

# APPENDIX

## CORPORATE GOVERNANCE REPORT

### PART ONE—CORPORATE GOVERNANCE

#### I. Introduction

YVR's community-based Board of Directors provides stewardship for the Airport Authority and seeks to foster the long-term success of the airport. The Board's fundamental role is to ensure that the Airport Authority fulfills its role in a safe, efficient and reliable manner. Our Board reviews and approves the Strategic Plan, long-term financial plans and annual budgets. It also selects the CEO, oversees senior management succession, identifies risks, maintains the integrity of internal controls, monitors health and safety management systems and ensures we have a comprehensive public communications policy. Our Board has adopted a *Governance Rules and Practices Manual*, available at [yvr.ca](http://yvr.ca), to assist Directors in meeting their obligations.

#### II. Composition of the Board

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

##### *Nominating Entities*

Our Board currently has 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. Nominating entities include:

- Association of Professional Engineers and Geoscientists of British Columbia – 1 Director
- Chartered Professional Accountants of British Columbia – 1 Director
- City of Richmond – 1 Director
- City of Vancouver – 1 Director
- Government of Canada – 2 Directors
- Metro Vancouver – 1 Director
- Law Society of British Columbia – 1 Director
- The Greater Vancouver Board of Trade – 1 Director

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

##### *Engagement with Nominating Entities and Stakeholders*

The Board ensures that the Airport Authority pro-actively engages with the Nominating Entities and other stakeholders. To foster positive outreach with the Nominating Entities, Nominated Directors are charged with establishing an annual communications plan with their Nominating Entity. The process is set out in Tab 13 "Communications Plan with Nominating Entity" of the Board's *Governance Rules and Practices Manual* and

is reviewed annually by the Governance Committee. This formal process is supplemented with numerous informal communications.

The Governance Committee’s mandate also includes a duty to review stakeholder relations; this includes an annual review of the Airport Authority’s communications policy, relationship with federal and local governments, and relations with our neighbouring communities and business partners. Examples of how we account to the community can be found in Section 2.2 of Tab 12 “Accountability and Transparency” of the Board’s *Governance Rules and Practices Manual*. Numerous examples of community engagement can be found throughout the body of the Sustainability Report.

### *Board Skills and Experience Matrix*

The Board strives to ensure that it collectively has the skills and experience needed to maintain the health of the organization and guide its long term success. Our Board Skills and Experience Matrix allows us to see where there may be gaps—to assist both our Nominating Entities in making their appointments and the Board when making appointments from the community at large.

The first part of the Matrix, reproduced below, lists what we call the “Essentials.” All Directors are expected to have the 10 included skills and as a whole we seek a diverse board reflective of the communities we serve.

#### **Board Skills and Experience Matrix: Essentials**

<b>Integrity and Accountability</b>	<ul style="list-style-type: none"> <li>• Demonstrated integrity and high ethical standards both in personal and professional dealings.</li> <li>• Willing to act on, and remain accountable for, decisions made in the boardroom.</li> </ul>
<b>Conflict of Interest</b>	<ul style="list-style-type: none"> <li>• No real or perceived conflicts that are not easily satisfied through disclosure or exclusion from particular issues. This is verified annually.</li> </ul>
<b>Time Availability</b>	<ul style="list-style-type: none"> <li>• Ability to devote the required time for preparation before, and participation at, board and committee meetings.</li> </ul>
<b>Financial Literacy</b>	<ul style="list-style-type: none"> <li>• Competent in understanding financial matters and statements.</li> <li>• Familiar with current accounting processes used to evaluate a corporation’s financial performance.</li> </ul>
<b>Strategic Insight</b>	<ul style="list-style-type: none"> <li>• Capable of contributing to Board work on identifying key trends, assessing risks and opportunities.</li> <li>• Skilled in providing insight and suggestions in making strategic decisions, including encouraging innovation, and focusing the Airport Authority’s strategic vision.</li> </ul>
<b>Board Experience</b>	<ul style="list-style-type: none"> <li>• Service on the board of a large corporation, preferably with experience as committee chair.</li> <li>• Experience with other types of Boards (e.g.: community and not-for-profit) or as CEO reporting to a Board.</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Ability, shown by prior actions, of taking into consideration all stakeholders as part of making sound business decisions.</li> <li>• An understanding of current best practices in corporate management in complex, rapidly evolving business environments.</li> </ul>
<b>Informed Judgment</b>	<ul style="list-style-type: none"> <li>• Ability to communicate wise, thoughtful counsel on a broad range of issues helpfully.</li> </ul>

