



VANCOUVER AIRPORT AUTHORITY

2014 Annual Report

Vancouver Airport Authority is a community-based, not-for-profit organization that manages Vancouver International Airport (YVR). We have no shareholders and reinvest every penny we earn back into airport operations and development. We are committed to creating an airport that British Columbia can be proud of: a premier global gateway, local economic generator and community contributor.

This report summarizes the Airport Authority's business results in 2014, categorized by the organization's four sustainability pillars: **Economic, Environment, Social, Governance.**

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2014: At a Glance

- #1 airport in North America, Skytrax— a historic six years in a row
- Record 19.4 million passengers— 7.7% jump over 2013
- 91% Customer Satisfaction rating— second year in a row
- 4 Dreamliner aircraft introduced at YVR in 2014
- 256,934 tonnes of cargo—12%+ growth and highest in over a decade
- Least Frustrating Airport in North America— Bloomberg News
- Winner: BC Hydro Power Smart Leadership Excellence
- 53 airlines served; 110 non-stop destinations worldwide
- 338 **BORDERXPRESS™** kiosks sold— 16+ million passengers served



BEST AIRPORT IN NORTH AMERICA FOR A HISTORIC 6 YEARS IN A ROW



25 YEARS OF GREEN COATS



550+ FOOD HAMPERS COLLECTED AT ANNUAL QUEST HOLIDAY HAMPER DRIVE



BC'S TOP EMPLOYER—NINE YEARS IN A ROW



93%—AMOUNT OF SOLID WASTE CONSTRUCTION MATERIALS DIVERTED



\$900,000+ DONATED TO LOCAL ORGANIZATIONS

Message from Mary Jordan | Chair, Board of Directors



2014 was a year of great ideas and big achievements by the team on behalf of our customers, our communities, our province and our country.

More people than ever chose to fly through YVR in 2014 and many did this with the help of our incredible Green Coats. We were proud to honour these individuals on the 25th anniversary of YVR's award-winning volunteer program. Our Green Coats speak the language of welcome and help—and over 30 other languages. This is one of the reasons YVR once again achieved a high customer satisfaction rating in 2014 and received the Skytrax World Airport Award for best airport in North America—for the sixth year in a row.

We continued to build on our strong community relationships in 2014, with generous donations and expanded programs. We introduced the Explorer Tour, a formalized, year-round guided program for groups including seniors, children with disabilities and students. Through our Speakers' Bureau, we shared YVR's gateway airport story with communities across the province. We also continued popular initiatives such as the Great Canadian Shoreline Cleanup, the YVR School Tour Program and the annual Quest Holiday Hamper Drive.

To meet the ever increasing competition, we crafted a new Strategic Plan to deliver on our mission of connecting British Columbia proudly to the world. As a foundation for YVR's diverse objectives and initiatives, the new plan sets an ambitious goal of 25 million passengers by 2020, within a vision that sees YVR as a world class, sustainable gateway between Asia and the Americas.

On behalf of the Board of Directors, I would like to thank the employees of the Airport Authority for their outstanding work and the other businesses and agencies on Sea Island for their commitment to excellence. And, most of all, I would like to thank the people of British Columbia for giving us their support and our reason for striving to go beyond, every day.

Mary B. Jordan

Chair, Board of Directors
Vancouver Airport Authority

Message from Craig Richmond | President & CEO



From the moment Vancouver International Airport welcomed its first Dreamliner aircraft in early 2014, the tone was set: this was to be a visionary year—a period of big ideas, ambitious goals and exciting milestones.

I'm pleased to report that we finished the year on the same note. As Canada's second busiest airport, YVR welcomed a record 19.4 million passengers in 2014. These passengers used our services, shopped in our stores and interacted with our staff. They also voted for us at the 2015 Skytrax World Airport Awards, recognizing YVR as the Best Airport in North America for the sixth consecutive year—a first in the history of the Awards.

We focused on key projects that improved the customer experience. We planned for the early 2015 launch of the A-B Connector, an expansion of the Domestic Terminal that contains new shops and services and continued work on a new, high-speed baggage system and facility upgrades to improve connecting times for passengers. Outside the terminal, construction started on the McArthurGlen Designer Outlet Vancouver Airport, which will create approximately 1,000 jobs when it opens in 2015. We also sold 338 of our BorderXpress Automated Passport Control kiosks, which made their international debut in Aruba.

YVR strengthened its role as an environmental steward in 2014. We renewed our Environmental Management Plan, setting ambitious targets. And we continued modifying our buildings to reduce emissions and increase energy savings, earning a BC Hydro Power Smart Leadership Excellence designation.

In addition to these accomplishments, it was an honour to hear that BC Business announced YVR as one of the province's most loved brands in early 2015. Over 24,000 people work on Sea Island to deliver a safe and exceptional experience. This team, of which I am a proud member, goes beyond every day for customers. We do this by aiming to be much more than just an airport: we are a connecting hub, an economic generator—a part of your community.

Craig Richmond
President & CEO
Vancouver Airport Authority

Vancouver Airport Authority

2014 Economic Report



- YVR welcomed a record 19.4 million passengers in 2014
- 91% customer satisfaction rating—second year in a row
- 53 airlines served YVR in 2014, connecting people and businesses to more than 110 non-stop destinations worldwide
- 256,934 tonnes of cargo—12%+ growth and highest in over a decade
- Least Frustrating Airport in North America—Bloomberg News
- Launched our **BORDERXPRESS™** kiosks in Aruba—the first time a self-service border control technology has been available at an international airport with U.S. preclearance
- AA credit rating—the second-highest airport rating in the world
- #1 airport in North America for a historic six years in a row—Skytrax

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YVR WELCOMED A RECORD 19.4 MILLION PASSENGERS IN 2014



LAUNCHED OUR BORDERXPRESS™ KIOSKS IN ARUBA AND SOLD 338 KIOSKS IN 2014



CUSTOMER SATISFACTION RATING

LEAST FRUSTRATING AIRPORT IN NORTH AMERICA

AS RATED BY BLOOMBERG NEWS

AA

AA CREDIT RATING—THE SECOND-HIGHEST AIRPORT RATING IN THE WORLD



53 AIRLINES SERVED YVR IN 2014, CONNECTING PEOPLE AND BUSINESSES TO MORE THAN 110 NON-STOP DESTINATIONS WORLDWIDE

OUR BUSINESS

Financial and Operating Highlights (2004 – 2014)									
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)
2014	464.9	320.4	46.6	101.7	1,377.8	277.6	19.4	273	256.9
2013	433.3	291.1	42.3	98.3	1,273.6	186.0	18.0	263	228.3
2012	403.6	280.2	39.1	84.9	1,162.8	106.0	17.6	261	227.9
2011	369.3	275.9	34.8	59.1	1,087.9	59.9	17.0	258	223.9
2010	368.7	280.8	33.2	56.0	1,028.8	71.2	16.8	255	228.4
2009	359.1	256.7	65.6	38.8	972.8	226.6	16.2	258	197.5
2008	373.8	236.3	65.6	81.8	934.0	233.1	17.9	279	211.7
2007	368.3	212.2	65.6	89.5	852.2	289.7	17.5	275	226.2
2006	363.8	190.2	65.7	107.8	762.3	315.9	16.9	271	222.7
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

In 2014, YVR saw 273,212 aircraft runway take-offs and landings, an increase of over 10,000 from 2013, and handled 256,934 tonnes of cargo—an increase of 12.5 per cent from 2013 and the highest volume in over a decade.

Our South Terminal, which is a regional hub for small aircraft, float planes, helicopter operations and charters, maintained steady service. Take-offs at the South Terminal were slightly down from 2013, totalling 36,927: 8,315 from helicopters and 28,612 from float planes.

OUR CUSTOMERS

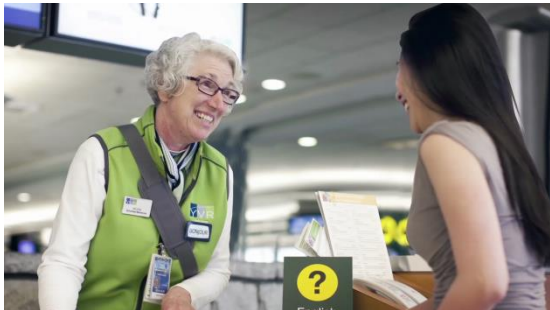
2014 was a year of exceptional passenger growth for YVR. We welcomed a record 19.4 million passengers, an impressive 7.7 per cent increase over 2013.

Our domestic travel sector continued to strengthen with passengers travelling within Canada up 6.8 per cent over 2013. We had record passenger volumes to Asia-Pacific, with traffic to the region up 9.8 per cent over 2013 and traffic to Mainland China up 6.6 per cent.

For more information on detailed passenger, cargo and aircraft take-off and landing numbers, visit our [Facts & Stats](#) page on [yvr.ca](#).

CUSTOMER CARE

YVR continued to provide exemplary care in 2014, with our customer care team responding to hundreds of thousands of inquiries via multiple channels, and earning the “Least Frustrating Airport in North America” award from Bloomberg News. We expanded our volunteer team and prepared for the launch of our new recognition program, YVR Stars, which encourages anyone to nominate an employee who works on Sea Island—be they YVR employees, volunteers, airline staff, ground handlers, food and beverage tenants, and more—who has delivered exceptional customer service.



Green Coat Volunteer Program

A cheerful 470 Green Coat volunteers offered directions, travel information and friendly smiles to all in the terminal. Together they delivered 79,414 volunteer hours, working in 33 different languages for our passengers.

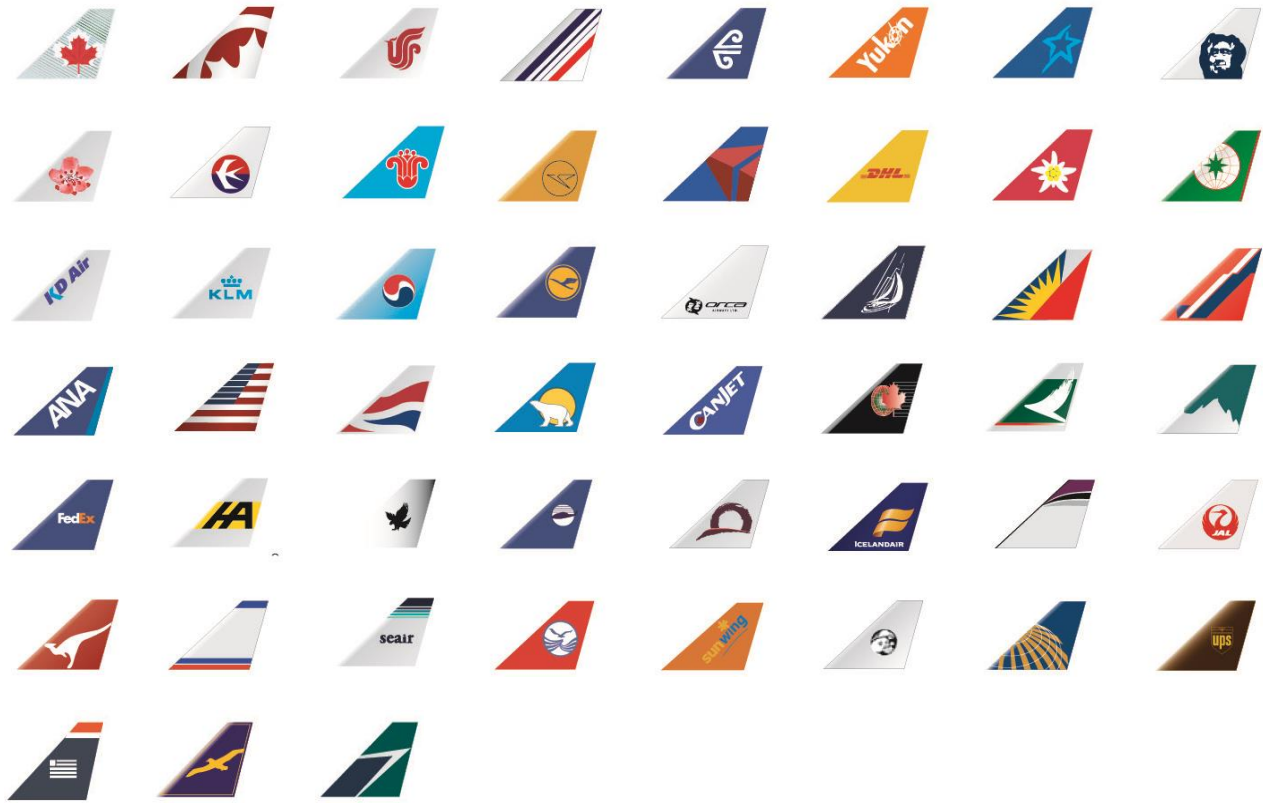
YVR's renowned Green Coat volunteer program celebrated its 25th anniversary in 2014. To mark this significant milestone, YVR held a banquet in November and highlighted the four Green Coats who have been with us since the start of the program: Doug Franklin, Betty Murphy, Eva Mossop, and Margaret Greaves.

Customer Satisfaction Surveys

An independent consulting firm conducts quarterly customer satisfaction surveys to track our performance. In 2014, customers gave YVR an average 4.3 satisfaction rating and 91 per cent said they were either satisfied or very satisfied with their experience. This 91 per cent, consistent with 2013, is the highest customer satisfaction rating ever. Results are based on 2,952 separate surveys taken in all four quarters of the year.

OUR PARTNERS

YVR would like to thank our airline partners, who delivered an exceptional year in 2014. Our existing partners provided a strong foundation for growth, maintaining and expanding their services. Our new partners made the decision to invest in our airport and our mission to connect B.C. proudly to the world. We look forward to working with our partners as we continue to build a world-class, sustainable airport.



