

STRATEGIC PLAN 2022-2024



What's in this strategic plan?

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3. OUR 2022-2024 STRATEGIC PLAN





OUR PURPOSE

YVR EXISTS TO SERVE OUR COMMUNITY AND THE ECONOMY THAT SUPPORTS IT.

YVR provides a platform that enables our community to connect and thrive. By connecting people and places, cargo and markets, we open BC to the world, supporting human connectivity and enabling the flow of ideas, experiences, knowledge, goods and investment. YVR provides a place of welcome, interaction and identity for our community.

For Musqueam people, the sense of connection to the land on which our airport is located is ancient and profound – Sea Island is *te šxʷamət ct* (our home). We recognize our opportunity and responsibility to work in partnership with Musqueam on whose traditional territory YVR is situated.



As one of BC's most loved brands, our community has expectations of us that extend beyond being an airport. We are expected to be leaders and trailblazers for change and innovation, to be at the forefront of doing the right thing and doing it well. We are a showcase and enabler for BC business and economic development, a local marketplace for made-in-BC products and a driver of local businesses. We are an enabler of entrepreneurial spirit and a skills incubator for aviation and technology. We are a destination for our community - a place to work, eat, play, gather, learn and share.

OUR CONTEXT

WHERE WE FIND OURSELVES

It's now more than twenty months since a global pandemic was declared, and it is still not over. Despite the vaccine roll out in 2021, aviation's recovery has been slow, and new variants continue to emerge. In summer 2021, YVR passenger numbers were just 30 percent of summer 2019 and runway movements were at 50 percent of summer 2019. Cargo has been more resilient through the pandemic, with summer 2021 cargo tonnage at 83 percent of 2019 volumes.



THE NEXT NORMAL 2022-2024

Aviation remains one of the industries hardest hit by COVID-19. Our passenger volumes in 2020 and 2021 were the lowest experienced since the Airport Authority's inception in 1992. What we know for sure is that the pandemic will have lingering impacts on people, their perception of air travel, as well as demand for both business and leisure travel. The added complexities of changing vaccination, testing and quarantine requirements will continue to serve as deterrents to air travel demand. We anticipate all of this will result in continued demand volatility and shifts in air carriers' business models, which will also be affected by ongoing economic instability. Future passenger traffic will likely not resemble the same shape or volume as pre-pandemic.

We are a people-centred business, with around 500 direct employees and, pre-COVID-19, approximately 26,000 people employed by our airport business

partners. Our extended YVR team has ever-changing needs as we become more diverse, with different inter-generational needs, and with evolving expectations of how we work due to the pandemic and other societal shifts. We will need to adapt to meet the needs of our employees in the future, and re-think how we work together in support of our community. YVR must continue to be a place where talented people want to take the next step in their career because the work they do matters, they are able to build skills they need for the future within a culture that learns from the past and adapts for the future, and because of their sense of belonging to our organization.

When we look to our next normal, how we do our work must change. All our decisions must consider the following four lenses: digital, climate, reconciliation, and financial sustainability.



The pandemic marked an inflection point whereby digital alternatives and escalation of climate concerns caught up with and began to overtake air travel demand. Proven effectiveness of remote working and online business meetings will likely continue to undercut demand for business travel. At the same time, online shopping and e-commerce surged during COVID-19, elevating demand for the movement of goods and highlighting the vulnerability of supply chains. The pandemic has also accelerated the digitization of the supply chain, revolutionizing the air cargo business. The way that we strengthen our business going forward will be by leveraging digital technology to better understand our business using data and insights, through the use of Internet of Things (IoT) sensors and dashboards, analytics, artificial intelligence and machine learning that will help us gain efficiencies in our operations and enable us to make data-driven decisions.

Nevertheless, aviation remains a fossil fuel dependent industry. With heightened concerns about climate

change, more people are now seeking greener alternatives to flying, impacting demand for air travel and perceptions of aviation. We view technology and climate as the biggest risks and greatest opportunities facing our business. Twenty months into the pandemic, we are convinced that we cannot assume a return to “normal”. Rather, we need to ready ourselves for the “next normal”, embracing the potential of **digital technology** and taking a lead on **climate**.

As we face this uncertain future, we also acknowledge the past. Our airport is located on land that is the traditional, ancestral and unceded territory of the Musqueam people. As an important part of our community, the destinies of Musqueam and YVR are inter-linked. Our friendship and sustainability agreement with Musqueam and our commitment to **reconciliation** provides our starting point for forging our common future. Going forward, we will continue to pursue opportunities to strengthen this relationship and evolve our friendship agreement to create meaningful partnerships.

