



2017 Annual & Sustainability Report



Vancouver International Airport (YVR) is a reflection of British Columbia, with its unique people and dynamic environment. As a community-focused and financially independent organization, we support our region—providing economic and social benefits, driving innovation and bringing technologies to market that improve the airport experience around the world. We strive to be an airport that British Columbia can be proud of and we do this, every day, through our commitment to excellence and our focus on serving our passengers, partners and communities.

The YVR 2017 Annual & Sustainability Report provides an in-depth look at Vancouver International Airport and its activities through our four pillars of sustainability—Social, Economic, Environment and Governance—carrying on a tradition of honest and transparent reporting that demonstrates our ongoing commitment to accountability.

Mission

Connecting British Columbia
Proudly to the World

Vision

A world class, sustainable
hub airport

Values

Safety, Teamwork,
Accountability, Innovation



In 2017, we made history with the signing of the *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement*. The Agreement will ensure we sustainably manage the airport for years to come. Page 13



2017 Awards & Recognition



Best Airport in North America for eight consecutive years. And this just in: 2018 Best Airport in North America for a record nine years!



Overall Winner

Winner, 20–50 million passengers category
2017 World Routes Marketing Awards



Best Overall Corporate Governance

Best Practices to Enhance Boardroom Diversity
2017 Governance Professionals of Canada
Excellence in Governance Awards



11 years in a row



Director of the Year—Large Airports Category:
Craig Richmond



#1 airport in North America for sales per enplaned passenger



Inclusion Champion Award, Large Airport

Level 2 Airport Carbon Accreditation—Renewed

Best Green Concessions Concept

Marketing and Communications Awards

- 1st Place—Annual Report
- 1st Place—PR Campaign for YVR’s annual Greater Vancouver Board of Trade presentation
- Honourable Mention—Video and Film Production for YVR’s Master Plan
- Honourable Mention—Customer Service Technology Innovation for our Primary Inspection Kiosks
- Honourable Mention—Partnering with Concessionaires for Lift Bar & Grill
- Honourable Mention—Partnering with Carriers for Cathay Pacific’s FlyFancy contest



Airports Going Green Award



Corporate Champions—1st Place

2017 Awards & Recognition



Airport Upscale Dining Restaurant of the Year—Lift Restaurant
Airport Food & Beverage Conference and Awards



Most Sustainable Print Project—Gold Award
2016 Annual & Sustainability Report



Rising Star Award to YVR’s Candace McKibbin for her contribution to women in aviation



Healthy Workplace Award



Route of the Week—Air Canada: Vancouver to Melbourne

Route of the Week—Capital Airlines: Vancouver to Hangzhou, via Qingdao



Healthy Workplaces Extra Mile Awards—Platinum

Contents

07	Message from Mary Jordan: Chair, Board of Directors	66	Our Environment
08	Message from Craig Richmond: President & CEO	69	Instilling Excellence
09	2017 Highlights	72	Environmental Plan: Year 3
11	Creating a Connecting Hub	73	Reducing Emissions
13	Being a Leader in Sustainability	79	Reducing Waste
15	Delivering Remarkable Experiences	82	Reducing Potable Water Consumption
17	Building on Our Strong Foundation	85	Improving Ecosystem Health
19	Our Leadership	91	Our Community
20	Board of Directors	92	Our People
27	Executive Team	97	Health and Safety
28	An Ethical Workplace	101	Respect and Equality
32	Executive and Board Compensation	107	Connecting with Communities
35	Guidelines: Corporate Governance	112	Communications
42	Our Business	116	Appendix: Consolidated Financial Statements
47	Finances		
50	Air Services		
56	Commercial Services		
58	Business Units		
59	Supply Management		
64	Customer Care		

Message from Mary Jordan

Chair, Board of Directors



YVR is committed to serving British Columbia and in 2017 we did just that—forging strong partnerships, providing economic and social benefits and inspiring communities.

As a not-for-profit organization, YVR is committed to being an airport that reflects the needs of our region. We constantly look for ways to improve and in 2017 we found a great opportunity to involve the community through the third consultation phase of YVR's 20-year Master Plan. We received valuable feedback on how we can build a better airport, one that drives growth, supports B.C.'s economy and leads the world in sustainability.

Our unique governance model underpins our success. On June 21, we made airport history with the signing of the *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement*. The first of its kind, this historic 30-year agreement will ensure we work together to

manage the airport for years to come. And in November, we received Best Overall Corporate Governance and Best Practices to Enhance Corporate Boardroom Diversity at the 2017 Governance Professionals of Canada Excellence in Governance Awards. These awards are particularly important to me because they demonstrate that our Board reflects the communities we serve.

We continued to strengthen community ties, sharing the benefits of our growth. This included over \$1 million in contributions to a range of organizations such as the Pacific Salmon Foundation, BC Mobility Opportunities Society, Covenant House Vancouver and many more.

And we continued to lead the industry in environmental best practices. YVR received the Airports Going Green Award for our efforts to help business partners reduce their impact. We maintained Level 2 Airport Carbon Accreditation with Airports Council International and we retained our Salmon-Safe certification, demonstrating our commitment to restoring, protecting and enhancing our ecosystem. At the same time, we diverted 51 per cent of our terminal waste from landfill, surpassing our ambitious 2020 environmental management plan target.

I take great pride in YVR and am amazed at our many accomplishments. It is thus my pleasure, on behalf of the Board of Directors, to thank you for another fantastic year—a milestone for our passengers, partners and communities. We strive to deliver an exceptional airport, every day, and we could not do this without your support.

A handwritten signature in black ink, appearing to read 'Mary Jordan'.

Mary Jordan
Chair, Board of Directors
Vancouver Airport Authority

Message from Craig Richmond

President & CEO



2017 was an unprecedented year. We broke records, started work on ambitious expansions that will transform the airport and continued to connect B.C. proudly to the world.

YVR is in a period of incredible growth. In 2017, a record 24.2 million passengers travelled through our airport. These passengers had more destinations to choose from than ever before, with three new airlines—Interjet, Hong Kong Airlines and Flair Airlines—and a range of services from our partners including Cathay Pacific’s new Airbus A350-900 aircraft to Hong Kong and Air Canada’s new Boeing Dreamliner service to Melbourne.

To meet this growth, we launched Flight Plan 2037—an ambitious undertaking that consolidates our many plans and includes one of the largest and most aggressive airport development programs ever undertaken at YVR. Our teams got to work immediately: we introduced bussing operations, worked on a new long-term parking lot, started on our international terminal expansion and undertook preliminary work on a new Parkade and Central Utilities Building.

At the same time, we made YVR a more efficient and welcoming place. YVR’s new high-speed baggage system became fully operational, moving bags to anywhere in the terminal in under 30 minutes. We launched our Primary Inspection Kiosks, which reduce wait times for passengers at Customs. And we unveiled our Less Airport Stress Initiative (LASI) to much fanfare, giving passengers a chance to interact with friendly ambassador dogs throughout the terminal.

We continued to uphold the highest safety standards. In addition to undertaking annual runway and taxiway maintenance, our team completed Runway End Safety Areas (RESAs) on our South and Crosswind Runways. We also made history, completing the largest install of an apron LED lighting system in Canada—improving safety while reducing power consumption.

By far, the most memorable highlight of 2017 was the signing of the *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement*. More than anything, the Agreement is based on friendship. It’s a major step forward and I would like to thank Chief Wayne Sparrow and the Musqueam people for working with YVR to build a better airport for everyone.

To top it off, YVR won Skytrax for the eighth consecutive year in 2017 and we just received the award again for the ninth year in a row—a new record. This recognition is thanks to the YVR community, a diverse team of over 24,000 people that strives for excellence and believes in our airport. I would like to thank this team for a spectacular year. You truly go beyond and I am proud to be a part of your success.

A handwritten signature in black ink, appearing to be 'CR'.

Craig Richmond
President & CEO
Vancouver Airport Authority

2017 Highlights

2017 was an outstanding year for our airport. We reached many goals and milestones thanks to the guidance of YVR's three-year Strategic Plan (2015–2017). At the same time, we developed an ambitious new Strategic Plan, with bold targets for 2020 including 29 million passengers, 144 destinations and 327,000 metric tonnes of cargo. We delivered on the following key objectives under the 2015–2017 Strategic Plan:

- 11 Creating a Connecting Hub
- 13 Being a Leader in Sustainability
- 15 Delivering Remarkable Experiences
- 17 Building on Our Strong Foundation



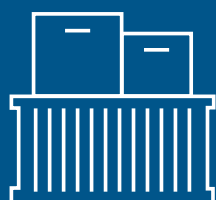
24.2m passengers

YVR's 2015–2017 Strategic Plan set an ambitious goal of 25 million passengers by 2020 and we are on track to surpass this target ahead of schedule. In 2017, YVR welcomed a record 24.2 million passengers thanks to the efforts of our partners, the great work from our team and the support of the travelling public.



127 destinations

YVR finished 2017 with direct access to 127 destinations worldwide, up from 125 in 2016. These destinations connect people and products with key markets in the Americas, Europe and the Asia-Pacific—spurring growth and innovation around the world. We thank our 56 airline partners for providing these key connections.



313,437 tonnes of cargo

2017 was a big year for cargo: 313,437 metric tonnes, a 10.8 per cent increase over 2016. This included a range of products—from prized B.C. fruit and seafood to high-tech products, apparel and much more.

Creating a Connecting Hub

To be a global hub, we have to constantly improve. In 2017, we completed new systems, launched new programs and worked with our partners to improve connections.



NEW BOARDING PROCESSES

YVR is experiencing incredible growth and, like other leading airports around the world, we are incorporating bussing operations. In 2017, we launched a passenger bussing initiative with two airline partners. To ensure we provided a seamless experience, we created a new bussing gate in our international terminal and provided several new high-end buses for passengers and crew. Passengers not only enjoyed the same terminal experience as non-bussing passengers, they also experienced minimal transfer times and walking—with pick-up at the gate and drop-off at Customs.

As YVR grows, we will continue to expand bussing operations. In 2018, we will implement Aviramps, which allow all passengers to board through a covered ramp. We also added seven electric buses. We will significantly increase our bussing capacity in our Transborder (U.S.) and International terminals, which will allow us to grow in a sustainable manner as bussing operations are not only efficient but also cost-effective, at a quarter the price of an attached gate. And our focus will always be on the customer, ensuring we deliver a great airport experience.

A big thank you to our 2017 bussing partners, who went beyond to ensure the bussing initiative was a success!

Creating a Connecting Hub (continued)

FASTER BAGGAGE TRANSFER

We greatly improved our ability to process baggage through the multi-year, Expedited Transfer Facilities project. Our team completed a new high-speed baggage backbone using TubTrax technology, which connects 25 kilometres of existing systems and can transfer a bag to anywhere in the airport in under 30 minutes. This creates a more reliable and efficient baggage experience for our partners and passengers.

SEAMLESS CONNECTIONS

We made great progress with YVR's International to Domestic Transfer Process (ITD), a procedure that allows passengers from select international destinations to connect to domestic flights without having to retrieve their baggage.

We commissioned a secure baggage inspection area for Canada Border Services Agency (CBSA) with passenger holding areas to expand the program to include all WestJet and Air Canada flights from the United States, European Union, United Kingdom and Australia. In addition, we conducted trials with Air Canada for additional regions including flights arriving from Tokyo, Beijing and Shanghai. Future plans include trialling more flights and regions, expanding eligibility and developing a new satellite primary inspection area to streamline the process.

We sincerely appreciate the support of CBSA, WestJet and Air Canada as we work together to improve the connection process at YVR.

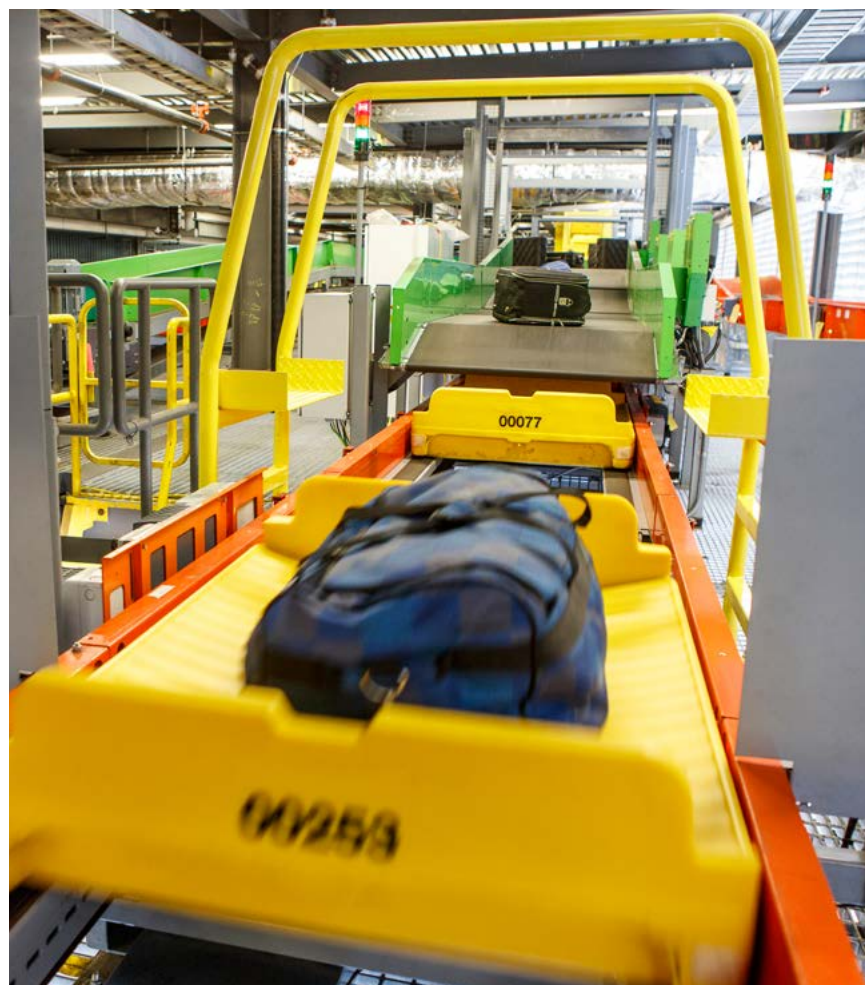
WORKING WITH GOVERNMENT PARTNERS

YVR is active with all levels of government and works closely with our representatives to ensure we develop the airport to reflect the needs of the community. In 2017 we continued to explore bilateral agreements, improve connecting processes and ensure efficient access to Sea Island for goods—while continuing to advocate against the share capitalization of Canadian airports.

CONNECTING WITH LOCAL GOVERNMENT

YVR has a responsibility to work closely with municipal, provincial and federal governments to ensure we address the needs of the region. This includes meeting with the City of Richmond on a monthly basis, annual presentations to municipalities throughout the Lower

Mainland, regular meetings with provincial and federal MPs and ongoing work towards informing and shaping legislation, regulations and policy. Our interactions in 2017 provided a valuable opportunity to engage decision-makers on ways to work with YVR on key initiatives such as our new 20-year Master Plan, YVR's future terminal expansion and our environmental management activities.



ASIA-LATIN AMERICA GATEWAY SUMMIT

YVR is well-positioned to be a major link between Asia and the Americas. To capitalize on this advantage, we hosted the first Asia-Latin America Gateway Summit on March 28–29, 2017. More than 90 decision-makers from industry and government gathered to discuss key themes such as emerging market opportunities, air access challenges, visa issues and transit connection policies. The successful Summit identified specific action items including removing visa restrictions for select markets, further developing air bilaterals, creating a unified tourism approach and improving the movement of cargo through new facilities. YVR continues to work closely with industry and government partners to deliver on these recommendations.

Being a Leader in Sustainability

YVR strives to be more than just an airport: we are an economic engine, a hub of innovation, a leader in environmental management and a community contributor.



YVR 2037 MASTER PLAN—PHASE 3

The YVR 2037 Master Plan is a 20-year roadmap that will help us meet future growth in a sustainable manner. It's the result of strong collaboration between YVR and our stakeholders, involving several consultation phases that focused on a shared vision. In 2017, we completed the third consultation phase, which included an online survey, a series of open houses and meetings where we asked for feedback on the plan's highlights. In December, we submitted the Master Plan and its corresponding Land Use Plan to the Minister of Transport for review and approval. We look forward to sharing our Master Plan and Land Use Plan upon receiving approval and want to thank you, our stakeholders, for the meaningful dialogue and your participation in building the future airport. Learn more at yvr2037.ca.

SUSTAINABILITY & FRIENDSHIP AGREEMENT

On June 21, we took a major step forward with the signing of the *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement*. The first of its kind, this 30-year agreement recognizes that, being on traditional Musqueam land, both YVR and Musqueam have a responsibility to work together to manage the airport for the benefit of everyone. The agreement includes a broad range of benefits such as revenue sharing, scholarships, new jobs, a commitment to identify and protect archeological resources and support for the airport's long-term development, which provides operational certainty. More than anything, the agreement is about fostering a real friendship and a sustainable future.



25,400 visitors
to yvr2037.ca



197 completed
surveys



5 stakeholder
meetings



3 open houses

Being a Leader in Sustainability (continued)

YVR SOCKS

YVR donated over \$1 million to a broad range of community organizations in 2017 including our new partner, Covenant House. We came up with the innovative YVR Socks program, under which we donate a pair of warm socks to at-risk youth for each purchase of our new YVR socks. The program was a big success: we sold 837 pairs of socks in a few weeks, donating 837 pairs to Covenant House in return. **Purchase your pair and help out at yvrsocks.ca.**



ENVIRONMENTAL MANAGEMENT PLAN: YEAR 3

2017 marked the third year of YVR's five-year Environmental Management Plan. This plan set ambitious 2020 targets, based on 2012 baselines, to reduce emissions, waste and potable water consumption while protecting ecosystem health. With passenger growth greatly exceeding our forecasts, YVR's 2017 progress was below expectations for two environmental targets. However, we are confident that our current and future initiatives will further improve our environmental performance.

Learn more about YVR's Environmental Management Plan on page 66.

REDUCING WASTE—A 51% DIVERSION RATE

In 2017, YVR maintained a 51% waste diversion rate—exceeding our 2020 target. There are many projects that contributed to this success including:

WASTE WARS

YVR promoted its waste reduction efforts through the Waste Wars program for the third year in a row. We worked with our food and beverage tenants to inspect their waste sorting facilities and practices, awarding points for best practices. The 2017 Waste Wars winners were:

Restaurant Category

1. Lift Bar & Grill
2. Hanami
3. Globe Fairmont Restaurant

Quick Service Restaurant Category

1. Starbucks—C Pier
2. Vino Volo—Transborder
3. A&W—Domestic

Congrats to all of our winners!



Delivering Remarkable Experiences

In 2017, we continued to deliver an exceptional airport for everyone—through new programs, products and services—while working towards major future expansions.



FLIGHT PLAN 2037

On January 18, we launched Flight Plan 2037—YVR’s ambitious future roadmap, developed in consultation with our airline partners, which consolidates our many plans under a vision of sustainable growth. Flight Plan is one of the largest and most aggressive development programs ever undertaken at YVR, with a range of projects that will help support the 35 million passengers expected to travel through YVR annually by 2037. In 2017, we started work on many of these projects including an international terminal expansion, a new Parkade, a Central Utilities Building, a long-term parking lot and more. Key to this roadmap is the incremental approach to expansion, which will allow YVR to grow in a sustainable manner. Thank you for your patience as we work to build a better airport for everyone!

For more information on the latest Flight Plan projects, including updates on construction, please visit yvr.ca/construction.

BORDERXPRESS™



1,300+ kiosks sold

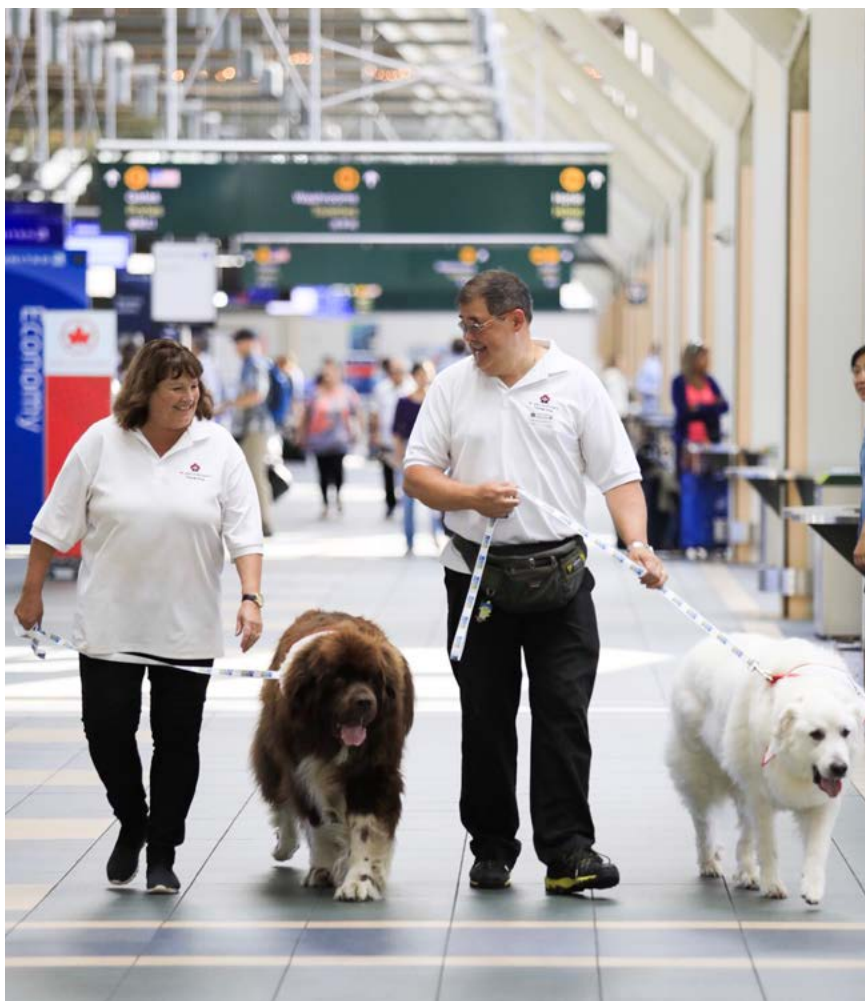


39 airport and seaport locations

YVR’s BORDERXPRESS™ self-service kiosk technology reached new milestones in 2017. We continued to lead the global market, having sold over 1,300 kiosks to 39 airport and seaport locations in North America, the Caribbean and Europe. This included 374 kiosks sold in 2017, a 40 per cent increase over 2016, with new airport contracts in Europe, the United States, the Caribbean and the Pacific. We went live with our kiosks in Barbados, trialled the technology with the Cypriot government and completed the first-ever installation of kiosks on a passenger ship as part of a successful two-month pilot with America Cruise Ferries.

In addition, we expanded BORDERXPRESS™ to meet the requirements of Canada Border Service Agency’s new Primary Inspection Kiosk (PIK) program—making us the first major Canadian airport to do so. These self-service kiosks are capable of processing nearly all international travellers and have greatly reduced wait times through their user-friendly interface.

Delivering Remarkable Experiences (continued)



Air Canada Maple Leaf Lounge

Air Canada revealed its beautifully renovated Maple Leaf Lounge, located across from the security lanes in our International Terminal. The new space features contemporary Canadian architecture, inspired local cuisine and a range of amenities including spa-inspired shower rooms.

LESS AIRPORT STRESS INITIATIVE

We treated our passengers to an enjoyable stress-relief strategy through the Less Airport Stress Initiative (LASI), a pilot program with St. John Ambulance that includes YVR Ambassador Dogs throughout the terminal. The program has been a big success and we are looking forward to exploring future options for its expansion.

NEW LOUNGES

We are committed to delivering a comfortable terminal experience and in 2017 we were proud to announce two new lounges from our partners:



SkyTeam Lounge

SkyTeam opened its first lounge in the Americas at YVR. The new lounge provides SkyTeam member airline passengers with a panoramic view of the runway and mountains while offering a luxurious pre-flight experience with local flavours, dedicated work stations and showers. SkyTeam member airlines serving YVR are Aeroméxico, Air France, China Airlines, China Eastern, China Southern, Delta Air Lines, KLM Royal Dutch Airlines, Korean Air and Xiamen Airlines.

Building on Our Strong Foundation

YVR's success is the result of a dedicated team, whose hard work ensures we uphold an excellent reputation. In 2017, we continued work on key projects that ensure we deliver a safe and efficient airport for everyone.



EMERGENCY EXERCISE

YVR constantly improves its Emergency Management Plan and tests its three principles—plan, prepare, practice—by hosting a range of emergency exercises on a regular basis. On April 24, we hosted our large-scale, biannual emergency exercise with 24 agencies and 600 participants on Sea Island. For the first time, we held two separate but coinciding incidents: a security threat and an airplane crash, which allowed us to test the plan in extreme circumstances. The exercise provided a valuable training opportunity for YVR and its partners. Our team gained broad insights including the need to establish clear communication channels, the importance of prioritizing information and effective first response.

ENTERPRISE RISK MANAGEMENT SYSTEM

YVR's Enterprise Risk Management (ERM) system helps safeguard the achievement of strategic and business objectives by identifying and mitigating a broad range of risks. It has become a key component of our organizational culture, embedded into every-day planning through our Board and Executive Team. In 2017, we continued to work on the ERM system, developing a risk appetite statement and a set of risk tolerance thresholds for the organization. We also developed enhanced reporting for the Board and updated the risk register on a monthly basis to help monitor risks, develop action plans and improve reporting.

As a subset of the ERM program, our Business Continuity Plan (BCP) provides an overall framework for managing business resumption efforts following any major incident affecting YVR's operations. The BCP facilitates timely recovery strategies from disruptions that affect critical business functions essential to moving people, bags and planes. We implemented the BCP framework in 2017 and continue to develop specific contingency and recovery plans for those critical functions with the highest impact to our core business.



Building on Our Strong Foundation (continued)



INFRASTRUCTURE UPGRADES

Lighting

In 2017, YVR completed the largest installation of an Apron LED lighting system in Canada. We worked with BC Hydro to develop the new adaptive system—a first for North America—saving 715,000 kilowatt hours per year or the equivalent of powering 72 residential households. The new system features a patented glare control technology and provides a brighter, safer work environment for pilots, air traffic controllers and ground crews.

In addition to our new Apron LED system, we piloted a new airfield lighting technology, Contactless Energy & Data Distribution (CEDD), as part of the Runway End Safety Area project on the South Runway. This new technology is not only efficient, with a wiring structure that is less prone to interference than a traditional wiring system, but also saves considerable power through its efficient current system.



715,000 kWh hours saved annually—equivalent of powering 72 houses.

Runway End Safety Areas

Our commitment to airfield safety continued to improve in 2017 with the completion of Runway End Safety Areas (RESAs) on our South and Crosswind runways. As their name implies, RESAs improve safety in the unlikely event an aircraft lands short or overshoots. We have invested \$150 million to build 300-metre RESAs on all our runways, double the length of the proposed Canadian standard. We will start work on the North Runway RESAs in 2018.

Dyke Upgrades

YVR is aware of the risks climate change presents to the community. We are part of an inter-jurisdictional initiative to develop a coordinated flood management strategy for the lower Fraser River. To safeguard against future flooding, YVR has invested significant resources into a multi-year program to further protect Sea Island by raising dyke levels to 4.7m geodetic—a new height standard. The program started in 2014 and in 2018 we will be raising another 1 km section of dyke on the South Dyke Road.

Taxiway and Runway Repairs

We undertook a range of taxiway and runway repairs in 2017. This included a large, coordinated effort to resurface a 30-metre strip down the centre of the South Runway during the summer. During this process, we also resurfaced areas where the South Runway intersected the Crosswind Runway and high-speed taxiways.

Our Leadership

At the core of YVR's success is a strong leadership team, whose vision inspires us to deliver an exceptional airport experience—every day.

- 20 Board of Directors
- 27 Executive Team
- 28 An Ethical Workplace
- 32 Executive and Board Compensation
- 35 Guidelines: Corporate Governance

Board of Directors

YVR's community-based Board of Directors provides stewardship for Vancouver Airport Authority and seeks to foster the long-term success of the airport. The Board's fundamental responsibility is to ensure that Vancouver Airport Authority fulfills its role in a safe, efficient and sustainable manner. Our Board reviews and approves the Strategic Plan, long-term financial plans and annual budgets. It also selects the President & 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*. The Board follows the *Board of Directors Governance Rules and Practice Manual*, available at yvr.ca/boardmanual, which includes terms of reference, guidelines and policies.



Mary Jordan

Chair, Director at Large

Mary Jordan has spent more than 20 years in the airline industry, holding senior executive positions with American Airlines, Canadian Airlines and Air Canada.