NEW ROUTES AND SERVICES

2014 marked the arrival of exciting new routes and services at YVR. We ushered in the Year of the Dreamliner in January, with the arrival of our first Boeing 787 Dreamliner aircraft from Japan Airlines, followed by China Southern's Boeing 787 in the spring and two Boeing 787's from Air Canada shortly after.



We welcomed several new flights including All Nippon Airways' daily Vancouver-to-Haneda, Tokyo service, twice per week Icelandair summer service to Reykjavik and WestJet Encore's daily service to Fort McMurray. Air Canada Rouge began operations in April with service to Las Vegas, Los Angeles, Anchorage and San Francisco. It closed off the year offering daily service to Phoenix and service to Palm Springs.

The second half of 2014 brought the following North American services:

- Delta Airlines up to five daily flights to Seattle and double daily to Los Angeles
- American Airlines double daily service to Los Angeles

We also welcomed air service announcements for 2015 operations. Qantas announced plans to operate six direct flights between Sydney and Vancouver in January; due to its success, it will

KEY INITIATIVES IN 2014

Through hard work and careful planning, we delivered another exceptional year. Many of our successes stemmed from our 2014 Business Plan, which identified a wide range of key initiatives. From new buildings to improved infrastructure and innovative services, these initiatives focused on our 2014 business strategies: targeting increased traffic and connectivity between Asia and the Americas; addressing enterprise risk and ensuring the operation of a safe, secure, efficient airport; supporting the airport's operation in a sustainable manner; increasing revenue; and building on our reputation.

BUILDING A CONNECTING HUB

2014 marked another ambitious step towards building a world-class, sustainable gateway between Asia and the Americas. We continued working on major projects that contributed to our 10-year gateway strategy, which aims to keep YVR competitive and connected, including the A-B Connector, the Expedited Transfer Facilities, and the International to Domestic Transfer Facility. We also focused on key new projects including the expansion of our Hong Kong office and the new Airside Operations Building, while continuing to improve our infrastructure.



A-B Connector

In 2014, we reached the final construction stage of the A-B Connector, a new upgrade and expansion to our old 1968 Domestic Terminal Building. Featuring the *Rivers Monument* by Marianne Nicolson as its artistic centrepiece, the A-B Connector includes gate improvements, an expedited baggage system, and a selection of new retail and service

options. We secured eight new shops, restaurants and services for the A-B Connector's opening in early 2015. The Marshall Group operates Flight Stop, Marshall Rousso, Lick and Tumi as its first foray into an airport outside the US market. Other concession offerings include ICE Currency Exchange, Green Bean Café, Carl's Jr., and YVR's largest Plaza Premium pay-per-use lounge.

Expedited Transfer Facilities

We continued work on the Expedited Transfer Facilities project, which includes expansions to baggage systems and facilities in the main terminal to help minimize transfer times for passengers. The building component, which reached 75 per cent completion by the end of 2014, included expansions of sterile corridors and holdrooms.

The baggage component includes new transfer inducts and a high-speed Baggage Backbone System, which connects existing baggage systems to facilitate a faster transfer of baggage for passengers connecting through YVR. The baggage component also includes a new high-level controls system and inbound scanning of baggage. The baggage component reached 50 per cent completion by the end of 2014.

International to Domestic Transfer Facility Project

During 2014, the Airport Authority continued work on the International to Domestic Transfer Facility (ITD) project, which will allow international to domestic transferring passengers to enter Canada without having to collect their baggage at YVR before heading to their next destination. During the first half of 2014, we conducted several mock flight trials with Air Canada and in July we signed a Memorandum of Understanding with Canada Border Services Agency (CBSA). We conducted several additional mock flight trials in July and August and Air Canada conducted the first live flight trial on August 12 on a London Heathrow Airport flight. Air Canada conducted additional live trial flights during Fall 2014 and on December 2 the Air Canada London flight went into daily ITD operation.

We will continue to work with CBSA and the airlines to refine passenger and baggage processes throughout 2015.

Presence in Asia

We augmented our efforts to increase air service with Asia by increasing resources and expanding our office in Hong Kong's Central Business District. The goal of our Asia presence is to increase passenger and cargo traffic between Asia and Vancouver, generating economic growth and jobs. Our Asia office enables YVR representatives to improve our focus on building relationships with Asian carriers' head offices and airline decision makers. Future marketing initiatives will target these airlines in their home base to raise YVR's profile and ultimately increase passenger traffic.

Airside Operations Building

YVR's new Airside Operations Building (AOB) reached 90 per cent completion in 2014. The AOB replaced the existing 50-year old fire hall and consolidated all airside operations and maintenance into one, world-class facility. The AOB includes new features that support YVR's commitment to increasing renewable and alternative energy consumption. The AOB's wind turbine, commissioned in November, produced a total of 740 kWhs from November 2014 to January 2015. The new rainwater collection system diverts rainwater for non-potable uses including washrooms, the truck wash and emergency use in fire



trucks. The building also uses a solar hot water system for indoor use, geothermal heating and cooling and energy efficient LED lighting. The AOB will be fully operational by Spring 2015.

INFRASTRUCTURE UPGRADES

Multi-year upgrades to airport infrastructure continued in 2014, including lighting installations, cycling improvements, dyke upgrades and electrical improvements.

Runway End Safety Areas

In 2014, we planned the Runway End Safety Areas (RESA) project for the South Airfield, including the South and Crosswind runways. This project will help protect passengers and limit damage to aircraft in the unlikely event that an aircraft were to over or undershoot a runway. Detailed design on the South Airfield RESA carried on through the end of 2014, with construction set to begin in 2015. Future planning for RESAs on the North Runway will occur over the coming years.

A community consultation process was undertaken to find out how the community wanted to be informed about RESA construction on the South Airfield and to develop input that will help guide the development of a comprehensive widespread engagement process for North Runway RESAs.

Lighting

Airfield lighting took a huge step forward in September 2014 with the installation of 561 LED Centerline and Touchdown Zone (TDZ) inset light fixtures on the North Runway. The new energy-efficient inset fixtures standardize the TDZs and require less maintenance. The LED lights are a brilliant white compared to the original incandescent lights and can be viewed from the Arthur Laing bridge.

Grauer Road Dyke

To safeguard against future flooding, we modified the Grauer Road Dyke in the north-east corner of Sea Island. Approximately 1.2km of the dyke was raised along Grauer Road under the Arthur Laing Bridge as part of a multi-year program to further protect Sea Island, bringing the height of the new dyke to 4.7m geodetic—a new height standard.

Cycling Improvements

As a safety upgrade for cyclists we widened the shoulders on the Arthur Laing Bridge to accommodate a bicycle lane and adjusted several catch basins on the bridge structure to be flush with the pavement surface. Road construction around the McArthurGlen Designer Outlet Vancouver Airport was also completed in late 2014, allowing for the reopening of temporary bicycle pathway closures.

RISK MANAGEMENT

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

Enterprise Risk Management System

In 2014, we reviewed and updated our Enterprise Risk Management (ERM) system, which helps safeguard the achievement of strategic and business objectives by identifying and mitigating risks. We updated the risk register to focus on strategic risks and created and applied a new framework to allow for an assessment of inherent, residual and target risks. We also created and reviewed a subsidiary risk register and worked on our Business Continuity Plan, a complementary component to the ERM that deals with operational strategies to recover once a disruptive event has occurred.

Critical System Upgrade

As part of our Enterprise Risk Management activities, we identified a number of critical systems projects.

In 2014, we focused on our high voltage infrastructure and included design and construction of an oil containment system and the design of an arc flash mitigation system, both at the Templeton Substation. Planning for 2015 work has begun and includes improvements to key Communications Equipment Rooms including alterations to the sprinkler systems, provision of redundant cooling systems and provision of back-up power feeders and Uninterruptible Power Supply units. In the bag halls, control panels will be made more water resistant and in the International Terminal Building the rerouting of an existing sanitary main will be designed to be carried out in 2016 and 2017.

COMMERCIAL ACTIVITIES

2014 was a strong year for YVR's commercial activities, which helped increase our sales per 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.



Airport Retail News recently announced that Vancouver International Airport has taken the top position for the highest sales per enplaned passenger in North America, after many years of being second behind JFK International Airport.

Shops, Services and Restaurants

2014 marked the development of several new shops, restaurants and services at YVR. In February, we opened the Plaza Premium Lounge in the departures area of the International

Terminal. The lounge offers fresh Asian and Western cuisine and has private napping rooms as well as an enclosed VIP meeting room.

In addition to preparing for the launch of ten new concession offerings in the Domestic Terminal A-B Connector, YVR also saw the opening of Thai Hang in 2014—a new quick-service dining concept offering Vietnamese cuisine.

Our award-winning Airport Butler service, the first North American airport concierge, provided meet and greet service for high-profile conferences including TED Talks.

YVR Take-Off Fridays

In 2014, YVR hosted its fifth annual YVR Take-Off Fridays, a free in-terminal summer festival that includes live entertainment, lunch specials, demonstrations, product sampling and more. The festival included the crowd-pleasing paper airplane throwing contest.

Concession sales increased by 19 per cent on event days, and we saw a 91 per cent increase in our YVR Take-Off Fridays parking passes compared to 2013.

Leasing

In 2014, YVR leased a total of 52,895 square metres of office, warehouse and retail space to business partners, including airlines and retail concession operators. The Airport Authority's subsidiary, Vancouver Airport Property Management LLP (VAPM)¹, took over management of 17 buildings totalling 80,601 square metres. The majority of these buildings are located in the area of Airport Centre commonly referred to as Cargo Village.

Since March 2014, we donated several, five-tonne truck loads of items such as office furniture, shelving fixtures and artificial Christmas trees to Habitat for Humanity.

Parking and Ground Transportation

2014 saw several achievements for our parking system. We installed the first phase of a new revenue control system at our employee parking lots. When fully deployed, the system will include functional improvements and expanded payment options for our customers. We also reconfigured the Templeton Station parking facility and introduced a free motorcycle parking section on level P2 of the parkade.

Our popular, long-term jetSet parking program increased revenues as a result of a digital marketing and advertising campaign during peak travel season. In 2014, parking revenues for jetSet increased 14 per cent over 2013. Online bookings grew by 86 per cent compared to the previous year.

¹ See page 21 for information on Vancouver Airport Property Management LLP.

The Passenger Transportation Board announced a zone fare program for all taxi fares departing Vancouver International Airport. Zone fares are based on average existing metered fares to the midpoint of each geographical zone and are modeled off approved pre-existing transportation industry rate cards.

Customer Service Excellence Program

In 2014, sixty-three concessionaire employees obtained a customer service rating of 100 per cent based on quarterly mystery shopper surveys. Employees were evaluated on key customer care elements such as professionalism, friendliness and product knowledge. Winners received 10 YVR Bucks and were invited to the Customer Service Excellence Program Awards Luncheon.

Designer Outlet Centre

We kicked off 2014 with the start of construction on B.C.'s first luxury designer outlet centre: McArthurGlen Designer Outlet Vancouver Airport. Situated near the Templeton Canada Line Station, the Designer Outlet Centre is a partnership between the Airport Authority and the McArthurGlen Group, one of Europe's leading designer outlet developers. When it opens in late Spring 2015, the Designer Outlet Centre will include 35,000 square metres of luxury retail and will serve as a marquee shopping destination for our travelers and the communities of the Lower Mainland. It will also create an estimated 1,000 new jobs.

BorderXpress Kiosks

While developing technology to solve our passenger flow issues, it soon became apparent that we were addressing a problem faced by airports all over the world. This led to the development of the innovative BorderXpress Automated Passport Control (APC) kiosks. In 2014, we sold 338 of these kiosks, going well beyond the budgeted figure of 189. Available in 18 airport locations in Canada, the US and internationally, these kiosks processed over 15 million travelers in 2014—securing YVR's position as the largest provider with over 70 per cent market share.



YVR made history with the debut of its APC kiosks at Queen Beatrix International Airport in Aruba on December 8, 2014, marking the first time a self-service border control technology has been available to travelers at an international airport with U.S. preclearance.

FINANCIAL PLANNING

The Airport Authority's sound financial planning is reflected in our consistently high credit rating, which is among the best in the world. Both Standard & Poor's and Dominion Bond Rating Service confirmed the Airport Authority's ratings at AA and AA (low), respectively, in 2014.

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 a 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 \$125.6 million in 2014, an increase of \$4.1 million from \$121.5 million in 2013. 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 \$210.0 million in 2014, an increase of \$20.5 million from \$189.5 million in 2013, due mainly to increased delivery and implementation of our BorderXpress Automated Passport Control (APC) kiosks to other airports, concessions and car parking revenue.
- **Airport Improvement Fee (AIF):** The revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. To fund capital projects, the Airport Authority collects an Airport Improvement Fee (AIF). Total revenue earned in 2014 was \$129.3 million, an increase of \$7.1 million from \$122.2 million in 2013, due mainly to the 7.7% growth in passenger traffic over 2013. YVR's AIF remains one of the lowest of the major airports in Canada and continues to provide one of the lowest fees for travel within BC and the Yukon.

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 2014, these costs increased to \$169.3 million, an increase of \$20.4 million, from \$148.9 million in 2013. These increases were mainly due to costs of APC kiosks sold to other

airports, terminal repair and maintenance, marketing, enhanced safety initiatives, customer care, utilities and snow operations.

The Airport Authority also uses a portion of its revenue to pay rent to the federal government, which amounted to \$46.6 million in 2014, an increase of \$4.3 million, from \$42.3 million in 2013. 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 2014, 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 2014 amounted to \$31.5 million, consistent with 2013.

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 2014 amounted to \$119.6 million, an increase of \$8.9 million from 2013.

The Airport Authority realized \$1.6 million in dividend revenue from Vancouver Airport Enterprises Limited as a result of a distribution received from Vantage as well as interest on cash held by the subsidiary.

