

# 2023 Executive Compensation



---

Submitted: February 21, 2024



The Vancouver Airport Authority operates and manages Vancouver International Airport (YVR) in service of the community and economy that supports it.

The remuneration strategy of the Vancouver Airport Authority is a part of our comprehensive employee value proposition, designed to attract, retain, and engage top-tier talent. This strategy, including competitive and rewarding remuneration packages, not only supports our purpose but also nurtures a workforce committed to upholding our values and leadership behaviours. This commitment is integral to building a talented, aligned, and motivated team that contributes to the sustained success and growth of YVR.

Aligned with our core values, the Airport Authority annually discloses executive compensation, exemplifying our commitment to accountability. This disclosure offers an account of the relationship between compensation, performance, and contributions of key Executives, including the President & Chief Executive Officer for the completed fiscal year (2023).

# Oversight of CEO and Executive Compensation

## CEO AND EXECUTIVE COMPENSATION GOVERNANCE

The Airport Authority's Human Resources Committee (HRC) is a Board of Directors committee accountable for proposing the Airport Authority's compensation strategy to the Board and ensuring alignment with approved plans and philosophy. This includes all compensation programs from design and implementation to outcomes-based measures linked to the strategic direction of the airport.



For the CEO, the HRC reviews the total compensation package and arrangements, and recommends any changes to the Board for final approval. For Executives, HRC approves the salary ranges, incentive plan design and parameters, and all other benefits. It is the CEO's role to assess relative performance of each Executive and decide on their base salary and individual component of the short-term incentive plan. All Directors serving on the HRC are independent and have exposure to executive compensation issues at other companies or board positions.

The HRC recognizes the importance and complexity of executive compensation and retains an independent executive compensation consultant, Korn Ferry (CA) Ltd. (Korn Ferry), to advise the HRC on executive compensation matters. The consulting services include but are not limited to job evaluation of executive roles, review of executive compensation philosophy as well as principles and policy, updates on executive compensation trends, development of compensation peer group(s), review of director compensation, review of short- and long-term incentive plans, comprehensive market reviews for the CEO and Executives, benchmarking target levels of base salary and incentive compensation, and assisting the HRC in formulating appropriate compensation plan design, pay decisions and/or recommendations to the Board.

## COMPENSATION PRINCIPLES AND PHILOSOPHY

In 2020, the HRC, with advice from Korn Ferry, established the following executive compensation principles emphasizing alignment with enterprise goals, stakeholder interests, and good corporate governance:

- The remuneration approach should align with the enterprise mandate, strategic goals, and desired culture for building success in both the short-term and the long-term.
- Remuneration plans consider all stakeholders' interests including those of the community and the public by delivering operational excellence, financial health and control, quality customer service, and sustainability.
- Pay-for-performance and total remuneration within acceptable risks should be emphasized and should follow good corporate governance.

The compensation philosophy underscores the need to attract, retain, and motivate high-performing employees needed to deliver on the Airport Authority's purpose. The Airport Authority believes the compensation an Executive receives should be aligned to the contribution they make to the overall short- and long-term objectives of the organization.

The executive compensation program contains a mix of cash compensation and non-cash benefits.

## COMPENSATION COMPARATOR GROUP

The Airport Authority benchmarks executive compensation against two unique comparator markets, reflecting the airport's ownership structure, operating environments, and competitive talent landscape. The evaluation uses the Korn Ferry Hay Guide Chart-Profile Method, focusing on similar scope and content rather than title matches.

# Executive Compensation Components

The Airport Authority seeks to maintain a balanced approach by offering competitive cash and non-cash compensation elements, aiming to attract and retain qualified individuals from both aviation and non-aviation sectors. The programs align with prevailing standards in the local, provincial, and national labour markets. The executive compensation program primarily relies on cash incentives to reward completed performance.