To ensure we are able to meet our community's changing needs and deliver on our mandate, we must also be **financially sustainable**. Adaptiveness and the capacity to anticipate change are critical to our long-term resilience. Our future business model must be anticipatory, flexible and sustainable in the face of ongoing uncertainty. Our strategy must ensure that YVR not only remains relevant and competitive, but that we continue to provide a navigational beacon for our community and a trailblazer for other airports.

In our 2021 Strategic Plan we recognized the changes in our industry and region as a result of COVID-19 and outlined what we needed to do to adjust to the challenges presented by operating an airport through a global pandemic. We took a one-year view with the intention of using the opportunity to test and adjust, building on the learnings gained to set the course for the longer term. Our 2022-2024 Strategic Plan is based on reconceptualizing and amplifying our role as a diversified hub that connects people, cargo,

data, ideas, and community. As we continue to work on the six strategic workstreams established in our 2021 Strategic Plan, it is imperative that we consider the impacts and opportunities for leveraging our four lenses of **digital**, **climate**, **financial sustainability** and **reconciliation**.



OUR 2022 - 2024 STRATEGIC PLAN

THE IMPORTANCE OF CONNECTEDNESS

Over the past 20 months, we have come to learn what it means to be socially distant, to live in a world under varying stages of lock-down, where self-isolation and quarantine have been the norm. The disconnectedness that we experienced, the ongoing threat of new strains and new waves, combined with the extreme weather events resulting from climate change and supply chain disruptions, have all underscored the necessity of connections (both physical and digital) of people, goods and information, as well as the importance of connectivity to us as people, for our mental health, our social fabric, our community and for the economy that supports it.

Our next three years will be spent developing the right infrastructure, talent, and technology to take our diversified hub to the next level, enabling people to reconnect with their family, friends and business partners; linking the essential value chains that allow goods to get from one part of the world to another; using digital information to facilitate the movement of passengers and goods, and to connect businesses for future opportunities. We will not pursue this endeavor alone, but in partnership with government, our carriers, service providers, tenants, the business community, higher education, investors and developers. Our role as an airport is to provide the platform for our community to connect and thrive, all with our climate responsibility top of mind.



● STAYING AHEAD OF COVID

● **STRENGTHENING THE CORE**

● PURPOSE THROUGH PEOPLE

● FINANCIAL SUSTAINABILITY

● CLIMATE

● GATEWAY TO THE NEW ECONOMY

Strengthening The Core

OVERVIEW

The decline in traffic due to the pandemic has provided a catalyst for change, shifting our focus to improving the resilience of our existing infrastructure through asset management and maintenance. While there is still significant work to be done, we have made considerable inroads through our asset management program.

COVID-19 has also given us the space to reflect on where we can optimize our operational efficiency for the benefit of our passengers, partners and planet, while improving on our own business performance.

We are starting from a position of strength: built for peak demand, our legacy infrastructure has extra capacity and unrealized potential on the airside, within the terminal and on the groundside. Critical to strengthening our core business is the ability to drive greater value from our existing infrastructure through more efficient operations and by repurposing our assets rather than building new. The optimization measures we introduce today will be critical to our future-readiness as traffic returns.

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WHAT WE'LL DO

ASSET MANAGEMENT:

We will continue to invest in maintaining and managing our infrastructure through our asset management program, setting service levels for each asset category consistent with strategic objectives and stakeholder expectations. We will take a lifecycle approach to both capital and maintenance expenditures, matching state of good repair investments to climate and financial sustainability drivers while ensuring regulatory compliance, maintaining safety, minimizing risk and maximizing opportunity. We will use data and digital applications to provide insights into asset condition and operating costs, to test resilience of critical systems (such as airfield lighting, HVAC, power supply) and to inform maintenance and investment decisions. In 2022, more than fifty-five percent of our capital budget will be allocated to ensuring our assets are in a state of good repair, ensuring that we continue to realize value from our investments, and that we achieve an optimal balance between costs, risks, level of service and sustainability. We expect a similar allocation in our 2023 and 2024 capital budgets, spending approximately \$200 million in capital each of the next three years.