The Airport Authority earned \$1.6 million in partnership income from the rental of Airport Authority owned buildings to third parties.

Total excess of revenue over expenses, which includes amortization, was \$101.7 million in 2014, an increase of \$3.4 million from 2013. When amortization, a non-cash item, is removed, the Airport Authority generated \$215.4 million of net cash flow, prior to its investment in capital projects.

During 2014, the Airport Authority invested \$277.6 million in capital projects. The capital projects included redevelopment of the Domestic Terminal's A-B Connector, the Expedited Transfer Facilities, baggage system upgrades, the Airside Operations Building and the installation of the offsite services in support of the Designer Outlet Centre.

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

- Net cash flow (excluding AIF) of \$91.2 million.
- Net AIF in the amount of \$124.2 million.

These amounts in total were more than sufficient to pay for the 2014 capital project costs, leaving \$100.1 million in cash available to pay for capital projects in 2015 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). Vantage's portfolio consists of nine airports in five countries. Vancouver Airport Authority appoints four of eight seats to Vantage's Board of Directors.

YVR PROJECT MANAGEMENT

A wholly owned subsidiary of Vancouver Airport Authority, YVR Project Management Ltd. (YVRPM) was established in 2005 to oversee major capital expansion projects at YVR. In 2014, 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) 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. In 2014, the Airport Authority contributed \$11.4 million of equity to support construction of the Designer Outlet Centre, which is expected to open in 2015. 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 \$208,000.

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

VANCOUVER AIRPORT PROPERTY MANAGEMENT LLP

Vancouver Airport Property Management LLP (VAPM) was established in 2014 and made two acquisitions of buildings and leasehold interests on Sea Island for total consideration of \$45.1 million. These acquisitions were fully financed by a non-revolving demand facility which is non-

recourse to the Airport Authority. A second partnership, Vancouver Airport Property Holdings LLP (“VAPH”) was also created in 2014, which is 99.9% owned by the Airport Authority and owns 99.9% of the partnership interest of VAPM.

VANCOUVER AIRPORT AUTHORITY (HONG KONG) LTD.

Vancouver Airport Authority (Hong Kong) Ltd. is the Airport Authority’s Asia office. The office was incorporated in Hong Kong as a wholly owned subsidiary to facilitate operations and compliance with local regulations.

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, available at yvr.ca

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, available at yvr.ca.

Vancouver Airport Authority

2014 Environment Report



- YVR is committed to being a leader in sound environmental management
- Cumulative savings of more than \$12 million in electrical and gas costs since 1999
- Winner of the BC Hydro Power Smart Leadership Excellence designation for achieving great levels of energy savings
- On CNN Travel's 2014 list of Best Airports for Cycling
- 76% hybrid taxi fleet
- 93% of solid waste construction materials diverted from landfill
- 1.3 million kg of recycled material from the terminal
- 2.37 million passengers used the Canada Line to travel to and from YVR in 2014



YVR IS COMMITTED TO BEING A LEADER IN SOUND ENVIRONMENTAL MANAGEMENT



76% HYBRID TAXI FLEET



ON CNN TRAVEL'S 2014 LIST OF BEST AIRPORTS FOR CYCLING

\$12 m

CUMULATIVE SAVINGS OF MORE THAN \$12 MILLION IN ELECTRICAL AND GAS COSTS SINCE 1999



93%—AMOUNT OF SOLID WASTE CONSTRUCTION MATERIALS DIVERTED



WINNER: BC HYDRO POWER SMART LEADERSHIP EXCELLENCE

ENVIRONMENTAL MANAGEMENT

Vancouver Airport Authority is committed to being a leader in sustainability and sound environmental management. Our primary objective, stated in our Safety, Security and Environmental Policy, is to build, operate and maintain a safe, secure and environmentally sustainable airport for our employees and customers. We respect the environment by adhering to industry best practices, launching comprehensive management plans, preparing for change and assessing our impact.



ENVIRONMENTAL MANAGEMENT PLAN

To ensure that we continually improve our environmental performance, the Airport Authority has an Environmental, Health and Safety Management System (EHSMS) that aligns to environmental management criteria laid out in International Organization for Standardization (ISO) 14001 and occupational health and safety standards set out in Occupational Health & Safety Advisory Services (OHSAS) 18001. In 2014, we renewed our five-year Environmental Management Plan, which builds upon these principles. The new plan articulates the Airport Authority's drive toward environmental excellence and identifies the programs and initiatives that will embed environmental sustainability into YVR's activities and corporate culture. Four strategic priorities and their corresponding measurable goals, targets and baselines will influence the sustainable growth and development of YVR. These strategic priorities include: reduce greenhouse gas emissions, reduce waste, reduce potable water consumption and improve ecosystem health.

The Environmental Management Plan sets 2015 benchmarks for future reporting, starting in 2016. For 2014 reporting, we focused on the five strategic priorities laid out in the previous plan. These included:

- Reduce emissions
- Reduce energy

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

REDUCING EMISSIONS

The Airport Authority works with our employees, business partners and communities to minimize vehicle, building and aircraft emissions. We do this by promoting alternative forms of transportation to and from Sea Island, improving airport infrastructure and raising awareness of clean air practices.

EMISSIONS INVENTORY

Published every five years, emissions inventories indicate how air pollutant emissions are changing in the Lower Fraser Valley. The 2010 Lower Fraser Valley Air Emissions Inventory, published in 2013, found that aircraft emissions account for about 1.3 per cent of greenhouse gas emissions and 2.1 per cent of smog-forming pollutants in the Lower Fraser Valley air shed.

We completed our own emissions inventory for the 2007 and 2012 calendar years to systematically approach emissions reduction and establish targets. In 2012, greenhouse gas emissions from the Airport Authority and our partners totaled 317,460 tonnes CO₂e (carbon dioxide equivalent). Aircraft accounted for 72 per cent of these emissions. Airport Authority-owned and controlled operations, including heating sources, electrical consumption and vehicle operations, accounted for 3 per cent of total emissions, totalling 9,782 tonnes in 2012, down from 2007 levels of 11,632 tonnes.

As laid out in our renewed Environmental Management Plan, we will endeavour to reduce greenhouse gas emissions 33 per cent by 2020 and will do this by working closely with our partners to establish reduction targets.

AIR EMISSIONS

The Airport Authority tracks pollutants as part of the National Pollutant Release Inventory (NPRI), an inventory of annual releases to air, water, land and disposal or recycling from all sectors. We submitted a report to the NPRI in 2014 for the emissions period of 2013 and found that we had four substances that were below the reporting thresholds—Carbon Monoxide, Sulphur Dioxide, Oxides of Nitrogen and Volatile Organic Compounds. We also had substances that were slightly above the reporting thresholds: Asbestos disposal from the demolition of older structures, particulate matter from boilers, emergency generators and road dust. We will continue to collect this data and will reduce these substances through future initiatives and programs.

AMBIENT AIR QUALITY

The Airport Authority is a voluntary partner in the Lower Fraser Valley Air Quality Monitoring Network. Metro Vancouver operates a continuous air quality monitoring station located at YVR

east of the south runway, near the community of Burkeville. Data collected from this station is displayed on a live-stream through [Metro Vancouver's website](#).

CANADA LINE

As part of our commitment to sustainable transportation, we invested \$300 million in the Sea Island portion of the Canada Line rapid transit system, which began operations in August 2009. In 2014, approximately 2.37 million passengers used the Canada Line to travel to and from YVR; this represents an increase of 21 per cent from 2013. Public usage among departing passengers also increased, from 15 per cent in 2013 to 18 per cent in 2014. Travel between the three stations on Sea Island remains free.



ELECTRIC VEHICLE CHARGING STATIONS

In 2014, the Airport Authority recorded over 349 charges from two electric vehicle charging stations, installed in 2013 and located on Level 1 of the parkade. We also installed two charging stations at the new Aylmer Road office building, which will be operational in 2015.

CELL PHONE WAITING LOT

To avoid having vehicles idling at the curb, the Airport Authority opened a cell phone waiting lot in 2014. The new lot offers drivers complimentary parking for 30 minutes while waiting for arriving travellers.

CYCLING IMPROVEMENTS

To improve safety for cyclists and promote green transportation, we widened the shoulders on the Arthur Laing Bridge for a bicycle lane and adjusted several catch basins on the bridge structure to be flush with the pavement surface.

GREEN COMMUTER PROGRAM

The Green Commuter Program encourages Airport Authority employees to use alternative forms of transportation to get to and from work, offering a \$50 per month financial incentive to take public transit, bicycle, walk or carpool. In 2014, the program had 156 participants, or 37 per

cent of Airport Authority employees, slightly down from 2013. This collective effort reduced the amount of single-occupant vehicle trips to Sea Island by approximately 900,000 kilometres and reduced carbon emissions by approximately 155,000 kilograms.

IMPROVING FLEET EFFICIENCY

There are many pieces of unique equipment required to operate an airport, ranging from transit buses, heavy duty applications such as fire trucks and grass mowers, to light duty on-road vehicles. The Airport Authority continues to improve its fleet by replacing older, larger vehicles with appropriately-sized, fuel efficient models. In 2014, five light-duty vehicles and two off-road vehicles were added to the fleet. In addition, one firetruck, eight light-duty vehicles and five off-road vehicles were retired.

We developed a new Fleet Plan to guide our purchase decisions moving forward. In order to support this new plan, we analysed the performance of our fleet by participating in the E3 Gear Up Program and undertook an electric vehicle suitability assessment of select vehicles.

TAXI INCENTIVES

In addition to ensuring that taxis serving our customers are barrier free and wheelchair accessible, the Airport Authority offers a significant annual discount on licensing fees to taxi operators with low-emissions vehicles. In 2014, hybrid-electric taxis accounted for 397 (76 per cent) of 525 taxis serving YVR.

REDUCING ENERGY



We have a long-term goal to improve energy efficiency at YVR and in 2014 we commenced work on a long-term energy plan for the airport. Since 1999, we've seen a cumulative savings of more than \$12 million dollars in electrical and gas costs from energy-efficient initiatives.

Total energy consumption for the main terminal increased slightly last year; however, we were more efficient in energy use by area. We introduced new energy efficient floor space, which takes advantage of efficient products such as LED lights, in the Domestic Terminal's A-B Connector. We saw savings from LED lighting projects and our interconnected heating and cooling plants allowed for more efficient energy use. We saw continued benefits from temperature-regulating doorways, econo-mode baggage conveyor belts and motion-activated sensors for walkways and escalators throughout the terminal.

POWER SMART PROGRAMS

The Airport Authority received the BC Hydro Power Smart Leadership Excellence designation at the 2014 Power Smart Excellence Awards. This award is presented to renewed Power Smart

Leaders who achieved greater levels of energy savings year-over-year, clearly demonstrating they are on a path of continuous improvement.

We continued to participate in BC Hydro's Energy Manager Program, which dedicates an existing employee to manage the implementation of energy-saving projects and improve existing operational and maintenance procedures.

SMART LIGHTING

In 2014, we installed LED lighting and improved lighting controls in several locations throughout the terminal, saving approximately 1.3 GWh of electricity.

We also saw continued benefits from previous installations. The LED fixtures on Arthur Laing Bridge save 77,000 kWh every year. Our dynamic signage backlight reduction initiative also provided an annual savings of 235,732 kWh (\$9,500). And in 2014 we converted the lighting on *The Spirit of Haida Gwaii: The Jade Canoe* art installation from Halogen to LED theatrical lighting, which reduced the number of fixtures and power consumption per fixture.

LIGHT POLLUTION AND REDUCTION

The Airport Authority controls light levels to reduce impact on surrounding communities. We use light shields to reduce glare and are working on a broader roll-out of LED lighting. In 2014, we started a multi-year project to improve high mast lighting on our main aircraft apron, where we performed test trials using three different types of LED lighting fixtures at three different aircraft gates. The new LED technology will allow for better lighting levels and light quality, more controllability, lower power consumption, reduced glare and less light pollution for our neighbours. In 2015 we will complete our evaluation of the test trial LED fixtures and will implement a phased installation.

NATURAL GAS REDUCTION

To reduce use of natural gas, the Airport Authority conducted a number of initiatives that improve the operations of our Heating, Ventilation and Air-Conditioning (HVAC) systems. These initiatives decreased natural gas use in the Domestic Terminal by 25 per cent since 2001.

In 2014, several new commercial kitchen hoods were installed in the new Domestic Terminal A-B Connector using air curtain technology to minimize kitchen exhaust volumes and thus natural gas consumed.

New Filtration Systems

In 2012, we conducted a study that showed how switching to a new low-energy filtration system in the terminal HVAC systems would significantly increase energy savings. After switching to this system in 2014, our data shows that we are consuming three times less energy.

Solar Hot Water

Two solar hot water systems power the Domestic and International Terminal Buildings. These systems help heat more than 1,500 gallons of hot tap water every hour, resulting in

approximately \$80,000 of energy savings in 2014. In June 2014, we introduced a new drain-back system in the International Terminal, reducing natural gas consumption by 132.29 GJ.

REDUCING WASTE



We strive to set a good example and aim to reduce our impact on the environment through recycling and waste diversion. In 2014, we recycled 1.3 of 3.8 million kilograms of materials, totaling a 35 per cent diversion rate—three per cent lower than 2013. Diverted materials included bottles, paper, pallets, glass, metal and plastics.

ORGANIC WASTE DIVERSION PROGRAM

YVR continued to raise awareness about the need to divert waste from landfill and continued to drive toward an anticipated Metro Vancouver ban on organic materials from landfill in 2015. We composted over 8,000 kg of organics in 2014, totaling 31,000 kg of compostable material kept out of landfill since the introduction of pilot composting programs in 2012.