Craig Richmond

President & Chief Executive Officer,
Vancouver Airport Authority

In addition to his role as President & CEO of Vancouver Airport Authority, Craig Richmond has an extensive aviation background, including being CEO of six airports in three countries.



Joseph Caron

Director at Large

Joseph Caron has extensive experience providing strategic counsel to Asian and Canadian businesses and has held top diplomatic positions including Canada's Ambassador to China.



John Currie

Chartered Professional
Accountants of British Columbia

John Currie is a respected business leader, with previous experience as Executive Vice President and CFO of lululemon athletica Inc. and CFO of Intrawest Corporation.



Anna Fung

Law Society of British Columbia

Anna Fung has served as Vice President, Legal and General Counsel at TimberWest Forest Corp. and Counsel and Chief Privacy Officer at Intrawest ULC. She is currently serving as a full-time Commissioner of the British Columbia Utilities Commission.



Kenneth Goosen

Engineers and Geoscientists
British Columbia

Kenneth Goosen has more than 30 years of experience in senior management, engineering and operations positions with Canada's major airlines.

Board of Directors (continued)



Howard Jampolsky
City of Richmond

Howard Jampolsky is a local entrepreneur whose business interests include Scadax Automation Corp., which provides remote monitoring and control systems for the water and waste industry.



Annalisa King
Director at Large

Annalisa King is one of Canada's most respected business executives, recognized in 2012 as BC's CFO of the Year and inducted into Canada's Most Powerful Women: Top 100 Hall of Fame.



Kenneth Martin
Greater Vancouver Board of Trade

Kenneth Martin brings more than 20 years of CEO and senior leadership experience in the U.S. and Canada to his role on the YVR Board.



Kush Panatch
Government of Canada

Mr. Panatch brings over 25 years of knowledge in development, finance, marketing, construction and environmental legislation and is the principal and owner of Panatch Group, which specializes in real estate investment and development.



Gerri Sinclair
Director at Large

Dr. Gerri Sinclair's career encompasses more than 20 years in the internet and new media technology, entrepreneurial business, academic research and education and government policy.



Tamara Vrooman
City of Vancouver

As President & CEO of Vancity, Tamara Vrooman has many achievements including leading Vancity to become the first carbon-neutral financial institution in North America.



Wayne Wright
Metro Vancouver (GVRD)

Wayne Wright served as Mayor of New Westminster from 2002 to 2014. For more than 30 years, he supported local organizations and was named "New Westminster's Citizen of the Year."



YVR would like to extend a sincere thank you to George Cadman, who retired from YVR's Board of Directors in 2017. We appreciate your exemplary service and wish you the best in the future!

Board of Directors (continued)

ABOUT THE BOARD

The Board has four committees:

The Finance and Audit Committee ensures that Vancouver 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 reviews the Strategic, Financial and Capital Plans and plays a lead role in identifying major business risks and reviewing the Enterprise Risk Management system.

The Governance Committee is responsible for ensuring that our Board’s governance practices enhance corporate performance and that we remain transparent and accountable. It develops a long-term plan for the composition of the Board and annually reviews Vancouver Airport Authority’s stakeholder relationship activities. The Governance Committee also reviews the plans and programs used to ensure that the Airport Authority remains environmentally responsible and in compliance with applicable environmental law and regulation.

The Human Resources and Compensation Committee guides Vancouver Airport Authority’s long-term talent strategy and oversees the human resources and compensation policies, ensuring there is a plan for the development and orderly succession of executives and other key employees. It also assists the Board with regard to its role in the oversight of organizational culture.

The Planning and Development Committee assists the Board in meeting its responsibility for long-range planning including strategic, master and capital plans. It reviews the sustainability case, 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.

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.

NOMINATING ENTITIES

Our Board currently has 14 directors: nine nominated by nominating entities, four appointed by the Board from the community at large and one seat held by the President & CEO of Vancouver Airport Authority. Our nominating entities include:



Board of Directors (continued)

Except for the President & CEO, all directors are independent. They have no direct or indirect material relationship with Vancouver 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 Vancouver Airport Authority.

Each nominating entity has its own nomination process. The nominating entities may not nominate a person in their employment. In addition, persons holding or nominated for an elected office are ineligible.

ENGAGEMENT WITH NOMINATING ENTITIES AND STAKEHOLDERS

The Board ensures that Vancouver Airport Authority pro-actively engages with our nominating entities and other stakeholders. To foster positive outreach with the nominating entities, nominated directors establish an annual communications plan with their nominating entity. The process is set out in Tab 13, Communications Plan with Nominating Entity, of our Board 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 Vancouver 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 our Board Manual. Numerous examples of community engagement can be found throughout the body of this report.

BOARD SUCCESSION PLANNING AND DIVERSITY

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 nominations and the Board when looking to fill at-large vacancies. The first part of the Matrix, reproduced below, lists Essentials. All directors are expected to have the 10 included skills.



Board of Directors (continued)

BOARD SKILLS AND EXPERIENCE MATRIX: ESSENTIALS

Integrity and Accountability	<ul style="list-style-type: none"> – Demonstrated integrity and high ethical standards both in personal and professional dealings. – Willing to act on, and remain accountable for, decisions made in the boardroom.
Conflict of Interest	<ul style="list-style-type: none"> – No real or perceived conflicts that are not easily satisfied through disclosure or exclusion from particular issues. This is verified annually.
Time Availability	<ul style="list-style-type: none"> – Ability to devote the required time for preparation before, and participation at, Board and committee meetings.
Financial Literacy	<ul style="list-style-type: none"> – Competent in understanding financial matters and statements. – Familiar with current accounting processes used to evaluate a corporation's financial performance.
Strategic Insight	<ul style="list-style-type: none"> – Capable of contributing to Board work on identifying key trends, assessing risks and opportunities. – Skilled in providing insight and suggestions in making strategic decisions, including encouraging innovation and focusing YVR's strategic vision.
Board Experience	<ul style="list-style-type: none"> – Service on the Board of a large corporation, preferably with experience as committee chair. – Experience with other types of Boards (e.g. community and not-for-profit) or as CEO reporting to a Board.
Leadership	<ul style="list-style-type: none"> – Ability, shown by prior actions, of taking into consideration all stakeholders as part of making sound business decisions. – Ability to set "tone at the top" and promote a positive Board culture – An understanding of current best practices in corporate management in complex, rapidly evolving business environments.
Risk Management	<ul style="list-style-type: none"> – Understanding of, and experience with, modern enterprise risk management systems and programs.
Informed Judgment	<ul style="list-style-type: none"> – Ability to communicate wise, thoughtful counsel on a broad range of issues helpfully.
Mature Confidence	<ul style="list-style-type: none"> – Ability to facilitate superior Board and team performance by demonstrating respect for others. – Places a premium value on collective achievement over individual performance.
High Performance Standards	<ul style="list-style-type: none"> – High standards for self and others reflected in a record of achievement.
Diversity	<ul style="list-style-type: none"> – The Board should be reflective of the community we serve in terms of the categories identified in the <i>Employment Equity Act</i>: Women, Visible Minorities, Aboriginal Peoples and Persons with Disabilities. In addition the Board should include a diversity of ages and consider directors resident in B.C. communities from outside the Lower Mainland.

Board of Directors (continued)

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

Aviation/Air and Other Transportation Industry Experience	<ul style="list-style-type: none"> – 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.
Senior Executive Experience	<ul style="list-style-type: none"> – Chief Executive Officer, Chief Operating Officer, Executive Vice President or Senior Vice President of a large corporation.
Financial Experience	<ul style="list-style-type: none"> – Chief Financial Officer or senior financial executive of a large corporation. – Senior Audit Partner with one of the major Canadian audit firms. – Corporate finance leadership, including investment banking, mergers and acquisitions, and other complex financial transactions.
Retail Experience	<ul style="list-style-type: none"> – Senior executive, in particular: direct to consumer sales, shopping centre design development and management.
Land or Project Development Experience	<ul style="list-style-type: none"> – Senior executive, oversight and/or project management of large capital projects from inception to completion. – Complex engineering, multi-sourced financing projects including public, government and environmental approval processes.
Digital and Technology Experience	<ul style="list-style-type: none"> – Senior leader, digital universe, information technology, social media, e-commerce, cybersecurity, new economy, business intelligence and analytics and their application in for-profit businesses.
International Experience	<ul style="list-style-type: none"> – Considerable work outside Canada, global business and marketing. – Extensive relevant contacts. – Strong credibility with the Canadian government as a senior international business person.
Government Relations and Community Service	<ul style="list-style-type: none"> – 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. – Experience serving within and leading charitable organizations.
Customer Service Experience	<ul style="list-style-type: none"> – 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.

Board of Directors (continued)

BOARD SKILLS AND EXPERIENCE MATRIX: DESIRED SKILLS AND EXPERIENCE (CONTINUED)

Compensation & Human Resources Experience	<ul style="list-style-type: none">– Senior human resource executive in a large corporation: knows executive compensation, performance management systems, succession planning and development.– Senior partner in a recognized compensation or human resource consultancy.
Legal Experience	<ul style="list-style-type: none">– 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.
Tourism Marketing	<ul style="list-style-type: none">– Senior executive with experience in tourism marketing. In particular, experience in Asian and other international markets.
Corporate Sustainability and Environmental Responsibility Experience	<ul style="list-style-type: none">– Senior executive responsible for health and safety in a large manufacturing or industrial company.– Large corporation involvement in environment, sustainability, community and communications.– Public issues management.

DIVERSITY

Our Board believes that its composition should reflect the rich diversity of the communities we serve. The Board identifies diversity as an essential element in attracting qualified directors and maintaining a high-functioning Board. Under the Policy, our Board aspires to achieve a target of having at least half our Board members being made up of individuals from the four designated groups identified in our governing legislation: women, visible minorities, persons with disabilities and aboriginal persons. We welcome other aspects of diversity such as ethnicity, age, nationality, sexual orientation and geographic location. The average age of our current directors is 60. The chart below reports the current makeup of the Board with regard to the four groups.

BOARD DIVERSITY	NUMBER	%
Women	5	38
Visible Minorities	2	14.3
Persons with Disabilities	0	0
Aboriginal Persons	0	0

The *Board Diversity Policy* also charges the Board with monitoring management’s implementation of its workforce diversity policy. Information on employment equity in the workforce and in management can be found in the Respect and Equality section on page 101.

Executive Team

Our Executive Team guides almost 500 employees, whose goal is to operate the airport in a safe, efficient and reliable manner.



Craig Richmond

President & Chief Executive Officer,
Vancouver Airport Authority



In 2017, Airport Revenue News recognized Craig Richmond as Director of the Year – Large Airport Category for his outstanding contributions to aviation.



Glenn McCoy

Senior Vice President,
Strategy and Chief Financial Officer



In 2015, Business in Vancouver and the Chartered Professional Accountants of BC recognized Glenn McCoy as CFO of the year for Publicly Accountable Enterprises.



Michele Mawhinney

Vice President,
Human Resources and
Supply Management



Don Ehrenholz

Vice President,
Engineering and
Environment



Argiro Kotsalis

Vice President, Legal,
General Counsel and
Corporate Secretary



Steve Hankinson

Vice President,
Operations and
Maintenance



Anne Murray

Vice President,
Marketing and
Communications



Lynette DuJohn

Vice President,
Information Technology
and Chief Digital Officer



Scott Norris

Vice President,
Commercial Development

An Ethical Workplace

We expect our team to conduct themselves in accordance with the highest standards.

SOCIAL POLICY

YVR is committed to being a socially responsible organization. This means articulating our philosophy in the areas of social, economic and environmental practices with the goal of increasing awareness about Corporate Social Responsibility (CSR) amongst our employees (domestically and internationally located), stakeholders, customers and communities.

We want to be an organization that British Columbians can be proud of and an airport that is considered a leader of CSR practices. In defining our *Social Policy*, we embrace the United Nations Global Compact and the ISO26000 standards. YVR is committed to measuring, auditing and sharing our performance on CSR practices. Our *Social Policy* and related programs are the direct responsibility of the President & CEO and the Executive Team and are managed through our Social Management System. The Board of Directors oversees the conduct of the organization and ensures the President & CEO and the Executive Team are monitoring and enforcing compliance.

We have articulated our *Social Policy* commitments in seven areas:

1. Adherence to sound corporate activities—Business Ethics and Transparency
 - Comprehensive Enterprise Risk Management that reduces risk and sets action plans
 - Transparent and sound governance practices
 - Strong fiscal responsibilities
 - Public accountability
 - Political neutrality
 - Commitment to ethics through training and supporting policies
2. Respect for human beings
 - Uphold and promote Canadian Human Rights in all regards
 - Respect for diversity and individual human rights
 - Positive Indigenous Peoples engagement
 - Commitment against child labour
3. Consideration of our Supply Chain
 - Pursue total compliance of Supplier Code of Conduct
 - Fair and open procurement processes
 - *Sustainable Purchasing Policy*
4. Positive employee relations
 - Fair treatment of employees with dignity and consideration
 - A diverse and equitable workforce
 - Fair labour practices as defined by the International Labour Organization
 - Safe and healthy work environment
 - Support for individual development and training
 - Effective Safety management system
 - Health and Wellness program, which includes financial incentives
 - Respect for the employees' freedom to associate and participate in a union
5. Protection of the natural environment
 - Development and enactment of an Environmental Management Plan with set targets
 - Proactive engagement to mitigate impacts on the environment, specifically in the area of greenhouse gas emissions, water consumption and waste management
 - Commitment to being recognized as a leader of sustainability in the aviation industry
 - Green Commuter Program with financial incentives to encourage employees to support reductions in greenhouse gas emissions

An Ethical Workplace (continued)

6. Support for Community and Consumer
 - Strong commitment to transparent and effective public engagement
 - Responsive communications
 - Financial support for community initiatives including an employee-matching donation program
 - Support through employment and economic opportunities
7. Communication
 - Commitment to open, honest and timely communication
 - Effective and responsive media relations and social media
 - Publicly available annual results and financial statements

SOCIAL MANAGEMENT SYSTEM

Vancouver Airport Authority's Social Management System demonstrates how we will uphold our *Social Policy*. It encompasses all of the programs, processes and systems that ensure we are meeting the criteria outlined in ISO2600. It addresses the Policy's seven focus areas—sound corporate practices, respect for human beings, consideration of supply chain, positive employee relations, protection of the natural environment, support for the community and communication—through numerous policies, procedures and systems that ensure we are meeting our commitments and regulatory requirements.

YVR's Social Management System is broad and encompasses a large portion of our programs and actions—as seen throughout this report. For instance, to maintain sound corporate practice the Social Management System includes annual, third-party financial audits, the *Board Diversity Policy*, the Code of Conduct and mandatory business ethics training. It includes a Sustainable Purchasing Program and Supplier Code of Conduct to demonstrate our commitment to the supply chain. It includes a *Competition Compliance Policy* and training to ensure we comply with applicable competition laws. And to ensure that we protect the natural environment, it includes our five-year Environmental Management Plan and our *Safety, Security and Environmental Policy*.

For more information on YVR's Social Management System, including a full description of its programs and procedures, please visit yvr.ca/2017.

YVR's Sustainability Working Group, chaired by the Vice President of Human Resources, is responsible for overseeing the Social Management System and monitoring the policies and programs under our *Social Policy*. The committee sets targets, monitors performance and reports its findings and recommendation to our Executive Team.

If an area of non-compliance under the Social Management System is identified in the daily course of business, it is addressed as per its governing policy or system. An annual review of adherence to the *Social Policy* is included in the development of the Annual & Sustainability Report where areas of non-compliance and the associated mitigation actions are reported.

CODE OF ETHICS

Vancouver Airport Authority is committed to ethical practices throughout our organization. In order to ensure that we remain at the forefront of best practices, we created a new, comprehensive Code of Ethics in 2017 to act as a reference guide for key issues like ethics, business judgment and general conduct.

Our Code of Ethics plays an important role in ensuring we meet our *Social Policy* objectives. We introduced the Code of Ethics to employees following its completion at the end of 2017 and encouraged employees to read and comply with the Code and report instances of non-compliance as necessary. In 2017, we did not have any violations of the Code.

CORPORATE POLICIES

As required under Canadian Aviation regulations (CARS), YVR implements an effective Safety Management System—a system of reporting information related to acts, deficiencies, hazards, or occurrences that threaten safety, security or the environment. Under our *Non-Punitive Reporting Policy*, we encourage employees to self-report on unintentional errors and safety hazards, as the root causes and lessons learned can help improve safety for everyone.

An Ethical Workplace (continued)

YVR's internal *Whistleblower Policy* provides a framework to report any perceived wrongdoings. Overseen by our Vice President Legal and our Internal Audit team, the Policy offers several options: reporting to superiors, reporting anonymously through our Safety Management System or calling a 24-hour hotline, managed by an independent third party. YVR shares this policy with employees and select vendors. There were no complaints reported in 2017 through the *Whistleblower Policy*.

INTERNAL AUDITING

Reporting to the Board's Finance and Audit Committee, YVR's Internal Audit Department provides independent and objective assurance as to whether risks are being managed to acceptable levels. The Department provides risk-based advice and insight to enhance and protect organizational values and develops an annual risk-based audit plan that includes assurance on the effectiveness of the Enterprise Risk Management program and the Safety Management System. It also performs post-project reviews, assists in investigations of suspected fraudulent activities and conducts continuous audits of core policies, such as our *Expense Reimbursement Policy*, and assesses Vancouver Airport Authority's compliance with applicable regulation and contractual obligations.

GLOBAL RISK MANAGEMENT

As YVR becomes increasingly interconnected to countries around the world through our marketing, air service development and innovative technology efforts, we recognize the need to understand and mitigate risks associated with new global opportunities. We developed a scalable and sustainable Global Risk Management Program to help protect the critical elements of YVR's global activities—our people, our assets, our operations and our business reputation—in accordance with prevailing political, security, integrity and other key risks. The Global Risk Management Program provides a due diligence framework from which we assess potential international business activities, including weighing such opportunities against a risk assessment by country. A regularly updated matrix now informs new opportunities based on geopolitical and related

risks. YVR also developed an *Anti-Corruption Policy* to govern its business activities at home and abroad, and organized workshops in 2017 to train its management team on the new policy. Additionally, in order to ensure our staff travelling for work are as supported as if they were in the office, we created a Global Crisis Management Strategy. The plan is intended to facilitate an appropriate response should a team member find themselves in a global or personal crisis while away on business travel. A standard operating procedure outlines the notification and response tactics and identifies different triggers for escalation. The Global Risk Management program also offers immediate travel SOS service for employees travelling on company business.

PRIVACY MANAGEMENT PROGRAM

For a number of years, Vancouver Airport Authority has had comprehensive policies and protocols aimed at complying with the applicable laws relating to private information belonging to our employees, our passengers and our business partners. As a private federal organization, Vancouver Airport Authority is subject to federal privacy legislation, specifically the *Personal Information Protection & Electronic Documents Act*. We care strongly about upholding privacy laws—this is in keeping with our corporate values of trust and accountability. Privacy matters are overseen by our Vice President Legal, in her capacity as Privacy Officer, as well as a Privacy Committee comprised of the Privacy Officer, Vice President Human Resources and Supply Management, Vice President Operations and Maintenance and Vice President Information Technology and Chief Digital Officer.

Throughout 2017, we continued to build on the strong existing foundation, developing an expanded framework for our Privacy Management Program with the goal of making it even more robust and comprehensive. Some of the elements of the expanded Privacy Management Program are as follows:

- Cyber Security / Privacy Team—recognizing that privacy and cyber security go hand-in-hand, we have put together a cross-departmental team (Legal, IT,

An Ethical Workplace (continued)

- Operations/Security, Communications, HR) to respond to privacy breaches, to be supported by external legal counsel.
- Expanded Policies—we rolled out a new *Technology Use Policy* and we continued to develop a new *Privacy Breach Policy*. Another new policy created in 2017 was the *Privacy Policy—Personal Information: Employees*, which educates and directs employees on proper handling of personal information, and we began customized departmental training on the same topic, which will continue through 2018.
 - Data-Mapping—in order to understand the information life cycle for each type of personal information that we collect, we are applying a data-mapping approach to proactively answer questions about the personal data we are entrusted with safeguarding.
 - Incident Response Plan—in the event of a privacy breach, we would immediately engage the Cyber Security/Privacy Team to contain the breach, evaluate the risks of the breach with reference to our applicable data-mapping, notify appropriate individuals and if necessary the Canadian Privacy Commissioner and affected customers or employees and mitigate the immediate breach.
 - Training and Testing—we developed mandatory privacy and cyber awareness training computer modules and rolled them out to employees in summer 2017. The training is available to new employees at the beginning of their employment and on an annual basis for all other employees.



Executive and Board Compensation

It's paramount that YVR remain an economic generator, a jobs creator and a sustainable and fiscally responsible airport for British Columbia. To ensure YVR remains a global leader, Vancouver 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 targets in the Strategic Plan inform the incentive measures that are core to YVR's executive compensation program. The key elements to the executive compensation program are base salary and incentive compensation, with short-term (one year) measures that include individual performance objectives and long-term (three year) measures.

INCENTIVE MEASURES

The short-term incentive plan measures focus on net operating margin, customer satisfaction, employee engagement, our reputation within the community and operating costs per enplaned passenger. The results are determined based on audited financial information and through surveys conducted by independent, third-party firms.

The long-term incentive plan measures are based on a rolling cycle that measures performance over three years. The measures are based on continued performance in passenger growth, sustainability leadership and a financial management/interest coverage ratio. The incentive plan incorporates the aspirational goal of sustainability leadership compared to other international airports and local organizations. This leadership position is measured by an independent firm. The long-term incentive plan also includes environmental performance measures for reductions in greenhouse gas emissions, water usage and airport waste.

In addition, the Human Resources and Compensation Committee and the Board review the individual objectives set annually for the President & CEO and each executive. Performance on these objectives is part

of the short-term incentive award calculation and also influences salary increase decisions.

EXECUTIVE COMPENSATION PEER GROUP

To monitor the competitiveness of executive pay levels, Vancouver Airport Authority is compared to three peer groups:

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

Vancouver 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.

EXECUTIVE COMPENSATION REVIEW PROCESS

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

EXECUTIVE COMPENSATION

The salary range for the President & CEO is \$388,000 to \$582,000, with a midpoint of \$485,000. The salary range for the Senior Vice President is \$260,000 to \$390,000, with a midpoint of \$325,000. For Vice Presidents the range is \$188,000 to \$282,000, with a midpoint of \$235,000.

Executive and Board Compensation (continued)

All executives participate in the short-term incentive plan. Under the short-term plan, 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 Senior Vice President and Vice Presidents have a target opportunity of 30 per cent of base salary and a maximum opportunity of 45 per cent of base salary.

All executives also participate in the long-term incentive plan. This plan has 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 are paid.

In 2017, the average base salary increase for executives was 2.6 per cent, along with other adjustments to increase salaries further within the salary range for certain executives to reflect development in their role, positioning of their salary relative to the market, or internal pay equity. In addition to the programs described above, the executives participate in standard health, retirement and perquisite programs.

DIRECTORS' REMUNERATION

The Governance Committee reviews directors' compensation every two years with the assistance of an independent compensation consultant. The consultant provides market compensation data and advice on industry best practices. In late 2015, the Board approved the retainer and meeting fee structure for both 2016 and 2017. 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 Vancouver Airport Authority's 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 B.C. 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.

Executive and Board Compensation (continued)

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 2017 is set out in the table below.

Annual Retainer	Chair	\$175,000
	Directors	\$30,000
Additional Retainer for Committee Chairs	Chair Finance and Audit Committee	\$8,000
	Chair other Board Committees	\$6,500
Board and Committee meeting attendance fee		\$1,400
Other meetings fee		\$ 700

Directors are also reimbursed for 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 2017 to each director was as follows:

M. Jordan ¹	\$175,000	A. King	\$65,292
G. Cadman ²	\$37,608	K. Martin	\$64,300
J. Caron	\$55,900	K. Panatch	\$60,800
J. Currie	\$72,300	G. Sinclair	\$59,400
A. Fung	\$60,100	T. Vrooman	\$68,000
K. Goosen	\$70,800	W. Wright	\$63,600
H. Jampolsky	\$58,700		
Total	\$911,800		
Average ³	\$61,400		

1 Our Chair receives an annual retainer only for her work on the Board and does not receive any additional meeting fees.
2 Mr. Cadman retired from the Board in May 2017.
3 Excludes the salary for the Chair of the Board of Directors.

In addition to the above remuneration, directors were reimbursed for expenses totalling \$10,384.13 in 2017.

Per the policy set out above, the Governance Committee reviewed directors’ compensation for the years 2018 and 2019 in late 2017. No change was made to the Chair’s salary or meeting fees, which remain comparable to the market. However, an adjustment was made to the directors’ annual retainer and to the additional retainer for Committee Chairs. The remuneration schedule for non-management directors beginning on 1 January 2018 is set out below:

Annual Retainer	Chair	\$175,000
	Directors	\$35,000
Additional Retainer for Committee Chairs	Chair Finance and Audit Committee	\$9,000
	Chair other Board Committees	\$7,500
Board and Committee meeting attendance fee		\$1,400
Other meetings fee		\$ 700

Guidelines: Corporate Governance

DIRECTOR ETHICS AND CODE OF CONDUCT

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/boardmanual.

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. We confirm that all directors complied in all material respects with the rules concerning conflicts of interest in 2017.

DISCLOSURE

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
1. The Board of Directors Disclose independent directors and whether or not majority are independent. <ul style="list-style-type: none">– Directors who are not independent and explain.– If independent directors hold regularly scheduled meetings at which members of management are not in attendance.– If the Chair of the Board is an independent director, the identity of the Chair and his or her responsibilities.– Disclose the attendance record of directors.	<ul style="list-style-type: none">– All directors are independent with the exception of the President & CEO, who is an employee and executive officer of Vancouver Airport Authority.– Independent directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2017. This included eight regular Board meetings and 20 Committee and 13 Task Force meetings. In addition, the Finance and Audit Committee, which consists entirely of independent directors, holds separate in-camera sessions with the External Auditor and the Internal Auditor at each meeting they attend.– 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>.– The Governance Committee reviews the Chair's Terms of Reference annually.– The Governance Committee reviews director attendance annually. In 2017, there were 28 meetings of the full Board and Board Committees as well as the Annual Public Meeting, two Board Workshops and the Board Retreat. The Board had an average attendance rate of 96 per cent.

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
2. Board Mandate <ul style="list-style-type: none"> – Disclose the text of the Board’s written mandate. 	<ul style="list-style-type: none"> – The Administrative Guidelines and Terms of Reference for the Board can be found at Tabs 2 and 3, respectively, in the Board’s <i>Governance Rules and Practices Manual</i>.
3. Position Descriptions <ul style="list-style-type: none"> – Whether the Board has developed written position descriptions for the Chair and the Chair of each Board Committee. – Whether the Board and CEO have developed a written position description for the CEO. 	<ul style="list-style-type: none"> – The Terms of Reference for the Chair (Tab 4), Guidelines for Committees (Tab 15b) and Terms of Reference for each individual Committee (Tabs 15c to 15f) can be found in the Board’s <i>Governance Rules and Practices Manual</i>. The latter two effectively guide the Committee Chairs. – The Terms of Reference for the President & CEO can be found at Tab 5 in the Board’s <i>Governance Rules and Practices Manual</i>.
4. Orientation and Continuing Education <ul style="list-style-type: none"> – What measures the Board takes to orient new directors regarding the role of the Board, its committees and its directors and the nature and operation of the corporation’s business. – What measures the Board takes to provide continuing education for its directors and how the Board ensures its directors maintain the skill and knowledge necessary to meet their obligations as directors. 	<ul style="list-style-type: none"> – The orientation and continuing education programs are described in Tab 8, Director Development and Education Plan, in the Board’s <i>Governance Rules and Practices Manual</i>. – 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 Vancouver Airport Authority in the near to medium term. The orientation program also includes a briefing on the governance structure and 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.

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
<p>5. Ethical Business Conduct</p> <ul style="list-style-type: none">– Whether the Board has adopted a written code of conduct, how an interested party may obtain a copy and how the Board monitors compliance with its code.– Any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.– Any other steps the Board takes to encourage and promote a culture of ethical business conduct.	<ul style="list-style-type: none">– The Code of Conduct for directors and Rules Concerning Conflicts of Interest can be found at Tab 7 in the Board’s <i>Governance Rules and Practices Manual</i>. In addition, all directors are subject to Vancouver Airport Authority’s new Code of Ethics, which serves as a reference guide for key issues.– 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 page 23 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, copying the Corporate Secretary, who will rule on the conflict in writing. It would be a very rare occurrence for a director or executive to have a material interest in a transaction or agreement being considered by the Board. Should this occur, the director or executive will not receive written material and will recuse him or herself from the Board discussion and decision making.– The Chair has appointed the Corporate Secretary to serve as the Designated Officer for the administration of rules for Vancouver Airport Authority employees concerning Conflict of Interest. The <i>Conflict of Interest Policy</i> and form is circulated annually to all budget holders, all members of the Supply Management Department and other key employees.– The Board adopted a formal <i>Whistleblower Policy</i> 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 <i>Whistleblower Policy</i> includes an option to report via a third-party confidence phone line or website.– Periodic reminders of the <i>Whistleblower Policy</i> are distributed to employees and to third-party vendors.