Mature Confidence	<ul style="list-style-type: none"> <li>• Ability to facilitate superior Board and team performance by demonstrating respect for others.</li> <li>• Places a premium value on collective achievement over individual performance.</li> </ul>
High Performance Standards	<ul style="list-style-type: none"> <li>• High standards for self and others reflected in a record of achievement.</li> </ul>
Diversity	<ul style="list-style-type: none"> <li>• The Board should be reflective of the community we serve in terms of the categories identified in the <i>Employment Equity Act</i> and age.</li> <li>• Consider Directors resident in BC communities from outside the Lower Mainland.</li> </ul>

The second part of the Matrix lists desired skills and experience. We look for Directors with these specific skill sets, which ensure they can analyze issues effectively and make sound decisions.

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

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

<b>Legal Experience</b>	<ul style="list-style-type: none"> <li>• Senior Partner of a law firm with a broad range of clients and transactions; preferably a leadership role within the firm or senior legal executive in a large corporation.</li> </ul>
<b>Tourism Marketing</b>	<ul style="list-style-type: none"> <li>• Senior executive with experience in tourism marketing; in particular, experience in Asian and other international markets.</li> </ul>
<b>Corporate Responsibility Experience</b>	<ul style="list-style-type: none"> <li>• Senior executive responsible for health and safety in a large manufacturing or industrial company.</li> <li>• Large corporation involvement in environment, sustainability, community and communications.</li> <li>• Public issue management.</li> </ul>

### *Gender and Diversity*

Our Board believes that its composition should reflect the rich diversity of the communities we serve. In addition to the skill sets and experience identified in the Board Matrix, the Board considers gender, age and ethnicity when considering candidates to fill at-large vacancies. We also ask our Nominating Entities to take into account diversity considerations along with the gaps in skills and experience identified through our matrix review when appointing a Director.

Currently, over a third of our Board members are women, ahead of the Canadian average of just under 20 per cent. Two members (14 per cent) of our Board are visible minorities, which is ahead of the Canadian average of just over 7 per cent.<sup>1</sup>

The Board believes that the Airport Authority workforce, including the Executive Team, should also reflect the diversity found in our community. At the end of 2015, we had three women Vice Presidents. At the time of publication of this report, a fourth woman Vice President joined the team. Further information on employment equity and women in management can be found in the Respect and Equality Section of this Sustainability Report on page 67.

### *Term Limits*

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

## **III. Committees of the Board**

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

*Our Governance Committee* is responsible for ensuring that our Board’s 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 Governance Committee reviews and approves the organization’s Sustainability Report.

<sup>1</sup> Per the Canadian Board Diversity Council’s 2015 Annual Report Card.

*Our 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 executives and other key employees.

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

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

#### IV. Ethics and Code of Conduct for Directors

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

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

Our by-laws require that we report annually in writing on the Directors' compliance with these conflict of interest guidelines. The Airport Authority confirms that, in general, all Directors complied in full with the rules concerning conflicts of interest in 2015. We investigated one instance of a potential perceived conflict of interest, which was reported late, and determined that no actual conflict had occurred.

## PART TWO—EXECUTIVE AND BOARD COMPENSATION

### I. Executive Compensation Philosophy and Incentive Measures

As the Airport Authority sets out on an ambitious 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 our 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 us to remain competitive in the marketplace, attract and retain the calibre of executive required and motivate executives to achieve business results, support the strategic vision and reinforce accountability to our customers and communities. The key elements of 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 targets in the Strategic Plan inform the incentive measures that are core to YVR's executive compensation program. Starting in 2014, the long-term incentive measures in the executive compensation program are based on sustained performance in passenger growth, sustainability and to ensure a sound financial management/interest coverage ratio. The long-term incentive measures are based on a rolling cycle. Every three years the measures are adjusted to reflect changes in the industry and economy.

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 net operating margin, enhancing customer satisfaction and our reputation within the community and decreasing our operating costs per enplaned passenger. The results are determined based on audited financial information and through surveys conducted by third party firms.

In addition, the Human Resources and Compensation Committee reviews the individual objectives set annually for the CEO. The CEO reviews the individual objectives set annually for each Vice President. Performance on these objectives is part of the short-term incentive award calculation.