CONSTRUCTION MATERIAL REUSE AND RECYCLING

The Airport Authority and its construction contractors continued to successfully reuse and recycle construction waste materials in 2014, generated mainly by several large construction projects including the A-B Connector and the Airside Operations Building. A total of 93 per cent of construction waste materials—3.5 million kilograms—were recycled or reused.

MATERIALS RECYCLING

An additional 205,000 kilograms of used wood, metals, landscaping materials and other miscellaneous debris associated with YVR maintenance was recycled or diverted in 2014. Instead of being sent to the landfill, these items were processed by a sorting facility in Richmond.

SUSTAINABLE PRINTING

The Airport Authority encourages its employees to lessen their impact on the environment through sustainable choices. 2014 marked the planning phase to trial Bonfire, an online tool that assists in managing bid evaluations. This tool eliminates paper submissions, reducing paper waste and transportation-related greenhouse gas emissions.

We also rolled out a “Think Before You Print” campaign to reduce employee printing. The campaign informed employees of the resource costs associated with printing, instilled accountability and encouraged electronic collaboration. 2014 also saw planning for the trial of a printing campaign requiring employees to swipe their work access cards to release print jobs.

CARE PROGRAM

The Communication, Awareness, Recognition and Education (CARE) program is designed to improve environmental sustainability across the airport community. CARE initiatives range from providing an environmental tour for new employees during environment week to promoting green transportation. They encourage individuals to think about their impact on the environment and what they can do to contribute to a more sustainable community.

CYCLING

2014 marked the 6th consecutive year of the Airport Authority's continued support for HUB, Metro Vancouver's largest cycling coalition and participation in Bike to Work Week. We sponsored two one-day cycling commuter station events at Larry Berg Flight Path Park to provide free bike repairs, coffee, snacks, maps and prizes. A total of 71 cyclists visited these events. In 2014, 21 Airport Authority employees participated in both spring and winter Bike to Work Weeks, travelling a total of 1,298km and contributing 282kg of carbon dioxide offsets. Our efforts to create a bike-friendly environment were recognized in CNN Travel's 2014 list of Best Airports for Cycling.



During the lead up to Bike to Work Week, a few intrepid YVR employees participated in the Share the Road Challenge to demonstrate the efficiency of green transportation. This challenge saw three participants race across Richmond and Vancouver using different forms of transportation. Starting at Larry Berg Flight Park, one person used public transit, one person drove and another—the winner—used her bike to get to the finish line in Downtown Vancouver.

In 2014, YVR sponsored The Bicycle Valet to increase accessibility of cyclists around the Greater Vancouver Area. The YVR sponsored bicycle parking was at 166 event days from February to November, parking over 21,000 bicycles.

WASTE REDUCTION WEEK

We held our third annual Waste Reduction Week in October 2014. During this week, we launched a clothing drive campaign called Don't Hoard Your HOD (Household Object Debris). Airport Authority employees brought in their gently used items such as clothes, eyewear and handbags for donation. The campaign received dozens of donation boxes, which we gave to Covenant House and the Third World Eye Care Society.

EMPLOYEE TRAINING

Our Energy Efficiency/Reduction Committee met several times in 2014 and received training on the energy monitoring software and the new solar thermal installation. We also offered a wind

and solar technologies training course for employees, toured district energy facilities in the region and trained our maintenance crew on the use of energy tracking and reporting.

EARTH HOUR

YVR was a little dimmer on March 29 as we participated in Earth Hour—an annual worldwide event that raises awareness about power consumption. A selection of lights were switched off in the main terminal and the Fairmont Vancouver Airport Hotel turned off all lights in their lobby, provided a lantern walkway across the bridge entrance to the hotel and promoted a candlelit dinner in their restaurant. YVR saved approximately 14.3 kWh during the hour.

CONTINUOUS IMPROVEMENT

While our key environmental objectives focus on reductions in noise, energy, emissions and waste, we recognize that minimizing environmental impact includes many more elements. These elements include the need for self-reporting, industry involvement, stewardship and forward-looking management.

INDUSTRY INVOLVEMENT

We believe it's important to collaborate with groups and associations that promote environmental best practices. In 2014, the Airport Authority participated in several external environmental initiatives including the Regional Communications Team of the Lower Mainland, the Canadian Airport Council Environment Committee and the Airports Council International North America Environmental Affairs Committee.



ENVIRONMENTAL AUDITS

To ensure YVR maintains high environmental standards, we regularly conduct internal and external audits. In 2014, we analyzed opportunities identified through a third party sustainability benchmarking audit. This audit identified program development and reporting opportunities in areas such as improving water quality and climate change preparedness.

We also conduct self-audits every three to five years on regulated matters, such as hazardous materials management and petroleum storage tanks and conduct regular rotating audits of tenant operations for environmental compliance. In 2014, we audited the International Terminal food court waste stream to meet mandatory 2015 restrictions on compostable material sent to Metro Vancouver landfill. Changes to YVR's waste management systems were then introduced through pilot initiatives, with further refinements planned for 2015.

Environment Canada Fuel Tank Audit

In the Fall of 2014, Environment Canada conducted an on-site audit at YVR, inspecting 10 fuel storage tanks in several tank systems owned by the Vancouver Airport Authority. The condition and operation of the tanks were found to be in compliance; however, in one location YVR did not have a copy of an Emergency Response plan next to the tank, which was in the process of being relocated and was to be commissioned at another site. In another location, a copy of YVR's Spill Response Plan was missing. A third issue identified was a missing sump test inspection record, which we were unable to produce.

As a result, immediate action was undertaken to ensure that complete documents were provided and visible at every fuel tank. We also created a centralized repository overseen by two departments to ensure there is additional oversight into documentation and record keeping.

CLIMATE CHANGE PLANNING

The Airport Authority takes a proactive stance on mitigating the effects of climate change. In 2014, we commissioned a study to summarize the best available science on the potential impacts of climate change over the next 40 years. The study identified specific changes in air temperatures, precipitation, sea-levels, flood risk and winds in Metro Vancouver, which have implications for YVR's operations and infrastructure. Going forward, we will use the results of the study to help evaluate future planning decisions and assess infrastructure readiness.

ENVIRONMENTAL IMPACT ASSESSMENTS

The Airport Authority conducts environmental reviews of all proposed construction projects at the airport, in accordance with requirements of Sections 67 of the Canadian Environmental Assessment Act. These reviews identify potential impacts, such as loss of sensitive habitats and the impairment of air, water or soil quality. In 2014, there were 162 projects that went through an environmental review—and none of the projects were found to cause significant environmental effects.

All construction projects at YVR adhere to strict environmental guidelines. Construction projects, including the alteration or modification of existing structures, must comply with the Facility Application Permit process. This process addresses environmental effects related to construction and includes a checklist that ensures environmental standards are met.

SUSTAINABLE PURCHASING

We are increasingly focused on purchasing equipment and supplies that adhere to our sustainability values. In 2014, we purchased select recyclable uniforms and suits, used local

courier services from Novex, Canada's first carbon-neutral courier, bought sustainably sourced, carbon neutral coffee and used water plumbed-in filtration equipment at locations across YVR to limit bottled water use.

HAZARDOUS MATERIALS MANAGEMENT

The Airport Authority maintains a Hazardous Materials Management Program to address spills of jet fuel, glycol-based deicing fluid and other hazardous substances. The storage, use and transportation of these substances are the responsibility of the owners and handlers, who are subject to environmental laws and regulations. They are also subject to YVR's Spill Response Plan, which provides clear guidance on how to protect public health, safety and the environment by preventing and mitigating releases of hazardous substances and ensuring their effective cleanup. In 2014, 94 per cent of spills at YVR were small, meaning less than 100 litres.

YVR also has an extensive ditch and gate system to contain spills on property and subsequently keep contaminants out of the Fraser River.

WATER MANAGEMENT

YVR is very aware of the strain our large community puts on essential resources. In 2014, we consumed over one million cubic litres of water on Sea Island and we are committed to reducing our use of potable water going forward. Our comprehensive Water Quality Program aims to prevent pollution from entering surface waters. To accomplish this, we monitor water quality in airport runoff and if spills happen we initiate YVR's Spill Response Plan.



We adhere to best management practices to support the Water Quality Program including Glycol Mitigation Plans, the Environmental Emergency Response Plan, and installation and monitoring of Oil Water Separators.

Water Sampling

We keep a close watch on the surrounding ecosystem and measure water quality on a regular basis. This includes weekly monitoring, site-specific sampling whenever a risk to water quality is suspected and standard snow sampling when the de-icing pads are open.

Aircraft Deicing

Chemicals used for aircraft deicing can be harmful to the environment so the Airport Authority works closely with stakeholders to ensure the highest safety standards are met. During the 2013/2014 Winter, our contractor sprayed a total of 1,062,000 litres of aircraft deicing fluid and collected 5.7 million litres of contaminated stormwater. We store deicing fluids in glycol lagoons before transportation off-airport for treatment and disposal.

We took 279 water samples during the 2013/2014 Winter season and compared each sample with Canadian Glycol Guidelines, which sets a limit of 100mg/L total glycol. There were four

samples that exceeded the 100 mg/L guideline and thus we did not meet our 0 glycol exceedance target. We reported these four samples to Environment Canada and internal departments. In 2015, we continue to work towards a zero target.

NATURAL HABITAT MANAGEMENT



YVR strives to protect important ecosystem values and functions while proactively managing the hazards associated with birds and other wildlife to aviation. Our key challenge is to balance the safety of airport operations and wildlife control with environmental protection.

Contributions to Conservation

YVR regularly contributes to area habitat restoration and conservation initiatives. In 2014, we contributed to and participated in the Great Canadian Shoreline Clean Up, Richmond Raptor Festival, Tree Canada, Fraser River Basin Society's Regional Flood Management Strategy for B.C.'s Lower Mainland, the 6th Annual Garlic Festival, RiverFest and the Nature Conservancy of Canada's Swishwash Island stewardship.

Salmon-Safe Certification

In 2014, as laid out in the new Environmental Management Plan (EMP), the Airport Authority made improving ecosystem health a top priority and set goals and targets to help achieve this objective. Our goal is to become Salmon-Safe certified in 2015. Salmon-Safe is an independent certification program that assesses land development and management practices to protect and enhance water quality, aquatic and terrestrial habitats so that wild pacific salmon can thrive.

Invasive Species and Pest Management

Another target in accordance with the new EMP, set for 2015, is to improve our invasive species and pest management. We will continue to advance the removal of invasive species and reduce the use of pesticides through integrated pest management, supporting the use of native species in landscaping and reducing water use.

Wildlife Management

During 2014, 624,162 birds were moved away from aircraft operating areas using active control techniques including wildlife patrols, border collies, trained raptors and the raptor translocation program. There were 210 bird strike incidents in which 285 birds were struck by aircraft, an increase from 2013. To maintain safe aircraft operations, the Airport Authority uses lethal control when necessary and in 2014 killed 301 birds, an increase from 209 in 2013.

We have used border collies to control ducks, gulls, herons, and even bald eagles for more than a decade. After undergoing extensive training, the dogs are able to stimulate the targeted birds to flee the area. The dogs are highly trained to respond to their handlers' commands in order to

ensure their safety around the airfield. In 2014, we welcomed the arrival of several new dogs including Flight, who is set to join the team in Fall 2015.

In 2014, we safely captured and removed a record 145 raptors through our Raptor Trap & Translocation Program. We also continued to partner with Pacific Northwest Raptors to deploy trained raptors through our Falconry Program. The trained raptors allow YVR to move hazardous shorebirds, ducks, geese and herons off the airfield in a safe and humane manner.

MANAGING AIRCRAFT NOISE

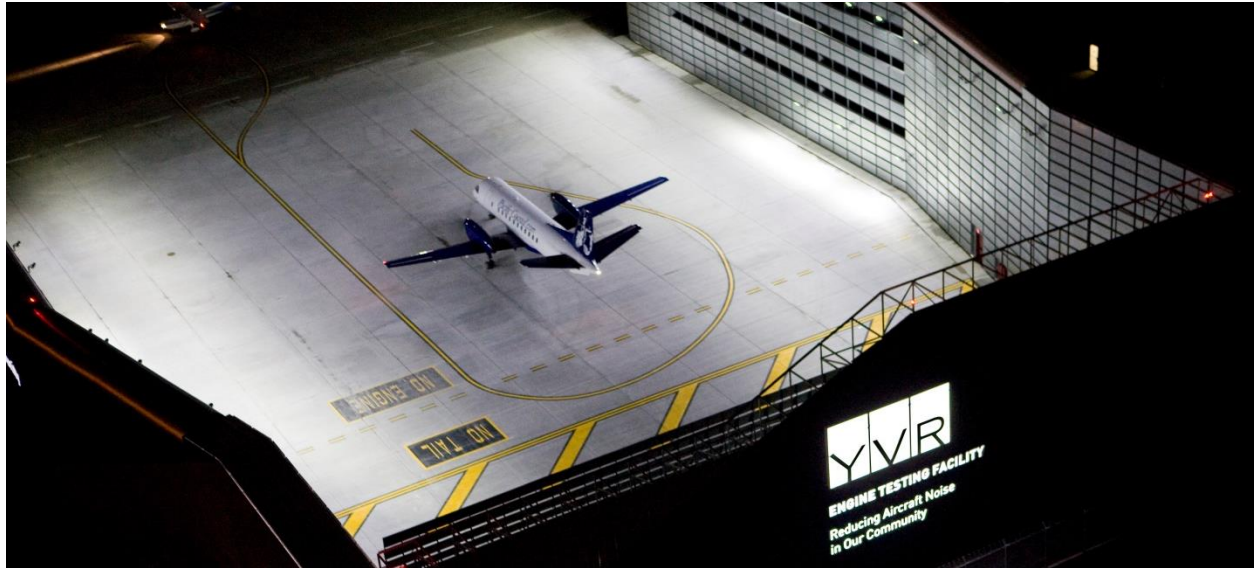
The Airport Authority submitted a new five-year [Noise Management Plan](#) to Transport Canada in 2014, which sets the framework for our Noise Management Program. Working closely with the community, government and industry stakeholders, the Airport Authority identified ten focus areas and corresponding initiatives that aim to manage noise and community expectations, while recognizing the need for continued operations.

