximately 75 per cent of our maintenance trades group were dual-ticketed or in the process of becoming dual-ticketed. Additionally, the Airport Authority supported apprenticeship training for 10 tradespersons in 2013.

The Airport Authority maintains a target of 35 hours of training per employee on average during normal work hours each year. In 2013, we exceeded this target with an average of 43 hours of training and apprenticeship hours per employee. We also offer up to \$20,000 tuition reimbursement on the successful completion of education programs outside of normal work hours.

We offer employees a range of training options, from online and departmental training to corporate and external courses. Focus areas include leadership and performance management; business acumen; personal performance; communications and relationships; computer and technical training; and health and safety.

Investing in employee career development improves our organization's business results. In 2013, the Airport Authority completed its third year of a new performance management program, through which employees establish specific objectives that align with both team objectives and the Airport Authority's annual business plan. Individual development plans are created collaboratively by each employee and their manager. The Airport Authority's performance management program reflects our commitment to open, feedback-rich communication in support of the business.

Airport Authority Employee Training (2009- 2013)

	2009	2010	2011	2012	2013
Total training and apprenticeship hours	16,695	16,462	17,200	16,071	17,521
Average training/apprenticeship hours per full-time equivalent position	40	42	45	40	43

EMPLOYEE COMMUNICATION

Tools used for employee communication in 2013 include all-employee meetings and myYVR, the Airport Authority's corporate intranet.

Employees attend all-employee meetings to learn about what's happening in the organization and provide feedback. In 2013, all-employee meetings were held in fall 2013, timed to follow the arrival of our new President & CEO, Craig Richmond. For the first time, these 75-minute meetings were also filmed and posted on myYVR for those unable to attend in person due to shift work or operational requirements. Approximately 65 per cent of employees attended these all-employee meetings.

RECOGNITION

The Airport Authority strongly believes in rewarding employees who, through their actions and achievements, have made an outstanding contribution to our collective success. Reward programs include individual recognition and awards programs and departmental safety awards. These programs include:

- The Long Service Awards, which celebrate the long-term commitment of employees who have worked for the Airport Authority for five, 10, 15, 20, 25 and 30 years.
- The annual Stellar Awards, in which employees can nominate one another for exceptional efforts that exemplify the Airport Authority's corporate values.
- The Bravo Awards, an informal program designed to spontaneously recognize employees' efforts; and

The Airport Authority also has a scholarship program designed to provide tuition assistance to employees' children who are pursuing post-secondary education.

Health and Safety

Excellence in safety is the core of Vancouver Airport Authority's business and our license to operate. We proudly adhere to the highest standards for employee health and safety, and we work hard to continuously build our robust safety culture. Health and safety strategies include:

- Proactive occupational health and safety management system processes
- Rigorous construction safety management program
- Competency-based safety training philosophy
- Robust disability management and return-to-work programs
- Leading-edge health, wellness and psychological health strategies
- Ongoing health monitoring programs
- Employee and family assistance program, offering confidential, personalized guidance and counseling

CANADA'S SAFEST EMPLOYER, TRANSPORTATION.

Vancouver Airport Authority's commitment to health and safety earned us a gold award in the Transportation category of Canada's Safest Employers ranking, presented annually by *Canadian Occupational Safety Magazine*.

WELLNESS

Now in its twelfth year, the Airport Authority's Wellness Program is an incentive-based program that promotes physical fitness, nutrition and overall health and wellness. The program is overseen by a joint employee-management Wellness Committee, which provides guidance and leadership for employer-sponsored wellness programs and initiatives. Programs offered in 2013 included lunch-and-learn sessions on everything from the basics of cycling to psychological health and on-site yoga and fitness classes. The Wellness Committee also sponsors employees to participate in the Vancouver Sun Run and annual Corporate Champions events.

SAFETY INITIATIVES

The Airport Authority recognizes that a key aspect of a safe workplace is ongoing proactive risk assessment. The Airport Authority empowers employees to identify hazards in our workplace, with the goal of reducing the frequency and severity of injuries and health problems in our daily work. Our comprehensive safety initiatives extend beyond employees to include tenants, contractors and major service providers, as well as our customers. We strive to:

- Adhere to regimented safety management system principles for risk management
- Comply with all regulatory requirements under the Canada Labour Code Part II
- Submit annual departmental safety goals and objectives
- Participate in ongoing public and facility safety inspections
- Implement proactive departmental risk assessments
- Use a standardized root-cause analysis accident and incident investigation program
- Use a comprehensive computer-based safety training system for recurrent training
- Make health and safety information easily accessible to all employees
- Run an annual comprehensive North American Occupational Safety and Health (NAOSH) Week campaign

As a result, we had no health and safety non-compliances from either Human Resources and Skills Development Canada or WorkSafeBC in 2013.