## **II. Executive Compensation, Peer Group and Market Positioning**

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.

As noted above, all executives participate in short-term incentive plans. The short-term plan for the President & CEO has a target opportunity of 50 per cent of base salary and a maximum opportunity of 75 per cent of base salary. The short-term incentive plan for Vice Presidents has a target opportunity of 30 per cent of base salary and a maximum opportunity of 45 per cent of base salary.

Under the executives' long-term incentive plan, they have a target opportunity of 45 per cent of base salary and a maximum opportunity of 90 per cent of base salary for the President & CEO and Senior Vice President. The long-term incentive program for Vice Presidents has a target opportunity of 30 per cent of base salary and a maximum opportunity of 60 per cent of base salary.

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

In 2015, the average base salary increase for executives was 3.2 per cent, along with other adjustments to increase salaries for certain executives to reflect development in their role and progress further within the salary range. In addition to the programs described above, the executives participate in standard health, retirement and prerequisite programs.

### *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; and
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 exceed expectations.

## III. 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.

## IV. Directors' Remuneration

Directors' compensation is reviewed by our Governance Committee every two years with the assistance of an independent compensation consultant. The consultant provides market compensation data and advice on industry best practices. The 2015 Board retainer and meeting fee structure was approved by the Board in late 2013 and was in effect for both 2014 and 2015. The Governance Committee conducted a review in late 2015 to consider Directors' compensation for 2016 and 2017. Our Governance Committee recommended, and the Board approved, no increase to the Directors' retainer, the additional annual retainer paid to Committee Chairs, or Directors' meeting fees because it found our current rates are comparable to, and competitive with, the prevailing market.

Our Board approved an increase in the Chair's retainer from \$135,000 to \$175,000, which came into effect on January 1, 2016. Our Chair did not receive an increase in compensation for the years 2014 and 2015. The President & CEO receives no additional compensation for services as a Director.

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

### Compensation Principles:

1. Compensation paid to Directors will neither unduly reward, nor unduly penalize, an individual for choosing to serve on the Airport Authority Board rather than on any other Board of Directors.
2. Every two years, the Board will review market data and set compensation at a level generally consistent with the mid-range of that being paid to Directors of 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 and 2015 reviews are:
  - A. Airport Authorities of Toronto, Montreal and Calgary;
  - B. British Columbia's major government transportation companies and;
  - C. Twenty corporations in British Columbia with assets greater than \$1 billion, whose shares are publicly traded.
8. The Board will be guided by, but not bound by, the following calculation:

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

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

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

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

The remuneration for non-management Directors in 2015 is set out in the table below.

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

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



The total remuneration paid during 2015 to each Director was as follows:

M. Jordan <sup>2</sup>	\$135,000	A. King <sup>4</sup>	\$35,400
G. Cadman	\$68,000	K. Martin <sup>4</sup>	\$33,300
J. Caron	\$59,400	K. Panatch <sup>4</sup>	\$47,800
J. Currie	\$63,200	W. Parasiuk <sup>4</sup>	\$19,200
A. Fung	\$57,300	G. Sinclair	\$62,400
K. Goosen	\$65,900	T. Vrooman	\$51,000
G. Hayward <sup>4</sup>	\$24,800	P. Webster <sup>4</sup>	\$24,100
H. Jampolsky	\$57,300	W. Wright <sup>4</sup>	\$36,800
<b>TOTAL</b>	<b>\$840,900</b>		
<b>AVERAGE<sup>3</sup></b>	<b>\$47,060</b>		

In addition to the above remuneration, Directors were reimbursed for expenses totalling \$6,278 in 2015.

### **PART THREE—PURCHASING**

In 2015, we developed a new sustainable purchasing policy which will come into effect in 2016. The goal of the policy is to embed sustainability in our purchasing decisions and ensure meaningful consideration of environmental, social, economic and governance criteria when selecting suppliers, products and services. Our purchasing decisions will drive innovation, improve workplace and environmental outcomes and support our commitment to be accountable to the communities that we serve. More information on our purchasing policy can be found on page 47 of our 2015 Sustainability Report.

#### **Report on Single-Source Contracts**

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

#### *Reasons\* for exceptions:*

1. The goods or services are of a proprietary nature or there is only one qualified supplier;
2. The urgency of a safety, security or critical operating need so requires;
3. In compliance with a product or equipment standardization program;
4. When the supplier has satisfactorily performed previous related services that provided a cost saving to the Airport Authority;

<sup>1</sup> Our Chair receives an annual retainer only for work on the Airport Authority Board and does not receive any additional meeting fees. During the year, our Chair also received remuneration in the amount of \$25,000 from Vantage Airport Group for serving on its Board of Directors.