Our annual community survey of Metro Vancouver residents showed that 86 per cent of respondents reported not being annoyed by aircraft noise, down slightly from 88 per cent in 2013. We received 1,754 noise complaints in 2014—a 35 per cent increase from 2013. However, the number of individuals who registered a complaint decreased, from 279 in 2013 to 278 in 2014, and 67 per cent of 2014's complaints came from three individuals.

While passenger numbers increased in 2014, the number of aircraft runway take-offs and landings increased at a slower rate than previous years—down from a high of 279,000 in 2008. This reflects the improved efficiency of aircrafts, which can hold greater numbers of passengers and, due to technological advances, produce less noise.

GROUND RUN-UP ENCLOSURE

2014 marked the third full year of operations for our Ground Run-Up Enclosure (GRE). The GRE—the first of its kind in Canada—accommodated around 900 run-ups in 2014, accounting for more than 35 per cent of total run-ups and more than 85 per cent of full power-ups performed by operators located on the south side of the airport. In 2014, there were 18 noise concerns related to run-ups, a 22 per cent decrease from the previous year.



FLY QUIET AWARDS

In 2005, YVR introduced the Fly Quiet Awards to raise awareness of noise issues among operators. This annual award is given to operators with the lowest departure noise levels as measured by our Noise Monitoring & Flight Tracking System across three classes: wide body, narrow body and propeller. The winners of the Fly Quiet Awards in 2013 were: Air Canada Jazz (propeller), US Airways (narrow body) and China Southern (wide body).

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 results for 2014.

Objective	Measure	2014 Target	2014 Results
Regulatory Compliance	Number of Violations of environmental regulations	0	0*
Glycol Exceedance	Number of water samples exceeding Canadian Glycol Guidelines of 100 ppm of glycol	0	4
Waste Diversion Rates: Terminal & Satellite Facilities	Percentage of waste diverted from landfill from Airport Authority facilities and satellite locations	Greater than 32%	35%
Waste Diversion: Construction Waste	Percentage of construction waste diverted from Airport Authority projects	Greater than 75%	93%
Energy: Electricity	Percentage of year over year reduction of energy consumption/m2	2% reduction	4.4% reduction

Noise Annoyance	Percentage of community indicating they have NOT been annoyed by noise (as per community survey)	80%	86%
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* Environment Canada issued a warning letter to YVR for incomplete fuel tank documentation, as noted on page 33.

Vancouver Airport Authority

2014 Social Report



- YVR is a dedicated community partner
- In 2014, we donated more than \$900,000 to local not-for-profit organizations, charities and sponsorships
- A BC's Top Employer—nine years in a row
- 86 tours given to community groups
- 28 families living with autism participated in the first annual YVR Accessibility Tour
- 550+ families assisted at annual Quest Holiday Hamper Drive
- Participated in 19 community festivals across B.C.
- Over 24,000 people call YVR their workplace



OVER 24,000 PEOPLE CALL YVR THEIR WORKPLACE



86 TOURS GIVEN TO COMMUNITY GROUPS



550+ FOOD HAMPERS COLLECTED AT ANNUAL QUEST HOLIDAY HAMPER DRIVE



PARTICIPATED IN 19 COMMUNITY FESTIVALS ACROSS B.C.



BC'S TOP EMPLOYER—NINE YEARS IN A ROW



\$900,000+ DONATED TO LOCAL ORGANIZATIONS

OUR PEOPLE

Our team of talented employees takes pride in each success, whether it's a new service, another satisfied customer or the continuation of a great program. In 2014, we had all of these and saw our employee count grow to 416, 305 of whom are members of the Public Service Alliance of Canada (PSAC).

The Airport Authority strives to create a diverse workplace where employees truly enjoy their jobs. There is no snapshot of a "typical" YVR employee, as our workforce is unique and multi-talented. However, the average length of employee service—11 years—shows that we're doing something right. In 2014, we maintained an average attendance rate of 97 per cent and a five year voluntary turnover rate under 3 per cent. Because of our efforts in 2014 and prior years, we were once again selected as one of B.C.'s Top Employers in early 2015—for the ninth year in a row.

Our employees embody our corporate values: **Safety, Teamwork, Accountability, Innovation.**



CAREER DEVELOPMENT

We go beyond for our employees, customers and communities and are committed to a workplace that upholds high ethical standards. We incorporate these standards into our day-to-day operations and ongoing employee training.

Training targets

The Airport Authority is committed to developing the skills of our employees. We maintain a target of 35 hours of training per employee during each year and exceeded this target in 2014

with an average of 51 hours. The large jump in average training hours can be attributed towards our introduction of additional online training opportunities. We also offer up to \$20,000 of tuition reimbursement on the successful completion of education programs outside of normal work hours. In 2014, five employees participated in this Long Term Education program.

Airport Authority Employee Training (2009- 2014)

	2009	2010	2011	2012	2013	2014
Total training and apprenticeship hours	16,695	16,462	17,200	16,071	17,521	20,823
Average training/apprenticeship hours per full-time equivalent position	40	42	45	40	43	51

Apprenticeship Training

To ensure we maintain a diversified team, our skilled trades employees are encouraged to develop a second trade. In 2014, approximately 71 per cent of our maintenance trades groups were dual-ticketed or in the process of becoming dual-ticketed. We also supported apprenticeship training for 10 tradespersons.

Continuous Learning

In 2014, the Airport Authority worked hard to improve employee learning opportunities. We focused on leadership and capability development and ensuring our employees continuously learn and have access to both skill and professional development opportunities. Our programs had tremendous success rates: we had 90 per cent of managers enrolled in their first course of the five-year, co-branded management development program with Sauder School of Business, and four directors completed the University of Toronto Rotman School of Management’s Executive Leadership Program.

Performance Management

Our Performance Management Program highlights the Airport Authority’s belief that coaching and a feedback-rich environment supports employees and enhances our business. In this program, employees establish specific objectives that align with team objectives as well as our annual Operating Plan and Strategic Plan. The program includes an individual development plan created collaboratively between each employee and his or her manager.

Courses

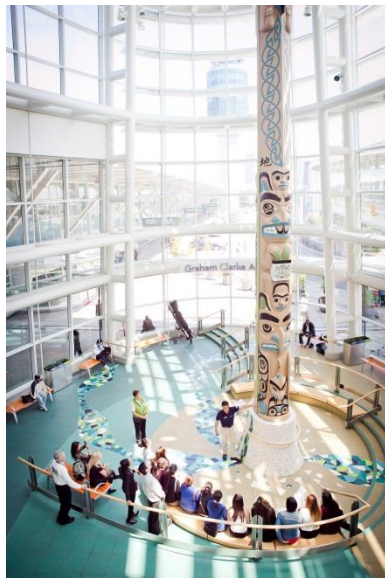
We held 136 corporate learning courses in 2014; 92 per cent of the behavioral skills courses were full, 97 per cent of participants would recommend the courses to others and participants gave an average course evaluation of 4.3/5. We also launched Harvard Manage Mentor, an on-demand learning and performance support resource for leadership and management skill

development, providing 42 modules. In its first year, 109 employees used the tool—accessing 365 courses.

Navigating through Change

We piloted our Navigating through Change program, which builds the change capability of our emerging leaders. Navigators received formal training, heard from guest speakers and applied learnings by working on multiple corporate change initiatives. The program received very positive feedback from participants: 100 per cent said they would recommend it to others and 92 per cent were able to apply the learnings to their daily role.

Employee Survey



The Airport Authority values its employees and encourages feedback on how to improve the YVR experience. Employees are able to provide feedback through our employee survey, all-employee meetings, and the Airport Authority's corporate intranet, myYVR.

Our 2014 Employee Survey had an impressive 89 per cent participation rate. The survey saw significant improvements over 2012 benchmark scores in the areas of Empowerment, Leadership and Working Relationships. Areas of opportunity included Performance Evaluation, Career Development and Sustainable Engagement.

We held three all-employee meetings to inform employees of our strategic planning and receive feedback. The meetings saw average attendance of 79 per cent.

Recognition

We continually recognize employees who provide exemplary services and make outstanding contributions to our collective success.

The Stellar Awards are the highest form of recognition a YVR employee can receive. These awards, presented to 4 employees in 2014, recognize individuals who demonstrate exceptional effort and performance. Winners exemplify our Corporate Values and, through their actions and achievements, make outstanding contributions to the Airport Authority's success.

The Bravo Program recognizes those who have gone above and beyond their regular scope of duties. Like our employees and their achievements, this award is diverse—ranging from thank-you cards to gift certificates. In 2014, we gave 172 of these awards to exceptional employees.

The Long Service Awards celebrate the long-term commitment of employees who have worked for the Airport Authority for five, 10, 15, 20, 25, and 30 years at an annual banquet luncheon with the Board of Directors and The Executive Committee.

TEST FLIGHT



The Airport Authority is dedicated to promoting innovation throughout the workplace. In 2014, we launched Test Flight, a crowd-funding employee initiative designed to capture and bring to life our employees' very best ideas on improving YVR. They proposed ideas, with the aim to get funding from fellow employees who all received \$50 as part of the initiative.

Our employees came up with a diverse range of ideas—from improving runway lighting maintenance to putting wheels on ladders and a YVR Toastmaster Membership. In total, 12 projects received funding in 2014.

HEALTH AND SAFETY

Health and safety are at the core of everything we do. We adhere to the highest health and safety standards and continuously work to improve our safety culture. In 2014, the Airport Authority had zero health and safety non-compliances. We also successfully completed a Certificate of Recognition Audit, ensuring regulatory compliance, due diligence and financial savings.

WELLNESS

Our incentive-based Wellness Program, now in its thirteenth year, continued to promote health at YVR. We offered a wide range of programs, from yoga and core conditioning to our popular lunch-and-learn sessions. We participated in Corporate Challenge Vancouver, an event that saw more than 80 of the Airport Authority's finest participating in various sporting events. We also expanded LifeSpeak on Demand, a library of videos, action plans and webchats and included a Stress Satisfaction Index assessment as part of our employee survey.

INDOOR AIR QUALITY

The Airport Authority understands the importance of a clean atmosphere, inside and outside our facilities. In accordance with our Environmental Air Quality Program, we have three industrial hygienists and a multitude of Indoor Air Quality (IAQ) monitoring equipment to keep air quality in check.

In 2014, our Health & Safety team conducted IAQ measurements in the terminal. They measured standard air quality parameters including temperature, relative humidity, carbon

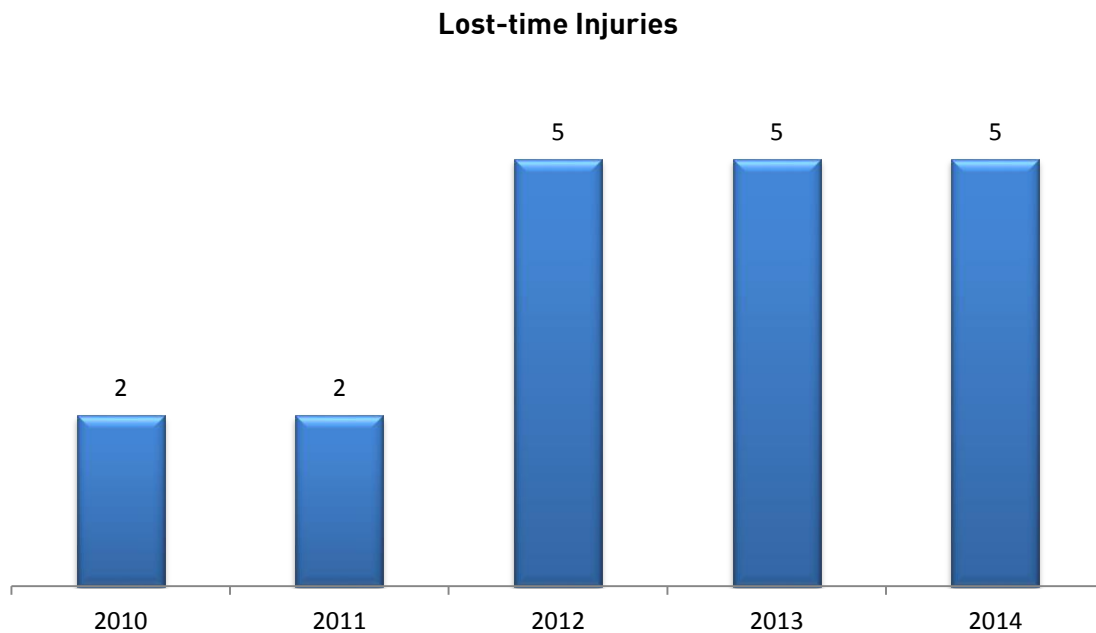
monoxide, carbon dioxide, volatile organic compounds and particulates. They found the air quality to be within acceptable levels, with the exception of relative humidity due to outdoor ambient conditions.

CO2 Monitors

Since 2003, the Airport Authority has used CO2 sensors to monitor and regulate building ventilation. We installed these sensors into most of our HVAC systems in office areas to increase fresh air when needed, based on occupancy.

LOST-TIME INJURIES

We measure health and safety performance by tracking any at-work injuries that result in an employee missing work. In 2014, we had five lost-time injuries, which did not meet our zero target. However, 2014 saw just 18 lost-time days, a sharp decrease from 31 days in 2013.