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
<p>6. Nomination of Directors</p> <ul style="list-style-type: none">– The process by which the Board identifies new candidates.– Whether or not the Board has a nominating committee composed entirely of independent directors.– If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	<ul style="list-style-type: none">– The Board may appoint up to five directors from the Community at large. The Governance Committee, which is composed entirely of independent directors, acts as the Nominating Committee and is responsible for the recruitment and recommendation of candidates to the Board for its consideration to fill at-large positions.– The Governance Committee annually reviews a Director Skills and Experience 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. It also considers the <i>Board Diversity Policy</i>.– The Governance Committee may engage assistance from an external consultant to help with this process.– For director positions nominated by nominating entities, the Chair reviews the Board Matrix with the entity and discusses the skills and experience currently required by the Board as well as our <i>Diversity Policy</i> and requests that the entity keep these in mind in making its nomination.– The Governance Committee’s Terms of Reference can be found at Tab 15d in the Board’s <i>Governance Rules and Practices Manual</i>.
<p>7. Compensation</p> <ul style="list-style-type: none">– The process by which the Board determines the compensation for directors and officers.– Whether or not the Board has a compensation committee composed entirely of independent directors.– If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee.– If a compensation consultant or advisor has, at any time since the beginning of the corporation’s most recently completed financial year, been retained to assist in determining compensation for any of the issuer’s directors and officers, disclose the identity of the consultant or adviser and summarize the mandate for which they have been retained.	<ul style="list-style-type: none">– See page 32—Executive and Board Compensation.– The Human Resources and Compensation Committee is composed entirely of independent directors.– The Human Resources and Compensation Committee’s Terms of Reference can be found in the Board’s <i>Governance Rules and Practices Manual</i>.– The Human Resources and Compensation Committee engaged Mercer to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized on page 32 of this report.

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
8. Other Board Committees <ul style="list-style-type: none">– Disclose whether or not the Board has standing committees other than audit, compensation and nominating committees and describe their function.	<ul style="list-style-type: none">– The Board also has a Planning and Development Committee. Its Terms of Reference can be found in the Board’s <i>Governance Rules and Practices Manual</i>.
9. Assessments <ul style="list-style-type: none">– Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and describe the process used for the assessment.	<ul style="list-style-type: none">– This is an annual process to review Board, Committee and individual director effectiveness, which is set out in Tab 10<ul style="list-style-type: none">– The Board Evaluation Process in the Board’s <i>Governance Rules and Practices Manual</i>.– In 2017, the Board engaged Watson Inc. to conduct both a Board and Individual Director Peer Evaluation process.– The Board has adopted a three-year evaluation cycle which alternates between in-depth surveys, single-issue surveys and lighter surveys on Board functioning. In 2017, the Board conducted a single-issue survey following up on the implementation of recommendations arising from a Board Culture Workshop. The evaluation consisted of thought-starter questions and a one-on-one interview conducted by Watson.– The Individual Director Peer Evaluation results were tabulated by Watson and discussed with the individual director and the Board Chair only.
10. Director Term Limits and Other Mechanisms of Board renewal <ul style="list-style-type: none">– Disclose whether or not the Board has adopted term limits for the directors on its Board or other mechanism of Board renewal and, if so, include a description of those director term limits or other mechanisms of Board renewal.	<ul style="list-style-type: none">– Vancouver 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	

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
<ul style="list-style-type: none">– Disclose whether the Board has adopted a written policy relating to the identification and nomination of women directors.	<ul style="list-style-type: none">– The Board’s <i>Diversity Policy</i> includes a target of half the Board membership being drawn from the four groups designated under applicable federal legislation: women, visible minorities, persons with disabilities and aboriginal peoples. Five seats on the Board are currently occupied by women.
<p>12. Consideration of the Representation of Women in the Director Identification and Selection Process</p> <ul style="list-style-type: none">– Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board.	<ul style="list-style-type: none">– As set out in our <i>Diversity Policy</i>, the Governance Committee specifically instructs third-party search firms to identify women and other diversity candidates, where possible, who have the skill sets and experience required at a given time. It has successfully recruited women with experience in finance, the airline industry and the new economy/technology sector. We also encourage our nominating entities to consider women candidates along with other candidates who reflect the diversity of our community in their nomination processes.
<p>13. Consideration Given to the Representation of Women in Executive Officer Appointments</p> <ul style="list-style-type: none">– Disclose whether and, if so, how the corporation considers the level of representation of women in executive officer positions when making executive officer appointments.	<ul style="list-style-type: none">– Vancouver Airport Authority has a policy that says we will strive to create a workplace that reflects the diversity of the communities we serve and this includes a commitment to diversity and inclusion in our management team. We support the <i>Employment Equity Act</i> 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.

Guidelines: Corporate Governance (continued)

VANCOUVER AIRPORT AUTHORITY: CORPORATE GOVERNANCE DISCLOSURE

Guideline	Disclosure
14. Board’s Targets Regarding the Representation of Women on the Board and in Executive Officer Positions <ul style="list-style-type: none">– Disclose whether the corporation has adopted a target (percentage or range by a set date) regarding women on the corporation’s Board.– Disclose whether the corporation has adopted a target regarding women in executive officer positions of the corporation.	<ul style="list-style-type: none">- The <i>Board Diversity Policy</i> includes a target that half of the Board will be made of members from the four designated groups: women, visible minorities, persons with disabilities and aboriginal persons.- Vancouver Airport Authority has a long-term stretch target of 50 per cent of all management positions, including executive roles, being held by women. For executive roles, 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 2017, women accounted for 40 per cent of the management team, excluding those in executive positions. This exceeds the 30.9 per cent representation of women in middle and other management roles across Canada.
15. Number of Women on the Board and in Executive Officer Positions <ul style="list-style-type: none">– Disclose the number and proportion (in percentage terms) of directors on the Board who are women.– Disclose the number and proportion (in percentage terms) of executive officers, including all major subsidiaries of the corporation, who are women.	<ul style="list-style-type: none">– In 2017, there were five women, including the Chair, on the Board. This represents 38 per cent of the Board, which has a total of 14 directors. It exceeds the average of 22.6 per cent on Financial Post 500 Boards.– In 2017, there were four women Vice Presidents, which constituted 44 per cent of the nine officers of the company. This exceeds the 27.4 per cent representation of women senior managers across Canada.

Our Business

2017 was unprecedented. We welcomed a record 24.2 million passengers—almost two million more than 2016—and celebrated a range of new services that connected passengers and products all over the world. All air service sectors saw strong growth, with Latin America up 27.7 per cent. Cargo had an incredible year, growing 10.8 per cent to 313,437 metric tonnes—the highest volume ever.

47	Finances
50	Air Services
56	Commercial Services
58	Business Units
59	Supply Management
64	Customer Care



24.2m passengers —another record

+8.4%

+5.4%

Domestic

+9.7%

Transborder (U.S.)

+15.5%

Asia-Pacific

+2.5%

Europe

+27.7%

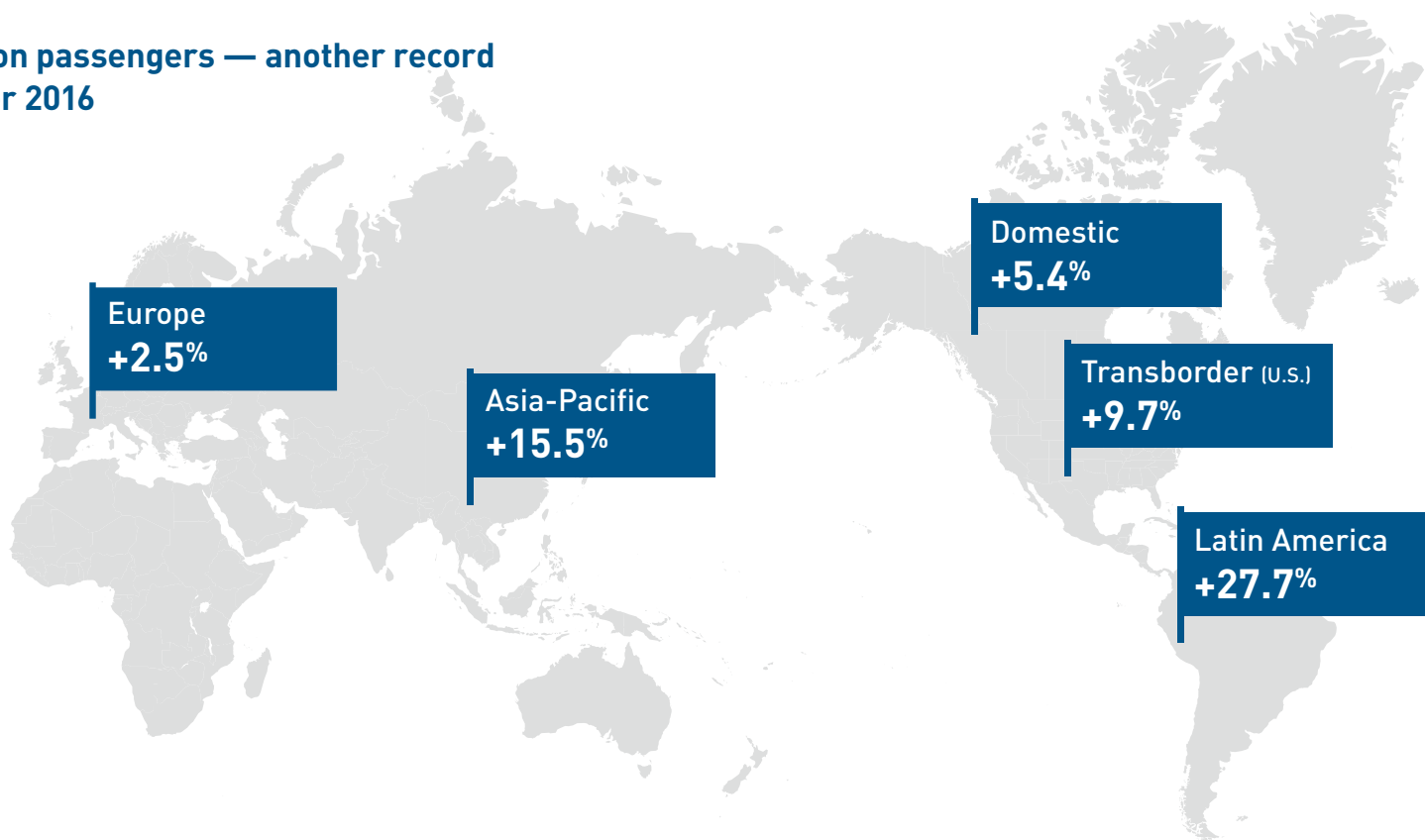
Latin America



\$39.5m overall revenue increase

Our Business

24.2 million passengers — another record
+8.4% over 2016



\$39.5 million – overall revenue increase

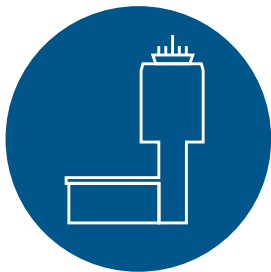
FINANCIAL AND OPERATING HIGHLIGHTS (2008 – 2017)

Year	Revenue (millions)	Operating expenses (millions)	Ground lease (millions)	Excess of revenue over expenses (millions)	Net assets (millions)	Capital expenditures for the year (millions)	Passengers (millions)	Aircraft runway take-offs and landings (thousands)	Cargo handled (thousands of tonnes)
2017	529.2	387.8	55.3	84.9	1,646.5	167.9	24.2	289	313.4
2016	489.7	358.5	50.6	84.0	1,559.4	160.2	22.3	280	282.8
2015	484.7	337.7	49.3	100.0	1,478.4	205.0	20.3	279	271.8
2014	464.9	320.4	46.6	101.7	1,377.8	277.6	19.4	273	256.9
2013	433.3	291.1	42.3	98.3	1,273.6	186.0	18.0	263	228.3
2012	403.6	280.2	39.1	84.9	1,162.8	106.0	17.6	261	227.9
2011	369.3	275.9	34.8	59.1	1,087.9	59.9	17.0	258	223.9
2010	368.7	280.8	33.2	56.0	1,028.8	71.2	16.8	255	228.4
2009	359.1	256.7	65.6	38.8	972.8	226.6	16.2	258	197.5
2008	373.8	236.3	65.6	81.8	934.0	233.1	17.9	279	211.7

Our Business (continued)

YVR PLAYS A SIGNIFICANT ROLE IN THE ECONOMY—CREATING JOBS AND DRIVING BUSINESS ACTIVITY.

YVR’s operations generate over 24,000 jobs at the airport. These jobs represent a diverse team—from retail partners to transportation companies and operations personnel.



24,000+ jobs

In B.C. YVR’s operations, as well as tourism and cargo, help facilitate:



100,000 jobs



\$16.5 billion – total economic output



\$8.4 billion – total GDP



\$1.4 billion – total government revenue

313,437 Tonnes of Cargo

The highest volume ever, up 10.8% over 2016

In 2017, over \$2.7 billion* of cargo was exported through YVR:

	Value
Electrical Machinery Equipment	\$601,931,706
Boilers	\$435,118,583
Optical, Photography, Precision Equipment	\$425,984.909
Seafood	\$287,603,686
Precious Metals, Stone and Pearls	\$272,561,397
Aircraft Parts	\$130,441,604
Fruit and Vegetables	\$62,683,672
Apparel and Clothing	\$32,019,928
Total Value of Exports	\$2,798,992,536

*Source: Statistics Canada

Our Business (continued)

OUR BUSINESS MODEL

In 2016, the Minister of Transport released a report titled *Pathways: Connecting Canada's Transportation System to the World*, a review of the *Canada Transportation Act* (CTA). The report identifies priorities and potential actions that will support Canada's long-term economic well-being.

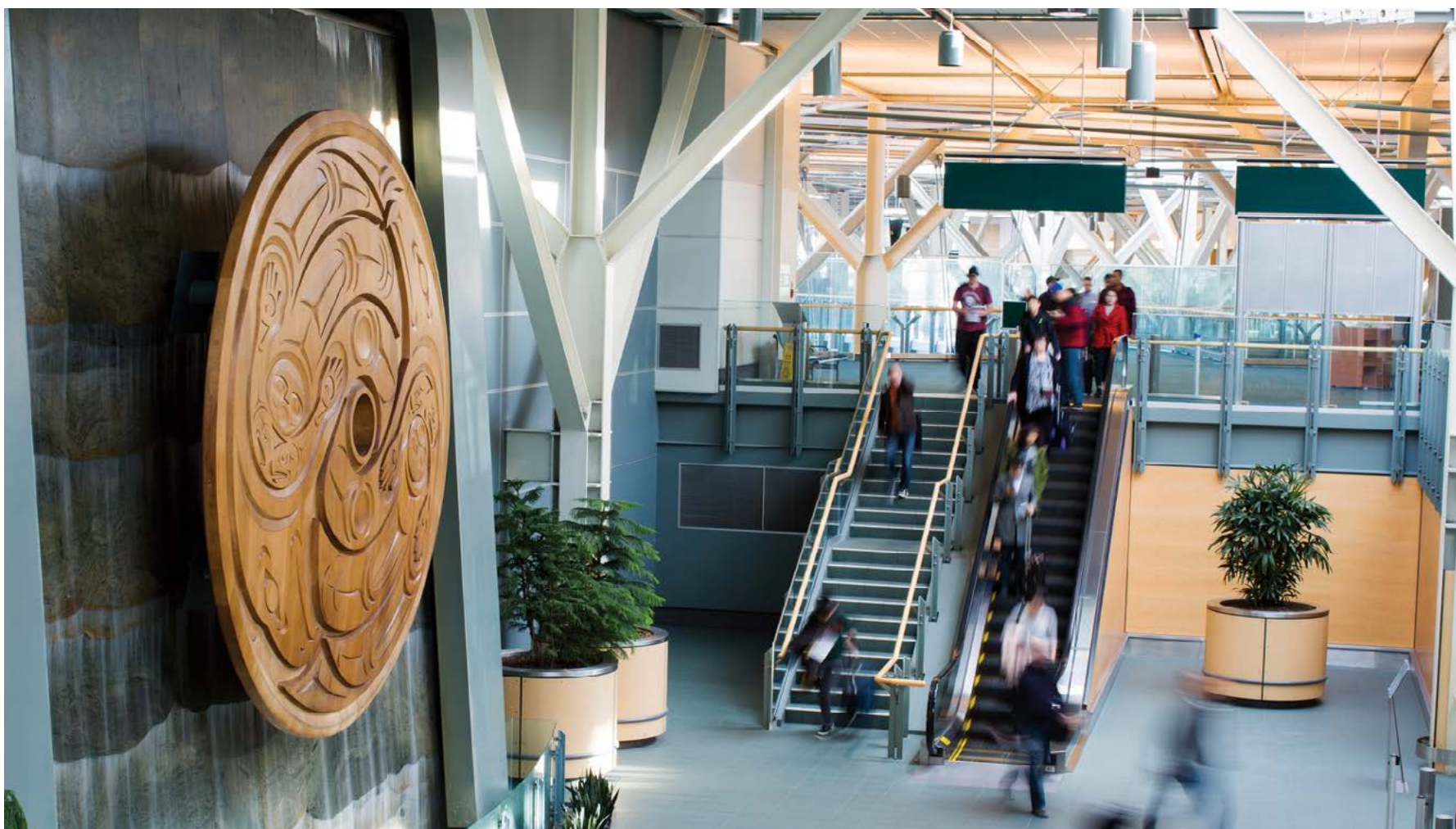
Vancouver Airport Authority welcomes a number of recommendations in the report, including liberalizing air bilaterals, improving security screening and offering our passengers Arrivals Duty Free. We continued to work with the Government of Canada in 2017 to address potential improvements and we look forward to furthering this conversation. However, we remain strongly opposed to the idea of selling Canada's major airports to private, for-profit investment firms.

Our unique, not-for-profit governance model is the key to our success and is the appropriate model for Canadian airport authorities. YVR has been voted the Best Airport in North America for a record nine years in a row and this incredible accomplishment stems from our community-based nature. YVR operates like

a private company: we are financially independent, receiving no government funding while having to compete and innovate. But instead of providing returns to shareholders we reinvest all proceeds back into improving the airport for everyone.

The result: we are one of North America's fastest-growing major international airports. We are one of the most financially successful airports in the world, having received a AA credit rating for 12 consecutive years. And we are a well-known community partner—providing economic and social benefits to the province, while leading the business community with innovative new solutions such as our new *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement* (see page 13).

Our unique model has been a resounding success and has brought considerable benefits to B.C. and Canada. Our commitment is to maintain this success and to do this we will continue to deliver an exceptional airport experience for our communities, passengers and partners.



Finances

Almost half of YVR’s revenue comes from non-aeronautical sources. This includes sales of our award-winning BORDERXPRESS™ kiosks, parking and tenant rent. We reinvest this revenue back into the airport, keeping costs low for our airline partners and passengers.

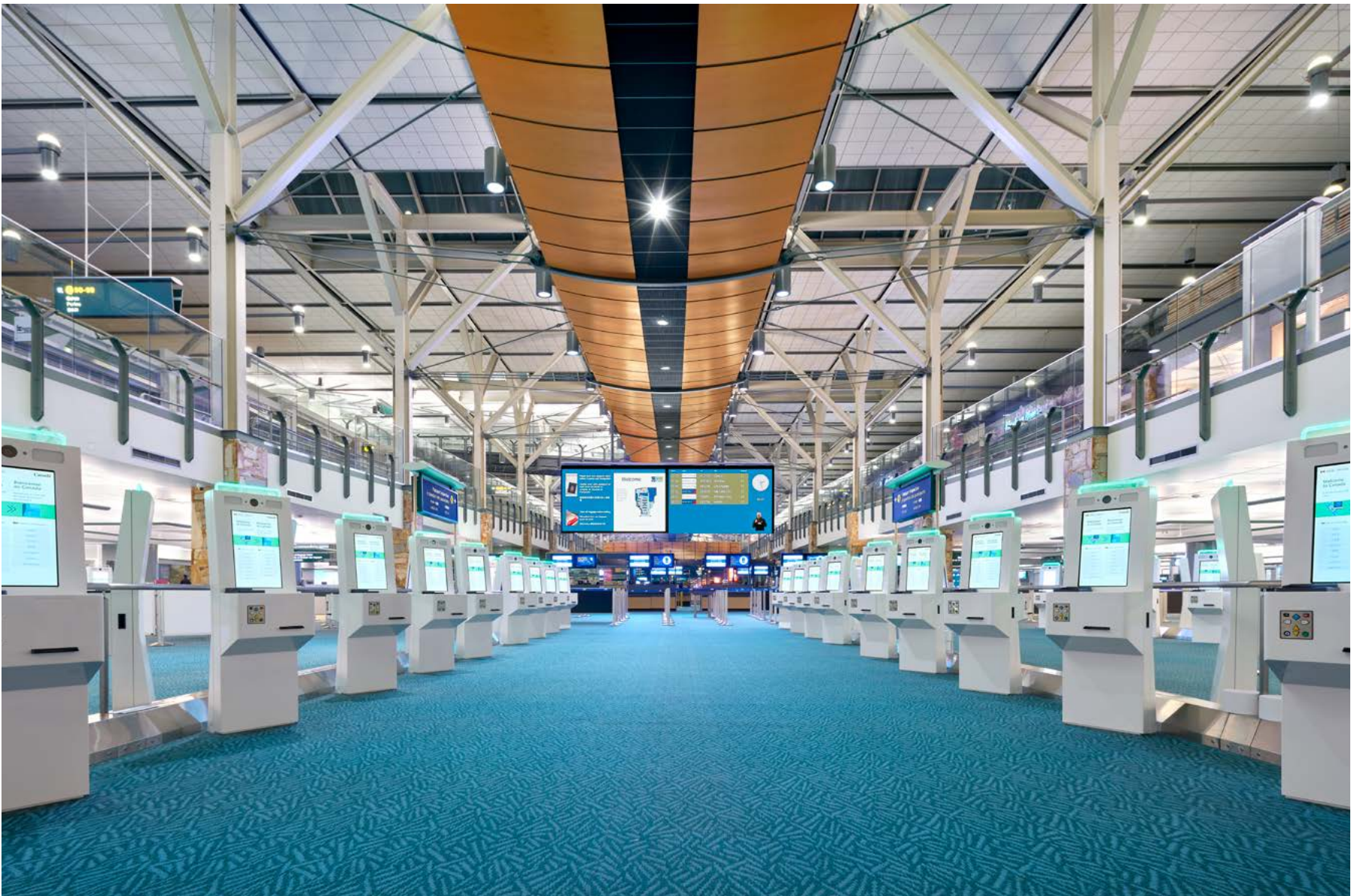


AA Credit rating
Second-highest
airport rating in
the world



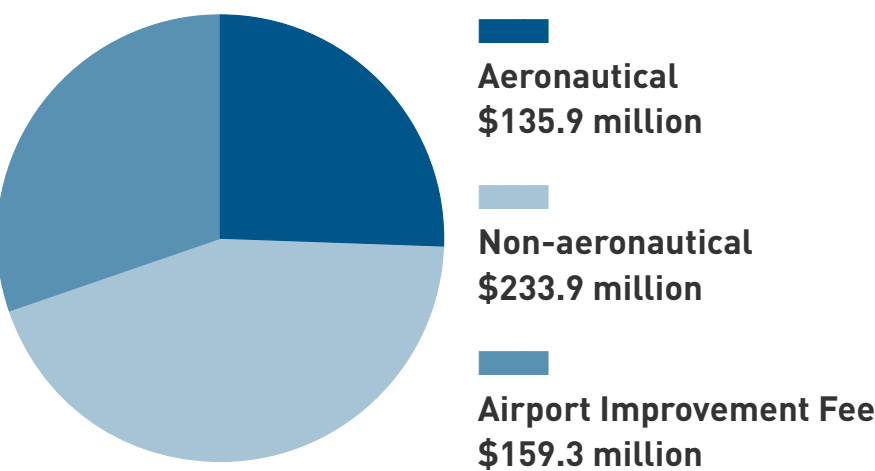
10.3% Increase
in non-aeronautical
revenue in 2017

Sustainability requires strong financial health, which is one of Vancouver Airport Authority’s fundamental responsibilities. Our sound financial planning is reflected in our consistently high credit rating, which is among the best in the world. Both Standard & Poor’s and Dominion Bond Rating Service confirmed our ratings at AA and AA (low), respectively, in 2017. Other than Hong Kong International Airport, which is rated at AA+, YVR’s AA rating is the second-highest airport rating in the world. Los Angeles International Airport is the only other airport with a AA rating.



Finances (continued)

FINANCIAL REVIEW



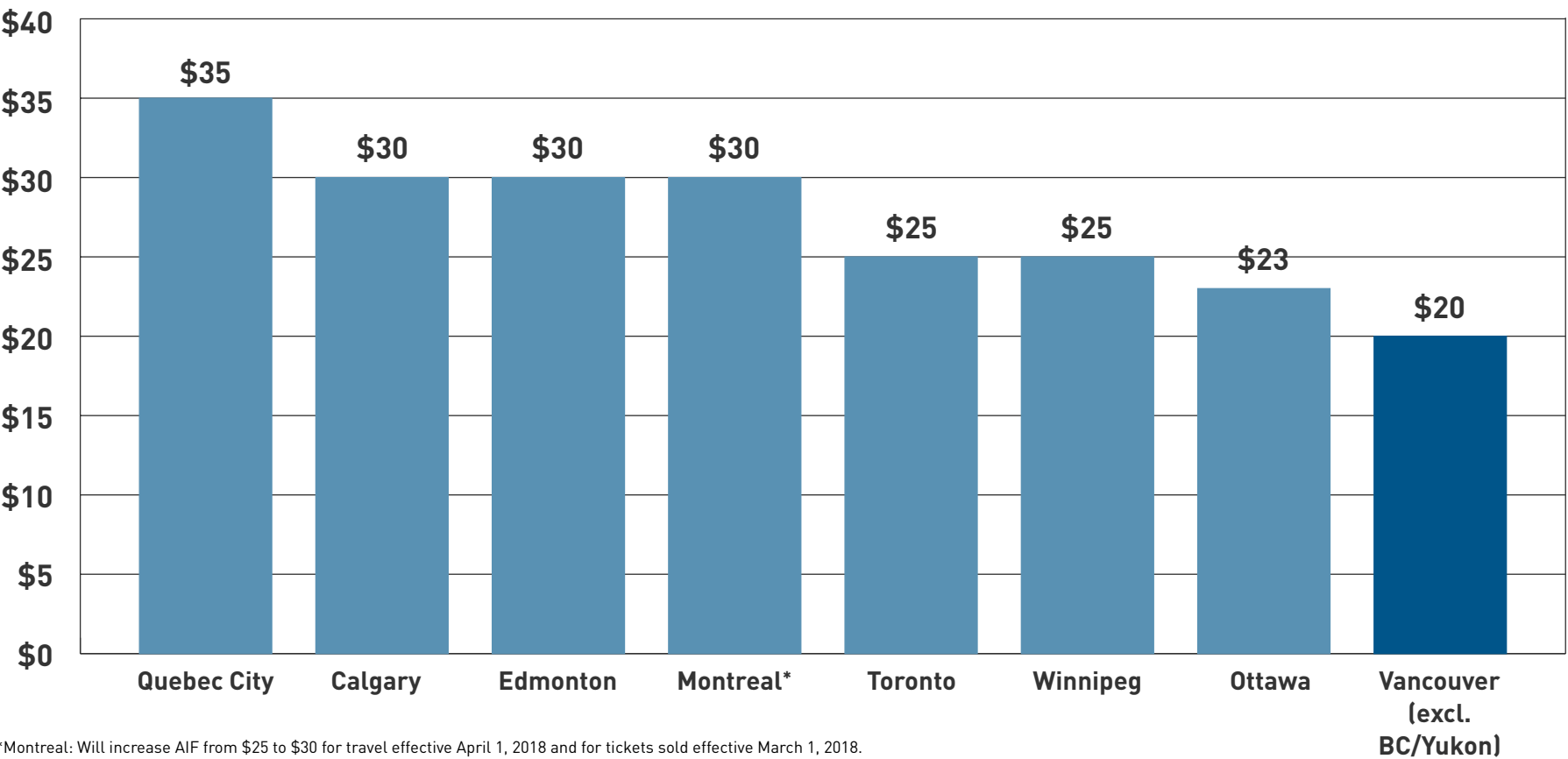
Vancouver Airport Authority earns revenue from three main sources:

- Aeronautical revenue: We collect landing and terminal fees to recover the operating and capital costs related to airline operations. This revenue amounted to \$135.9 million in 2017, an increase of \$8.7 million from \$127.2 million in 2016. In 2016, we introduced ConnectYVR, an innovative program that freezes aeronautical rates for five years, designed to incent growth and efficiency. ConnectYVR incents carriers to

utilize the same aircraft gates for flights to allow YVR to best utilize its terminal infrastructure.