The CEO and Executives are eligible for the following compensation:

Cash Compensation Component	Description	Compensation Type
Base Salary	Provides Executives with fixed compensation.	Cash
Short-Term Incentive Plan Compensation	Variable compensation rewarding Executives for achieving performance objectives established by the Strategic Plan and the Board.	Cash
Long-Term Incentive Plan Compensation	Variable compensation rewarding Executives for creating long-term value as defined by the Strategic Plan and the Board.	Cash
Perquisite Allowance	Provides Executives with market-competitive perquisites, including car allowance, car maintenance, and parking benefits.	Cash

Non-Cash Component	Compensation Description	Compensation Type
Health & Wellness	Promotes Executives' general wellness and preventative care, including Airport Authority-paid health benefits and access to a health spending account.	Non-cash
Financial Wellness	Assists Executives with financial assessment, tax review, and wellness goals.	Non-cash
Professional Dues	Supports Executives in staying connected to their profession or industry through membership and association fees.	Non-cash
Retirement Plan	Assists Executives in building retirement income during their working years through the Defined Contribution Pension Plan and Supplementary Employee Retirement Plan.	Non-cash

## BASE SALARY

Executive's base salaries are established annually, aligning with individual performance and the median compensation level for their respective positions in the designated comparator market. This approach ensures a fair and competitive determination of base salaries for Executives at the commencement of each year.

## INCENTIVE COMPENSATION

The CEO and Executives are eligible to participate in both short-term and long-term incentive programs developed by the HRC with assistance from Korn Ferry.

### Short-Term Incentive Compensation

The Airport Authority's short-term incentive program (STIP) is designed to recognize short-term performance achievements. The Board establishes the minimum, target and maximum incentive payment framework for the Executive Management Team. The outlined targets represent a percentage of the base salary, calculated based on actual earnings in the year. The maximum STIP opportunity is capped at 150% of the target payment.

	2023 Target Incentive as a % of Base Salary	2023 Maximum Incentive as a % of Base Salary
President & CEO <sup>1</sup>	75.0%	112.5%
Executive Management Team	30.0%	45.0%

The STIP is evaluated through both individual performance (30% weighting) and corporate performance (70% weighting). The ongoing evaluation of combined corporate and individual performance occurs throughout the performance period, with final assessments made at the end of the fiscal year. These assessments determine the incentive compensation awarded to each Executive. Given the strategic significance of executive roles, a larger proportion of their 'at-risk pay' is linked to the accomplishment of corporate performance metrics.

### Individual Performance – 30%

Each year, the President & CEO collaborates with each Executive to establish individual performance priorities. For the CEO, these priorities are set jointly with and endorsed by the Board of Directors. The priorities and metrics are tailored to align with the distinct requirements of each role and organizational objectives. The assessment of success involves both qualitative and quantitative measures, evaluating not only what was delivered but also how it was delivered. These outcomes contribute to an individual performance rating within the Airport Authority Check In for Success performance management process.

<sup>1</sup> Approved by the Board of Directors effective January 1, 2023 (previously 60% target).

## Corporate Performance – 70%

The corporate performance metrics are “built for purpose” and designed to drive performance as defined by the Strategic Plan KPIs. Annually, the Board of Directors establishes minimum, target, and maximum performance measures for each metric, against which the Executive’s performance is evaluated.

For each metric, meeting the minimum performance level is a prerequisite for any payout. Falling below this threshold results in no payout, while meeting it earns the metric a 50 percent weighted payout.

Achieving target performance yields a full 100 percent payout of the metric’s weighting. The maximum performance level represents a challenging goal, resulting in a 150 percent payout, designed to be attainable approximately 20 percent of the time.

For 2023, corporate performance is measured across the following core elements:

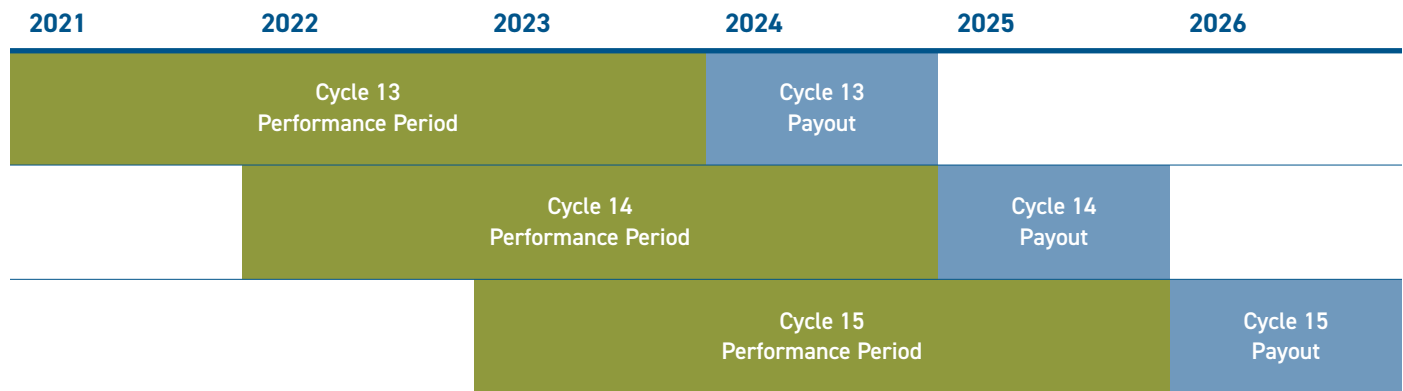
Metric	Weight	Definition
<b>Public Interest (Do the Right Thing)</b>		
Climate	17.5%	Assessment of greenhouse gas (GHG) emissions by the Airport Authority.
Customer Satisfaction	17.5%	Customer Satisfaction Survey (CSAT) measuring our passengers’ overall satisfaction with the services and facilities at the airport.
<b>Operational Excellence (Do It Well)</b>		
Departure Punctuality	17.5%	The proportion of flights that depart from their stand within 15 minutes of their scheduled departure time.
Baggage Connections	17.5%	The proportion of bags that have successfully connected through YVR. This is the outcome of our investments and efficiency improvements in baggage.
<b>Financial Health &amp; Control (Create Capacity to Do 1 + 2)</b>		
EBIDA	30.0%	Earnings Before Interest, Depreciation and Amortization (EBIDA) – A measure of how we are generating topline growth while focusing on controlling operating costs.

### Long-Term Incentive Compensation

The Long-Term Incentive Plan (“LTIP”) is designed to recognize and reward Executives for their sustained contributions to the organization’s long-term performance. The LTIP aims to acknowledge the effective use of the Airport Authority’s resources in achieving expected performance or exceeding performance.

Executive employees at the Airport Authority are eligible to participate in the LTIP at the onset of each performance period. Newly hired eligible employees during the current performance period receive a pro-rated award based on the remaining duration of the period.

LTIP performance periods extend over three years, aligning with the Airport Authority’s fiscal years. Commencing on the first day of the fiscal year, each performance period concludes on the last day of the third fiscal year. A new three-year performance period initiates with each fiscal year, resulting in three overlapping LTIP performance periods at any given time.



The HRC of the Board of Directors determines the LTIP performance measures by utilizing the performance metrics outlined in the strategic plan’s key performance indicators.

The HRC engaged Korn Ferry to design the LTIP for Cycle 13 (2021–2023), aiming to reward Executives for long-term value creation based on performance metrics defined in the strategic plan KPIs.

For Cycle 13, the focus on ensuring long-term value creation for the Airport Authority extends to strategic adaptations in response to the pandemic’s impacts. The uncertainties stemming from the pandemic’s onset in 2020 prompted adjustments in the LTIP cycle design approach. These adjustments included reducing the maximum payout from 200% to 150% and postponing metric establishment until the cycle’s first year (2021) to allow for better understanding of the business’s long-term direction amidst evolving circumstances.

A standardized set of metrics was established for both 2022 and 2023, each with distinct targets. The overall achievement for Cycle 13 is determined as the average of the 2022 and 2023 performances.

	Minimum 0%	Target 100%	Maximum 150%
President & CEO <sup>1</sup>	0%	125%	187.5%
Executive Management Team	0%	30%	45%

The overall performance of the President & CEO and Executive average is listed below:

	Weight	
	President & CEO	Executive Average
Short-Term Incentive – Corporate Metrics	70%	70%
Short-Term Incentive – Individual Metrics	30%	30%
Long-Term Incentive – Cycle 13	100%	100%
2023 Payout – Short-Term Incentive	\$539,804	\$104,570
2023 Payout – Long-Term Incentive – Cycle 13	\$689,999	\$74,980

## BENEFITS AND PERQUISITES

### Extended Health & Dental Benefits

To enhance the well-being of Executives, they have access to extended health, vision and dental benefits, an employee and family assistance program, a health spending account, life insurance, accidental death and dismemberment insurance, and disability coverage.