EMERGENCY RESPONSE PROCEDURES

The safety of YVR’s customers and employees is our primary responsibility, during regular operations and in times of crisis. The Airport Authority has a comprehensive Emergency Management Plan that focuses on three principles—prevent, prepare and practice—and is designed to respond to a number of emergencies, including potential earthquakes and floods, crashes and security threats. We regularly test this plan and our emergency response procedures with multiple agencies, including Transport Canada, the Royal Canadian Mounted Police (RCMP) and the Canada Border Services Agency (CBSA).

Crisis Communications Plan

We have developed a comprehensive Crisis Communications Plan that outlines how to manage connecting with the public, stakeholders, passengers and media during small, medium and large critical incidents. We test this plan often with exercises and train all staff in managing responses. Working with operations, the Crisis Communications Plan is built to address a developing incident in an open, honest and timely manner. In addition to the plan, the Airport Authority monitors social media and responds to media calls 24/7.

Full Scale Exercises



Every two years, the Airport Authority hosts a full-scale Emergency Exercise to test its Emergency Management Plan. In 2013, we hosted a plane crash scenario. This scenario was one of the biggest exercises in YVR history, involving more than 800 participants including YVR staff, RCMP, Air Canada, Canadian Air Transport Security Authority (CATSA), and CBSA. It gained considerable media coverage, demonstrating the Airport Authority's commitment to safety. It also led to improvements to our

emergency planning and informed the planning for 2015's Emergency Exercise, which took place throughout 2014.

In 2014, we began planning for our first full-scale Security Exercise, involving an active shooter in the terminal. We developed and shaped the exercise from our participation in exercises at other North American airports including Seattle-Tacoma International Airport and Ottawa International Airport and a study of a recent live shooter incident at Los Angeles International Airport. The exercise took place in March 2015 and successfully tested YVR's ability to deliver a coordinated and effective response.

Tabletop Exercises

We conduct a series of Tabletop Exercises to test and discuss the expected responses and communications that would occur in different emergencies. In 2014, we hosted and participated in exercises focused on a bomb threat, active shooter, plane crash and contagious disease.

Safety Drills

The Airport Authority conducts annual safety drills to ensure employees are informed and prepared for emergency scenarios. In August 2014, we conducted our first trial of a new Floor Warden program for employees. For this program, Floor Wardens evacuated employees from our offices in the Link Building. And in October, Airport Authority staff participated in the Great B.C. ShakeOut Earthquake drill.

RESPECT AND EQUALITY

The Airport Authority strives to have a vibrant and diverse workforce. We comply with the Employment Equity Act to ensure fair employment practices across our organization and regularly identify areas for improvement through voluntary surveys, workshops and interviews. We also conduct a number of initiatives that promote respect and equality.

EMPLOYMENT EQUITY

The Airport Authority aims to have a workforce that reflects the vibrancy and diversity of the communities we serve. As part of our commitment to employment equity, we identify occupational gaps in our workforce for several designated groups including women, Aboriginal peoples, persons with disabilities and members of visible minorities.

Airport Authority Demographics vs. Labour Market Demographics (2013²)

Designated Group	Airport Authority	Labour Market ³	Airport Authority Representation
Women	35.4%	32.5%	+2.9%
Aboriginal Peoples	1.0%	2.9%	-1.9%
Persons with Disabilities	1.5%	4.4%	-2.9%
Visible Minorities	25.2%	23.7%	+1.5%

In 2013, we identified Aboriginal peoples and persons with disabilities as areas of focus. The Airport Authority will continue to identify occupational gaps across the designated groups and will work to improve representation.

The Airport Authority values the contributions of our employees. We undertook planning for our 2015 Employment Systems Review in 2014. The review will invite employees to participate in a confidential focus group conducted by an external firm and will examine our employment systems, policies and practices to determine if any of these constitute a barrier for members of designated groups.

Women in Management

The Airport Authority is committed to diversity and inclusion in its management team. As of the end of December 2013, women accounted for 31 per cent of the Airport Authority’s 70 managers. In 2014, women represented 29 per cent of our seven-member Executive Committee and 29 per cent of our 14-member Board of Directors, including the Chair. The higher

² 2014 data was unavailable at the time of reporting.

³ Includes combined Metro Vancouver, Provincial and National employment data

proportion of women at the manager levels demonstrates potential for increased representation at the executive level in the future.

In 2014, we conducted two workshops that focused on ways to advance women in leadership roles. This included women from YVR's Board of Directors speaking with the women in Airport Authority management positions and Fiona Macfarlane, Chief Inclusiveness Officer at Ernst & Young, discussing ways to overcome barriers and realize opportunities.

Planning for a 2015 pilot program—Women's Coaching Circles—also took place in 2014. This program will provide an opportunity for women in management to learn from leaders at YVR. The program will use a supportive model of group discussions to address the needs of women in the workplace.



From left: Ali Istchenko, Tracy Nihej, Bowinn Ma and Anita Yen. Led by Tracy Nihej, these YVR employees were part of the management team behind the construction of the A-B Connector, which will connect B.C. proudly to the world for decades to come.

Diversity Month

Members of our Employment Equity & Diversity Team are ambassadors of diversity, promoting initiatives throughout YVR. In October 2014, the team sponsored the third annual Diversity Awareness Month, which included an internationally inspired event that fosters productive discussions on diversity and a motivational Speaker Series. Staff Sergeant Baltej Dhillon shared his experience as the first Sikh member of the RCMP to wear a turban while on active duty. The Honourable Mobina S.B. Jaffer, who chairs the Standing Senate Committee on Human Rights and is the first Muslim senator, first African-born senator and the first senator of South Asian descent, shared her story on the challenges she faced in her career.

Also in October, YVR's Maintenance Department released its "Maintenance is Everyday People" video on diversity. The department, as of the time of the video, was represented by employees from every continent, excluding Antarctica.

UNIVERSAL ACCESS

The Airport Authority strives to offer a positive experience to all travellers when they visit our airport. Since 1992, YVR has focused on providing a welcoming and accessible experience through our terminal design and operations. Minimizing obstacles for people with disabilities, seniors and anyone requiring a little extra help is a priority for us.

In 2014, we held universal access working group meetings to further understand customer needs and conducted training on disability awareness. We created a new accessibility services brochure and distributed braille business cards to select Airport Authority employees. We conducted a Universal Design Airport Audit, the findings from which will inform part of the 2015 Universal Access strategy. We also added a larger format elevator to accommodate golf cart transfers for international arrival passengers, who are also wheelchair users, in order to expedite their transfer and connections. We completed other facility enhancements such as upgrading our washrooms, adjusting passageways and doors to better accommodate larger dimension wheelchair movements.

We rolled out our refreshed visual paging program at Customer Care counters—providing messaging to passengers with hearing challenges during emergency events. In 2015, we will build on this program, adding additional locations.

Building on the accessibility of our airport for service dog users, we added more public messaging about our pet relief area including updates to our terminal maps and the addition of a dynamic message at the international information counter.

Our community tour programs included two universal access events:

YVR Accessibility Tour, Spinal Cord Injury

For the third year in a row, we partnered with Spinal Cord Injury B.C., WestJet and the Canadian Air Transport Safety Authority (CATSA) to provide a travel rehearsal for individuals new to wheelchairs. Participants went through the check-in process at WestJet, cleared passenger screening and tested the tools that WestJet uses to help people with disabilities board planes.

YVR Accessibility Tour, Autism

We invited 28 families living with autism to participate in the first YVR Accessibility Tour, in partnership with Canucks Autism Network, Air Transat and CATSA. Families were able to practice arriving at the airport, checking in, going through passenger screening and boarding an aircraft. To further understand passengers' unique challenges, we will host future tours.

EMPLOYEE AWARENESS

We offer regular training to our employees on preventing workplace discrimination. Our Respect in the Workplace initiative is part of an orientation program offered to all new employees. This initiative raises awareness regarding every employee's right to work in an atmosphere that promotes respect, consideration and is free from personal harassment and discrimination. In 2014, we updated the Respect in the Workplace policy to include reference to bullying in the workplace. We involved representatives of the Public Service Alliance of Canada in the review and update of the policy and communicated it to all Airport Authority employees.

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, Musqueam Band Employment Services, Western Institute of the Deaf, Women in Aviation and the Canadian Association of Professionals with Disabilities.

FIRST NATIONS ENGAGEMENT

The Airport Authority is committed to bringing economic and social benefit to all people of British Columbia, including First Nations.

In 2014, we met regularly with Musqueam Band employees to discuss communications, employment, economic development and arts. We reached an agreement to showcase Musqueam heritage and culture through an interpretive area at the new McArthurGlen Designer Outlet Vancouver Airport, worked on a scholarship to support a Musqueam student



attending post-secondary education and entered into an agreement to support the Cesnam (The City Before the City) exhibit on the Musqueam reserve. We identified opportunities to work together on environmental and fisheries habitat protection and Musqueam representatives continued to provide important contributions to our environmental advisory and noise management committees.

YVR Art Foundation

Supported by our community investment program, the YVR Art Foundation is a registered charity founded in 1993 to foster the development of B.C. First Nations art and artists. To date, the foundation has awarded 65 scholarships and grants to B.C. First Nations artists and has provided exhibition opportunities at YVR to over 50 emerging artists.

In 2014, the Foundation built on the successful youth scholarship program, adding a new mid-career scholarship and masterpiece study program, and partnered with the Richmond Art Gallery in an exhibition of select YVR Art Foundation Scholarship winners and their mentors.

CONNECTING WITH COMMUNITIES

As a community-based organization, it is essential to our continued success that we connect with communities we serve. We continued to build on our strong relationships with communities and businesses in 2014. Our community investment program includes four focus areas: First Nations, sustainability, accessibility and the greater YVR community. Driven by these focus areas, we provided support in the form of donations, sponsorships and gifts-in-kind.

In 2014, we donated over \$929,551 to 76 organizations. Major funding contributions included Canucks Autism Network Society, Richmond Centre for Disability, Vancouver Adaptive Snow Sports Society, Disabled Sailing Association, Quest Outreach Society, the Vancouver Aquarium's Great Canadian Shoreline Cleanup, Richmond Youth Service Agency, BCIT Foundation and YVR for Kids. The employee-driven United Way campaign raised \$66,366, which the Airport Authority matched for a total contribution of \$132,732.



SUMMER FESTIVAL SERIES

To strengthen YVR's presence in the community, we expanded our popular Summer Festival Series program, visiting 16 festivals across Metro Vancouver and three outside the Lower Mainland in Kamloops, Kelowna and Victoria. Activities included an interactive game wheel, a paper airplane contest, conversations with YVR Flight Crew ambassadors and the distribution of YVR informational materials. Our festival presence reached more than two million people, led to 15,000 direct interactions and greatly increased our social media followers.

We added a fully immersive, 360° projection Fly Dome to our festival presence. Featuring a video of the top five things to see when you travel through YVR, the Fly Dome attracted over 75,000 people and ranked third on Vancouver Courier's top things to do at the PNE.

We were also the presenting sponsor at the Richmond Days of Summer, sponsored the cultural pavilion at Surrey's Fusion Festival and offered the YVR Observation Deck for the best views of the Honda Celebration of Light in partnership with KLM Royal Dutch Airlines.

In a follow-up survey from the summer festivals, respondents ranked YVR sixth in regards to involvement in the community, after Vancity, Telus, the Province of B.C., B.C. Hydro and TransLink. This suggests that participating in these events is generating a positive impact in the community. It also helps us set a target for the future—#1.

TOUR PROGRAMS

In response to our high volume of community requests, we developed the YVR Explorer Tour program—a formalized, year-round guided tour of YVR for community groups. The program was in high demand and booked out within weeks. We hosted 27 community groups totalling 800 people from local businesses, seniors, children with disabilities, ESL students, college students, and after school youth programs. The program received a 100 per cent recommendation rating on our participant survey.

We also offered field trips to Metro Vancouver students for the sixth consecutive year, showcasing our commitment to sustainability, customer care and safety. This School Tour program for Grades 4-6 continued to build positive community connections across the Lower Mainland and has become the highlight of the year for many students. The program was fully booked in less than two weeks, and included almost 1500 students from 60 schools. 100 per cent of teachers said they would recommend the tour to other schools.

GREAT CANADIAN SHORELINE CLEANUP

We hosted the kick-off event for the Great Canadian Shoreline Cleanup in 2014. In our third year as provincial sponsor, we brought more than 250 volunteers to Sea Island's Iona Beach. YVR employees, families and caring airport neighbours wielded gloves and pick-up-sticks to help clear the beach of debris and protect marine habitats. We provided support and materials to seven airports across B.C. and challenged them to join the initiative. In total, an impressive 600 kilograms of waste was either taken away or recycled.

SPEAKERS BUREAU

To engage B.C.'s business community and identify opportunities for collaboration, we developed a province-wide speaking tour for our leadership team. The Speakers Bureau shared YVR's vision and included a presentation on relevant initiatives. We targeted a diverse list of communities in 2014 that ranged from Richmond to Fort St. John and Prince George. Our

success at these locations led to the further development of the program, which will include more communities in 2015.

QUEST FOOD EXCHANGE



In 2014, the Airport Authority continued its relationship with Quest Food Exchange (Quest) as the not-for-profit's official transportation sponsor. For our sponsorship, we provided Quest with a refrigerated truck. And for the fourth year, we led our annual airport-wide Christmas Hamper Food Drive, setting a new record with over 500 holiday hampers designed to feed families of four. For every hamper donated, YVR donated a turkey to complete the holiday meal.

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 YVR and seeks recommendations for improving our services and communications.

In 2014, overall impressions of YVR were positive, with 77 per cent of Metro Vancouver residents giving the airport a rating of 4 out of 5 or higher—up one per cent from 2013. While still a positive rating, this outcome fell short of our 80 per cent positive impression target. However, it is noteworthy that impressions of YVR within Richmond, our most local neighbourhood group, were quite positive, with over 80 per cent giving the airport a 4 out of 5 rating. This is the first increase in impression we have seen since 2011.