- Non-aeronautical revenue: This includes revenue from concessions, such as duty free, car rental facility charges and advertising, as well as car parking, kiosks and terminal and land rents. Revenue from these sources amounted to \$233.9 million in 2017, an increase of \$21.9 million from \$212.0 million in 2016, due mainly to the increased concessions, car parking, kiosk and rental revenue.
- Airport Improvement Fee (AIF): The revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. Vancouver Airport Authority collects an Airport Improvement Fee (AIF), which can only be used to fund capital projects. Total revenue earned in 2017 was \$159.3 million, an increase of \$8.9 million from \$150.4 million in 2016, due mainly to the 8.4 per cent growth in passenger traffic over 2016. YVR’s AIF remains one of the lowest of the major airports in Canada and continues to provide one of the lowest fees for travel within B.C. and the Yukon.

YVR HAS THE LOWEST AIRPORT IMPROVEMENT FEE (AIF) OF ALL MAJOR CANADIAN AIRPORTS. IN ADDITION, YVR IS THE ONLY MAJOR CANADIAN AIRPORT WITH AN IN-PROVINCE AIF OF JUST \$5.



Finances (continued)

Non-AIF revenue goes towards covering the costs of operating the airport, which include salaries, wages and benefits, materials, supplies and services, payments in lieu of taxes and insurance. In 2017, these costs increased to \$210.6 million, an increase of \$20.0 million from 2016. These increases were mainly due to materials, supplies and service costs for legal services, security services, snow operations, baggage sortation, terminal and airside repair and maintenance and utilities, while salaries, wages and benefits costs increased based on the negotiated wage increases per the Collective Bargaining Agreement as well as from an increase in the number of employees.

Vancouver Airport Authority also uses a portion of its revenue to pay rent to the federal government under the Ground Lease, which amounted to \$55.3 million in 2017, an increase of \$4.7 million from 2016. The increase in rent resulted from the increase of Vancouver Airport Authority's revenue upon which the rent payment is based. Vancouver Airport Authority paid \$16.3 million to the City of Richmond, with a minor contribution to City of Vancouver, for payments in lieu of taxes. We also paid \$5.3 million (one per cent of our 2016 revenue) to the Musqueam Indian Band for year one of the 30-year Sustainability & Friendship Agreement between the Musqueam Indian Band and the Vancouver Airport Authority. The agreement is based on friendship and respect to achieve a sustainable and mutually beneficial future for our community.

The total cash needed to pay for capital projects can exceed the amount available after payment of operating costs, ground lease and interest costs. In these situations, debt financing is required. Vancouver Airport Authority takes a conservative approach to debt levels and strives to achieve a reasonable balance between debt and sources of revenue. Consistent with the prior year, we had \$550.0 million in outstanding debt financing consisting of a series of three long-term debentures with fixed interest rates and varying maturity dates. Interest cost, which included interest payments, standby fees and service charges, amounted to \$30.0 million in 2017, consistent with 2016.

As required under generally accepted accounting principles and in the statement of operations, the costs of capital projects are spread over the useful life of the assets, as opposed to being recognized as the total cash paid for the projects in the current year. This spreading of cost over the useful life is reflected as amortization on the statement of operations, which is a non-cash charge. Total amortization in 2017 amounted to \$147.2 million, an increase of \$9.3 million from 2016 as a result of new facilities that came into operation.

Vancouver Airport Authority earned \$4.8 million in partnership income from the rental of buildings we own.

Total excess of revenue over expenses, which includes amortization, was \$84.9 million in 2017, an increase of \$0.9 million from 2016. When amortization, a non-cash item, is removed, Vancouver Airport Authority generated \$216.2 million of net cash flow, prior to its investment in capital projects.

During 2017, we invested \$167.9 million in capital projects. The capital projects included Runway End Safety Areas, Runway Pavement Overlays, South Templeton Parking Lot, Pier D Expansion, Primary Inspection Kiosks and Self-Bag Drops.

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
































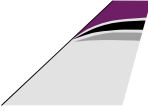








- Net cash flow (excluding AIF) of \$63.2 million.
- Net AIF in the amount of \$153.0 million.

These amounts were more than sufficient to pay for the 2017 capital project costs, which when combined with the cash available at the start of the year leaves \$208.0 million in cash available to pay for capital projects in 2018 and future years.

FINANCIAL STATEMENTS

Vancouver Airport Authority's 2017 Consolidated Financial Statements are available in the Appendix on page 116. The 2017 Non-Consolidated Financial Statements are available at yvr.ca/2017.

Air Services

 AEROMEXICO	 AIR CANADA / AIR CANADA EXPRESS	 AIR CANADA ROUGE	 AIR CHINA	 AIR FRANCE
 AIR NEW ZEALAND	 AIR NORTH	 AIR TRANSAT	 ALASKA AIRLINES	 ALL NIPPON AIRWAYS
 AMERICAN AIRLINES	 BEIJING CAPITAL AIRLINES	 BRITISH AIRWAYS	 CANADIAN NORTH	 CATHAY PACIFIC AIRWAYS
 CENTRAL MOUNTAIN AIR	 CHINA AIRLINES	 CHINA EASTERN AIRLINES	 CHINA SOUTHERN AIRLINES	 CONDOR
 DELTA AIRLINES	 EDELWEISS AIR	 EVA AIR	 FLAIR AIRLINES	 HARBOUR AIR
 HAINAN AIRLINES*	 HELIJET AIRWAYS	 HONG KONG AIRLINES	 HORIZON AIR	 ICELANDAIR
 INTERJET	 ISLAND EXPRESS AIR	 JAPAN AIRLINES	 KD AIR	 KLM ROYAL DUTCH AIRLINES
 KOREAN AIR	 LUFTHANSA AIRLINES	 ORCA AIRWAYS	 PACIFIC COASTAL AIRLINES	 PHILIPPINE AIRLINES

*Hainan Airlines will begin service to YVR on May 25, 2018

Air Services (continued)



QANTAS
AIRWAYS



SALT SPRING AIR



SEAIR
SEAPLANES



SICHUAN
AIRLINES



SUNWING
AIRLINES



TOFINO AIR



UNITED
AIRLINES



WEST COAST
AIR



WESTJET AIRLINES/
WESTJET ENCORE



XIAMEN
AIRLINES

CARGO AIRLINES SERVING YVR



CARGOJET



CATHAY PACIFIC
AIRWAYS



DHL



FEDEX



KOREAN AIR



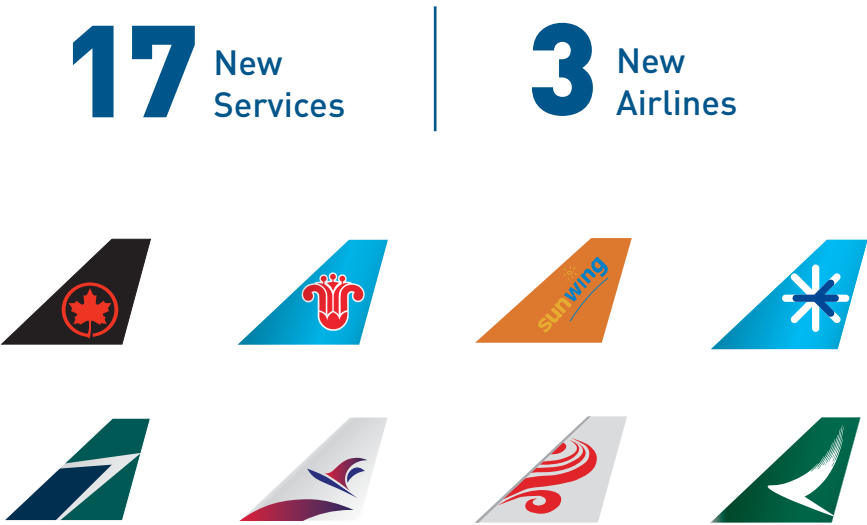
UPS

THANK YOU

YVR would like to thank our airline partners for another amazing year. Our mission is to connect B.C. proudly to the world and we couldn't do this without your continued support.

Air Services (continued)

NEW ROUTES AND SERVICES



In 2017, we continued to expand our connections all over the world, with three new airline partners and a range of new and additional services. WestJet further connected YVR to the domestic market, with new service to Nanaimo and Comox, and provided new service to sunny Huatulco, Mexico. China Southern started service from Guangzhou to Mexico City through YVR, connecting our hub between Asia and Latin America for the first time. Our new partner Hong Kong Airlines launched new service to Hong Kong and Cathay Pacific introduced the amazing new Airbus A350-900 aircraft on this route, along with increased frequency. Sunwing restarted seasonal service to Montego Bay. We also welcomed Flair Airlines to the domestic market, with its new service to Edmonton and Kelowna and onward connections to Toronto. New partner Interjet connected YVR with Cancun and Mexico City, adding to strong growth from this key market.

ROUTE OF THE WEEK

- Air Canada: Vancouver to Melbourne
- Capital Airlines: Vancouver to Hangzhou, via Qingdao



Air Canada had another fantastic year, increasing seat capacity at YVR by 9 per cent and accounting for 50 per cent of YVR’s growth. In addition to its many existing services, Air Canada launched new services to Yellowknife, Boston, Denver, Dallas, Frankfurt, Taipei, Nagoya, Orlando, London Gatwick and Melbourne!



CANADA’S FIRST AIRBUS A350-900

On March 28, YVR welcomed Cathay Pacific’s increased Hong Kong service on the Airbus A350-900, marking the first time this amazing aircraft landed in Canada. The A350-900 is quieter and is 25 per cent more fuel efficient than any aircraft in its class. It’s a great example of how innovation is improving the passenger experience while reducing our environmental impact.

Air Services (continued)



HONG KONG AIRLINES

On June 30, YVR celebrated the arrival of new partner Hong Kong Airlines and its daily service between Vancouver and Hong Kong. Brand Ambassador Jackie Chan came to celebrate the launch, causing quite a stir among local media and fans.



FLAIR AIRLINES

On December 15, Flair Airlines began operations at YVR with non-stop services to Kelowna and Edmonton with continued service to Toronto—further connecting our passengers to Canada.



Our new partner Interjet arrived on October 26 offering non-stop service between Mexico City and Cancun. These new services will operate four times weekly to each destination, which means more access to Mexico sunshine and beaches.



2018 SERVICE ANNOUNCEMENTS

During 2017, we welcomed a number of new services for 2018 launch. Air Canada announced several new destinations—daily to Sacramento, four-times weekly to Paris, three-times weekly to Zurich—as well as the increase of its London Heathrow service to double daily in June and a longer season for both the Melbourne and Delhi services.

WestJet will also start service to Mexico City starting in March and our new partner Hainan Airlines will fly to Shenzhen via Tianjin starting in May.


Air Services (continued)

OUR DESTINATIONS

Fifty-six airlines serve YVR, connecting people and businesses to more than 127 non-stop destinations worldwide.



New Carriers and New Routes

2017	
 Air Canada: YVR – Boston	 China Southern: YVR – Guangzhou, Mexico City
 Air Canada: YVR – Frankfurt	 Flair Airlines: YVR – Edmonton
 Air Canada: YVR – Melbourne	 Flair Airlines: YVR – Kelowna
 Air Canada: YVR – Taipei	 Hong Kong Airlines: YVR – Hong Kong
 Air Canada Express: YVR – Dallas	 Interjet: YVR – Cancun
 Air Canada Express: YVR – Denver	 Interjet: YVR – Mexico City
 Air Canada Express: YVR – Yellowknife	 Sunwing Airlines: YVR – Montego Bay
 Air Canada Rouge: YVR – London Gatwick	 WestJet: YVR – Comox
 Air Canada Rouge: YVR – Nagoya	 WestJet: YVR – Nanaimo
 Air Canada Rouge: YVR – Orlando	 WestJet: YVR – Huatulco

New Carriers and New Routes

2018*
 Air Canada: YVR – Paris
 Air Canada: YVR – Sacramento
 Air Canada: YVR – Zurich
 Hainan Airlines: YVR – Shenzhen, Tianjin
 Westjet: YVR – Mexico City

* As of the publication of this report. Includes new and upcoming carriers and routes.

Air Services (continued)

AIRPORT SOUTH

Passengers departing from the South Terminal pay a reduced AIF of \$5, receive free shuttle service to



Airport South is a unique reflection of our history and province. In addition to being the location of the original airport, it connects passengers to a range of locations that demonstrate our diverse economy and people. It includes the South Terminal Building, the public Floatplane Facility on the Fraser River, and provides an aviation hub for regional and coastal air services, helicopter operations, corporate charters, sport fishing camps and aerospace facilities.

YVR’s South Terminal connected passengers and communities across British Columbia to the world in 2017, with float plane operators such as Harbour Air and Seair Seaplanes and regional carriers including Pacific Coastal Airlines. A total of 475,859 passengers used the South Terminal and Floatplane Terminals, an increase of 10% over 2016.

In 2017, we continued to improve Airport South, upgrading crosswalks and watermain infrastructure. Airside, we installed new high-mast LED lamps that increased lighting levels and safety, all with a reduction in energy consumption.

and from YVR’s Main Terminal Building and enjoy the superior customer care and passenger experience for which YVR is recognized worldwide.



475,859 South and Float Plane Terminal passengers (+10%)



97% Customer satisfaction rating – South Terminal



31,000+ Float Plane movements

Commercial Services

YVR’s commercial services are an important part of our business model because they contribute to non-aeronautical revenue, which helps offset costs and keeps fees low for our partners. 2017 was a strong year, with sales up 10 per cent and overall revenue up 13.1 per cent over 2016. We opened new stores, improved our transportation system and continued to offer great deals and fun events for the community.



Highest sales per enplaned passenger in North America



Airport Upscale Dining Restaurant of the Year

Lift Restaurant – Airport Food & Beverage Conference and Awards

Commercial Services (continued)

SHOPS, SERVICES AND RESTAURANTS

Our partners had a great year. World Duty Free opened two new Collection shops, featuring designer brands for men and women, as well as a new walk-through store in the U.S. departures area. We also welcomed a range of new shops, services and restaurants throughout our terminal. This included: Banh Shop, Coastal News, Collection for Women, Collection for Men, Skyteam Lounge, So Chocolate, Tim Hortons and Vancouver Duty Free.



Record Duty Free Sales
11.3% increase over 2016

More Food Options

We have heard from our passengers that they would like to have more healthy, local and sustainable food options. In 2017, we welcomed several partners that offer more choice:

Freshii

We are pleased to announce that Freshii had a great first year at YVR. Freshii is one of the fastest-growing health and wellness eateries, offering a range of nutritious options. It's also one of our passengers' new favourites, having received very positive feedback for its healthy and diverse menu.

Pajo's Fish & Chips

We are always looking for more sustainable food options and were very pleased to welcome Pajo's Fish & Chips, a local, family-owned business that has operated in the heart of Steveston Wharf since 1985. Pajo's is well-known for serving ocean-wise certified cod, salmon and halibut and is a proud supporter of local farmers.

SkyTeam Lounge

In November, Vancouver became the seventh city to join the elite SkyTeam club with other members including Beijing, Dubai, Hong Kong, Istanbul, London Heathrow and Sydney. See page 13 to read more about this excellent new offering at YVR.

LEASING

Our office and storage leased space is currently at 97 per cent capacity and in 2017 we leased 2,549 m² of terminal space to our partners.

PARKING

YVR offers a range of options to meet the transportation needs of the travelling public including direct access through the Canada Line rapid transit system and several parking products. In 2017 our parking lots neared capacity, with record-high parking revenues, up \$3.66 million over 2016. We completed concept design of our new Parkade and ground transportation facilities, set to open in 2021. Other activities completed in 2017 included construction of our new Value Long-Term parking lot at Templeton Station, which officially opened on March 1 2018, and planning for our new jetSet Valet service to commence in early 2019. We also added the Value Lot to our range of products available to book online and gave customers the option of reserving Plaza Premium lounge passes along with their parking.

GROUND TRANSPORTATION

YVR's car rentals had another strong year, up 9.5 per cent, and the taxi program continued to grow, with a record 1.2 million outbound trips—a 12.1 per cent increase over 2016. To meet the increased curb volumes from the growth in traffic, we implemented a new dual-lane unloading system on Level 3 of our main terminal building, which significantly improved road efficiency and reduced vehicle congestion.

Business Units

INNOVATIVE TRAVEL SOLUTIONS

YVR's strategy is not only to innovate for itself, but to incubate its technology innovations and bring them to market to improve the overall industry. Innovative Travel Solutions (ITS) is an independent business unit within Vancouver Airport Authority that is responsible for solving passenger processing challenges and, where appropriate, commercializing those solutions for sale to other airports. To date, the ITS team has been primarily focused on developing, selling and supporting its BORDERXPRESS™ kiosks. ITS is the largest provider of non-registered, self-service border control solutions with more than 1,300 kiosks operating in major international airports in Canada, the United States, Europe, the Caribbean and the Pacific. This solution has helped more than 100 million passengers clear the border quickly and safely.

For more information on Innovative Travel Solutions, visit yvr.ca/inv.

VANCOUVER AIRPORT AUTHORITY (HONG KONG) LTD.

Vancouver Airport Authority (Hong Kong) Ltd. was established as a wholly-owned subsidiary of Vancouver Airport Authority to strengthen airline relationships and forge new partnerships in the Asia-Pacific region. In 2017, the team's efforts resulted in several new and increased services: new partner Hong Kong Airlines, with increased capacity on one of YVR's busiest routes; Cathay Pacific's new Airbus A350-900 aircraft—the first in Canada—and its increased frequency on the Hong Kong route; China Southern's new service connecting Guangzhou to Mexico City through YVR; Air Canada with new daily service to Taipei; and new partner Hainan Airlines, which announced 2018 service between YVR, Shenzhen and Tianjin. In addition, the team worked with airline partners to promote YVR, attending key events such as Routes Asia, and worked with tourism partners to promote YVR and BC tourism in China.

YVR PROJECT MANAGEMENT

A wholly-owned subsidiary of Vancouver Airport Authority, YVR Project Management Ltd. (YVRPM) was established in 2005 to oversee major capital expansion projects at YVR and on Sea Island. YVRPM managed the construction of the first phase of the McArthurGlen Designer Outlet Centre and is currently working through the planning phase of a number of other potential developments on Sea Island.

VANCOUVER AIRPORT PROPERTY MANAGEMENT LLP

Vancouver Airport Authority established Vancouver Airport Property Management LLP (VAPM) in 2014 to own and operate the multi-tenanted cargo and office facilities on Sea Island. The VAPM team manages these facilities with a focus to develop and expand cargo business at YVR. We also created Vancouver Airport Property Holdings LLP (VAPH) as a second partnership in 2014. Vancouver Airport Authority owns 99.9 per cent of VAPH and 99.9 per cent of the partnership interest with VAPM. As of December 31, 2017 the portfolio of assets is over 90 per cent occupied. In 2017, the entities generated in excess of \$10 million in cash from operations.

VANCOUVER AIRPORT ENTERPRISES (TEMPLETON) LTD.

Vancouver Airport Enterprises (Templeton) Ltd. is a wholly-owned subsidiary of the Vancouver Airport Authority established in 2012 to hold our 50 per cent investment in the McArthurGlen Designer Outlet Centre. McArthurGlen, a leading European outlet developer, holds the other 50 per cent. Phase One of the Centre is now over 95 per cent leased and management is expected to make a decision on proceeding with the next Phase in 2018.



The McArthurGlen Designer Outlet Centre has become one of the top performing malls in Canada, having welcomed ten million shoppers since its opening in 2015. In addition to offering our passengers a great shopping experience, just minutes from the terminal on public transit, the Outlet Centre has a considerable economic impact, providing jobs and spurring business activity in the region. In 2018, we will start on the Phase 2 expansion, which when complete in 2019 will include 84,000 square feet of retail space and up to 30 new luxury, premium and lifestyle brands.

Supply Management

Every day, we make purchasing decisions that impact much more than our organization. We understand this and believe that, to be a leader in sustainability, we must set policies and guidelines to promote YVR's values among suppliers and partners.

SUSTAINABLE PURCHASING POLICY

In 2017 we continued to implement our *Sustainable Purchasing Policy*, which aims to embed sustainability in our purchasing decisions and ensure meaningful consideration of environmental, social, economic and governance criteria when selecting suppliers, products and services. Under the Policy, we consider sustainability criteria in all types of bids and weigh suppliers' responses as part of evaluating submissions.

To do this, we included our Sustainability Leadership Questionnaire with select bids in 2017. The Questionnaire asked respondents about management systems and reporting, environmental, workplace and supply chain practices and leadership. We included the Questionnaire in all environmentally related service contracts, contracts for equipment that produces greenhouse gases and information technology equipment. In total, we included the Questionnaire in 82 per cent of the bids that met our selective criteria.

In addition, YVR includes environmental commitments in the majority of its agreements. We have environmental provisions in our land leases with tenants and our construction contracts. 100 per cent of YVR's supply contracts and purchase orders clearly state that suppliers and contractors will comply with international, federal, provincial and municipal environmental protection laws and regulations. There were no terminations of supplier contracts in 2017 for environmental, social or corporate governance reasons.

2017 Activities

Through the *Sustainable Purchasing Policy*, we undertook a range of activities to improve YVR's environmental performance.

We purchased seven fully electric buses for YVR's new Remote Stand Operations (RSO). These buses, together with one electrical bus acquired in 2016, will reduce Greenhouse Gas (GHG) emissions by 442 tonnes in 2018. We also purchased seven mobile boarding ramps for our RSO, which will greatly improve accessibility while reducing emissions. YVR will be the first airport in Canada to operate these ramps.

Our Supply Management Department launched yvr.ca/suppliers, an easy-to-use webpage to issue bids and receive submissions from suppliers. This platform reduced our printed paper use by 40,000 sheets in 2017. We have also enhanced the content on the Airport Supplier website to provide information on YVR's Sustainability Policy, Supplier Code of Conduct and more.

In addition, we arranged with a third-party to repurpose two storage buildings, we established relationships with four local auction companies to sell surplus goods, we associated with five local catering companies that follow sustainable practices and we reduced the delivery frequency of stationary supplies to all our offices to once a week—reducing GHG emissions from delivery vehicles by 80 per cent.

For more information on our environmental activities, see page 66.

Supply Management (continued)

Future Development

During 2017, we developed a Sustainable Supply Management Plan, which provides a vision for the next three years: reduce cost and increase productivity via innovative terms, work collaboratively with the supplier community, meet the goals and objectives of our Environmental Management Plan and strengthen our governance through the management of a fair and transparent procurement process. We will roll out select elements in 2018 and will expand the Leadership Questionnaire for engineering design and other service contracts.

We will continue to enhance the Airport Suppliers web page to provide more information to the supplier community on how they can better engage with us. We will also assess a number of potential developments and will be auditing partners to ensure they uphold the Policy. In addition, we are looking at how to assess the social impacts of contractors and business partners, as per our *Social Policy*, and are gathering data to report on how much business YVR has done with select groups including First Nations, visible minorities, women, fair trade partners and local suppliers.

YVR’s Environment Department is developing a value chain management program and is currently gathering data in an effort to set targets for suppliers. Once we have established a benchmark, we will incorporate sustainability targets into bids as part of an innovation section.

SUSTAINABLE PURCHASING POLICY

Developed in 2015, YVR’s Supplier Code of Conduct identifies minimum standards for suppliers and their subcontractors to promote safe and healthy workplaces, basic fair labour practices and environmental responsibility. These standards are based on the core labour conventions of the International Labour Organization. They include conventions focused on freely chosen employment, age of employment, non-discrimination and diversity, health and safety, employee treatment, freedom of association and collective bargaining, wages and benefits, hours of work, environmental responsibility and anti-corruption business practices. YVR is working on several initiatives as part of the Supplier Code of Conduct to engage the supplier community and continuously improve and uphold the pillars of sustainability. In 2017, we included the Supplier Code of Conduct in 88 per cent of signed contracts.

REPORT ON SINGLE-SOURCE CONTRACTS

In general, Vancouver 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, services or equipment standardization program
4. When the supplier has satisfactorily performed previous related services with a cost saving
5. The supplier has been awarded a contract for a similar product or service 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 \$135,389 (\$100,000 in 2000 dollars) which were not awarded on the basis of a competitive process during 2017. The table below reports \$93,694,757 in single source contracts, representing 25.8 per cent of the total goods and services purchased in 2017.

We recognize that 2017 was a big year for growth and to meet future demand we undertook key single-source contracts for the airport’s infrastructure requirements, specifically in regards to our baggage system and our new Remote Stand Operations (RSO). We awarded a number of contracts totalling \$44.9 million to Vanderlande, ranging from design services to replacing all screening equipment for baggage in the international and domestic terminals to ensuring proper integration with YVR’s new high-speed baggage backbone. In addition, we partnered with Cobus to expand our fully electric airside bus fleet to support the RSO.

Supply Management (continued)

Total Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$44,978,747	Vanderlande Industries Inc.			
		\$38,500,000 Baggage Equipment	Y	3
		\$2,029,004 Baggage Equipment	N	3
		\$1,114,920 Baggage Equipment	N	3
		\$1,048,055 Baggage Equipment	N	3
		\$701,554 Baggage Equipment	N	3
		\$537,384 Baggage Equipment	N	3
		\$389,460 Consulting Services	N	3
		\$321,010 Consulting Services	N	3
		\$186,550 Consulting Services	N	3
		\$150,810 Consulting Services	N	3
\$19,988,670	Cobus Industries GmbH	Airside Buses	Y	3
\$3,807,078	Long View Systems Corporation			
		\$3,007,918 Project Management Office Services	Y	2
		\$284,160 Project Management Support	N	5
		\$260,000 Project Management Services	N	5
		\$255,000 Project Management Services	N	2
\$3,741,815	Hatch Corporation			
		\$3,023,359 Consulting Services	N	5
		\$260,000 Consulting Services	N	2
		\$236,694 Consulting Services	N	2
		\$221,762 Consulting Services	N	5
\$3,366,198	Carillion Services Inc.	Baggage Handling Services	Y	2
\$1,586,297	Ledcor Construction Ltd.			
		\$1,404,342 Construction Services	N	2
		\$181,955 Construction Services	N	2
\$1,341,542	Graham Construction and Engineering LP			
		\$750,000 Construction Services	N	2
		\$425,050 Construction Services	N	2
		\$166,492 Construction Services	N	2
\$1,250,454	BC Communications Inc.	Communication Infrastructure	Y	1

Supply Management (continued)

Total Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$1,100,000	Coast Industrial, Maintenance & Machine Ltd.	Baggage Maintenance Services	N	4
\$991,255	Perkins+Will Architects Co.			
	\$648,440	Consulting Services	N	2
	\$342,815	Construction Services	N	5
\$917,531	ADB Safegate Americas, LLC			
	\$539,531	Regular and Control Equipment	N	1
	\$378,000	Visual Guidance Docking Systems	N	3
\$887,000	Seko Construction Ltd.	Construction Services	N	2
\$869,700	Studio One Architecture Inc.			
	\$486,500	Consulting Services	N	2
	\$194,000	Consulting Services	N	2
	\$189,200	Consulting Services	N	2
\$767,131	Beumer Group Canada Corporation	Baggage Equipment	N	2
\$652,715	Perimeter Construction Ltd.	Construction Services	N	2
\$570,000	Thurber Engineering Ltd.			
	\$400,000	Construction Services	N	2
	\$170,000	Consulting Services	N	2
\$500,000	Eaton Crouse-Hinds Series	Airfield Sign Replacement	N	2
\$487,978	Easy Build Structures Ltd.	Construction Services	N	2
\$447,888	USE System Engineering BV.	Airfield Lighting	N	1
\$418,367	TriNimbus Technologies Inc.	Cloud Hosting Services	N	1
\$406,179	Fujitec Canada Inc.	Elevator Installation	N	3
\$351,112	Pacific Safety Group Inc.	Safety Advisory Services	N	3
\$333,120	ARINC International of Canada, ULC	Baggage Software Support	N	1
\$304,605	Armtec LP.	Construction Services	N	3
\$288,783	Jaquith Industries Inc.	Construction Services	N	3
\$280,667	Scheidt & Bachmann USA Inc.	Parking Access Revenue Control System Equipment	N	3
\$268,341	AeroVironment, Inc.	Charging Station Equipment	N	1
\$268,330	Hella KGaA Hueck & Co	Airfield Lighting	N	3
\$265,000	InterVistas Consulting Inc.	Consulting Services	N	3

Supply Management (continued)

Total Contract Value	Contractor	Description	Multiple Year Agreement	Reasons*
\$210,350	Kal Tire Ltd.	Light-duty Fleet Maintenance	N	4
\$206,300	Crosstown Metal Industries Ltd.	Construction Services	N	2
\$205,300	Glidepath Systems Ltd.	Construction Services	N	2
\$199,680	SNC –Lavalin Inc.	Consulting Services	N	2
\$188,711	John Bean Technologies Canada Ltd.	Construction Services	N	5
\$180,000	McElhanney Consulting Services Ltd.	Consulting Services	N	3
\$168,289	AE Concrete Products Inc.	Construction Services	N	3
\$162,750	Francl Architecture	Consulting Services	N	3
\$159,031	Murray-Latta Progressive Machine Inc.	Construction Services	N	2
\$150,840	Jensen Hughes Consulting Canada Ltd.	Consulting Services	N	5
\$150,000	Koolhouse Games Inc.	Consulting Services	N	5
\$140,620	Trident Millwork & Display Industries Ltd.	Construction Services	N	2
\$136,383	Jacob Bros. Construction Inc.	Construction Services	N	2

Customer Care



2017 was our busiest year ever. We welcomed a record number of passengers from all over the world and we did this while working on the future airport and managing the daily demands of growth. We achieved a customer satisfaction rating of 90 per cent and over 13 million passengers awarded YVR Best Airport in North America at the Skytrax World Airport Awards. And in 2018 we won the Skytrax award again, for a record 9 years in a row.