To continually improve our health and safety initiatives, the Airport Authority holds monthly meetings of employee, management and employer representatives. Committees include the Joint Occupational Safety and Health Committee, composed of employee and employer representatives working together to identify and resolve safety and health issues; and the Policy Occupational Safety and Health Committee, a senior-level joint committee which participates in the development of occupational health and safety policies and programs.

Regular review of health and safety programs helps the Airport Authority identify key areas of improvement along with strong health and safety performance areas. The Airport Authority successfully maintained its Certificate of Recognition for its health and safety management system and disability management program in 2013. In 2013, the Airport Authority was also recognized for its safety culture and efforts with a Canada's Safest Employer award from Canadian Occupational Safety.

LOST-TIME INJURIES

One of the ways we measure health and safety performance is by tracking any injuries that occurred on the job that resulted in an employee missing work. There were five lost-time injuries in 2013, which resulted in 31 lost-time days at the Airport Authority.



Respect and Equality

WORKFORCE DIVERSITY

The Airport Authority wants a workforce that reflects the vibrancy and diversity of the communities we serve. We comply with the Employment Equity Act to ensure fair employment practices across our organization.

The Airport Authority reports its workforce demographics to the federal government, showing how each of the designated groups is represented within various occupational classifications. Demographic data is taken from a survey supplied to each employee to complete voluntarily in confidence. As such, numbers are based upon employees' self-identification as a member of a designated group.

The Airport Authority regularly offers comprehensive, on-site training to our employees on various topics including disability awareness and respect in the workplace. Both of these topics are part of our comprehensive orientation program for new employees.

The Airport Authority led a number of employment equity initiatives in 2013, including an awareness campaign in October to mark Diversity Awareness Month. Activities included a photo contest that encouraged employees to submit photos that represent diversity to them; trivia featuring questions about diversity; and an internationally-inspired Hot Dog Day that fostered

some interesting conversations about diversity. Two Executives facilitated a workshop for women in management, where discussion focused on ways to support and advance women in leadership roles at the Airport Authority. A similar meeting was held for minorities in management.

All Airport Authority employment postings are distributed to a variety of outreach organizations in our community, including Spinal Cord Injury B.C., Immigrant Services Society, the United Native Nations, Western Institute of the Deaf, Women in Aviation and the Canadian Association of Professionals with Disabilities.

Community Investment

As a community-based organization, strategic community investment is an important part of our operation. The Airport Authority's community investment program is informed by guidelines approved by the Board of Directors with four focus areas: First Nations; sustainability; accessibility; and the greater YVR community. Driven by these focus areas, we provide support in the form of donations, sponsorships and gifts-in-kind. We respond to and track every request, which are submitted via an online database. In 2013, the Airport Authority donated more than \$760,000 to local not-for-profit organizations and charities, exceeding our target of committing one per cent of excess of revenue over expenses to philanthropic activity.

Major funding contributions in 2013 included Quest Outreach Society, Great Canadian Shoreline Cleanup, YVR For Kids golf tournament, Vancouver Fireworks Festival Society and YVR Art Foundation. The 2013 employee-driven United Way campaign raised \$75,000, which the Airport Authority matched for a total contribution of \$150,000.

Connecting With Our Communities

As a community-based organization, we know that connecting with our communities – our neighbours, our employees and our business partners – is essential to the Airport Authority's continued success. Community initiatives in 2013 included:

YVR COMMUNITY FESTIVAL TOUR

YVR strives to be a good neighbour and in 2013, launched a Summer Festival Tour through which we visited 15 community festivals across Metro Vancouver to share the YVR story and get to know our communities. This proactive community relations campaign generated goodwill and facilitated conversations about YVR's role in the community. Activities at these festivals included an interactive fun facts quiz, conversations with YVR community ambassadors and distribution of YVR branded materials, including plane-spotting guides. Supported by social media and editorial coverage, YVR's festival presence reached almost 250,000 people between May and September 2013.