When asked for top-of-mind impressions of YVR, residents' most common, unaided impressions were traveling experience and facility appeal. Key improvement suggestions included reducing parking fees, improving security and increasing dining options.

COMMUNICATIONS

The Airport Authority is committed to providing open, honest and timely information to our many customers. These audiences include: travellers, the general public, the 24,000 people who work and volunteer on Sea Island, business partners, industry associations, local communities, government, charities, First Nations and media.

A PERCEPTIVE AIRPORT

To better anticipate customer needs, YVR made significant advances towards becoming a perceptive airport in 2014. As the name implies, a perceptive airport anticipates customers' needs and wants by utilizing user-provided data throughout their entire airport experience.

In the fall of 2014, YVR introduced its cloud-based digital gateway to establish a single platform for content. We conducted a soft launch of the new YVR app, which utilizes the digital gateway to provide accurate and timely information on our facilities to passengers and employees. The new app provides detailed 3D maps of the airport, information on services and flight information. In 2015, we will formally launch the app and continue to add new features.

YVR.CA

Our online presence continued to strengthen in 2014. Our corporate website, yvr.ca, received over 25 million page views—an increase of more than one million (7 per cent) over 2013. We also launched our Chinese language website in February. The Chinese website demonstrated strong demand, with almost 600,000 visitors in 2014.

To meet the growing demand for online information and services, we began planning a website upgrade in 2014. The refreshed website, set to launch in 2015, will be fully integrated with YVR's digital gateway. New services discussed include filterable, real-time flight searches, e-commerce forms for shopping and enhanced accessibility features.

SOCIAL MEDIA

We continued to see a trend of remarkable growth in social media. As a 24-hour operational business, social media allows us to communicate directly with our customers, partners and the community. In 2014, we grew our following across Twitter, Facebook and Instagram by over 30,000 people, totalling more than 50,000 followers.

Our Twitter account (@YVRAIRPORT) gained 11,000 followers, a 73 per cent increase over 2013, and regained the top spot as the most followed airport in Canada at over 26,000 followers. Our Facebook page gained 17,000 followers, a 279 per cent increase over 2013. This spike came with our support and involvement at community festivals, where we encouraged people to share and like our content. Our Instagram account launched and finished the year with a comfortable 2,100 followers. And the YVR Blog recorded over 120,000 views, a 20 per cent increase from 2013.

MEDIA RELATIONS

An essential component of our communications efforts is providing timely updates to the public. In 2014, we had 685 phone media enquiries, with topics ranging from the impact of weather to the opening of new facilities, and reached over 337 million people through our coverage. Popular media mentions included the wildlife program, travel tips, inaugurals, the Skytrax win, Automated Passport Control and concession openings.

Vancouver Airport Authority

2014 Governance Report



- The Airport Authority's community-based Board of Directors ensures that YVR fulfills its objectives in a safe, efficient and reliable manner.
- During 2014, the Airport Authority developed a new Strategic Plan in consultation with the Board of Directors. The plan states that YVR will grow to 25 million passengers in 2020 by creating a connecting hub between Asia and the Americas, advancing air policies, delivering remarkable customer experiences and bringing economic and social benefit to the people of British Columbia.



14 DIRECTORS ON OUR BOARD

Mission:
Connecting
B.C. proudly
to the world

Vision:
A world-class,
sustainable
gateway between
Asia and the
Americas

Values:
Safety
Teamwork
Accountability
Innovation



25 MILLION PASSENGERS BY 2020



YVR FULFILLS ITS OBJECTIVES
IN A SAFE, EFFICIENT AND
RELIABLE MANNER



WORKING TO CREATE A WORLD-CLASS,
SUSTAINABLE GATEWAY BETWEEN ASIA
AND THE AMERICAS



YVR VALUES SAFETY, TEAMWORK,
ACCOUNTABILITY AND INNOVATION



CONNECTING BC PROUDLY
TO THE WORLD

OUR GOVERNANCE PROCESS

The Airport Authority's comprehensive governance procedures are contained in the *Board of Directors' Governance Rules and Practices Manual*, available on yvr.ca.

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
- Corporate By-laws

BOARD OF DIRECTORS

Our Board is composed of 14 Directors: 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. There were no new Directors in 2014 and Brian Bentz retired from the Board in December 2014. Director bios can be found on yvr.ca.

Director	Representative Capacity (Nominating Entity)	Independent	Term Expiry	Committee Memberships (see key below)
Mary Jordan	Chair, Director At Large	Yes	2016	b, c
Craig Richmond	President and Chief Executive Officer	No	n/a	
Brian Bentz	Institute of Chartered Accountants of British Columbia	Yes	2014	d
George Cadman	Government of Canada	Yes	2017	b, c
Joseph Caron	Director At Large	Yes	2017	b, d
John Currie	Director at Large	Yes	2015	a, c
Anna Fung	The Law Society of British Columbia	Yes	2016	a, b
Kenneth Goosen	Association of Professional Engineers and Geoscientists of British Columbia	Yes	2017	b, d
Grayden Hayward	The Vancouver Board of Trade	Yes	2015	a, c
Howard Jampolsky	City of Richmond	Yes	2017	a, d
Wilson Parasiuk	Metro Vancouver (GVRD)	Yes	2014	d
Gerri Sinclair	Director At Large	Yes	2017	c, d
Tamara Vrooman	City of Vancouver	Yes	2017	a
Peter Webster	Government of Canada	Yes	2015	a, b

- a Finance and Audit Committee
- b Governance Committee
- c Human Resources and Compensation Committee

THE EXECUTIVE COMMITTEE

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

Craig Richmond	President & Chief Executive Officer
Glenn McCoy	Senior Vice President, Finance & Chief Financial Officer
Don Ehrenholz	Vice President, Engineering
Steve Hankinson	Vice President, Operations & Information Technology
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) and its portfolio consists of nine airports in five countries. The Vantage network of airports welcomed almost 32 million passengers in 2014. 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. 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.

VANCOUVER AIRPORT PROPERTY MANAGEMENT LLP

Vancouver Airport Property Management LLP (VAPM) was established in 2014 by the Vancouver Airport Authority to facilitate the management of a number of cargo and industrial properties on airport lands on Sea Island. In 2014, the Airport Authority purchased the remaining terms of the leases of the Calloway and Huntingdon Real Estate Investment Trusts. In doing so the Airport Authority took over management of 17 buildings located in the area of Airport Centre commonly referred to as the Cargo Village and near the intersection of Gilbert Road and Russ Baker Way.

VANCOUVER AIRPORT AUTHORITY (HONG KONG) LTD.

Vancouver Airport Authority (Hong Kong) Ltd. is the Airport Authority's Asia office. The office was incorporated in Hong Kong as a wholly owned subsidiary to facilitate operations and compliance with local regulations.

OUR PLANNING PROCESS

The Airport Authority has an extensive planning process that begins with YVR's Strategic Plan. From there, other plans are developed to support the strategic vision. In addition to broad, comprehensive plans such as the Master Plan, the Capital Plan and the Financial Plan, we have detailed operational plans covering areas such as safety management, emergency planning and construction monitoring.

YVR's Strategic Plan provides the fundamental direction—the mission, vision and values—for the organization. Our mission: Connecting British Columbia proudly to the world. Our vision: A world class sustainable gateway between Asia and the Americas. Our values: Safety, Teamwork, Accountability and Innovation.

YVR's Master Plan outlines how the Airport Authority will meet the needs of its stakeholders and the communities it serves over the next 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 updates its Master Plan every 10 years and the most recent Master Plan and accompanying Land Use Plan, *YVR: Your Airport 2027 Master Plan* is available on yvr.ca.

In 2014, the Airport Authority began initial work on its next Master Plan, which will look out to 2037. Engagement with stakeholders and the public will take place throughout 2015.

Our multi-year Capital Plan determines the timing of airport infrastructure developments based on the Master Plan and applies enterprise risk analysis to guide ongoing maintenance and replacement of infrastructure. The Financial Plan defines funding requirements for future capital projects and major initiatives, while the annual Operating Plan outlines our objectives, initiatives and metrics for the coming year.



CORPORATE GOVERNANCE REPORT

PART ONE – CORPORATE GOVERNANCE

I. Introduction

The Airport Authority's Board of Directors provides stewardship for the corporation and supervises management. 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 fostering the long-term success of the Airport Authority, reviewing and approving the Strategic Plan, long-term financial plans and annual budgets. Critical Board functions include: selecting the CEO and assuring that prudent plans are in place for senior management succession; identifying risk and monitoring the Enterprise Risk Management system; maintaining the integrity of internal controls; monitoring the health and safety management systems and compliance with other major policies; and ensuring and approving a comprehensive public communications policy. The Board has adopted a *Governance Rules and Practices Manual* to assist Directors in meeting their obligations. The Manual can be found on yvr.ca.

II. Composition of the Board

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

Nominating Entities

The Board is currently composed of 14 Directors: 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

Appointment Process

Each Nominating Entity has its own process for selecting its appointee. The Nominating Entity may not appoint a person in its employment or provide services on a full-time basis under contract; in addition, persons holding or nominated for an elected office are ineligible.

Gender and Diversity

The Board of Directors believes that its composition should reflect the communities and customers that Vancouver International Airport serves. This ensures that the Board's deliberations benefit from the broadest possible perspectives and experience. In addition to the skill sets and experience identified through the annual review of the Board matrix, the Board considers gender, age and ethnicity when considering candidates to fill at-large vacancies. For those Director positions filled by Nominating Entities, the Airport Authority requests that the Entity take into account both gaps in skills and experience identified through the matrix review and diversity considerations.

Term Limits

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 more than two Directors retire in a given year.

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

IV. Ethics and Code of Conduct for Directors

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, found on yvr.ca, 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 and CEO, the Corporate Secretary and 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 2014.

PART TWO – EXECUTIVE AND BOARD COMPENSATION

I. Executive Compensation Philosophy

As the Airport Authority sets out on an ambitious five-year Strategic Plan, it is paramount that YVR remain an economic generator, a jobs creator and a sustainable and fiscally responsible airport for British Columbia. The overarching goal embedded in YVR's Strategic Plan is to welcome 25 million passengers by 2020. The plan also steers YVR to be a leader in sustainability, incorporating sustainability considerations into the framework of all decision making. The Airport Authority's fundamental responsibility to the communities it serves to remain well-positioned and financially stable underpins the entire plan.

To ensure YVR remains a global leader and an economic generator for the region, the Airport Authority has a comprehensive executive compensation program in place. This enables the Airport Authority to remain competitive in the marketplace, attract and retain the caliber of executive required and motivate executives to achieve business results, support the strategic vision and reinforce accountability to our customers and communities.

In 2014, the CEO realigned the portfolios amongst the executive team. The decrease in the complement of executives, as one vice president transitioned to a part-time role, allowed for broader portfolios and accountabilities within the remaining team.

The targets in the Strategic Plan inform the incentive measures that are core to YVR's executive compensation program. The key elements to the executive compensation program are base salary and incentive compensation, with short-term (1 year) measures that include individual performance objectives and long-term (3 year) measures.

Incentive Measures

The long-term incentive measures in the executive compensation program are based on a rolling cycle. Every three years the measures are adjusted to reflect changes in the industry and economy. Starting in 2014, the measures are based on sustained performance in passenger growth, sustainability and to ensure a sound financial management, interest coverage ratio.

The Airport Authority promotes sustainable growth of the airport and intends to be recognized as a leader in sustainability. The long-term incentive plan incorporates this aspirational goal of sustainability leadership as compared to both other international airports and local community organizations. This leadership position will be measured by an independent external firm. The long-term incentive plan also includes sustainability measures for reductions in greenhouse gas emissions, water usage and airport waste.

The short-term measures focus on increasing non-aeronautical revenues and net operating margin, enhancing customer satisfaction and our reputation within the community and improving the system availability of our data network, baggage system and ABC and APC kiosk network. The results are tracked through surveys conducted by third party firms and data from our systems.

In addition, the Human Resources and Compensation Committee reviews the individual objectives set annually for the CEO and each executive.

Executive Compensation Peer Group

To determine executive pay levels, the Airport Authority is compared to three peer groups:

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

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

In 2014, the Human Resources and Compensation Committee retained the services of an independent compensation consultant, Mercer, to review and assess the executive pay arrangements including the appropriateness of the philosophy, peer groups and market positioning of executive pay levels and the alignment of the incentive programs to the strategic direction of the Airport Authority. Based on the review, new long-term incentive measures were introduced in 2014 to better align the compensation with the Airport Authority's Strategic Plan.

III. Executive Compensation

The salary range for the President & CEO is \$360,000 to \$540,000, with a midpoint of \$450,000. The salary range for Senior Vice Presidents is \$196,000 to \$294,000, with a midpoint of \$245,000. For Vice Presidents the salary range is \$168,000 to \$252,000, with a midpoint of \$210,000.

All executives participate in short-term incentive plans. The short-term plan for the President & CEO has a target opportunity of 50 percent of base salary and a maximum opportunity of 75 percent of base salary. The short-term incentive plan for Vice Presidents has a target opportunity of 30 percent of base salary and a maximum opportunity of 45 percent of base salary.*

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

In 2014, the average base salary increase for executives was 2.8 per cent, along with adjustments to move some executive salaries closer to the salary range midpoint. In addition to the programs described above, the executives participate in standard health, retirement and perquisite programs. All post-retirement arrangements are reported in the Consolidated Financial Statements.

* If performance objectives are not met, no incentive is paid.

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. The consultant provides market compensation data and advice on industry best practices. There was an increase in Directors' annual retainer and meeting fees effective 1 January 2014, following a review in late 2013. There was no increase in the Chair's compensation in 2014 as the Board considered the existing annual retainer comparable to the market. There was also no increase to the additional annual retainer paid to Committee Chairs as again the existing amounts were considered comparable to market. The President & CEO receives no additional compensation for services as a Director.