This was all thanks to the YVR team, a dedicated group of over 24,000 people who work hard to deliver a great airport, every day, for our passengers and partners.



YVR continued to provide exceptional customer care to passengers in 2017. Our team answered 1,023,963 enquiries at information counters—a 25.8 per cent increase over 2016. We responded to 30,281 interactions through our communications channels, up 7 per cent over 2016. This included 740 responses through Twitter, 4,594 through email and 24,170 phone calls.



1,023,963
Customer enquiries
answered in 2017



90% Customer
satisfaction rating
Average score of 4.3
out of 5—in the midst
of record growth

Customer Care (continued)



GREEN COAT VOLUNTEERS

For over 28 years, YVR's Green Coat volunteers have assisted travellers and visitors. They are located throughout the terminal and are always happy to help answer questions and ensure everyone has a great experience. This friendly team of 457 active volunteers delivered 80,078 hours of service in 2017.

Our Green Coat volunteers are continually going beyond for our passengers. From reuniting passengers with lost items to providing directions and assistance, they are core to our customer care efforts.

From a passenger . . .

"A volunteer at YVR went way beyond the call of duty and went out of her way to make sure we were looked after.

We had forgotten to return our keys to our family's accommodation and it was extremely important to have these keys available for our family in Vancouver. We had already gone through security and knew our only alternative was to take the keys to Winnipeg and mail them back, which would have taken too long. As a consequence, the family would have had to get a locksmith to come to the house and open the door and cut more keys.

Lori's extreme kindness of personally making sure our family received the keys the next day saved us all from a lot of anguish."



**A BIG THANK YOU TO THE 2017
YVR STARS—YOUR EFFORTS ARE
KEY TO OUR SUCCESS.**

YVR STARS

The YVR Stars program encourages travellers, visitors and employees to nominate anyone who works or volunteers on Sea Island for providing exceptional customer care. In addition to promoting great service, the program inspires the YVR community to take pride in their work. In 2017, YVR Stars received 568 nominations encompassing 42 companies on Sea Island. We hosted our third annual celebration event in February for YVR Stars, welcoming winners that demonstrated exceptional safety and security, teamwork and overall customer care.

Safety & Security Award:

Randy Andreachuk, Securiguard

Teamwork Award:

Kuniko Ishida, Air Canada and Terry Greenslade, Green Coat Volunteer

Beyond, Every Day—Individual:

Ann Senko, Green Coat Volunteers

Beyond, Every Day—Peer to Peer:

Hershcel Agoncillo, WestJet

Our Environment

YVR strives to be a leader in environmental management. To effectively manage the environment, we maintain robust policies and procedures aligned with our values and regulatory obligations. We actively identify, seek out and report issues and hazards, promoting a culture of accountability. And we always seek to improve our performance—because we care about our environment and our place in it.

- 69 Instilling Excellence
- 72 Environmental Plan: Year 3
- 73 Reducing Emissions
- 79 Reducing Waste
- 82 Reducing Potable Water Consumption
- 85 Improving Ecosystem Health

Safety, Security and Environment Policy

Our *Safety, Security and Environment Policy* serves as a reminder to each employee that we are all individually responsible to report hazards and to always look for ways to improve our programs and processes—especially regarding safety, security and environmental performance. This Policy plays an important role in YVR's Social Management System. Each member of our Executive Team has signed the Policy, which is available externally in YVR's Environmental Management Plan.



Safety, Security and Environment Policy (continued)

Vancouver Airport Authority is committed to excellence in safety, security and environmental management. Our primary objective is to build, operate and maintain a safe, secure and environmentally sustainable airport for our employees, stakeholders and customers.

Our commitment is delivered through a collaborative approach with continuous review and improvement of our operating performance, processes and procedures. Our safety, security and environmental programs are driven and supported by our Executive Team working together with our strong, flexible and capable team of professional employees.

The Executive Team will lead our efforts to:

- Meet all applicable safety, security and environmental laws and regulations
- Train and educate our employees and allocate sufficient resources in support of safety, security and environmental excellence
- Set specific measurable goals for safety, security and environmental performance and regularly report on these results
- Promote transparency and accountability through a culture whereby employees and stakeholders can
 - » Voluntarily self-report any acts, deficiencies, hazards, incidents or occurrences that threaten safety, security or the environment; and
 - » Actively and collaboratively identify, seek out, report, analyze and rectify hazards in order to prevent or mitigate re-occurrence and maintain a safe, secure and environmentally sustainable airport.



Instilling Excellence

At YVR, we value excellence in environmental management. To do this, we keep our employees and business partners engaged and connected to our environment policy as well as our Environmental Management Plan. We have strict environmental protocols in place and regularly present YVR’s Environmental Management Plan to the Sea Island community through training, meetings, workshops, audits and unique programs.



PROJECT GREEN YVR

Airports Going Green Award

We delivered our third year of Project Green YVR, our tenant engagement platform that brings airport partners and businesses together to collaborate on environmental initiatives. One of the main delivery tools for Project Green YVR is our contract with Climate Smart, a local organization that provides training and tools to help tenants reduce greenhouse gas emissions, waste and water use while also saving money by reducing those associated costs. Thanks to this program, YVR has now helped 28 Sea Island businesses reduce their environmental footprints.



Instilling Excellence (continued)

REWARDING PERFORMANCE

The annual Clear Skies Awards are designed to recognize YVR tenants and business partners who demonstrate outstanding delivery of environmental programs and initiatives on Sea Island. Businesses are assessed on their action in support of YVR's Environmental Management Plan goals to reduce emissions, water and waste and improve ecosystem health on Sea Island.

In 2017, the winner of the Airside/Groundside category was AeroMag. AeroMag is responsible for management of our centralized de-icing facility and operates our fleet of electric airside buses for Remote Stand Operations. The organization works hard to ensure that de-icing chemicals are contained on site and do not enter the sensitive Fraser River ecosystem.

The winner in the terminal category was Carillion, who have been a critical partner in helping us to divert 51 per cent of our terminal waste from landfill. Carillion's daily management of our centralized food court waste sorting system and our on-site composter are key elements of our waste diversion success.

INDUSTRY INVOLVEMENT

It's important that we work together with our peers to improve sustainability across the airport industry. We are involved in several external organizations and committees including Canadian Airports Council Environment Committee, Airports Council International World Environmental Affairs Committee and the Ground Operations subgroup to Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation.

ENVIRONMENTAL AUDITS

As part of a multi-year environmental audit program, we regularly conduct internal and external audits to ensure YVR maintains high environmental standards. In 2017 we undertook an internal audit of our halocarbon-containing equipment to ensure that we are operating in compliance with federal regulation. Environment Canada conducts regular audits of YVR and in 2017 we did not have any penalties, fines or issues of non-compliance. We also underwent third-party reviews to assess the processes and documentation that allowed the airport to become Airport Carbon Accredited and Salmon-Safe certified.

Working with our Partners

In 2017, we conducted a variety of tenant audits. We performed waste audits of all food and beverage operators as part of our Waste Wars program. In addition, we conducted water audits of all terminal food and beverage operators and four land tenants to assess their water fixtures and provided each with a report of improvement recommendations. We conducted 17 environmental audits, with the help of a third party, on a select group of YVR's Sea Island tenants using risk-based criteria—focused on hazardous materials management, spill response and petroleum storage tank management. All audits resulted in minor recommendations and no tenants were in significant regulatory non-compliance.

EMPLOYEE PROGRAMS

We use several financial incentives to achieve our environmental goals and support our *Social Policy*.

Green Commuter Program



10.67 million km
of single-vehicle trips avoided
through YVR's Green Commuter
Program since inception

We continue to see success from our popular Green Commuter Program, which offers employees a \$50 per month rebate to take public transit, bike, walk or carpool. In 2017, 201 employees (40 per cent of our workforce) participated, a slight increase over 187 employees in 2016. Their collective efforts helped us avoid 1,367,374 km of single vehicle trips and 228 tonnes in carbon emissions. Since the program started in 2006, YVR has saved 10,672,696 km of vehicle trips and 1,819 tonnes of emissions.

Instilling Excellence (continued)

Sustainability Challenge

In 2017, we brought together an internal, cross-departmental team to advance strategic sustainability initiatives. This team focused on finding innovative ways to do more and generated several educational videos as well as piloting and implementing changes to some of the waste management practices we highlight in this report.

TRAINING

Environmental considerations are integrated into YVR's emergency response procedures. In 2017, we conducted regular training for employees and business partners through our Climate Smart and Waste Wars programs. We also provided four hazardous materials training sessions to 41 YVR employees and provided training and technical advice to contractors and project managers through the environmental assessment and Facility Permit processes.

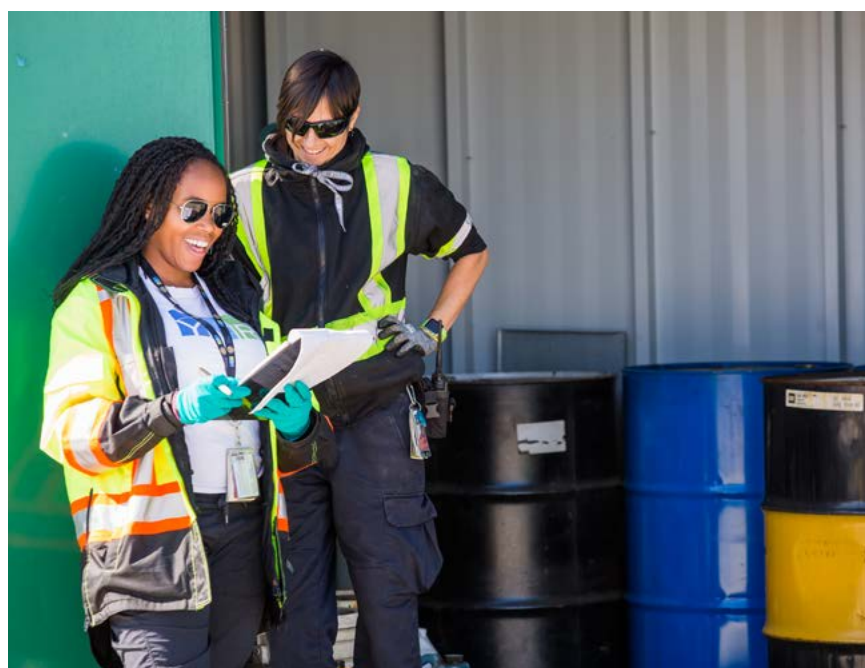
CLIMATE CHANGE PLANNING

YVR takes a proactive stance on mitigating the effects of climate change. Our Environmental Management Plan reflects our commitment to address our climate performance, with targets and programs to reduce our greenhouse gas emissions. Our Board and Executive Team are responsible for our commitment to reduce greenhouse gas emissions and they uphold this through ensuring that operations and development of YVR are environmentally friendly and by including climate change in our robust Enterprise Risk Management program.

In 2017, we advanced our Climate Risks and Resilience Report, supported by internal stakeholders, to document potential risks to our assets and operations as well as to identify potential mitigative action to improve our climate resiliency.

HEAT ISLAND EFFECT

Heat Island Effect refers to when paved surfaces, buildings and airport processes all contribute to warmer temperatures. While YVR does not have formal programs in place to reduce a potential Heat Island Effect, we indirectly reduce this through our Environmental Management Plan and its objectives to reduce greenhouse gas emissions and improve ecosystem health. For instance, we plant trees and vegetation and incrementally build our infrastructure as required, reducing our impact.



Environmental Plan: Year 3

YVR’s 2015-2019 Environmental Management Plan provides the framework for our environmental initiatives. Based on 2012 baselines, the plan’s four strategic priorities present ambitious goals and 2020 targets. These strategic priorities align with YVR’s *Safety, Security and Environment Policy*: they are measurable, transparent and focus on improving our sustainability efforts. They also direct a wide range of initiatives and activities that drive our environmental work throughout the year.

The Environmental Management Plan builds on YVR’s Environmental, Health and Safety Management System (EHSMS), which aligns to criteria in the International Organization for Standardization (ISO) 14001 and safety standards in the Occupational Health & Safety Advisory Services (OHSAS) 18001. The EHSMS sets out the framework for ensuring accountability for implementation and operation at the department level, along with a program of auditing.



**Reduce greenhouse
gas emissions**
Page 73

2020 Target:
Reduce Vancouver
Airport Authority
emissions by 33%

2020 Target:
Reduce Sea Island
emissions by 33%



Reduce waste
Page 79

2020 Target:
Divert 50% of YVR
waste from landfill



**Reduce potable
water consumption**
Page 82

2020 Target:
Reduce Sea Island
potable water
consumption by 30%



**Improve
ecosystem health**
Page 85

2020 Target:
Zero storm water
samples with more
than 100mg/L of glycol

2020 Target:
Become Salmon-Safe
certified

Reducing Emissions



2020 Target: Reduce emissions from 2012 levels by 33%



2017 Result: Emissions reduced by 3%

YVR works with employees, business partners and communities to minimize vehicle, building and aircraft greenhouse gas emissions. We do this by promoting alternative forms of transportation to and from Sea Island, upgrading our fleet and improving airport infrastructure, reducing fossil fuel consumption and raising awareness of clean air practices. Additionally, we include consideration of greenhouse gas emissions as key criteria when evaluating projects.

Every five years, we hire external consultants to conduct a detailed emissions inventory of all sources of greenhouse gases at the airport. We measure, monitor and review emissions under several categories: activities YVR can control including direct emissions from Vancouver Airport Authority-owned and controlled operations, which include heating sources and vehicle operations, as well as indirect emissions from the purchase of electricity for our operations (Scope 1 and 2); activities we can only estimate because they are generated by airport businesses and public sources including aircraft operations and traffic on Sea Island (Scope 3).

In our Environmental Management Plan, we set an ambitious target to reduce Vancouver Airport Authority emissions (relative to Scope 1 and 2) by 33 per cent in 2020 from 2012 levels. We calculate annual emissions using a methodology consistent with the Provincial Government’s framework for reporting emissions and we review this inventory annually with an internal audit.

Under this methodology, our direct emissions were 9,355 tonnes of carbon dioxide equivalent units (CO₂e) in 2017—a three per cent reduction from our 2012 baseline year (9,613 tonnes) and a 15 per cent reduction from 2007 (11,076 tonnes). Our emissions per passenger have improved 29 per cent from 2012 (0.546 tonnes/passenger) to 2017 (0.389 tonnes/passenger). In 2017, we used more natural gas to heat our buildings due to the cold and long winter and as a result saw an increase in our Scope 1 emissions. In addition, we used back-up generators for airfield lighting in low visibility conditions and as back-up power during a power outage in December.

Vancouver Airport Authority has low to moderate control over Scope 3 (Sea Island) emissions, but is in a position to influence reductions in greenhouse gases from the public and our business partners. When aircraft landing, taxiing and take-offs are included, our 2012 baseline measure is 311,304 tonnes of CO₂e. Comprehensive emission inventories are performed every five years, with the next to be completed in 2018 for 2017.

	2012	2013	2014	2015	2016	2017	2020 Goal
Scope 1 emissions (tonnes of CO ₂ e) Fleet vehicles, plant operation, emergency power	7,761	8,185	8,564	7,861	6,568	8,205	
Scope 2 emissions (tonnes of CO ₂ e) Purchased electricity	1,852	1,322	998	1,096	1,108	1,150	
Total	9,613	9,507	9,562	8,958	7,720	9,355	*6,441

* Represents a 33% reduction over 2012 levels.

Reducing Emissions (continued)

In 2017 our greenhouse gas (GHG) emissions decreased three per cent from our 2012 baseline level. Thanks to our aggressive 2012 reduction targets, we established a range of initiatives that will ensure we continue to reduce our emissions. Had we not taken action, our 2017 footprint would have been approximately 1.5 times larger. As we experience strong passenger growth, these passengers draw on greater heating, cooling and electrical demand. This, combined with annual fluctuations in weather, contribute to our annual emissions.

While our current forecasts project that we won't achieve our emissions target in 2020, we are on the right path. In 2022, YVR will complete one of Canada's largest GeoExchange plants, located underneath our new Central Utilities Building. This plant will greatly reduce our environmental footprint and help us meet our aggressive reduction target two years behind schedule.



Reducing Emissions (continued)

AIRPORT CARBON ACCREDITATION



In 2017 we successfully renewed our Level 2 accreditation through Airports Council International (ACI) and its Airport Carbon Accreditation program. Our renewal was thanks to our efforts to measure our carbon footprint and our steps towards reducing emissions each year.

IMPROVING FLEET EFFICIENCY

YVR has a comprehensive Fleet Management Plan that we update annually to reflect priorities and purchasing. In 2017, we retired six vehicles while commissioning 25 new vehicles, seven of which are electric. YVR now has 14 electric fleet vehicles.

In addition to regular fleet vehicle replacements, we also purchased 13 new vehicles for dedicated use for Remote Stand Operations (RSO). These vehicles included six new non-road vehicles and seven buses, one of which is fully electric. The electric bus is an apron bus and the first of its kind in North America.

In 2016, we launched our Fleet Bicycle Program, which provides six common-use bikes for a zero-emission alternative to using fleet vehicles. In 2017, YVR employees working at three different locations were able to use fleet bikes to transport them between meetings, with trips recorded totalling 39 hours.

Fuel Consumption

YVR has used a five per cent blend of biodiesel for fleet vehicles since 2007. The amount of fuel we have consumed has decreased since 2012 levels, from 481,375 litres in 2012 to 403,598 litres in 2017. This is partly due to right-sizing and electrification and also to the six hybrid diesel buses that replaced existing buses in 2016. In total, we consumed 158,733 litres of gasoline and 244,865 litres of biodiesel, a decrease of one per cent and 10 per cent, respectively, over 2016.



Reducing Emissions (continued)

IMPROVING GROUND ACCESS

We continued to reduce emissions and improve ground access thanks to a number of existing initiatives. This included a 66 per cent hybrid taxi fleet, expansion of our electric vehicle charging infrastructure to nine stalls and the ongoing use of the Canada Line, carpooling options, cycling infrastructure and our cellphone waiting lot.

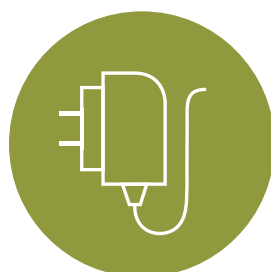
Canada Line



**2.9 million passengers
using the Canada Line**

As part of our commitment to sustainable transportation, we invested \$300 million in the Sea Island portion of the Canada Line, which began operations in August 2009. Approximately 2.9 million passengers used the Canada Line to travel to and from YVR in 2017—an increase of one per cent over 2016. YVR has some of the highest transit ridership in North America, with 22 per cent of people coming to the airport arriving on the Canada Line and buses in 2017.

Electric Vehicle Charging Stations



**4,978 EV charges—a
171% increase over 2016**

YVR currently has 19 accessible electric vehicle charging stalls for public, employee and fleet use. In 2017, we recorded 4,978 charges from our public and employee stations—an increase of 171 per cent over 2016. Since installing our first charging station in 2013, we have seen growth every year in the number of charges, totalling 8,964 charges recorded from these stations.

In 2017, we continued to expand electric vehicle charging infrastructure in our public and fleet parking lots. We added one fast charger in the public Parkade and three Level 2 chargers in our long-term parking lot. We also added four Level 2 chargers in our fleet locations.

Encouraging Cycling



**87,688 bike trips
on Sea Island in 2017**

We continue to see growth in cycling at YVR. Our bike trackers recorded 87,688 cyclists on Sea Island in 2017, a four per cent growth over 2016. To encourage this positive trend, we participate in Bike to Work Week. In 2017, 25 YVR employees participated in both spring and fall Bike to Work Week events, travelling a total of 1,762 km and avoiding 0.38 tonnes of carbon emissions.

In support of these events, YVR organized a bike tour to Iona Beach and offered two complimentary bike inspection workshops to employees in partnership with Union Street Cycle, a Vancouver-based bike servicing company.

Commuter Challenge

YVR has been a long-standing participant of the Commuter Challenge, a national, week-long event during Canadian Environment Week encouraging Canadians to walk, cycle, take public transit, carpool, or work from home. In 2017, 49 employees participated in the Commuter Challenge, travelling 7,170 km and avoiding 0.85 tonnes of carbon emissions.

Reducing Emissions (continued)

SUPPORTING OUR BUSINESS PARTNERS

As part of a working group with Transport Canada, we look at ways to reduce emissions from aircraft auxiliary power units and ground support equipment. We also work closely with our business partners to reduce their footprints.

Gate Infrastructure

We work closely with our airline partners to optimize gate infrastructure and reduce environmental impacts. Since 2012, we have been installing pre-conditioned air units, which maintain the temperature and air quality of parked aircraft by bringing external, filtered air into the cabin. In 2017, we upgraded six gates with pre-conditioned air units; 84 per cent of YVR’s gates now have both pre-conditioned air and ground power, up from 42 per cent in 2012.

Ground Service Equipment

We continue to work towards our goal, established in 2015, of having 50 per cent of the ground handling fleet at YVR running on electric power by 2020. In 2017 there were 341 licensed vehicles, 127 of which were electric—representing 37 per cent of the total fleet. Also, 51 per cent of the baggage support equipment in 2017 was electric. In addition, there are currently 38 common-use charging stalls at four aircraft gates to support our electrification goal.

ENERGY CONSERVATION & RENEWABLES



\$17 million—cumulative energy savings since 1999

YVR is committed to improving energy efficiency and advancing renewable energy. Improving energy use not only lessens our impact on the environment, but can also reduce costs—helping us to mitigate business risks. We have seen a cumulative savings of more than \$17 million in electric and gas costs since launching our energy conservation efforts in 1999. Over this time our passenger numbers and terminal area have grown substantially, but we have been able to improve energy efficiency through conservation initiatives and improved building design.

The table below shows the growth in natural gas and electrical consumption and the improvements in efficiencies per passenger. Due to improvements in data monitoring systems, we’ve updated our reporting methodology for 2017. In previous reports, we reported only on consumption from the main terminal building. This methodology has been revised to include all satellite buildings. Adjustments have been made to previously reported historical values.

	2012	2013	2014	2015	2016	2017
Natural Gas consumption (GJ)	128,608	135,282	143,914	130,167	110,157	143,576
Electrical consumption (GWh)	97.5	96.7	99.8	102.8	103.8	107.78
Natural Gas—heating efficiency per passenger (GJ/100,000 passenger)	731	753	743	641	494	595
Electrical per passenger (GWh/100,000 passengers)	0.55	0.54	0.52	0.51	0.47	0.45

Reducing Emissions (continued)

In 2017, we consumed 135,140 GJ of natural gas and 101.9 GWh of electricity in the main terminal building. This equates to \$1,007,183 in natural gas and \$6,332,962 in electricity for a total of \$7,340,145 to heat and power all buildings and activities. Costs to heat and power as a percentage of our total materials, supplies and services costs are 5.9 per cent.

Our natural gas consumption increased by 32 per cent in 2017. A significantly cold start to 2017 resulted in additional gas use in January through March. Our energy consumption also increased slightly, due partly to increased passenger volumes requiring an increase in cooling demand and to the increased use of electrical infrastructure.

Smart Lighting

YVR is committed to research and development to control light levels and reduce light pollution impacts on surrounding communities. In addition to using schedules and sensors to reduce lighting, we have shifted towards efficient LED technology over the last several years. Every year, LED lighting saves 1.3 GWh of electricity in the terminal, 77,000 kWh on Arthur Laing Bridge and 25,000 kWh for theatrical lighting of art installations.

While the existing street lights on the Arthur Laing Bridge were replaced in 2013, the remaining high mast lights required further advances in LED technology for replacement. In 2017, we installed new LED lighting and light shields on the remaining eight high mast poles on the Arthur Laing Bridge to improve lighting levels while reducing glare. With five lights being replaced on each pole, this recent upgrade was able to reduce 119,000 kWh per year.

In 2017, YVR successfully completed the largest install of an apron LED lighting system in Canada. Read more about this new system on page 18.

Renewable Energy

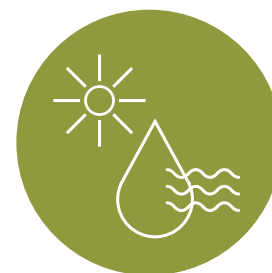
We have focused investment on renewable energy to reduce our greenhouse gas footprint, offset electrical demand and increase resiliency.

Airside Operations Building

YVR's Airside Operations Building (AOB) consolidates all airside operations under one roof and includes

a number of sustainability features such as a GeoExchange field, solar hot water, photovoltaic panels, a wind turbine, a rainwater collection system and energy efficient LED lighting. The building's renewable energy features act as a pilot for YVR to benchmark its ability to produce alternative energy sources. In 2017, the AOB consumed 2,293,294 kWh of energy and approximately 94 per cent was from renewable sources.

Solar Hot Water



**\$90,000 saved
due to solar hot water**

YVR installed a solar panel system on the roof of the Domestic Terminal Building in 2003 and connected it to 80 per cent of the hot water distribution system. This system was so successful that we applied it to the International Terminal Building in 2014, installing 72 solar panels. These panels heat two solar hot water systems in our terminal buildings, which pre-heat more than 1,500 gallons of hot tap water every hour—resulting in an annual energy savings of 8,790 GJ of natural gas. We are seeing \$90,000 in savings every year as a result of downsizing to a smaller backup boiler.

GeoExchange

See page 74 for more information on YVR's new GeoExchange system.

BC Hydro

In 2017, we worked closely with BC Hydro on a range of initiatives. We continued to participate in BC Hydro's Energy Manager program, which dedicates an employee to manage the implementation of energy-saving projects and improve existing operational and maintenance procedures. We developed a comprehensive approach to electrical infrastructure development and a focus on the intelligent management of energy use to improve energy performance—facilitated through a BC Hydro employee at YVR.

Reducing Waste

In 2017, we recycled and composted 2.3 of 4.5 million kilograms of domestic and international terminal building waste, resulting in a 51 per cent diversion rate—one per cent over the 2020 target, for the second year in a row! We did this by working with our partners, promoting our waste reduction initiatives and constantly checking our progress. We project that we will maintain this achievement through to 2020.



Our terminal waste diversion focuses on three recyclable waste streams including compostable organics, containers (plastics, metals and glass) and fibre (paper and cardboard). We saw increases in diversion for all terminal waste types in 2017, with an impressive seven per cent increase in organics diversion thanks to several innovative programs. Passenger waste declined from 0.093 kg in 2016 to 0.091 kg per passenger in 2017.



2020 Target:
Divert 50% of YVR waste from landfill



2.3 million kg
recycled and
composted in 2017

2017 result:
waste diverted by 51%

Reducing Waste (continued)

REDUCING ORGANIC WASTE

We continued to see great success with our organic waste diversion program, with a record 817,057 kg diverted from landfill. Our success stemmed from the ongoing green bin program, Waste Wars and the amazing efforts of our team and partners.