YVR SCHOOL TOUR PROGRAM

Fall 2013 marked the fifth consecutive year that the Airport Authority offered field trips to students in grades 4 through 6 from Metro Vancouver schools. Designed to offer students a firsthand look at a working airport, the YVR School Tour Program helps us build community connections across our region, build relationships with the travellers of the future and their families, and showcase our efforts to operate YVR safely and sustainably. In 2013, the program was expanded to offer 1,559 students from 40 schools the tour experience, which included packing tips, a tour of the Observation Area, a look at sustainability programs and even a paper airplane-folding lesson. More than 72 per cent of teachers rated the program excellent; and more than 97 per cent of teachers would recommend the tour to colleagues and other schools.

GREAT CANADIAN SHORELINE CLEANUP

In 2013, the Airport Authority once again played host to the kick-off event for the Great Canadian Shoreline Cleanup. Launched in 1994 by the Vancouver Aquarium, this program is recognized as one of the largest direct action conservation programs in Canada. In our second year as provincial sponsor, the Airport Authority hosted more than 300 volunteers at Sea Island's Iona Beach to collect garbage. In total, 7,264 items of litter weighing 534 kilograms were removed from our piece of coastline. The Airport Authority also invited airports across the province to participate, providing support and materials to eight participating airports.

QUEST FOOD EXCHANGE

In 2013, the Airport Authority continued its relationship with Quest Food Exchange (Quest), as the not-for-profit's official transportation sponsor. Quest collects and distributes overstock, mislabeled or near-expiry products that would otherwise go to waste and diverts that food to people who need it. This relationship provides opportunities for more than simple sponsorship, including team building and volunteer opportunities.

For the second year running, the Airport Authority led an annual airport-wide Christmas Hamper Food Drive. Thanks to the generosity of business partners, government agencies, employees and travellers and others from across the airport community, a total of 417 Christmas dinners were donated to help feed families in need over the holidays.

COMMUNITY SURVEY

As part of our public consultation activities, each year we undertake a community survey, conducted and compiled by an external consultant. The survey explores overall impressions of the Airport Authority and the impact that YVR has on the community and seeks recommendations for improving services and communications.

In 2013, overall impressions of YVR were positive, with approximately 75 per cent of Metro Vancouver residents giving the airport a rating of 4 out of 5 or higher. While still a positive rating, this outcome fell short of our target of 80 per cent positive impression. However, it is noteworthy that impressions of YVR within Richmond, our most local neighbourhood group, are quite positive, with 84 per cent giving the airport a 4 out of 5 rating.



Communications

The Airport Authority is committed to providing open, honest and timely information about Vancouver International Airport to our audiences. These include:

- Travellers
- The general public
- Airport Authority employees, and employees of its associate companies, including Vantage Airport Group
- The 23,600 people who work and volunteer at YVR
- Business partners, including government agencies, airlines and commercial operators
- Neighbouring communities, including Richmond and other municipalities
- Municipal, provincial and federal governments
- Business community and industry associations
- First Nations
- Local, national and international media – our conduit to the audiences noted above.

We keep our communities informed using a number of tools, including:

YVR.CA

YVR's corporate website, yvr.ca, received almost 24 million page views in 2013, and an average daily visit rate of approximately 13,000. Real-time flight information, facts and stats and the latest news about YVR is all available online.

SOCIAL MEDIA

More than a buzzword, social media is an important business tool that engages customers and the community alike. Vancouver Airport Authority is active on various social media platforms including our blog, Twitter and Facebook. In 2013, the Airport Authority continued to grow its social profile and deliver on our strategy to inform, educate and engage with our followers.

Results include:

- Twitter ([@YVRAIRPORT](https://twitter.com/YVRAIRPORT)): 67 per cent increase in followers over 2012
- Facebook ([VancouverInternationalAirport](https://www.facebook.com/VancouverInternationalAirport)): 50 per cent increase in friends over 2012
- YVR Blog (yvr.ca/blog): 67 per cent increase in traffic over 2012

MEDIA RELATIONS

An essential component of our communications efforts is providing timely updates to the public via the media on operational, business and community activity at YVR. In 2013, YVR Media Relations facilitated 567 enquiries, down from 800 in 2012, on topics ranging from the impact of weather on flight schedules to airline inaugurals and corporate announcements. We attribute this reduction in enquiries to the increasing use of Twitter and other social tools by media outlets to gather and disseminate information. In 2013, YVR media coverage reached more than 606 million people.

EXCELLENCE IN AIRPORT MARKETING & COMMUNICATIONS.

For the second consecutive year, YVR earned Airports Council International-North America's top honour for communications and marketing. The Peggy G. Hereford Award recognized our efforts in crisis communications, publications, special events, advertising campaigns, video content and community outreach efforts.