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

Compensation Principles:

1. Compensation paid to Directors will neither unduly reward, nor unduly penalize, an individual for choosing to serve on the Airport Authority Board rather than on any other Board of Directors.
2. Every two years, the Board will review market data and set compensation at a level generally consistent with the mid-range of that being paid to Directors of 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 that formed the basis for the 2013 review are:
 - A. Airport Authorities of Toronto, Montreal and Calgary;
 - B. British Columbia's major government transportation companies and;

- C. Twenty corporations in British Columbia with assets greater than \$1 billion, whose shares are 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 2014 is set out in the table below, which can also be found on yvr.ca.

Annual Retainer	<i>Chair</i>	\$135,000
	<i>Directors</i>	\$30,000
Additional Retainer for Committee Chairs	<i>Chair Finance and Audit Committee</i>	\$8,000
	<i>Chair other Board Committees</i>	\$6,500
Board and Committee meeting attendance fee		\$1,400
Other meetings fee		\$ 700

Directors are reimbursed for all reasonable out-of-pocket expenses, which are reviewed by the Chair and the Corporate Secretary. Out of town travel expenses for Airport Authority business 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 2014 to each Director was as follows:

M. Jordan ¹	\$135,000	G. Hayward	\$76,700
B. Bentz	\$61,200	H. Jampolsky	\$60,100
G. Cadman	\$69,450	W. Parasiuk	\$55,250
J. Caron	\$59,450	G. Sinclair	\$71,550
J. Currie	\$71,100	T. Vrooman	\$57,300
A. Fung	\$55,900	P. Webster	\$54,500
K. Goosen	\$58,500		
TOTAL	\$886,000		
AVERAGE⁴	\$62,583		

⁴ Excludes the salary for Mary Jordan, Chair of the Board of Directors.

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 \$27,500 from Vantage Airport Group for serving on its Board of Directors.

²In addition to the above remuneration, Directors were reimbursed for expenses totaling \$2,554 in 2014.

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, we 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. We reserve 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 \$131,450 (\$100,000 in 2000 dollars) awarded during 2014, which were not awarded on the basis of a competitive process. The \$25 million in single source contracts represents 13.5% of total goods and services purchased in 2014.

Reasons for exceptions:

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

Aggregate Contract	Contractor	Detailed Description	Draft Published Description	Multiple Year Agreement	Reason
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Value					
\$2,979,223	Crosstown Metal Industries Ltd.	Enclosures and assembly for APC kiosks	IT Equipment	N	1
\$1,909,105	Finning (Canada)	Rental of Generator	Rental of Generator	N	2
\$1,300,000	Remsoft Consulting Inc.	APC Consulting Services for INV	Consulting Services	N	3
\$1,246,497	Cross Match Technologies Canada Inc.	Fingerprint readers for APC kiosks	IT Equipment	N	1
\$1,052,404	InterVistas	Various projects	Consulting Services	N	4
\$843,946	Beumer Corporation	Beumer Corporation	Baggage Parts	N	3
\$829,550	Heritage Office	Workstations for YVR Consolidated Office Complex	Office Furniture	N	3
\$800,000	Volvo Group dba Prevost	Bus Maintenance Services	Bus Maintenance Services	Y	4
\$735,318	Wilco Imaging Inc.	Lights for APC kiosks	IT Equipment	N	1
\$725,000	Hi-Lite Canada ULC	Hi-Lite	Airfield Line Painting	N	2
\$700,000	Schneider Electric	Electrical Infrastructure Project - Switchgear	Electrical Services	N	2
\$679,875	3M Canada	Passport readers	IT Equipment	N	1
\$661,829	Hemmera	Contaminated Soil Remediation	Remediation	N	4
\$647,050	Team Eagle Ltd.	Oshkosh 6x6 truck c/w Epoke pavement deicing chemical spreader	Equipment Purchase	N	3
\$607,500	Fred Welsh Ltd.	A-B Connector DCR 9: DTB South CHW Piping	Consulting Services	N	2
\$589,268	Keefer Rock Advisors Ltd.	Consulting services	Consulting Services	Y	4
\$538,310	Jacob Bros.	Various projects	Construction Services	N	2
\$532,240	CDW Canada Inc.	Kiosk parts	IT Equipment	N	2
\$520,000	Creacom Services Inc.	Routes 2014 Exhibit and other campaigns	Consulting Services	N	4
\$486,000	Groundswell Group Inc.	Groundswell Group Inc.	Consulting Services	N	1

\$435,173	Studio One Architecture Inc.	Design services	Consulting Services	N	4
\$400,000	City of Richmond	Traffic Signal Equipment for DOC Off-Site	Traffic Equipment	N	1
\$347,000	Nav Canada	08R Relocation	Consulting Services	N	1
\$318,855	Kasian Architects Interior Design and Planning Ltd.	Design for various projects	Consulting Services	N	4
\$312,900	Anton Electrical Services	Emergency generator	Electrical Services	N	2
\$297,078	Columbia Bitulithic	Asphalt rehabilitation Miller Rd., Overpass	Roadwork	N	2
\$284,481	ARINC International of Canada, ULC	192 IER Printers for CUTE Printer Refresh project	IT Equipment	N	5
\$260,000	Daktronics	AB Connector Big boards	IT Equipment	N	3
\$258,020	EB Horsman & Son	Lighting hardware/services	Electrical Services	N	4
\$244,193	Long View Systems	Cisco Smartnet Renewal	Cisco Smartnet Renewal	N	7
\$238,317	Rollins Machinery	Tractor with Grass Cutter	Equipment Purchase	N	3
\$237,848	ViascanQdata	BRS Scanner Refresh	IT Equipment	N	1
\$231,303	Thurber Engineering	Geotechnical Field Review	Consulting Services	N	4
\$227,000	Long View Systems	Cisco equipment for various capital projects initial phase	IT Equipment	N	4
\$225,210	Kookaburra Construction	Fit out of Miller Road, Suite 210 Swissport	Construction Services	N	2
\$224,492	Oracle Canada ULC	Oracle Database Licence Renewal	IT Services	N	1
\$212,395	IBM Canada Limited	IBM Maximo Licence Renewal	IT Services	N	1
\$201,454	Knight Signs	Domestic Gate Re-numbering Signage	Signage	N	2
\$200,000	Brock Solutions	Baggage Controls and Software Support	Baggage Controls and Software Support	N	1

\$186,825	Trinimbus	Cloud migration and hosting	IT Services	N	2
\$185,196	Schneider Electric	Emergency Power System Supply (EPSS)	Electrical Services	N	2
\$182,600	Babcock Airports	BCS and BagNov Support Renewal	IT Services	N	1
\$181,986	Karyo Edelman Communications Inc.	Events and campaigns	Campaigns	N	4
\$160,000	Securiguard	AVOP Services	AVOP Services	Y	3
\$149,108	Bruel & Kjaer EMS Inc.	ANOMS System support Renewal	IT Services	N	1
\$146,750	Finning (Canada)	IPU9 Transfer Switch	Electrical Services	N	1
\$140,454	ATSENCE International BV	2014 Bluetooth Tracking scanners sensors data collection	IT Services	N	4
\$138,745	Trane Northwest	Emergency generator	Equipment Rental	N	2
\$136,136	Liberty Airport Systems Inc.	Airfield lighting	Airfield Lighting	N	1

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. In 2014, the Canadian Securities Regulators amended the National Instrument to add six additional disclosure requirements (boxes 10-15 below) related to mechanisms for board renewal and the representation of women on boards and in senior management.

Vancouver Airport Authority Corporate Governance Disclosure	
Guideline	Disclosure
<p>1. The Board of Directors Disclose:</p> <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 	<ul style="list-style-type: none"> ➤ All Directors are independent with the exception of the President & CEO, who is an employee and executive officer of the Airport Authority. ➤ Independent Directors held an <i>in camera</i> session, without the presence of

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Guideline	Disclosure
<p>management are not in attendance.</p> <p>➤ If the Chair of the Board is an Independent Director, the identity of the Chair and his or her responsibilities.</p> <p>➤ Disclose the attendance record of Directors.</p>	<p>management, at every regular Board and Committee meeting in 2014; i.e., at eight regular Board meetings and 33 Committee and Task Force meetings. In addition, the Finance and Audit Committee, which consists entirely of independent directors, holds separate <i>in camera</i> sessions with the External Auditor and the Internal Auditor at each meeting they attend.</p> <p>➤ 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.</p> <p>➤ The Chair's Terms of Reference are reviewed annually by the Governance Committee.</p> <p>➤ Director attendance is reviewed annually by the Governance Committee. In 2014, there were 45 meetings of the full Board, Board Committees and Task Forces as well as the Annual Public Meeting and Board Retreat. Including all of these meetings, the Board had an overall average attendance rate of 92 per cent.</p>
<p>2. Board Mandate</p> <p>➤ Disclose the text of the Board's written mandate.</p>	<p>➤ 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.</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>3. Position Descriptions Disclose:</p> <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.
<p>4. Orientation and Continuing Education Briefly describe:</p> <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.
<p>5. Ethical Business Conduct</p>	

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Corporate Governance Disclosure**

Guideline	Disclosure
<p>Disclose:</p> <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. ➤ 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. 	<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 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

**Vancouver Airport Authority
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Guideline		Disclosure
		<p>request to the Corporate Secretary. In addition to internal channels for reporting, the Whistleblower Policy includes an option to report via a third party confidence telephone line or website.</p> <ul style="list-style-type: none"> ➤ Periodic reminders of the whistleblower policy are distributed to employees and to third party vendors.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>6. 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. As part of this review it also considers diversity—including gender, visible minorities and age. ➤ 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
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Guideline	Disclosure
<p>7. 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. ➤ 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. ➤ Mercer 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.
<p>8. 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. 	<ul style="list-style-type: none"> ➤ 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.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>9. Assessments</p> <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.
<p>10. Director Term Limits and Other Mechanisms of Board renewal</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board has adopted Term Limits for the directors on its board or other mechanism of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal 	<ul style="list-style-type: none"> ➤ The Airport Authority has adopted term limits. As set out in Section 1.4 of the corporate by-laws, directors may serve a maximum of nine years, three terms of three years each. The By-law includes a provision that allows it to appoint a Director for an additional 10th year in circumstances where the turnover on the Board in a given year would be greater than two.
<p>11. Policies Regarding the Representation of Women on the Board</p> <ul style="list-style-type: none"> ➤ Disclose whether the Board has adopted a written policy relating to the identification and nomination of women directors. 	<ul style="list-style-type: none"> ➤ The Board has not adopted a formal written policy with regard to the identification and nomination of women directors. The Board, however, in filling at large vacancies takes steps to identify and recruit women. Two of the four at large positions appointed by the Board are currently occupied by women. The Board actively urges the Nominating Entities to consider diversity and gender balance when they are identifying candidates to fill the positions on the Board that they appoint.

**Vancouver Airport Authority
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Guideline		Disclosure
12	<p>Consideration of the Representation of Women in the Director Identification and Selection Process</p> <ul style="list-style-type: none"> ➤ Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. 	<ul style="list-style-type: none"> ➤ The Governance Committee, which acts as the Nominating Committee, specifically instructs third party search firms to identify women candidates, where possible, that have the skill sets and experience required by the board at a given time. To that end it has successfully recruited women candidates with experience in finance, the airline industry, and the new economy/technology sector. As noted above we also encourage our Nominating Entities to consider women candidates.
13	<p>Consideration Given to the Representation of Women in Executive Officer Appointments</p> <ul style="list-style-type: none"> ➤ Disclose whether and, if so, how the corporation considers the level of representation of women in executive officer positions when making executive officer appointments. 	<ul style="list-style-type: none"> ➤ The Airport Authority has a policy that says we will strive to create a workplace that reflects the diversity of the community we serve and this includes a commitment to diversity and inclusion in its management team. We support the Employment Equity Act and take measures to ensure fair employment practices across our organization. We are an equal opportunity employer and encourage applications from women, visible minorities, aboriginal peoples and persons with disabilities.

**Vancouver Airport Authority
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	Guideline	Disclosure
14	<p>Board's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions</p> <ul style="list-style-type: none"> ➤ Disclose whether the corporation has adopted a target (percentage or range by a set date) regarding women on the corporation's board. ➤ Disclose whether the corporation has adopted a target regarding women in executive officer positions of the corporation. 	<ul style="list-style-type: none"> ➤ The Board has not adopted a formal target regarding the percentage of women on the board. As nine of the 14 directors are appointed by outside Nominating Entities it would be difficult to set a target. ➤ The Airport Authority has not adopted a formal target regarding women in executive officer positions but strives to exceed the average for Metro Vancouver. We have actively recruited into management positions below the executive ranks, which is a pool from which future corporate officers may be drawn. As of the end of December 2013, women accounted for 31 per cent of the Airport Authority's 70 managers. ➤ In 2014 the Airport Authority conducted two workshops that focused on ways to advance women in leadership roles, including a discussion on how to overcome barriers and realize opportunities.
15	<p>Number of Women on the Board and in Executive Officer Positions</p> <ul style="list-style-type: none"> ➤ Disclose the number and proportion (in percentage terms) of directors on the board who are women. ➤ Disclose the number and proportion (in percentage terms) of executive officers, including all major subsidiaries of the corporation, who are women. 	<p>In 2014:</p> <ul style="list-style-type: none"> ➤ there were four women, including the Chair, on the Board. This represents 29 per cent of the Board which has a total of 14 directors. It exceeds the average of 17 per cent on Financial Post 500 Boards. ➤ There were two women vice presidents, which constitutes 29 per cent of the seven officers of the company. This exceeds the 20 per cent average for women senior managers in Metro Vancouver.