Health benefits are offered at a level equivalent to, and in certain instances, surpassing those currently prevalent in the market. This ensures that the Airport Authority's benefits package remains competitive.

<sup>1</sup> Approved by the Board of Directors effective January 1, 2022 (previously 70% target).



## Perquisites

The Airport Authority provides a competitive perquisite program for Executives, including vacation (above Canada Labour Code minimum), car allowance, car maintenance, parking benefits and professional dues.

## RETIREMENT SAVINGS

Retirement savings are considered an integral part of total compensation. The Airport Authority sponsors a group Defined Contribution Pension Plan that all Executives participate in. In addition, the Airport Authority offers a Supplemental Executive Retirement Plan for Executives who are affected by the RRSP contribution limits or RPP money purchase limits imposed under the *Income Tax Act* (Canada) (ITA).

### Group Registered Retirement Savings Plan

The Group RRSP offers a retirement benefit structured around both employee and employer contributions, accruing alongside investment earnings. The Airport Authority contributes one per cent of the base salary to the Group RRSP, and Executives have the option to make voluntary contributions within the limits set by the *Income Tax Act* (ITA). Participating Executives maintain control over their investment allocations within the plan.

### Supplementary Executive Retirement Plan

Given the maximum limits set by the ITA on benefits provided under RRSPs and RPPs, the Airport Authority has instituted a Supplementary Executive Retirement Plan (SERP) for the CEO and Executives affected by these constraints. The SERP ensures that these individuals receive the benefits they would have obtained without the ITA-imposed limits on registered plans.

The SERP operates as an unfunded non-registered pension plan and is backed by a letter of credit for retired Executives. The Airport Authority extends the SERP Defined Contribution Pension Plan to Executives, calculated at 16% of the base salary (excluding VAA's contribution to the Group Registered Pension Plan) and 16% of the short-term incentive payout. These calculations exclude taxable benefits, lump sum payments upon termination of employment (such as vacation pay, sick leave, or severance pay), and any extraordinary payments.

Note: A Defined Benefit Pension Plan is still in place but is now closed to new participants.

## SEVERANCE

In instances where severance is deemed necessary, the Airport Authority will provide compensation in accordance with the Canada Labour Code, the individual's employment contract, and as determined appropriate by the Airport Authority.

# Summary – President & CEO and Executive Compensation

The table outlines the total compensation disbursed or payable to the President & CEO and the Executives (average) for the year ending December 31, 2023.

The Airport Authority does not grant options, stock appreciation rights, shares, units, or other compensation securities as part of its compensation framework and has no outstanding other equity compensation plan.

	Year	Base Salary <sup>1</sup>	Short-Term Incentive <sup>2</sup>	Long-Term Incentive <sup>3</sup>	Perquisites <sup>4</sup>	Other <sup>5</sup>	Total
<b>Tamara Vrooman President &amp; CEO</b>	2023	\$621,300	\$539,804	\$689,999	\$36,597	\$267,554	<b>\$2,155,254</b>
	2022	\$597,400	\$378,262	\$451,337	\$33,950	\$442,250	<b>\$1,903,199</b>
<b>Average Executive Compensation</b>	2023	\$295,513	\$104,570	\$74,980	\$21,200	\$50,754	<b>\$547,017</b>
	2022	\$262,686	\$89,608	\$61,740	\$19,881	\$56,188	<b>\$490,102</b>

1 Compensation reported is compensation earned in the specified calendar year.

2 Incentive earned for performance period January 1, 2023 – December 31, 2023 is paid in the following year (2024). The Executive must be actively employed at the time of payment. This amount is prorated for any Executives who joined once the performance period had commenced.

3 Incentive earned for performance period January 1, 2021 – December 31, 2023 is paid in the following year (2024). This amount is prorated for any Executives who joined once the performance period had commenced.

4 Amount includes professional memberships (certain Executives), financial planning services, healthcare spending account, car allowance, car maintenance and car parking.

5 Amount includes employer contributions related to the executive retirement savings plan (Group RPP and SERP). For the CEO the amount includes an additional supplementary pension benefit (\$112,000) for foregone pension benefit from a previous employer.