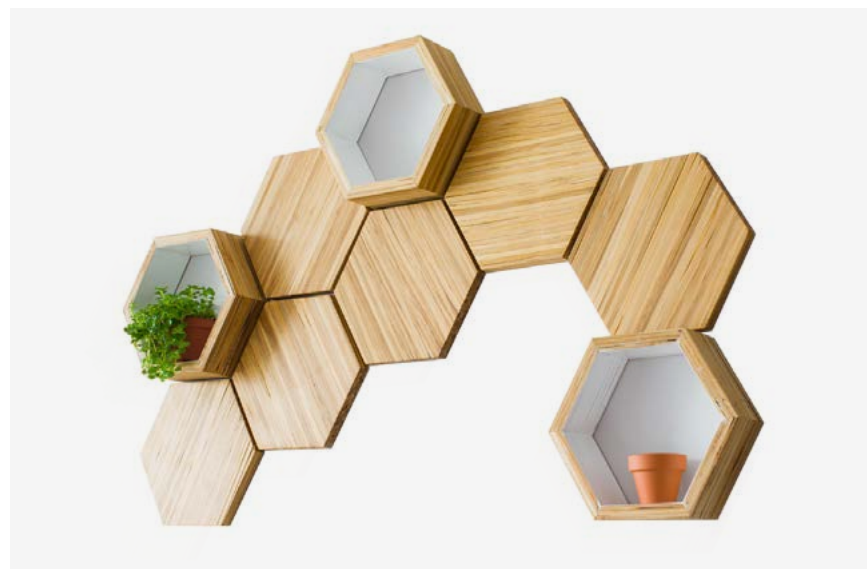
Composter

Our International Terminal food court is home to a food-waste composter, which reduces organic food court waste by up to 80 per cent. The machine turns food waste and food-soiled paper into compost through microbial action, saving costs by reducing the volume of food waste generated and in turn prevents it from going to landfill. In 2017, the on-site composter diverted over 100,000 kg of moisture from the food waste generated at the International Terminal Building food court.



Centralized Food Court Waste Sortation

In late 2016, the airport installed a centralized food court waste sorting station located at our International Terminal Building food court. The staffed station has considerably improved our waste sorting and recycling by allowing for better sorting of waste when patrons leave their tray on the counter. Our customers have also appreciated the premier service.



Chopsticks

YVR recycled 233,871 chopsticks in 2017—the equivalent of 708.6 kg of diverted waste—with the help of ChopValue, a local company that turns used chopsticks into beautiful products.

Latex Gloves

YVR started a latex glove recycling program with TerraCycle, which repurposes them into gymnasium floors. Even with a late start in 2017, the program has been very successful—recycling 59,500 gloves from select partners.

OUTREACH

We are committed to managing the environmental impacts of contractors and business partners. Since 2011, YVR has helped to divert 6,709 kg of quality surplus food and other items from landfill by placing them in Quest's not-for-profit markets.

WASTE WARS

In 2017, YVR hosted the third annual Waste Wars competition. See page 14.

WASTE AUDITS

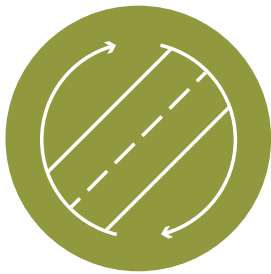
YVR regularly conducts tenant waste audits and our contracted waste removal providers regularly assess our waste for quality assurance. We conducted waste assessment audits for all terminal food and beverage tenants as part of our Waste Wars program. Tenants did very well during these audits, demonstrating commitment to our waste reduction efforts.

Reducing Waste (continued)

CONSTRUCTION MATERIAL REUSE
AND RECYCLING



99+% construction
materials recycled



41 million kg of
asphalt recycled—
enough to pave 20 km
of two-lane road

In addition to our terminal waste diversion, we work with our partners to reuse and recycle construction waste materials from large capital projects. In 2017, we diverted 41.8 million kilograms of construction waste. This includes a range of materials such as wood, drywall, metals, concrete and 41 million kg of asphalt. This equalled a 99.3 per cent recycling rate, exceeding our five-year average rate by two per cent and beating our previous record of 99.2 per cent in 2012!



MATERIALS RECYCLED IN 2017

41 million kg of asphalt:
98% of recycled materials

23,326 kg of scrap metal

79,937 kg of kitchen grease

7,401 of e-waste

987 kg of batteries

43,620 kg of landscaped materials

1,889 kg of light bulbs recycled

346 kg of latex gloves

57,705 kg of broom cores

Reducing Potable Water Consumption

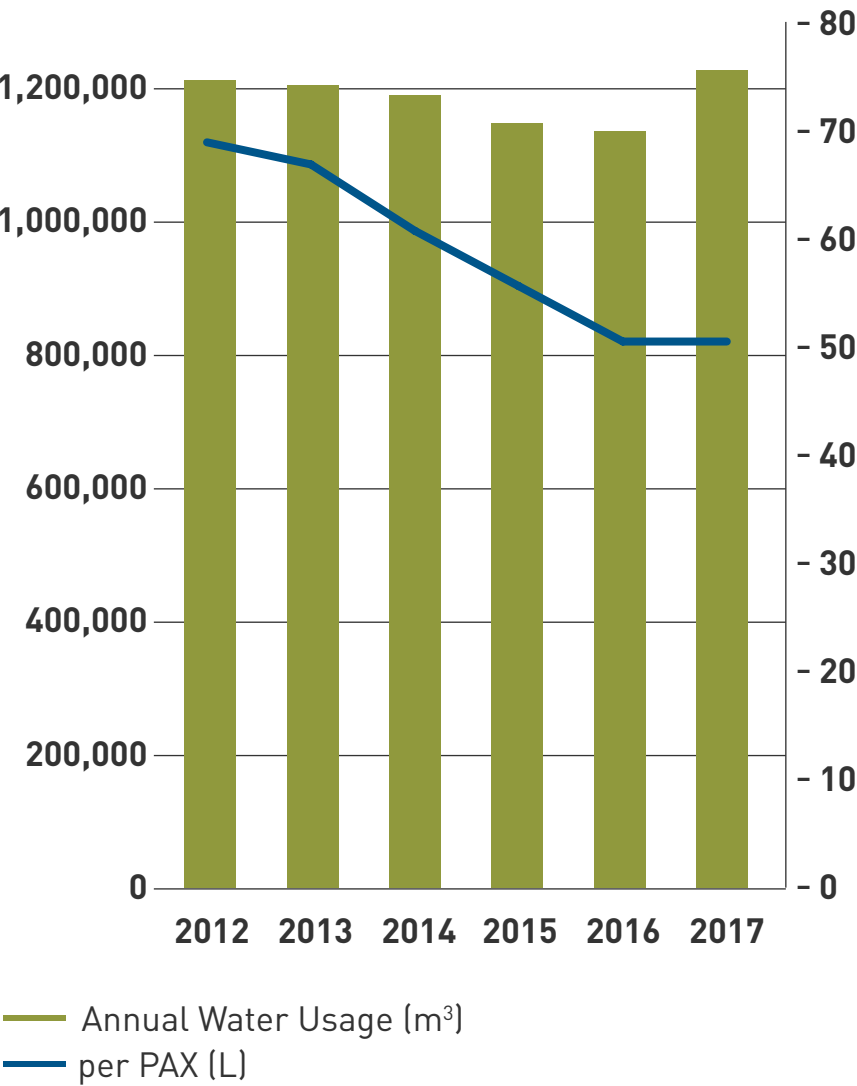
In 2017, potable water consumption across Sea Island was 1,222,265 m³—one per cent above our 2012 baseline of 1,206,721 m³. Several factors contributed to this increase including two water breaks at our facilities, but overall the increase was largely due to YVR's exceptional growth. While we were disappointed with the result, we are on the right track. Under our Environmental Management Plan, we started a range of initiatives that significantly reduced our potable water consumption from 2012 to 2017. Thanks to current and future initiatives, we forecast water reductions of approximately 25 per cent by 2020—slightly under our target.



Reducing Potable Water Consumption (continued)

WATER USE TRENDS

While we grew by almost two million new passengers in 2017, our potable water consumption per passenger stayed the same—51 litres. This is a significant milestone for YVR as it demonstrates how our efforts have created a more efficient and environmentally friendly airport.



OUR PROGRESS

To achieve YVR’s ambitious water consumption target, we continually check our progress. The City of Richmond provides potable water to Sea Island and we track progress quarterly through metered infrastructure. In 2017, the City of Richmond replaced three new water meters to ensure that accurate readings are being recorded.

Unlike many other airports, YVR tracks all of the water consumed for the lands it leases from Transport Canada across Sea Island. This means that the water consumption we track and report on is also that of our business partners, land and terminal tenants and our on-site contractors.

RESEARCH AND DEVELOPMENT

In 2017, YVR developed its first Water Conservation Management Plan, an ambitious and adaptive strategy aligning with our Environmental Management Plan. The Water Conservation Management Plan, which will be reviewed and updated annually, provides clear direction on how we intend to reduce water use on Sea Island.

WATER MANAGEMENT

Since 2015, we have saved approximately 97,000m³ of potable water as a result of utilizing the rainwater collection system at the Airside Operations Building, limiting use of the heat exchangers at the International Terminal Building and periodically shutting off select irrigation and water feature systems in the summer.

In 2017, we undertook several water conservation projects:

Retrofits

We undertook two urinal retrofitting programs in 2017, saving significant water. We partnered with Air Canada to retrofit 14 continuous flush urinals at the Air Canada South Hangar and Cargo Building. Each urinal now uses significantly less water, with expected annual water use estimated at 111,000 litres—a 97 per cent reduction. In addition, we retrofitted 12 continuous flush urinals in three of the buildings in our cargo village. This reduced water use by 90 per cent, from 10.1 million to just 1 million litres annually.

Reducing Potable Water Consumption (continued)

Audits

In 2017, we conducted water audits with land tenants and food and beverage partners. Through these audits, land tenants gained a better understanding of how water is used in their facilities and how to reduce water use. The food and beverage audits helped us learn more about the water fixtures used in kitchens and identify which fixtures could be upgraded.

New Water Meters

We installed several new water meters in the Main Terminal Building, South Terminal and Airside Operations Building. With these new meters, we can closely monitor our water use and identify areas for improvement.

Sewer Station Upgrades

YVR manages 26 sewer stations on Sea Island, eight of which require water for cleaning. In 2017 we upgraded three of these stations with an agitator, which reduces the need for flushing.

Leak Detection Pilot

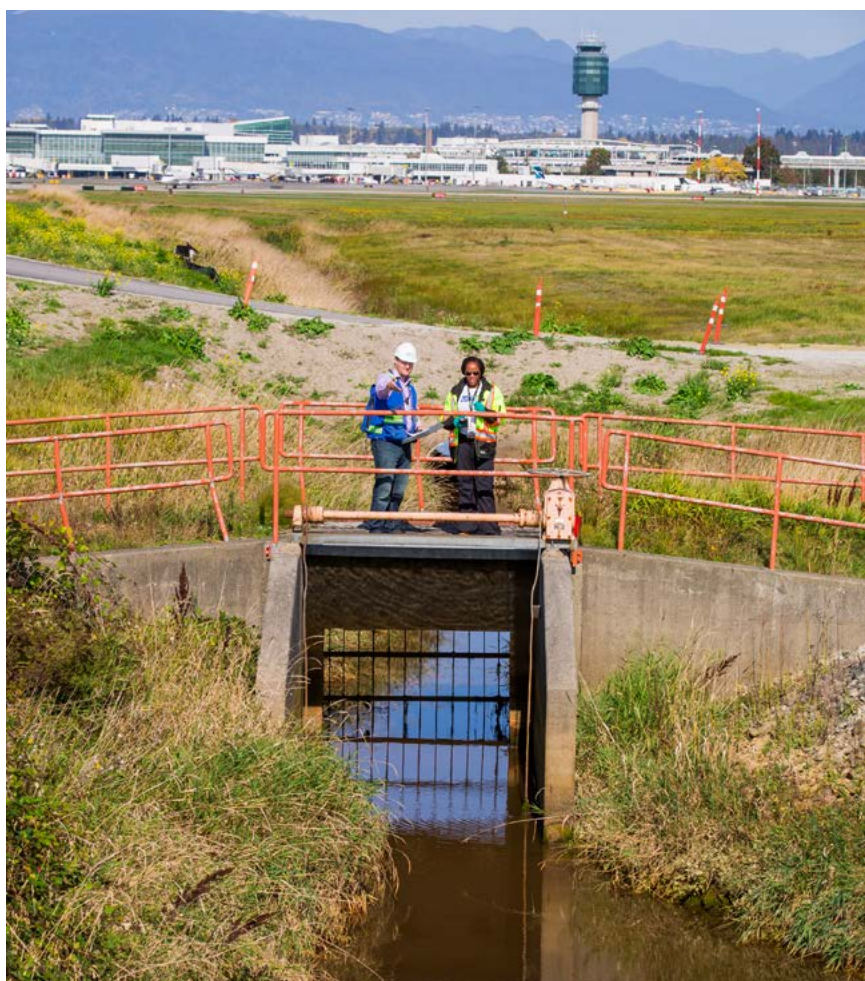
We partnered with Pure Technologies Ltd. in 2017 to trial the Sahara® tool, a tethered device used to detect leaks and assess pipe conditions. We deployed this device in the South Runway water main to determine its current condition and identify any leaks. The results of this pilot confirmed that this water main is in good condition, with no leaks.

Education & Outreach

In 2017, YVR employees participated in Metro Vancouver’s Capilano Watershed Tour. This was an excellent opportunity for employees to experience the outdoors, learn more about the processes our drinking water goes through and how Metro Vancouver is tackling the water demands of the region.

Rainwater Capture

YVR collects rainwater from the rooftop of its new Airside Operations Building and currently uses this water for non-potable uses. We are closely monitoring this system, which we estimate saves approximately 620 m³ of potable water per year. This type of feature will be included in YVR’s new Parkade and we anticipate it will have a significant positive impact on our water use.



Improving Ecosystem Health

YVR strives to protect the ecosystem and reduce our impact on the environment. In 2017, we improved air and water quality, focused on minimizing wildlife hazards and maintained our Salmon-Safe certification—a 2020 Environmental Management Plan target that we achieved in 2016, four years ahead of schedule.



**2020 Target: Become
Salmon-Safe certified**

**2017 Result: Maintained
Salmon-Safe certification**

REMEDIATION

After Transport Canada transferred management of YVR to Vancouver Airport Authority in 1992, they remained financially responsible for all documented historical contaminated sites identified in the Ground Lease⁴. Vancouver Airport Authority has a Contaminated Sites Program, which seeks to protect human health and the environment. We follow federal and provincial environmental guidance and procedures with respect to land reclamation under our Contaminated Sites Program, which consists of four key activities: Site Identification, Assigning Responsibility, Management Plans and Monitoring.

We monitor a number of historical contaminated sites that occurred prior to the formation of Vancouver Airport Authority and we will continue to work with Transport Canada to address these sites under our Contaminated Sites Program. In addition, we undertake island-wide water quality sampling and independent laboratory analysis to monitor the natural environment.

In 2017, two new contaminated sites were identified, both of which are related to historical activities. We conducted investigations and are implementing management plans to ensure protection of human health and the environment. We also conducted investigations of one area to better delineate contamination and develop options for remediation. Finally, we conducted several Environmental Site Assessments to verify existing conditions prior to the development or leasing of airport lands.

We did not have any contaminated sites requiring full remediation. Contaminated soil, encountered during construction, was removed to an approved off-site soil treatment facility.



⁴ See the Consolidated Financial Statements, which start on page 116, for more information.

Improving Ecosystem Health (continued)

ENVIRONMENTAL IMPACT ASSESSMENTS

We conduct environmental reviews of all proposed projects, in accordance with Section 67 of the *Canadian Environmental Assessment Act*. These reviews identify potential impacts, such as loss of sensitive habitats, and include an analysis of potential social impacts. We conducted environmental reviews on more than 210 projects in 2017 and we are pleased to share that no projects were expected to result in significant effects. We also performed three archaeological assessments in 2017 and no new archaeological sites were identified.

Our Environment team regularly monitors construction projects to ensure mitigation efforts are implemented and remain effective. We conducted more than 150 site visits in 2017 to 17 major construction projects and dozens of minor projects. None of the projects were found to have caused adverse environmental or social effects of any significance.

In addition to environmental reviews and monitoring, YVR regularly conducts sustainability assessments for new operations and facilities through our Sustainability Case Document (SCD). The SCD helps us to narrow down options through a comprehensive matrix based on our social, governance, economic and environment pillars. In 2017 we continued to improve the SCD, developing a more robust approach that has become an integral part of our decision-making process.

NATURAL HABITAT MANAGEMENT

Through YVR's Natural Habitat Management Program, we strive to protect important ecosystems while proactively managing wildlife hazards. We lease 1,340 hectares of land on Sea Island and are responsible for striking a balance between safe airport operations, wildlife control and environmental protection. In 2017 we made progress developing a habitat enhancement plan for Sea Island.

Sustainable landscapes

We constantly improve our landscaping practices. In 2017, we performed a Drought Tolerant Landscape Management Study. This study focused on the reduction of potable water use in the landscaped areas through the elimination, improvement or reduction of irrigation. We surveyed landscaped areas, inventoried vegetation and identified opportunities for future landscaping. We also developed a drought-tolerant plant list, with a focus on native plants.



Improving Ecosystem Health (continued)

Invasive Species and Pest Management

We implemented our new Integrated Pest Management Plan, which aims to use ecological approaches for pest management. Under this plan, we will reduce chemical herbicides and pesticides and will continue identifying and removing invasive plants from airport lands. We conducted an invasive plant survey in the summer, which will help with the management of regionally identified invasive plants. In addition, we provided a training workshop to YVR employees and contractors, focused on identification and best practices.

Contributions to Conservation

We constantly seek to restore natural habitats and we work with our neighbours to minimize any impacts to existing wildlife. There is currently no known International Union for Conservation of Nature (IUCN) Red-Listed species with critical habitat on airport land.

YVR coordinates and sponsors the annual Great Canadian Shoreline Cleanup in cooperation with the Vancouver Aquarium on Sea Island at Iona Beach. As part of the habitat conservation project related to the North Runway construction, YVR also supports the Delta Farmland & Wildlife Trust to plant winter cover crops south of the airport to feed migrating waterfowl.



Wildlife Management

YVR is located on a migratory bird path and as a result we have a responsibility to ensure safe aircraft operations while conserving wildlife. We are always working on new and innovative solutions to manage the unique wildlife environment in which YVR is situated. We use limited pesticides to reduce bird-attracting insects and we patrol the airfield year-round, using lethal and non-lethal methods to scare and disperse wildlife. During 2017, we moved 1,517,228 animals away from aircraft and we safely captured, relocated and released 174 raptors.

The Fraser River delta is home to the highest density of wintering raptors in Canada. To manage this density, we operate a successful Raptor Trap & Translocation Program. Once captured, the birds are tagged with a unique numbered leg band and translocated to the east, away from YVR. Special wing tags on the larger hawks help us understand the movement of the birds. This has been a great success, with over 864 raptors captured since 2010. With help from members of the public, data collected concludes that there were more than 260 observers submitting more than 470 observations of tagged hawks. Sightings of raptors tagged at YVR are reported throughout the Lower Mainland including Abbotsford, Chilliwack, Langley, Richmond and Delta. These sightings confirm the survival of tagged raptors that have been translocated and illustrate that removal helps to keep raptors away from the airport.

In 2017, there were 217 wildlife strike incidents. During these incidents, a total of 311 birds were confirmed struck, as well as three bats. In order to maintain safe aircraft operations, we use lethal control when necessary and in 2017 killed 410 birds and four coyotes, an increase from 305 animals (300 birds and five coyotes) in 2016. This increase was due to an elevated risk posed by flocking waterfowl, specifically dabbling ducks.

Improving Ecosystem Health (continued)

HAZARDOUS MATERIALS MANAGEMENT

At YVR, we have a lifecycle approach to hazardous and controlled products—from carefully selecting green and less harmful products at the outset to managing the storage, transportation, use and cleanup of the products while onsite to ensuring the proper disposal of products offsite. Through the Hazardous Materials Management Program, we educate employees and advise our contractors on these key elements and we inspect and audit our facilities and operations to minimize risks associated with hazardous product use. We also assess our tenants through annual environmental auditing to ensure they are complying with hazardous materials regulations, including the use of pesticides and other hazardous materials.

Our Environment team is responsible for tracking and storage and we use a third party to oversee proper hauling, recycling and disposal of hazardous waste. In 2017, we recycled and disposed of 6,365 kg of hazardous waste, an increase from 4,913 kg in 2016. At the same time, we recycled and re-purposed 5,895 litres of waste oil, waste oily water and antifreeze.

Spill Response

Our Spill Response Plan provides clear guidance on preventing and mitigating releases of hazardous substances and ensuring their effective cleanup if a spill occurs. In 2017, we recorded 145 spills, an increase of seven per cent over 2016. Of these spills, 97 per cent were considered small, meaning less than 100 litres. Hydraulic oil from baggage loaders and lavatory fluid from aircraft accounted for the majority of total utilities spilled onto the apron.

WATER MANAGEMENT

Our Water Quality Program aims to prevent pollution from entering surface waters. We do not discharge waste water into the environment; instead, we send all waste water to a sewage treatment facility. We have a robust monitoring system, we strategically use oil-water separators and de-icing pads and we educate the Sea Island community about water quality.



SNOW OPERATIONS

We set clear targets for reducing impacts to water quality, including a 2020 target that strives for zero water samples with glycol concentration above the Canadian Glycol Guideline level of 100 mg/L. In 2017, we tested 437 water samples from airport stormwater runoff for glycol. Six of these samples had glycol at concentration levels above the guideline.

While YVR did not achieve our target of zero water samples above the glycol guideline, we recognize that 2017 was another challenging year for snow operations—resulting in our glycol overage. In February 2017, we had eight days of snowfall and another significant cold-weather period. During winter operations throughout the year, we applied 3,582,501 litres of deicing fluid, 227 per cent more than in 2016. We will strive for our target in 2018 and beyond.

Glycol Sampling Data (Samples above 100 mg/L)

2012	2013	2014	2015	2016	2017
1	1	4	0	2	6

Improving Ecosystem Health (continued)

SEA ISLAND AIR QUALITY

YVR is committed to reducing air pollution and tracks its air quality through continuous ambient air quality monitoring. Data is reported to the National Pollutant Release Inventory (NPRI).

In 2017, we continued to participate voluntarily in the Lower Fraser Valley Air Quality Monitoring Network. As part of this network, Metro Vancouver operates an air quality monitoring station located at YVR east of

the South Runway. Data collected from this station is displayed on a live stream through Metro Vancouver’s website. Metro Vancouver analyzes this data each year to demonstrate trends and performance against annual, hourly and 24-hour objectives. Data is released in May of each year in the Caring for the Air Report and is presented in the following table, compared with several of Metro Vancouver’s current ambient air quality objectives. The Caring for the Air Report details regional advisories and trends in air emissions data.

AIR POLLUTANTS MONITORED ON SEA ISLAND

Annual Averages	2012	2013	2014	2015	2016*	Metro Vancouver Objectives
Nitrogen Dioxide (NO ₂) (ppb)	14	14	15	14	14	21
Carbon Monoxide (CO) (ppb)	239	244	239	254	242	No annual average
Sulphur Dioxide (SO ₂) (ppb)	0.8	0.7	0.6	0.4	0.2	11
Fine Particulate Matter (PM _{2.5}) (µg/m ³)	4.2	6.3	6.4	6.0	4.9	8
Fine Particulate Matter (PM ₁₀) (µg/m ³)	11.1	11	11	12.8	10.3	20
Ozone (O ₃) (ppb)	18	16	17	16	16	No annual average

*2017 data will be available in May 2018

We submitted a report to the NPRI in 2017 for the 2016 emissions period and found that we had the same substances below the reporting thresholds as reported in 2015—Carbon Monoxide, Sulphur Dioxide, Oxides of Nitrogen, Volatile Organic Compounds and asbestos disposal releases. Particulate matter produced from boilers, emergency generators and road dust slightly exceeded the reporting threshold. Our reported levels in 2016 were below 2015 levels, as boilers and emergency generators saw less use in 2016 due to mild weather and fewer outages as well as low visibility days. Thus, our initiatives are continuing to have a positive effect with increasing passenger volumes.

MANAGING NOISE

YVR’s Aeronautical Noise Management Program seeks to minimize disturbance to our neighbours, while recognizing the need for safe, convenient 24-hour airport travel. Through the program, we engage with community representatives on our Aeronautical Noise Management Committee (ANMC) and we work with our industry partners to support international efforts to develop noise mitigation standards. In 2017, we coordinated noise studies on various airport capital projects. We also participated in industry working groups to discuss noise management activities at a national level. We are constantly improving the program and encourage the community to reach us through yvr.ca for more information.

Improving Ecosystem Health (continued)

YVR currently uses the Aircraft Noise & Operations Monitoring System to monitor aircraft operations and noise levels at 20 permanent locations throughout Metro Vancouver. The data collected helps us understand the impact of aircraft noise in communities, perform trend analysis, investigate noise concerns and select winners for the annual YVR Fly Quiet Awards.

YOUR FEEDBACK

Our 2017 community survey of Metro Vancouver residents shows that 82 per cent of respondents reported not being annoyed by aircraft noise—down from 86 per cent in 2016. We received 1,293 noise concerns from 253 people in 2017, a 31 per cent decrease from those received in 2016. Four individuals submitted the highest number of concerns, which accounted for 64 per cent of the total number of concerns received. The number of individuals who registered concerns decreased, from 301 in 2016 down to 253 in 2017.




GROUND RUN-UP ENCLOSURE

2017 marked the sixth full year of operations for our Ground Run-Up Enclosure (GRE), a noise reduction structure that primarily serves business jets and propeller aircraft on the south side of the airport. In 2017, the GRE accommodated approximately 1,280 run-ups, an increase from 2016. We received 73 noise complaints from 30 people regarding run-up noise and 56 per cent of these complaints came from one person.


FLY QUIET AWARDS

The annual YVR Fly Quiet Awards acknowledge airlines that demonstrate good noise management practices, with winners selected based on having the lowest average measured noise levels and being in good standing with the YVR Noise Abatement Procedures. YVR selects winners based on three aircraft classes: wide body, narrow body and propeller. The winners of the 2017 Fly Quiet Awards are:




PROPELLER

Horizon Airlines



NARROW BODY

Jazz Air



WIDE BODY

Xiamen Airlines



Our Community

We are committed to serving our region and we do this through a dedicated and diverse team, who live and work in our communities—and who give back, every day, through a commitment to excellence.

92 Our People

97 Health and Safety

101 Respect and Equality

107 Connecting with Communities

112 Communications

Our People



**Named one of
BC's Top Employers
eleven years in a row**

Our success starts with a motivated team, which cares for every customer and takes pride in their work. In 2017, the core YVR team grew to 487 employees, 340 of whom are members of the Public Service Alliance of Canada.

Our 10.5-year average length of employee service and our voluntary turnover rate of just over three per cent demonstrate an engaged workforce. And our ranking as one of BC's Top Employers—for the eleventh year in a row—shows that we are getting noticed.

TALENT STRATEGY

In 2017, we created a new Talent Strategy that encompasses a range of practices, programs and tools within our organization. Key activities include sourcing and recruitment, performance management, career management, compensation and rewards, succession management, leadership and capability development and strategic workforce planning.

CAREER DEVELOPMENT

We are committed to supporting our employees and we do this by proactively managing performance and creating a variety of learning opportunities.

Performance Management

Performance Management is the continuous process of setting objectives, assessing progress and providing ongoing coaching and feedback to ensure that employees are meeting their objectives and career goals. As part of this program, employees outline their objectives and development plans each year and then meet with their managers to obtain performance feedback and ideas for improvement, culminating in a final review.

Continuous Learning

Our Human Resources team manages several programs that support continuous learning and leadership development. In 2017, we had an average of 25 hours of training per employee and we offered 252 courses through the Corporate Learning and Development Program. This program is available to all employees and includes a mix of internal and external courses, aligned to desired learning outcomes.

We provide access to a number of online courses. This includes Harvard Manage Mentor, a learning and performance support resource that combines the latest in thinking and proven practices. We offer LifeSpeak on Demand, which includes modules on positive mental health in the workplace, diversity, stress management and more. And in 2017 we provided all employees with online training for Cyber Security and Privacy Awareness.

We use a learning management system, called myLearning, that tracks and reports on instructor and computer-based training while enabling employees to manage their own development plan. We also support Managing My Career, located on YVR's intranet, which provides guidelines, a process map, a checklist and career success stories.

To help employees develop their full potential, we designed a Management and Leadership Development framework that addresses the needs of managers at all levels—from emerging leaders to executives. The framework uses a tier-based approach, with different learning methodologies including self-directed, experiential, assignment-based and formal education.

One aspect of this framework is a five-year certificate program with the University of British Columbia's Sauder School of Business. Four managers completed the program in 2017. For those at our director level, we sponsor their participation in Rotman's Executive Leadership Development Program and have 16 directors completing the program so far.