AIRSIDE OPTIMIZATION:

Utilization of our runways is currently dictated by individual carrier schedules, resulting in inefficient allocation of capacity, and line ups at runway ends particularly during peak periods. In 2019, this resulted in around 22 hours of cumulative aircraft delay and 41 tonnes of GHG emissions per day. In addition, the movement of aircraft on our aprons is not actively managed, resulting in inefficient transition of aircraft to and from terminal gates. Going forward, we will take a holistic approach to leveraging the potential of our existing airside infrastructure, implementing operational changes that will have benefits now and in the longer term, as traffic returns. We will achieve this through:

- Determining our gate capacity and refining our aircraft gate allocation strategy
- Planning and early initiation of apron and runway capacity management, enabling better utilization of our apron, taxiways and runway capacity, allowing us to get more planes in the air more efficiently
- Using digital platforms for improved data-sharing and collaboration with carriers and service providers and working with our partners to interlink data sources on a common platform to support improved decision-making

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TERMINAL OPTIMIZATION:

We will make more efficient use of our terminal infrastructure, repurposing and re-configuring as required to flexibly support shifting aviation markets, accommodate changing demographics and regulations, match passenger and carrier expectations, and reduce our operational costs. We will work with carriers to better understand their business drivers and objectives so we can make informed, mutually beneficial decisions about how we use, allocate and invest in our terminal infrastructure.

We will continue to engage service providers (including CATSA, US-CBP and CBSA) to improve passenger

processing, reduce wait times, and leverage existing capacity and emerging technology. A key focus in 2022 will be determining the plan for accommodating all sectors: regional, international, hub and potential leisure carrier entrants. Recognizing that our three-sector terminal is designed to serve pre-pandemic demand, we will explore options for how our existing terminal can be reconfigured to flexibly accommodate future needs through a terminal planning process to be initiated later in 2022.

MEASURING OUR SUCCESS

KPIs		IMPACT
✓ Airline Satisfaction	✓ Average Wait Times at Security Screening	We expect asset management to positively affect our airline satisfaction and greenhouse gas emissions KPIs beginning in 2022.
✓ Greenhouse Gas		
✓ Departure Punctuality	✓ Customer Satisfaction	Airside and terminal optimization will require additional lead in time; therefore, we anticipate positive impacts to other KPIs beginning in 2023.

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Purpose Through People

OVERVIEW

People are core to our business and critical to our strategy – both our direct employees and the employees of our business partners on Sea Island. Operating a safe airport has always been integral to our organization and as we come out of this pandemic, we have a unique opportunity to reflect and redefine how we take the safety of our organization and airport to the next level. With a solid health and safety foundation, we are committed to working with our airport stakeholders and business partners towards our shared goal of a safer, more integrated and inclusive airport. This integrated airport safety strategy will be a prevention-focused approach with continual improvements to our processes and technology, influenced by best practice and driven by data, all to ensure the safety of our people and the travelling public.

Strategy implementation requires that the extended YVR team is engaged and equipped to deliver on our purpose. We continue to work on

aligning our values, behaviors and employee value proposition to create a workforce reflective of our diverse community; a working environment that supports multi-generational needs; and adapting to the changing expectations of how we work as a result of the pandemic. We strive for a culture in which everyone is seen, has a voice and is heard.

We also continue our Integrated Talent Strategy that attracts, develops, supports, rewards and enhances talent from across a broad spectrum of ages, cultures and orientations. Our future involves a new way of working that embraces agility principles to increase the speed, quality and employee empowerment to achieve outcomes. Our organization needs to be ready rather than reactive and prepared to meet current and new challenges that are coming our way. To do so, we need to embrace change and be committed to working together through uncertainty.

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Financial Sustainability

OVERVIEW

The three simple concepts of our business model have not, and will not change: do the right thing (follow our purpose), do it well (our commitment to operational excellence and quality), and do it sustainably (in a way that allows us to continue doing the right thing and doing it well, into the future). A key aspect of sustainability is the ability to generate sufficient income to meet both our current and future obligations. As we meet the ever-changing needs of our community, we will look for opportunities for our business and sources of income to evolve and diversify. This diversification will enable us to build the financial resilience we need, so that we are not overly dependent on one or two sources of income.

We expect to continue to see operating losses and to fund our operations with debt until we see

meaningful recovery of traffic volumes or are able to generate income from other lines of business. This highlights the need for us to be innovative and to make smart investments in the near term, positioning us well for a lower-carbon, digital and efficient future, with new revenue streams to complement our core aviation business.

We will build back stronger, with a clearer understanding of the financial impact of our decisions so that every dollar we spend generates more revenue. We will further diversify our hub across different lines of business so that we emerge as a more financially resilient and sustainable organization.

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WHAT WE'LL DO

EFFICIENCY AND DIVERSIFICATION:

We will improve our financial performance through managing our costs, while introducing operating efficiencies, and by adding new revenue streams to supplement and complement our core aviation business. We intend to improve our financial efficiency by 30 percent in the next three years. While we will support and grow the existing aviation markets, carriers, and the hub position we have forged to date, we will also enable burgeoning and new markets, such as cargo and leisure carriers, in response to our community's expectations and the needs of our economy. Prior to the pandemic, our passenger-related business represented 88 percent of our total revenues; our opportunity is to strengthen the non-passenger related business to a higher proportion than in the past. We will put our land assets into productive use, expanding our focus in cargo and logistics, and activating digital opportunities.