<sup>2</sup> Excludes the salary for the Chair of the Board of Directors.

<sup>3</sup> Grayden Hayward, Wilson Parasiuk and Peter Webster retired from the Board in May 2015. Annalisa King, Ken Martin, Kush Panatch and Wayne Wright joined the Board in 2015.

5. The essential partnership of the transaction exists between a major third party (for example, airlines, hotels, cruise ship lines) and the supplier;
6. The value of the product or service does not warrant the cost and time required to invite competitive submissions; and
7. The supplier has been awarded a contract for a similar product or service by the Airport Authority as the result of a competitive process within the previous five years.

In keeping with our policy of being transparent, we publish the list of goods and services costing more than \$132,704 (\$100,000 in 2000 dollars) which were not awarded on the basis of a competitive process during 2015. The table below reports \$54,237,881 in single source contracts, representing 22.1% of the total goods and services purchased in 2015.

Aggregate Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$6,767,604	Jacob Bros. Construction Inc.	Construction Services	N	2, 7
\$6,410,577	Concord Security Corporation	Parking Operations	N	7
\$3,944,960	MacAulay Trucking Ltd.	Snow Removal Services	Y	7
\$2,484,366	Hatch Mott McDonald	Construction Services	N	2, 7
\$2,372,326	PCL Constructors Westcoast Inc.	Construction Services	N	4
\$2,341,127	Optosecurity Inc.	Construction Services	Y	1
\$1,754,248	Vanderlande Industries Canada	Construction Services	N	3
\$1,739,015	Keefer Rock Advisors Ltd.	Consulting Services	Y	4
\$1,603,310	Mainroad Contracting Ltd.	Snow Removal Services	Y	7
\$1,333,470	Brent Kelly Farms Inc.	Snow Removal Services	Y	7
\$1,135,000	Fred Welsh Ltd.	Construction Services	N	7
\$1,128,000	Stantec Architecture Ltd.	Consulting Services	N	3
\$1,007,684	Airport Wildlife Management Inc.	Wildlife Services	Y	3
\$924,672	Francl Architecture	Consulting Services	N	7
\$897,508	Intervistas Consulting	Consulting Services	N	4
\$866,554	WDFG Vancouver LP	Construction Services	N	3
\$815,776	Pacific Safety Consulting Group Inc.	Consulting Services	Y	3
\$809,080	Tier 1 Ltd.	Snow Removal Services	Y	7
\$777,108	Securiguard Services Ltd.	AVOP Services	Y	3
\$770,719	Glidepath Systems Limited	Equipment	N	4
\$744,075	Studio One Architecture Inc.	Consulting Services	N	3
\$726,910	QinetiQ Limited	IT Services	Y	1
\$707,460	Heritage Office	Office Furniture	N	3
\$647,050	Team Eagle Ltd.	Equipment Purchase	N	3

Aggregate Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$570,559	Hella KGaA Hueck & Co.	Airfield Lighting	N	1
\$481,221	Tyco Integrated Fire & Security Canada, Inc.	Fire Alarm Upgrade	N	1
\$466,060	Ledcor Construction Limited	Construction Services	N	4
\$368,165	Cummins Western Canada	Equipment Rental	N	2
\$339,711	IBM Canada Ltd.	IT Services	N	1
\$339,335	Levelton Consulting Ltd.	Consulting Services	N	4
\$306,862	Long View Systems Corporation	IT Services	N	1
\$302,400	Cummins Western Canada	Equipment Rental	N	2
\$293,672	Armtec Limited Partnership	Construction Services	N	3
\$286,000	Kerr Wood Leidel and Associates	Consulting Services	N	4
\$284,000	Finning (Canada)	Equipment Rental	N	4
\$276,731	Associated Engineering (BC) Ltd.	Consulting Services	N	4
\$270,000	Kasian Architecture Interior Design and Planning Ltd.	Consulting Services	N	4
\$245,000	Emily Goes Commercial	Consulting Services	N	3
\$239,430	Landrum & Brown Incorporated	Consulting Services	N	5
\$231,227	Oracle Canada ULC	IT Services	N	1
\$216,057	Babcock Airports	IT Services	N	1
\$216,000	Hill & Knowlton	Consulting Services	N	4
\$188,555	BC Hardwood Floor Co. Ltd.	Construction Services	N	4
\$184,085	CDm2 Lightworks Corp.	Lighting Equipment	N	4
\$172,980	Brock Solutions	IT Services	N	1
\$168,073	Bruel & Kjaer EMS Inc.	IT Services	N	1
\$143,750	Long View Systems Corporation	IT Services	N	4
\$137,089	Metro Compactor West Inc.	Compactor Equipment	N	3
\$134,413	Oracle Canada ULC	IT Services	N	1