Our People (continued)

Succession Management

In 2017, we reviewed and expanded our Succession Management Program. This program identifies and develops employees with the potential to fill executive and director positions. In 2018, we will create detailed development plans, which will include activities such as formal training, cross-departmental rotations and secondments.

Other Education Opportunities

Our Human Resources team supports a number of formal education programs, including the Industry Training Authority Apprenticeship Program, external training for professional development and a long-term education program where we offer up to \$20,000 of tuition reimbursement. In 2017, seven employees accessed this program. We also provide up to 20 scholarships each year, valued at \$2,000 each, for our employees’ children.

YVR has an active paid co-op student program that provides an exciting and valuable environment for training and career exploration. In 2017, we hired 49 bright, young professionals into four to eight month co-op terms. These individuals brought fresh new ideas and perspectives to YVR. Over the years, a number of students who started through co-op programs have become permanent members of the team.



Skilled Trades

In order to maintain a diversified team, we encourage our skilled trades employees and supervisors to develop a second trade. In 2017, 74 per cent of our eligible maintenance trade groups were dual-ticketed or in the process of becoming dual-ticketed. We supported seven tradespersons who completed 600 hours of classroom training, 3,380 hours of practical training and 10,340 hours in total workplace hours in their respective programs.

Training Hours

In 2017, Vancouver Airport Authority employees invested 11,936 training hours, averaging 25 training hours per person. All full-time, part-time, term and casual employees are included in this count, for a total of 487 employees (189 women, 298 men) as of December 31, 2017. Casual employees are included in this count as some operate in high-risk positions and partake in a number of health and safety-related training courses. The calculation includes apprenticeship classroom training hours, but does not take into consideration students.

	Total Training Hours	Average
Women (189)	5,070	27 hrs/woman
Men (298)	6,866	23 hrs/man
Total	11,936	25 hrs/employee

Our People (continued)

Unionized (354) and excluded (133) employees received an average of 22 hours and 32 hours of training, respectively, in 2017.

Employee Class	Total Training Hours	Average
Excluded 132	4,227	32 hrs/excluded
Unionized 347	7,709	22 hrs/unionized

134 employees were considered in high-risk positions. On average, these employees received more than twice the hours of health and safety training as employees in low-risk positions.

	Total Training Hours	Average
Health and Safety	2,262	5 hrs/employee

Health & Safety Training Hours:
High and Low Risk Positions

High Risk (134)	1,110	8 hrs/employee
Low Risk (353)	1,152	3 hrs/employee

For more information on Health and Safety, see page 97.

Innovation

In 2017, we formed a new Innovation Steering Committee to ensure we properly identify key projects that solve YVR’s greatest challenges. This team identified a key innovation that we will unveil in the summer of 2018.

We continued to offer several programs with a focus on innovation. We partnered with the Sauder School of Business to offer a customized YVR Innovator course to employees for the second year in a row. We also continued to offer a two-hour program called Foursight, which looks at how employees bring innovative approaches through their own perspectives.

In addition, we surveyed 253 employees to find out how our innovation program was doing and learned that almost 90 per cent of employees see a demonstrated evidence of an innovative culture at YVR.

RECOGNITION

At YVR, we have a tradition of recognizing employees in meaningful and creative ways.



Our Stellar Awards reflect our core values and are the highest form of recognition YVR employees can receive. At our 2017 holiday party, we handed out three awards for safety, accountability and innovation to individuals and a teamwork award to a deserving team.



The Bravo Awards recognize those who have gone above and beyond their regular scope of duties. These awards range from thank-you cards to gift certificates. In 2017, we gave 164 Bravo Awards to exceptional employees.



The Long Service Awards celebrate the long-term commitment of employees who have worked for Vancouver Airport Authority for five, 10, 15, 20, 25 and 30 years at an annual banquet with the Board of Directors and Executive Team. In 2017, 67 of these awards were presented.

Our People (continued)

EMPLOYEE FEEDBACK

We value our employees and encourage feedback through our bi-annual employee survey, all-employee meetings, coaching and performance discussions, the corporate intranet and more. We held three rounds of all-employee meetings in 2017, where employees had an opportunity to learn about what's happening in the organization and provide immediate feedback. We recognized that 2017 was a demanding year, resulting in an average attendance at our all-employee meetings of 64 per cent, and to better facilitate our employees' schedules we produced a video for the final round of all-employee meetings. We posted the video on the corporate intranet and had multiple presenters that updated viewers on current events around the airport. In addition, we held three all-management meetings.

Engagement Survey

Every two years, we conduct an employee engagement survey. We administer the survey over a two-week period and share results with all employees. In 2016, the participation rate was 92 per cent and the engagement score was 76 per cent.

As a follow-up, management presented their departmental results and worked with their teams to develop a plan to sustain or improve engagement levels. The Executive Team reviewed the plans for common themes and identified three initiatives for action in 2017:

1. Operational Efficiency—teams to look at their internal processes and identify ways to automate, eliminate, clarify and operate more efficiently.
2. Corporate Training—add an additional course offering of “Working Smart with MS Outlook.” This course provides tools and techniques for better time management.
3. Career Development—encourage HR advisors and managers to focus on employee performance and career development planning.

WORKING WITH OUR UNION

Non-exempt employees of Vancouver Airport Authority are part of a bargaining unit with the Public Service Alliance of Canada (PSAC) Local 20221. 2017 marked the first year of a new Collective Agreement, which will expire at the end of 2022. The agreement continues to maintain harmonious and mutually beneficial relationships between Vancouver Airport Authority, the Union and the employees and outlines the terms and conditions of employment.

Compensation and Benefits

As part of the Collective Agreement, we publish our compensation salary structure reflecting a broad range of bargaining unit positions. The salary structure has 11 bands in it, each with six steps that employees progress through on an annual basis. This ranges from Band 1, with an entry level salary position at \$35,383 and a maximum at \$46,243, to Band 11, which includes roles such as Senior Project Engineer, Project Leader and Corporate Financial Analyst—with a starting salary of \$82,322 and a maximum of \$107,589. The median base salary for Union employees in 2017 was \$79,971. The Collective Agreement provided for a two per cent salary increase in 2017.

Union and management jointly developed a job evaluation system for internal equity and gender neutrality. Under this system, we evaluate jobs against a nine-factor structure that includes skill, effort, responsibility and working conditions, as required under the Canadian Human Rights Act. Once jobs are evaluated, they are placed in the bargaining unit salary structure of eleven salary bands. Men and women hired into jobs of equal internal value are paid in the same salary band and progress along the same six salary steps in each band.

For management and excluded positions, which are non-executive roles, a similar job evaluation system is in place that evaluates jobs and places them in a structure of eight salary bands. The average woman's salary was compared to the average man's salary in each salary band in 2017, with the average woman's salary ranging from 89.4 per cent to 102.1 per cent, depending on the specific salary band. The average woman's salary in all eight bands was 99.2 per cent of the average man's as of December 31, 2017. This average increased to 100.1 per cent as of April 1, 2018.

Our People (continued)

Vancouver Airport Authority provides employees with a competitive compensation and benefits package in relation to the Greater Vancouver regional job market. The Collective Agreement benefits package includes an RRSP contribution program where the employee contributes six per cent and Vancouver Airport Authority contributes an additional seven per cent. Vancouver Airport Authority pays 100 per cent of the premium cost of all benefits except long-term disability. Employees pay 15 per cent of the premium cost for long-term disability.

In 2013, Vancouver Airport Authority negotiated a pilot for the Shared Performance Pay program for union employees, which was put in place for 2014—2016. In 2017, Vancouver Airport Authority and the PSAC agreed to maintain the Shared Performance Pay program

for Union employees through the life of the current Collective Agreement. When the organization achieves specific financial targets, employees receive a shared incentive payment, between \$500 and \$1,250 per employee based on Net Operating Margin (revenues excluding the Airport Improvement Fee). In 2017, eligible employees received a Shared Performance incentive of \$820 per person for exceeding the target in 2016. For Management and excluded employees, there is an incentive program based on corporate and personal performance.

In 2017, Vancouver Airport Authority spent \$55.36 million on salaries, wages and benefits. We added 15 new permanent roles across the organization to our existing base of employees, for a net job gain of 15 as there were no layoffs.

BREAKDOWN OF YVR EMPLOYEES FOR YEAR ENDING DECEMBER 31, 2017

	Management and Excluded Non-bargaining unit	Bargaining Unit	Total
Full-time	130	322	452
Part-time	2	18	20
Total	132	340	472

Grievances and Arbitration

In 2017, we heard five grievances. Two grievances were forwarded to arbitration, which will be heard in 2018.

Health and Safety

At YVR, safety is our top priority. In 2017, we continued to focus on improving initiatives—through training, education and industry involvement.



HEALTH AND SAFETY MANAGEMENT SYSTEM

YVR's integrated *Safety, Security and Environment Policy* provides the framework for our Health and Safety Management System. This system is verified by the three-year Certificate of Recognition program and is based on the Occupational Health & Safety Advisory Services 18001 standard.

Certificate of Recognition

In 2017, we successfully passed our maintenance audit through WorkSafeBC's Certification of Recognition Program, with outstanding scores of 94 per cent for the occupational health and safety management system audit and 96 per cent for the injury management audit. These high scores reflect our safe working conditions, which meet Canada Labour Code.

Health and Safety (continued)

Contractor Safety Management Program

In collaboration with our stakeholders, we developed the Contractor Safety Management Program (CSMP). This new program provides clear and consistent processes to better manage the health and safety risks associated with contractor activities on Sea Island and replaces the Construction Safety Security Manual (CSSM). This includes improved structure and tools as well as expectations that contractors and employees will be required to follow.

Occupational Safety and Health Committee

Under the Health and Safety Management System, our joint Occupational Safety and Health Committee reviews policies, programs and safe work practices. The Committee, which equally includes men, women, management and bargaining unit employees across departments, meets to discuss and resolve safety and health issues through consensus. The Committee is active in developing and promoting our health, safety and wellness initiatives, along with regulatory activities such as conducting inspections and investigations and reviewing health and safety programs. In 2017, this team continued to set specific targets for health and wellness performance, including no lost time accidents, zero non-compliances, training and attendance.

NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH WEEK

From May 6 to 12, YVR took part in the North American Occupational Safety and Health (NAOSH) Week, a continent-wide event that highlights the importance of increasing understanding, raising awareness and reducing injuries and illness in the workplace, at home and in the community.

NAOSH week started with the annual Day of Mourning ceremony, an event held in memory of workers who have been killed, injured or suffered illness as a result of work-related accidents and illness. While YVR did not experience such losses, this important event set a strong reminder of why safety is our top priority.

Throughout May, we included a range of activities to promote health and wellness such as courses and presentations on mental health, workplace violence de-escalation and proper use of fire extinguishers.

We also hosted the annual Foreign Object Debris Walk, which saw a large number of volunteers from stakeholders throughout Sea Island clear the airfield of debris.

INDOOR AIR QUALITY

In accordance with our Environmental Air Quality Program, we have four industrial hygienists and a multitude of Indoor Air Quality (IAQ) monitoring equipment to keep air quality in check. This includes CO₂ sensors, which monitor and regulate building ventilation. In 2017, our Health & Safety team conducted baseline and ongoing IAQ assessments throughout the terminal and airside to monitor potential air quality impacts for construction projects and vehicle exhaust. They found the air quality was within acceptable levels, as determined by Canada Occupational Health and Safety Regulations and WorkSafeBC Occupational Health and Safety Regulations.

WELLNESS



Healthy Workplace Award

Now in its sixteenth year, our incentive-based Wellness Program continued to support our *Social Policy* by promoting health and wellness through fitness classes, mental health education, lunch-and-learn sessions, wellness e-magazine subscriptions and community involvement. Our employees continued to engage, with 90 per cent participating in the program through various events and functions. We emphasized all aspects of wellness, including mental health, into workplace initiatives. In 2017, we hosted five sessions of The Working Mind, a course that aims to reduce the stigma of mental illnesses, increase awareness of mental health, and offer resources to maintain positive mental health and increase resiliency. We continued to provide financial wellness rewards using a detailed point tracking system that awards employees up to \$210 per year as gift cards in pursuit of their health and social goals.

Health and Safety (continued)

In 2017, we also proudly accepted the Psychologically Healthy Workplace Award in the medium size, not-for-profit category. These awards are presented every two years and are selected by a committee made up of the British Columbia Psychological Association in the categories of small, medium and large and for-profit and not-for-profit organizations across B.C.



Corporate Champions!

In May and June, over 100 employees participated as 31 teams across 12 sport and activity events at the annual Corporate Champions Vancouver competition. For the second consecutive year, we placed first overall among 65 organizations, with four gold, three silver and three bronze medals.

Sit Stand Workstation Modifications

In 2017, we installed 159 sit stand workstations across the organization. We followed up with ergonomics lunch and learns and individual employee ergonomic workstation assessments. In total, 149 employees received individual ergonomic workstation assessments with the remainder to be seen in early 2018.

LOST-TIME INJURIES

We measure health and safety performance by tracking any at-work injuries that result in an employee missing work. Whenever we have an employee lost-time injury, we conduct an incident investigation to identify root causes and develop recommendations to prevent the incident from happening again. This has led to improvements such as sourcing and distributing new equipment and tools to improving safe work practices for various work tasks. In 2017, we had three lost-time injuries and 41 lost-time days. This did not meet our zero target.



EMERGENCY RESPONSE PROCEDURES

To ensure we maintain the best safety standards, we have an Emergency Management Plan focused on three principles—plan, prepare and practice—integrated with a Crisis Communications plan focused on delivering open, honest and timely information. In 2017, we tested and improved our plans through a range of exercises and drills, involving our employees, our partners and our communities.

Large-Scale Exercise

In 2017 we hosted our large-scale, biannual Emergency Exercise. Read more on page 17.

Health and Safety (continued)

Tabletops and Live Exercises

Every year, we conduct a series of small to medium-scale exercises to test and discuss our expected emergency responses. During 2017, we co-facilitated a Contagious Disease Tabletop exercise with the Public Health Agency of Canada, which brought representatives from the airport community together to discuss responses and strategies for dealing with a potential viral outbreak. We also hosted an active threat tabletop with our responder and partner agencies. Both exercises provided valuable training and helped YVR and our partners identify areas to improve. The Communications team held several tabletops to further discuss responses to security and operational threats and updated the Crisis Communications Plan to better meet the rapidly changing nature of traditional and online media.

Earthquake Preparedness

YVR is committed to earthquake preparedness. We conduct annual safety exercises for our employees and our team of trained Floor Wardens, including participation in the Great BC ShakeOut Earthquake drill. In addition, we worked on upgrades to the Domestic Terminal Building in 2017, adding three lengths of drag struts in the Level 2 ceiling. We will continue to update our buildings in 2018 and beyond.

Universal Access

In 2017, we completed a number of terminal improvements that will help us ensure we put social considerations into our Emergency Response program. We continued to deploy stair-descending equipment in areas that rely on elevators for vertical access, and have now incorporated this as standard equipment for all new builds at YVR. We completed the upgrades to the communications capabilities in our Areas of Refuge, from the basic alarm notification system to two-way voice communications.



Respect and Equality

YVR's vibrant and diverse workforce reflects the communities we live and work in. We comply with the *Employment Equity Act* and we regularly identify areas for improvement through voluntary surveys, workshops, audits and interviews. We also conduct a number of initiatives that promote respect and equality.



EMPLOYMENT EQUITY

Vancouver Airport Authority aims to have a diverse and inclusive workforce. As part of our organizational commitment to employment equity, we identify occupational gaps in our workforce and set specific hiring targets for the four designated groups including women, Aboriginal Peoples, persons with disabilities and members of visible minorities. In addition to

providing extensive training on diversity and respect in the workplace, we have a dedicated position to oversee and execute our employment equity objectives. We publicly report on our progress annually with semiannual internal updates between Human Resources and the Executive Team. Responsibility for achieving equal employment rests at a high level within the organization.

Respect and Equality (continued)

Each year, we evaluate our employment equity progress. We set targets based on the demographics of designated groups in the National, Provincial and Metro Vancouver recruitment areas using current labour market data.

The following table is a summary of our year-end 2016 representation levels compared to labour market availability. The figures indicate the difference in the actual number of employees when comparing our representation by occupation groups to labour market availability. The shaded cells denote where we have gaps of more than one.

Occupational Group	*Women*	Aboriginal Peoples*	Persons with Disabilities**	Members of Visible Minorities*
Senior Managers	1	0	1	-1
Middle & Other Managers	9	-2		5
Professionals	0	-2	-1	18
Semi-Professionals & Technicians	1	-2	-2	1
Supervisors	-1	0	0	0
Supervisors: Crafts & Trades	1	0	0	3
Admin & Sr. Clerical Personnel	10	-1	-1	-2
Skilled Crafts & Trades Workers	2	-1	-1	6
Clerical Personnel	4	0	-1	-2
Intermediate Sales and Service Personnel	1	0	0	1
Semi-Skilled Manual Workers	1	-1	0	0
Total	29	-9	-5	29

*Source: 2011 National Household Survey
**Source: 2012 Canadian Survey on Disability

VANCOUVER AIRPORT AUTHORITY DEMOGRAPHICS VS LABOUR MARKET DEMOGRAPHICS (2016*)

Designated Group	Vancouver Airport Authority	Labour Market**	Vancouver Airport Authority Representation
Women	40.1%	34.1%	+6%
Aboriginal Peoples	0.9%	2.8%	-1.9%
Persons with Disabilities	3%	4.4%	-1.4%
Visible Minorities	30.0%	23.8%	+6.2%

*2017 data was unavailable at the time of reporting
**Includes combined Metro Vancouver, Provincial and National employment data

Respect and Equality (continued)

The *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement* provides a wealth of opportunities to improve our airport for everyone. This includes an employment commitment for hiring Musqueam people, which supports YVR’s goal to increase the representation of Aboriginal Peoples in our workforce in 2018 and beyond.

Vancouver Airport Authority has an Employment Equity Plan that outlines initiatives and goals to reduce potential barriers for the designated groups. Special measures are in place to address potential barriers for certain occupational categories, in particular Aboriginal persons and persons with disabilities. Targeted recruitment and internal awareness training are ongoing approaches towards removing barriers and achieving alignment to labour market availability. In 2017, for instance, we attended four careers fairs supporting persons with disabilities and Indigenous persons.

Our leadership team takes an active role in promoting inclusive workplaces. In 2017, Craig Richmond, YVR’s President & CEO, and Board member Tamara Vrooman (President & CEO, Vancity) co-hosted the Greater Vancouver Board of Trade’s Inclusive Business Forum, which focused on practical ways to eliminate employment barriers. In addition, Craig and Tamara belong to the President’s Group, a voluntary team that encourages BC businesses to employ persons with disabilities.

RESPECT IN THE WORKPLACE AND NON-DISCRIMINATION POLICY

Vancouver Airport Authority is committed to providing a work environment where all employees are treated with dignity and respect. This is in keeping with our *Social Policy* and includes the right for every employee

to work in an atmosphere that promotes respect, consideration and is free from personal harassment, bullying or discrimination. This commitment aligns with the obligations under the *Canadian Human Rights Act*, which prohibits discrimination in respect to employment. For instance, our Collective Agreement includes a No Discrimination provision. The *Respect in the Workplace Policy* includes definitions, examples and a complaint process that encourages employees to deal with interpersonal issues by first speaking directly to the other person involved. To ensure employees understand the Policy, we provide Respect in the Workplace training in our new employee orientation process. We commit to investigating all complaints in an objective manner. If a complaint is found to have merit, then decisive and suitable action will be taken. In 2017, we investigated four formal complaints through an external party. Only one complaint was found to have involved conduct that was deemed harassment under the Policy and corrective measures were taken.

WOMEN IN MANAGEMENT

Achieving gender equity at all levels of the organization remains an important commitment. At the end of December 2017, women accounted for 40 per cent of our management team and 44 per cent of the officers of the Executive Team. In 2017, women accounted for 38 per cent of the Board, including the Chair.

Respect and Equality (continued)

Since 2014, Vancouver Airport Authority has sponsored the Women in Management program—an initiative that promotes and supports the advancement of women in the workplace. In 2017, we held bi-annual meetings for the program on intercultural approaches to gender literacy and unconventional career paths for women. We have sponsored women's coaching circles since 2014 and at present the majority of women in management participate, with 11 senior leaders sponsoring five coaching circles.

Based on feedback received from participants in the Women in Management program, a pilot Coaching Circle for women in non-management roles began in 2017. In addition to the 11 Coaches, there are 24 participants taking part in five rotating Coaching Circles with all women senior leaders. Topics range from achieving work-life balance to reducing barriers in non-traditional career paths for women. The pilot program also serves to create a network of women supporting women at all levels of the organization.

EMPLOYMENT EQUITY AND DIVERSITY TEAM

We have an Employment Equity and Diversity team comprised of employee and employer representatives, including the President of the Local Union and employees from the designated groups. The team's mandate is to oversee the implementation of the employment equity programs with the objective of developing fair, equitable and barrier-free employment practices. The team meets quarterly to review employment equity statistics and annual submissions and provide feedback towards identified initiatives. This team also sponsors internal diversity events throughout the year.

With the support of the team, YVR celebrated National Aboriginal History Month throughout June. Employees were invited to participate in an Indigenous hand drum and a traditional weaving event led by local Indigenous artists. In October, the team hosted diverse artistic events and training in celebration of our internal Diversity Awareness Month. Events included a performance by an inclusive dance company,

a presentation on how to talk with children about diversity and a Mehndi artist offering customized henna to employees.

EMPLOYEE AWARENESS

Our employees are offered regular training on the prevention of workplace discrimination. In 2017, we encouraged employees to attend diversity related training on topics such as Indigenous awareness, LGBTQ awareness and disability awareness. Men in management positions also attended a workshop inspired by the Women in Management program, which was designed to engage them as change agents who lead efforts to bring greater diversity to the workplace.

Indigenous Awareness Training

We began offering Indigenous awareness training in 2017 to all employees. Dr. Gwen Point, a respected Stó:lō educator, in partnership with a fellow Vancouver Airport Authority employee, developed and co-facilitated the course with the aim to help create a basic understanding of Indigenous Peoples in the Lower Mainland and across Canada.



Inclusion Champion Award, Large Airport

In 2017, we became the first airport in Canada to win the Airports Council International—North America (ACI-NA) Inclusion Champion Award (Large Hub). The award celebrates achievement in promoting and sustaining diversity throughout the airport industry and highlights our work with sustainable business and suppliers, and diversity and inclusion in our hiring and training practices.

INDIGENOUS PEOPLES ENGAGEMENT

YVR recognizes that Indigenous peoples are an important part of the community we serve. We honour the traditional and contemporary culture of Indigenous peoples and we commit to mutually beneficial and resilient relationships based on respect, trust and meaningful engagement.

Respect and Equality (continued)

Our Indigenous Peoples Engagement Strategy serves as a roadmap for our journey to create thriving, respectful and resilient relationships with Musqueam and other Indigenous peoples in our region and across Canada. This is a starting point and reflects our preliminary thinking on how we should be moving forward. The principles of this strategy, which include respect, collaboration, inclusivity and innovation, align with various Articles in C169—Indigenous and Tribal Peoples Convention, 189 (No. 169).

In 2017, we continued to develop and implement the strategy, with a focus on the *Musqueam Indian Band—YVR Airport Sustainability & Friendship Agreement* (see page 13). In addition, we continued to send our job postings to local First Nations and post-secondary institutions with programs for Indigenous students. We hosted four Indigenous practicum students from Tsleil-Waututh and Squamish Nation as part of an Introduction to Administration program. Two Musqueam practicum students participated in an Office Administration Certificate program, which included an eight-week practicum at YVR.

YVR Art Foundation

Founded in 1993, the YVR Art Foundation is a not-for-profit, charitable organization that supports the development and enhancement of B.C. and Yukon Indigenous art and artists.

The Foundation's programs support emerging and mid-career Indigenous artists with art scholarships, grants, awards and exhibition opportunities. To date, the Foundation has awarded over \$400,000 and 100 scholarships, grants and awards to B.C. and Yukon Indigenous artists. In addition, the Foundation provides a unique opportunity for scholarship recipients to exhibit their art work at YVR for one year. Over 70 artists have exhibited, contributing to YVR's award-winning sense of place. Vancouver Airport Authority has an ongoing partnership agreement with the Foundation and in 2017 contributed \$100,000 and other in-kind support.



UNIVERSAL ACCESS

YVR is committed to providing a positive airport experience for everyone. We focus on minimizing obstacles for people with disabilities and anyone requiring extra help.

Training

In 2017, we held universal access working group meetings and we continued to train employees through a Disability Awareness Training program, in partnership with the Rick Hansen Foundation. Through this program, 88 of our employees completed the Ramping Minds experiential training and 106 employees took our RespectAbility seminar in 2017.

We partnered with the Canadian National Institute for the Blind (CNIB) and we engaged the Western Institute for the Deaf and Hard of Hearing (WIDHH) to provide a terminal audit, complete with focus groups on YVR facilities. We worked with the Pacific Autism Family Centre to offer employees the Autism Spectrum Disorder Awareness Lunch & Learn. And our popular tours for persons with spinal cord injuries and families living with autism continued throughout the year.

Our new computer-based training program designed to complement existing training programs was added to our partner training site. This includes language and communication, information on terminal services and assistance techniques.

Respect and Equality (continued)

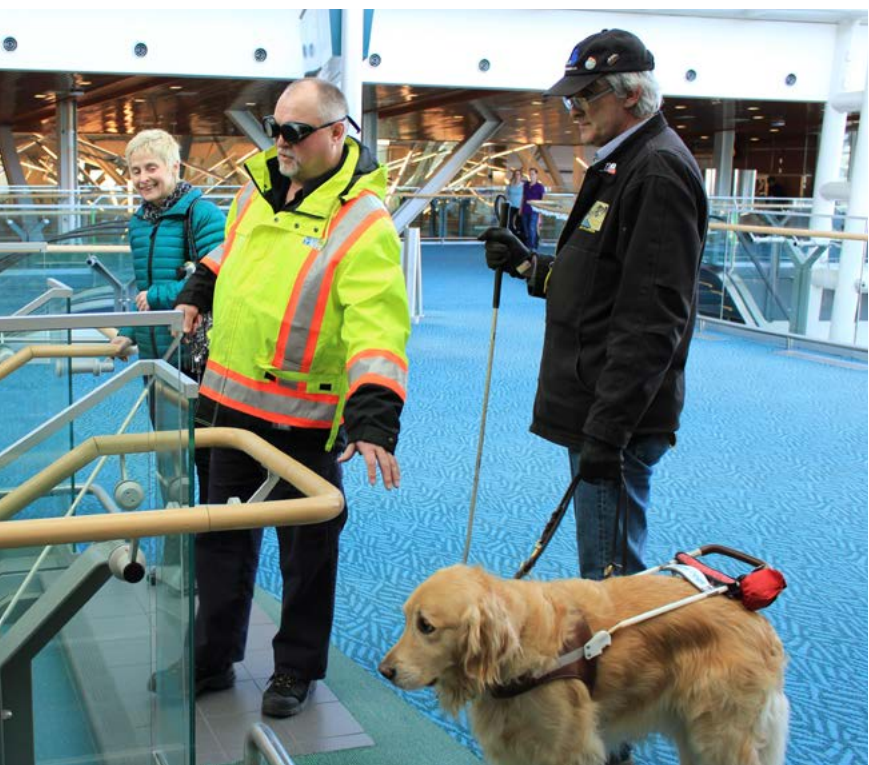
Terminal Improvements

In 2017, we continued to make travel easier and more welcoming for everyone. We trialled several programs including a YVR courtesy shuttle for International Arrivals and a new customer care curbside role to assist customers with information as they arrive at the airport.

Our visual paging monitors located at our Customer Care counters have now been expanded to include Flight Information Display screens throughout the airport, where there are six or more screens, along with all domestic and international carousel areas.

We continued to work closely with a number of accessibility partners to enhance our services and programs at YVR, including Rick Hansen Foundation, Spinal Cord Injury BC, Canucks Autism Network, Western Institute for the Deaf and Hard of Hearing, Canadian Institute for the Blind and the Canadian Mental Health Association. We also completed a new animal relief area design for a future post-security location.

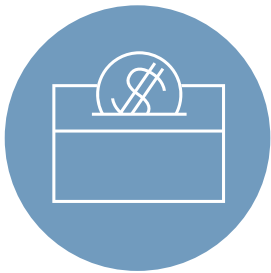
To enhance access to information, we updated our accessibility brochure and developed a new digital information kiosk to complement our customer care in the terminal and provide additional options to find information on airport services, flights, retail and dining offerings. The new digital kiosk trial will be implemented in our post-security U.S. departure area in early 2018.