PRIORITIZED INVESTMENTS:

With limited resources, we must prioritize our spend to ensure that each investment generates value over the long term. As an airport, we procure a broad array of goods and services. In so doing, we have the opportunity to leverage our purchasing power in ways that focus on bringing value and financial resiliency while also promoting our climate, reconciliation, other social objectives and in support of our community and regional economy.

RESILIENT BALANCE SHEET:

As we recover and start generating positive operating cashflows, we must weigh the benefits of more investments against debt repayment, to ensure that we have a resilient balance sheet in the future. We will invest in such a way that the outcomes of our investments bring value, both financial and non-financial, to the organization, the community and the economy that supports it.

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CLARITY AND ACCOUNTABILITY:

Financial data, combined with operational data, will provide us with the insights we need to effect efficiency gains, resulting in improved throughput, decreased downtime, and improved use of existing resources. We continue to hone our financial data, processes and systems to support business decisions. Having a clear understanding and visibility to the income statement impact of different parts of our business and having accountability line up with these will be key to making

smart business decisions and improving our financial performance in the future.

Doing these things will not solve our financial sustainability challenges in and of themselves, but they are necessary steps to ensure our collective financial foundation and understanding are robust and aligned with our strategy going forward.

MEASURING OUR SUCCESS

KPIs

✓ Earnings Before Interest Depreciation and Amortization (EBIDA)

✓ Return on Invested Capital (ROIC)

IMPACT

By 2024, we expect to see a 30 percent improvement in our financial productivity and efficiency, evidenced by a stronger EBIDA and to see a larger proportion of our revenues come from new sources of business.

As we leverage our assets and make smart investment decisions, we expect our Return on Invested Capital (ROIC) to meet industry norms of an average 6.7 percent and to exceed them in the medium to long-term.

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Gateway to the New Economy

OVERVIEW

Since our inception, we have forged a path in lock-step with our region's ambition for Vancouver to become the premier gateway between Asia and North America. While our role as a connecting hub will absolutely continue, the pandemic has shown the need to widen our focus to one where we are aligned to the future growth and needs of our community and regional economy.

There are a number of factors that uniquely position us to be a gateway for regional economic opportunity. We have excellent proximity to downtown Vancouver and the US border. We have under-utilized land assets that were previously protected for airfield expansion. Our terminal is the largest building in BC and has rapid transit connections to the rest of the region, with a myriad of activities associated with airport operations. We will build on our past gateway success, utilizing our infrastructure, land, expertise, influence and reputation for innovation, and the platform for testing

and incubating new solutions and to create a market for made-in-BC solutions. We have a significant opportunity to work with partners to become our region's Gateway to the New Economy.

We recognize the potential of the highly accessible greenfield industrial land on Sea Island for freight and logistics facilities, new land development opportunities and the potential for creating economic clusters to help to drive the regional economy. By deferring the need for a third parallel runway we have the opportunity to put into active use 400 acres of undeveloped land on Sea Island that we do not need for airfield and terminal. This has the potential to generate an estimated \$1.5 billion in construction activity and will enable YVR to generate new non-aeronautical revenues while complementing our core aviation markets, meeting regional economic needs and creating a diverse, complete community on Sea Island. This will also enable us to strengthen, diversify and bolster our core airport business.

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MEASURING OUR SUCCESS

KPIs	IMPACT
✓ Passengers	Passenger and cargo volumes are expected to increase as a result of support for emerging and new aviation markets; through driving value in the off-peak and due to land development that enables cargo and logistics.
✓ Cargo	
✓ Revenue	
✓ Excess of Revenue over Expenses (EROE)	We aim to bring 400 acres of development land to market over the next 10 years, at least doubling our current lease revenues. We will continue developing other revenue and partnership opportunities via the Innovation Hub @ YVR.
✓ Earnings Before Interest Depreciation and Amortization (EBIDA)	
✓ Return on Invested Capital (ROIC)	All financial metrics will benefit from the success of the gateway to the new economy. As we further diversify our business, we will reduce the dependency of the income from our passengers and move to a more resilient financial position.

Looking Beyond

As we look to our future and consider what our community needs and expects from us, we have a great opportunity to serve our community in even more ways than before. We will do so by expanding the functions we fulfil and by multiplying our impacts to the regional economy through reconciliation, innovation, collaboration, and by re-imagining how we use our infrastructure and land assets. We will amplify our influence so that we emerge from this pandemic as a greener, stronger, more diversified and sustainable business, ready to serve our community.