## PART FOUR—GUIDELINES FOR CORPORATE GOVERNANCE

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

### Vancouver Airport Authority Corporate Governance Disclosure

Guideline	Disclosure
<b>1. The Board of Directors</b>	
Disclose: Independent Directors and whether or not majority are independent.	– All Directors are independent with the exception of the President & CEO, who is an employee and executive officer of the Airport Authority.
– Directors who are not independent and explain.	
– If Independent Directors hold regularly scheduled meeting at which members of management are not in attendance.	– Independent Directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2015; i.e., at 11 regular Board meetings and 18 Committee 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.
– If the Chair of the Board is an Independent Director, the identity of the Chair and his or her responsibilities.	– Mary Jordan, the Chair, is an Independent Director. The Chair's Terms of Reference can be found at Tab 4 in the Board's <i>Governance Rules and Practices Manual</i> at <a href="http://yvr.ca">yvr.ca</a> .
– Disclose the attendance record of Directors.	– The Governance Committee reviews the Chair's Terms of Reference annually.
	– The Governance Committee reviews Director attendance annually. In 2015, there were 31 meetings of the full Board and Board Committees as well as the Annual Public Meeting and Board Retreats. Including all of these meetings, the Board had an overall average attendance rate of 92 per cent.
<b>2. Board Mandate</b>	
– Disclose the text of the Board's written mandate.	– The Administrative Guidelines and Terms of Reference for the Board of Directors can be found at Tabs 2 and 3, respectively, in the Board's <i>Governance Rules and Practices Manual</i> .

## Vancouver Airport Authority Corporate Governance Disclosure

### Guideline

### Disclosure

#### 3. Position Descriptions

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

#### 4. Orientation and Continuing Education

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

## Vancouver Airport Authority Corporate Governance Disclosure

Guideline

Disclosure

### 5. Ethical Business Conduct

- Whether the Board has adopted a written code of conduct; how an interested party may obtain a copy; and how the Board monitors compliance with its code.
- Any steps the Board takes to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a Director or executive officer has a material interest.
- The Code of Conduct for Directors and Rules Concerning Conflicts of Interest can be found at Tab 7 in the Board's *Governance Rules and Practices Manual*.
- The Finance and Audit Committee is charged with ensuring that the conflict of interest guidelines are strongly maintained and reviews this matter annually.
- Each Director is required to file an annual disclosure statement; the statements are reviewed by the Chair, President and Corporate Secretary and available for review by any Director upon request to the Corporate Secretary.
- The by-laws require an annual statement on Directors' compliance with its conflict of interest guidelines. See Part One, Section IV of this report.
- Should a Director engage in an activity which may be construed as a conflict, the Director must make full disclosure to the Chair 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.

## Vancouver Airport Authority Corporate Governance Disclosure

Guideline	Disclosure
<ul style="list-style-type: none"> <li>- Any other steps the Board takes to encourage and promote a culture of ethical business conduct.</li> </ul>	<ul style="list-style-type: none"> <li>- The Chair has appointed the Corporate Secretary to serve as the Designated Officer for the administration of rules for Airport Authority employees concerning Conflict of Interest. The Conflict of Interest policy and form is circulated annually to all budget holders, all members of the Supply Management Department and other key employees.</li> <li>- The Board adopted a formal Whistleblower Policy in 2004 and revised the policy in 2009; copies of the policy are available upon request to the Corporate Secretary. In addition to internal channels for reporting, the Whistleblower Policy includes an option to report via a third party confidence telephone line or website.</li> <li>- Periodic reminders of the Whistleblower Policy are distributed to employees and to third party vendors.</li> </ul>
<hr/>	
<p><b>6. Nomination of Directors</b></p> <ul style="list-style-type: none"> <li>- The process by which the Board identifies new candidates.</li> <li>- Whether or not the Board has a nominating committee composed entirely of Independent Directors.</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>

## Vancouver Airport Authority Corporate Governance Disclosure

Guideline	Disclosure
<ul style="list-style-type: none"> <li>- If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- The Governance Committee may engage assistance from an external consultant to help with this process.</li> <li>- 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.</li> <li>- The Governance Committee’s Terms of Reference can be found at Tab 15d in the Board’s <i>Governance Rules and Practices Manual</i>.</li> </ul>

### 7. Compensation

<ul style="list-style-type: none"> <li>- The process by which the Board determines the compensation for Directors and officers.</li> <li>- Whether or not the Board has a compensation committee composed entirely of Independent Directors.</li> <li>- If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee.</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- See Part Two—Executive and Board Compensation.</li> <li>- The Human Resources and Compensation Committee is composed entirely of Independent Directors.</li> <li>- The Human Resources and Compensation Committee’s Terms of Reference can be found in the Board’s <i>Governance Rules and Practices Manual</i>.</li> <li>- The Human Resources and Compensation Committee engaged Mercer to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized in Section III of this report.</li> </ul>
--	---



## Vancouver Airport Authority Corporate Governance Disclosure

### Guideline

### Disclosure

#### 8. Other Board Committees

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

#### 9. Assessments

- Disclose whether or not the Board, its committees and individual Directors are regularly assessed with respect to their effectiveness and contribution and describe the process used for the assessment.
- This is an annual process to review Board, Committee and individual Director effectiveness, which is set out in Tab 10—The Board Evaluation Process in the Board's *Governance Rules and Practices Manual*.
- In 2015, the Board did not undertake an evaluation process because it conducted a competitive public process for a governance advisor and also saw significant turnover on the Board. WATSON, Inc. was selected as the new advisor. Working with the advisor, the Governance Committee refreshed the annual Board and Individual Director Evaluation process and evaluations will take place in 2016.
- In the new process, the Board undertakes an overall review of Board and Committee effectiveness through the use of a preliminary written survey followed by a one-on-one interview conducted by the third party consultant. Directors receive a comprehensive interview guide to assist with their interview preparation. In 2016, members of the Executive Team, excluding the Corporate Secretary, will take part in the evaluation process for the first time by completing a written survey.
- The Board will also continue to complete an Individual Director Peer Evaluation annually; results are tabulated by the third party consultant and discussed with the individual Director and the Board Chair only.

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

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

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

- Disclose whether the Board has adopted a written policy relating to the identification and nomination of women Directors.
- The Board 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. Three 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.
- The Board's work plan for 2016 includes the development of a Board Diversity Policy.

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

- Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board.
- The Governance Committee, which acts as the Nominating Committee, specifically instructs third party search firms to identify women candidates, where possible, who have the skill sets and experience required at a given time. 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 along with other candidates who reflect the diversity of our community.

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

- Disclose whether and, if so, how the corporation considers the level of representation of women in executive officer positions when making executive officer appointments.
- The Airport Authority has a policy that says we will strive to create a workplace that reflects the diversity of the community we serve and this includes a commitment to diversity and inclusion in 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.

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

- Disclose whether the corporation has adopted a target (percentage or range by a set date) regarding women on the corporation's board.
- The Board has not yet 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 likely be difficult to achieve a target. However, as noted above, the Board's 2016 workplan includes development of formal Board Diversity Policy.
- Disclose whether the corporation has adopted a target regarding women in executive officer positions of the corporation.
- 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 2015, women accounted for 40 per cent of the Airport Authority's management team.
- In 2015, 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.

## Vancouver Airport Authority Corporate Governance Disclosure

Guideline

Disclosure

---

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

- Disclose the number and proportion (in percentage terms) of Directors on the board who are women.
  - Disclose the number and proportion (in percentage terms) of executive officers, including all major subsidiaries of the corporation, who are women.
  - In 2015, there were five women, including the Chair, on the Board. This represents 36 per cent of the Board which has a total of 14 Directors. It exceeds the average of 19.5 per cent on Financial Post 500 Boards.
  - At the end of December 2015, there were three women Vice Presidents, which constituted 43 per cent of the seven officers of the company. This exceeds the 27 per cent average for women senior managers in Metro Vancouver. As of the publication date of this report, there are four women Vice Presidents, constituting 50 per cent of the eight officers of the company.
-