Connecting with Communities

YVR is a community-based organization: we receive no government funding and our mandate is to provide social and economic benefits to the people of British Columbia. We share our success and in 2017 we shared a lot — attending 17 community events over 25 days across B.C. and kicking off a broad range of new programs.

COMMUNITY INVESTMENT



**\$1+ million donated
to community organizations**

Building meaningful relationships with the community connects our business values with our social responsibility and this is reflected in our community investment theme: **Caring Beyond, Every Day.**

A key component of YVR’s Social Management System is to support our communities and in 2017 we did this

through a range of methods—including donating over \$1 million to over 50 organizations and an additional \$36,910 to organizations through one-time funding sources of lost and found money at the airport. Our coin balls collected \$18,427 and we donated this and another \$3,500 of in-kind donations—both to local organizations. Major funding contributions included YVR Art Foundation, Vancouver Fireworks Society, Canucks Autism Network, BC Mobility Opportunities Society, BC Wheelchair Basketball, Canadian Mental Health Association, Quest Food Exchange, Vancouver Aquarium Marine Science Centre, Pacific Salmon Foundation, YVR for Kids, Vancouver Adaptive Snow Sports, Covenant House and Canadian National Institute for the Blind.

Our community investment program has three key areas of focus: **Accessibility, Community** and **Environment**. We constantly look for opportunities to support organizations that focus on at least one of these areas and are creating innovative programs in our community.



Connecting with Communities (continued)

Our employees positively represent YVR at all times—at work and in the community. In June 2017, we launched our Employee Volunteering Program designed to reward and recognize employees who make a difference in our community by volunteering for non-profit organizations. 82 employees participated and \$10,920 was donated towards Canadian charities of their choice. YVR Giver’s, consisting of a group of representatives from various departments, helped provide direction for YVR’s Employee Giving campaign, which saw a record 43 per cent employee participation rate.

HIGHLIGHTS

Pride Parade

Vancouver Airport Authority participated in the Pride Parade for a third year and showcased a new co-branded float in partnership with Air New Zealand to help support their strategy. Over 75 YVR and Air New Zealand employees and their friends and family joined us in the parade, our largest showing of support from employees at a community event to date.



Quest Food Exchange



1,077 hampers donated
— a record!

In 2017, we continued to support Quest Food Exchange and we led the annual Sea Island-wide Holiday Hamper Drive for the seventh year, setting a new record of 1,077 donated hampers—almost 40 per cent more than our record-setting year in 2016. Each hamper feeds a family and for every hamper donated YVR contributed a turkey to complete the holiday meal.



Connecting with Communities (continued)



Great Canadian Shoreline Cleanup

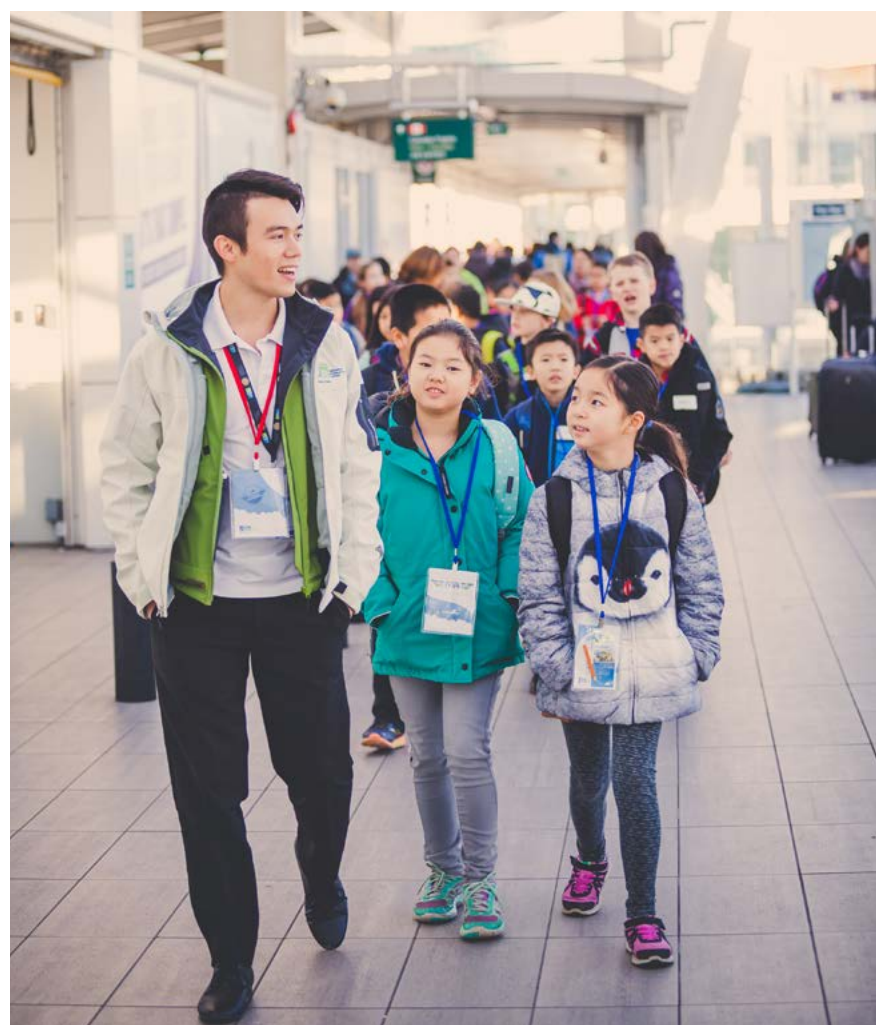
On September 16, we had 356 volunteers from the airport and the community join us at Iona Beach Regional Park to take part in the Great Canadian Shoreline Cleanup. This team wielded gloves and pick-up-sticks to help clear the beach of debris and help to protect local habitats. Thanks to the efforts of our volunteers, we removed and recycled an estimated 215 kg of waste, down from the 600 kg of waste we collected in 2016. YVR donated \$55,000 to the Vancouver Aquarium in support of this initiative, ensuring we continue to keep Canada's shorelines clean.

COMMUNITY ENGAGEMENT

Engaging with our communities is fundamental to the success of our airport. And we don't just communicate—we find ways for the community to actively provide input, ideas and insight into projects that impact them. We provided multiple opportunities throughout 2017 for the community to engage with our team: at our Annual Public Meeting, at local festivals and events throughout the Lower Mainland, through YVR presentations at local Chambers of Commerce and organizations such as tourism bodies and online where we engage through Facebook, Twitter, Instagram, LinkedIn and Weibo.

During summer 2017—our busiest period ever—we undertook a number of construction projects at YVR that could impact our community. We notified our neighbours of our taxiway repairs and engaged with key groups regarding summer construction on the South and Crosswind Runways' Runway End Safety Area (RESA) project and plans for the North Runway.

In November, YVR began initial engagement with Burkeville residents for the Templeton Area Redevelopment Project, which seeks to develop 44 acres of land in the Templeton Area. During our engagement we presented to the Sea Island Community Association General Meeting, launched an online survey to gather community input and compiled a consultation report that reflects the input of 136 Burkeville residents. Through our survey, more than 50 people expressed interest in joining an Advisory Committee. The Sea Island Community Association nominated five people from this group—all residents of Burkeville—to join the Advisory Committee. In 2018, YVR will include an opportunity for broader community input as part of its ongoing engagement program and will continue to work with the Advisory Committee to ensure we take measures to minimize project impacts and consider a range of community enhancements.



Connecting with Communities (continued)

YVR 2037—Phase 3 Consultation

In 2017, we launched Phase 3 consultation for YVR’s new 20-year Master Plan—YVR 2037. See page 13 for more information on Master Plan consultation and activities in 2017.

Community Survey

We undertake a community survey each year as part of our public engagement strategy to monitor and measure our social impact. In 2017, we achieved a 77 per cent favourable impression—up one per cent from 2016. In addition to metrics on brand familiarity and overall impression, we aim to get a better understanding of the perceptions and attitudes people have for our programs, our organization and our community connections.

Explorer Tour



97.5% Satisfaction Rate
YVR’s Explorer Tour

Our Explorer Tour has been very successful. The free, year-round guided tour of YVR showcases our award-winning art, accessible terminal features and architecture. In 2017, we hosted 100 tours, totalling 2,339 participants. This included day camps, school groups, adult students, seniors, social support groups, leisure groups and other interested community members.



Summer Festival Series

As a good neighbour and a local contributor, it’s essential for YVR to connect with the communities to support their initiatives and share our story. We were very active doing this throughout 2017—especially in the summer, which saw the introduction of YVR’s new #getpacking social media contest. This year’s activation invited members of the community who visited the YVR tent to take a picture standing on one of our “destination tiles” and post the picture to either Twitter or Instagram for a chance to win two free flights.

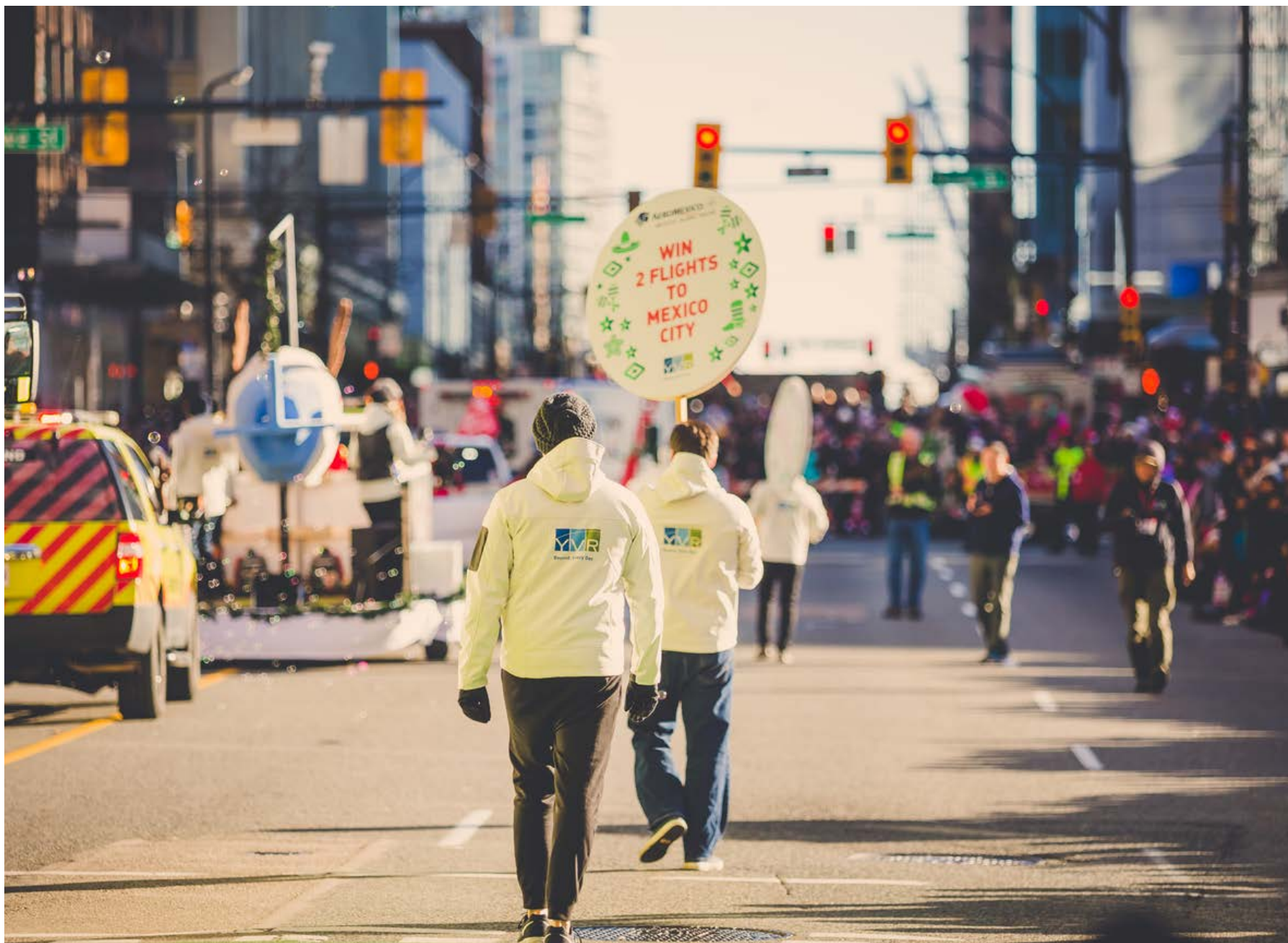
The contest promoted tickets and destinations from many of our airline partners including XiamenAir, Aeroméxico, Capital Airlines, Cathay Pacific, Air Canada and Air New Zealand. We brought this exciting contest to 16 events over 25 days, with total festival attendance of over 2,583,000 people.

Connecting with Communities (continued)

COMMUNITY ASSOCIATIONS

We are committed to the local communities surrounding the airport as well as the business organizations that benefit from our role as an economic hub and jobs creator. YVR has a long-standing partnership with the Greater Vancouver Board of Trade, Richmond Chamber of Commerce, Canada China Business Council, Hong Kong Canada Business Association, BC India Business Network, Surrey Board of Trade and numerous business and trade organizations throughout the province.

Sustainability is about more than just reducing our impact—it's also about maintaining positive relationships with our neighbours. Both the **Environmental Advisory Committee (EAC)** and the **Aeronautical Noise Management Committee (ANMC)** enable our community to give us direct feedback. Representatives in the committees are appointed by their stakeholder groups, which include community and environment groups, industry, government, Musqueam, airlines, NAV CANADA, Transport Canada and Vancouver Airport Authority. These committees allow us to stay actively engaged with our communities, ensuring open and honest two-way communications. More information on the EAC and ANMC is available at yvr.ca.



Communications

As detailed in our *Communications Policy*, YVR is committed to providing open, honest and timely information to our many customers. This includes travellers, the general public, over 24,000 people who work on Sea Island, business partners, industry associations, local communities, government, Indigenous Peoples, charities and media.



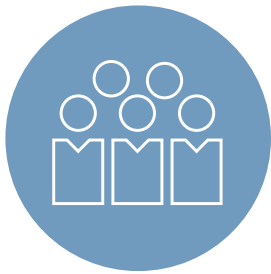
MEDIA RELATIONS

YVR monitors and responds to media requests 24/7 and in 2017 we had over 650 phone and email media enquiries, a slight decrease from 2016. These enquiries covered a wide range of topics including the impact of weather, news and events at YVR, irregular operations, information for flights and services.

Every year, YVR works with an external consultant to gauge print, online and broadcast media clips. In 2017, there were 4,689 media items that contained YVR coverage, with a reach of 900 million media impressions. This was 25 per cent less than in 2016, which included several high-coverage stories. Over 90 per cent of coverage in 2017 was positive or neutral.

Communications (continued)

MEDIA RELATIONS

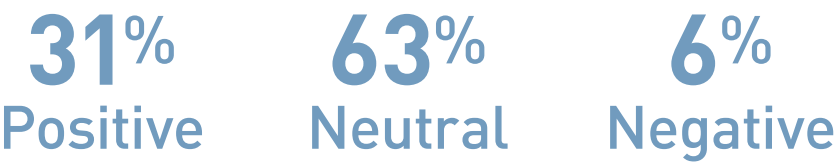


Total reach
900 million media impressions

Overall tone

In 2017, we focused on promoting our business model, economic impact, air services and future plans. *YVR as an economic generator* remained our top key message in 2017, with a reach of almost 100 million people.

The next most popular message was *YVR as a community airport*, which is similar to 2016’s second most popular theme, *YVR as a community partner*. The consistency of these key messages demonstrates that our major activities over the last several years are resonating with our communities. This included the launch of our future roadmap, Flight Plan 2037, consultation for YVR’s Master Plan, our consistent messaging on YVR’s unique governance model and our many announcements of new services and programs.



Headlines

“YVR unveils new detailed plans for major expansion by 2037”

CBC NEWS, January 18

“YVR voted best airport in North America for 8th straight year”

Business in Vancouver, March 14

“Musqueam Indian Band and YVR Airport reach sustainability agreement”

Global BC, June 21

“Jackie Chan lands karate chop at YVR”

Richmond News, June 30

“How Vancouver became China’s aviation hub to the West”

CNN Travel, July 27

“Therapy dogs to help relieve passengers’ stress at YVR”

News 1130, August 22

“Add to your Vancouver-themed wardrobe with YVR socks”

Vancouver Sun, November 24

“Busiest travel days of the season today and tomorrow”

Vancouver Courier, December 21

SOCIAL MEDIA

As a 24-hour business, social media allows us to engage with the community and communicate directly with our customers, partners and passengers. All of our channels saw tremendous growth in 2017. Our Twitter, Facebook and Instagram accounts grew by more than 25 per cent. And our new Weibo account, used to connect directly with our Chinese followers, more than tripled its followers.

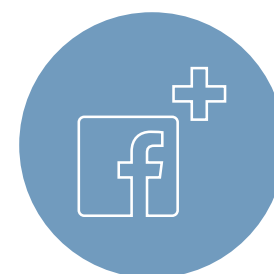
Twitter



Most followed Airport in Canada in 2017 — +25% Growth

Our Twitter account (@yvrairport) had an incredible year, with more than 10 million impressions, 12,400 retweets and 33,500 Likes on our posts. Our follower count went from 46,289 to 57,702, 25 per cent growth over 2016. We remained the top Canadian airport on Twitter by a significant margin and solidified our position as top three in North America and top 30 globally.

Facebook



Second most followed Airport in Canada in 2017 — +32% Growth

Our Facebook page gained 20,011 likes in 2017—an increase of 32 per cent. We focused content on a range of interesting topics, including operations highlights, events, competitions and the latest happenings at YVR.

Headlines (continued)

Instagram



Most followed Airport in Canada
in 2017 — 49% Growth

Our Instagram account continued to grow, with 7,026 followers—an increase of 49 per cent. YVR held the top spot for a Canadian airport on Instagram and remained thirteenth globally.

Weibo



+150% Growth

Our Weibo channel experienced strong growth in 2017, more than tripling in followers. It was a big year for Weibo posts, but by far our biggest moment was when Jackie Chan shared our Rumble at YVR video—receiving almost a million views and two million impressions.



成龙

6月30日 11:16 来自 华为P9手机摄影再突破

明天就是回归二十周年了，刚来机场的路上，听到主席阅兵的广播，很激动。今天我以香港航空品牌大使的身份参加香港-温哥华的首航，飞全世界的航线越来越多，就能吸引更多的游客来香港，很开心我也能尽一份力量！刚看完这段video，才知道这位CEO特地从温哥华飞来香港接我，感谢他的诚意！

@温哥华国际机场

#港航遇上温哥华# 之【成龙遇上雷启明】随着@香港航空 首航温哥华进入倒计时，温哥华国际机场的总裁雷启明先生也是豁出去了，练搏击、搬大石甚至是拉飞机，就是为了能与功夫巨星@成龙 切磋一二！6月30号，记得来围观这场巅峰较量哦！



Website



11.6 million
unique page views

2017 marked the second year of YVR’s new, mobile-optimized website. The website received 11,648,683 unique page views, an increase of five per cent from 2016. We saw an increase in our mobile traffic, accounting for 65 per cent of all visitors. Our blog received 137,954 views in 2017. The most read articles centred on the entry process to Canada with our new Primary Inspection Kiosks, car-sharing services at the airport and Air Canada’s inaugural flight to Delhi.

Air Mail

YVR’s monthly e-newsletter, Air Mail, is a key communications tool that provides regular updates to the airport community. We revamped Air Mail with our new website in 2016, including an accessibility friendly and mobile-optimized design. In 2017, the first full year of the revamped e-newsletter, we saw our subscriber base grow from 8,000 to over 10,500, closing out the year with an open rate of 39 per cent—well above the industry standard.

Want to hear more? Sign up at yvr.ca/newsletter.

Appendix

Consolidated Financial Statements

Independent auditors' report

To the Directors of
Vancouver Airport Authority

We have audited the accompanying consolidated financial statements of **Vancouver Airport Authority**, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Vancouver Airport Authority** as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Vancouver, Canada
April 12, 2018



Chartered Professional Accountants

Vancouver Airport Authority

Consolidated statement of financial position

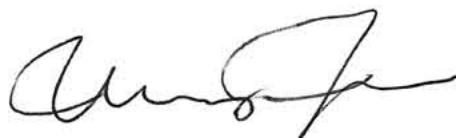
[expressed in thousands of dollars]

As at December 31

	2017	2016
	\$	\$
Assets		
Current		
Cash	286,312	240,511
Accounts receivable [note 3]	45,053	37,390
Other receivables	2,399	3,223
Current portion of net investment in lease [note 4]	1,602	1,386
Inventory [note 5]	11,246	9,182
Prepaid expenses	9,062	5,421
Total current assets	355,674	297,113
Net investment in lease [note 4]	1,311	2,913
Partnership interests [notes 7, 14 and 17[c]]	34,549	26,292
Capital assets, net [note 8]	1,951,969	1,923,768
Other long-term assets, net [note 9]	42,648	38,810
	2,386,151	2,288,896
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities [notes 11, 12, 16[c] and 17[a]]	85,331	74,785
Current portion of deferred revenue	14,596	15,685
Current portion of debentures [note 12]	199,248	—
Total current liabilities	299,175	90,470
Deferred revenue	15,373	15,718
Other long-term liabilities [notes 16[b] and [c]]	17,024	16,366
Deferred capital contributions [note 13[a]]	39,455	43,638
Debentures [note 12]	346,390	544,719
Total liabilities	717,417	710,911
Commitments, contingencies and guarantee [note 17]		
Subsequent event [note 17[c][i]]		
Net assets	1,668,734	1,577,985
	2,386,151	2,288,896

See accompanying notes

On behalf of the Board:



Director



Director

Vancouver Airport Authority

Consolidated statement of operations

[expressed in thousands of dollars]

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Landing fees	45,948	42,346
Terminal fees	90,001	84,883
Concession	130,558	115,204
Airport improvement fees <i>[note 15]</i>	159,351	150,447
Car parking	37,139	33,484
Rentals	37,254	36,336
Fees and miscellaneous <i>[note 14]</i>	24,152	21,410
Contributions <i>[note 13[b]]</i>	6,217	6,348
	530,620	490,458
Expenses		
Salaries, wages and benefits <i>[note 16]</i>	56,495	52,469
Materials, supplies and services <i>[note 5]</i>	123,180	108,250
Payments in lieu of taxes, insurance and other <i>[note 5]</i>	31,650	31,383
Amortization of capital assets	147,223	137,938
	358,548	330,040
Other expenses		
Ground lease	55,259	50,587
Revenue sharing <i>[note 17[b][iii]]</i>	5,288	—
Interest and financing charges	29,984	30,014
	90,531	80,601
Excess of revenue over expenses before undernoted items	81,541	79,817
Write-down of capital assets	(367)	(1,345)
Gain on disposal of capital assets	230	107
Foreign exchange loss	(536)	(234)
DOC partnership income (loss) <i>[note 7[a]]</i>	731	(730)
VAPH partnership income <i>[note 7[b]]</i>	7,004	4,508
Gain on disposition of investment in Vantage <i>[note 6]</i>	—	3,000
Excess of revenue over expenses for the year	88,603	85,123

See accompanying notes

Vancouver Airport Authority

Consolidated statement of changes in net assets
[expressed in thousands of dollars]

Year ended December 31

	2017	2016
	\$	\$
Balance, beginning of year	1,577,985	1,495,826
Excess of revenue over expenses for the year	88,603	85,123
Employee future benefit plan measurements [note 16]	2,146	(2,964)
Balance, end of year	1,668,734	1,577,985

See accompanying notes

Vancouver Airport Authority

Consolidated statement of cash flows

[expressed in thousands of dollars]

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	88,603	85,123
Add (deduct) items not involving cash		
Amortization of capital assets	147,223	137,938
Amortization of deferred capital contributions <i>[note 13[b]]</i>	(6,205)	(6,291)
Amortization of deferred financing costs	919	871
Amortization of other long-term assets	1,956	1,848
Write-down of capital assets	367	1,345
Gain on disposal of capital assets	(230)	(107)
Foreign exchange loss	536	234
VAPH partnership income	(7,004)	(4,508)
DOC partnership (income) loss	(731)	730
Gain on disposition of investment in Vantage	—	(3,000)
Change in non-cash operating working capital <i>[note 20[a]]</i>	(12,167)	(21,997)
Cash provided by operating activities	213,267	192,186
Investing activities		
Additions of capital assets	(167,941)	(160,212)
Proceeds on disposal of capital assets	230	110
Investments in DOC partnership <i>[note 7[a]]</i>	(1,679)	(1,100)
Partnership distributions from VAPH <i>[note 7[b]]</i>	1,157	485
Decrease in net investment in lease	1,386	1,196
Increase in other long-term assets <i>[note 20[b]]</i>	(3,654)	(3,746)
Proceeds on disposition of investment in Vantage <i>[note 6]</i>	—	3,000
Cash used in investing activities	(170,501)	(160,267)
Financing activities		
Increase in other long-term liabilities	658	1,795
Deferred capital contributions received <i>[note 20[b]]</i>	2,913	1,227
Cash provided by financing activities	3,571	3,022
Effect of exchange rates on cash	(536)	(234)
Net increase in cash during the year	45,801	34,707
Cash, beginning of year	240,511	205,804
Cash, end of year	286,312	240,511

See accompanying notes

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

1. Operations

The Vancouver Airport Authority [the “Airport Authority”] is incorporated under the *Canada Not-for-profit Corporations Act*. The Airport Authority is governed by a Board of Directors [the “Board”], with nine members appointed by the Government of Canada and various government and professional bodies, up to five directors appointed by the Board from the community at large, and one seat on the Board held by the President and CEO of the Airport Authority.

The Airport Authority operates the Vancouver International Airport [the “Airport”] pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada [the “Ground Lease”].

The Airport Authority has four wholly owned subsidiaries:

- Vancouver Airport Enterprises Ltd. [“VAEL”] holds a 100% investment in YVR Project Management Ltd. [“YVRPM”], which provides capital project management and consulting services to affiliated and non-affiliated entities. VAEL previously held a 50% equity interest in Vantage Airport Group Ltd. [“Vantage”], which invests in and manages a number of airports across Canada and around the world [note 6].
- Vancouver Airport Authority (Hong Kong) Ltd. [“YVRHK”] is a Hong Kong domiciled company that provides various marketing and support services to promote the Airport Authority as a premier passenger and air cargo hub for Asian customers.
- Vancouver Airport Enterprises (Templeton) Ltd. [“VAEL Templeton”] holds the Airport Authority’s 50% investment in the Templeton DOC Limited Partnership [“DOC Partnership”], which has developed a retail designer outlet centre [“DOC”] on Sea Island.
- Vancouver Airport Properties Ltd. [“VAPL”] holds a 0.1% interest in and manages the following partnerships:
 - Vancouver Airport Property Holding LLP [“VAPH”] – VAPH’s purpose is to hold the leasehold interest from the Airport Authority. The Airport Authority holds the other 99.9% interest in VAPH.
 - Vancouver Airport Property Management LLP [“VAPM”] – VAPM is the limited liability partnership that owns and operates multi-tenanted buildings on Sea Island. VAPH holds the other 99.9% interest in VAPM.

2. Significant accounting policies

Presentation and basis of accounting

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the results of the Airport Authority’s wholly owned subsidiaries and partnership interests. All intercompany transactions and balances have been eliminated on consolidation.

The Airport Authority prepares its consolidated financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Corporations”.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Inventory

Inventory is valued at the lower of weighted average cost and net realizable value. Weighted average cost includes the purchase price, import duties, other net taxes, transportation, handling and other costs directly attributable to acquisition. Net realizable value is the estimated current replacement cost.

Partnership interests

The Airport Authority accounts for its partnership interests using the equity method. The Airport Authority’s share of its partnership net income is recorded in the consolidated statement of operations.

Borrowing cost

Interest on debt is recognized as an expense in the period in which it is incurred.

Capital assets

Capital assets are recorded at cost less accumulated amortization. The cost includes the purchase price and other acquisition and construction costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation, transportation charges, labour, insurance and duties. Software that is an integral part of the related hardware is capitalized to the cost of computer equipment and systems and included in capital assets. The costs included in construction-in-progress are capitalized during the construction phase and are not amortized. Upon completion of the project, the assets will be allocated to the respective capital asset classes and amortized at the rates provided in the table below. The art collection is considered to have a permanent value and is not amortized.

Amortization is provided at cost less estimated salvage value on a straight-line basis over the estimated useful lives as follows:

Buildings and other structures	5 to 40 years
Runways and other paved surfaces	3 to 30 years
Rapid transit infrastructure	50 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	5 to 15 years
Computer equipment and software	3 to 10 years

Deferred revenue

Deferred revenue represents payments received in advance from tenants and operators, which are deferred and recognized over the terms of the related agreements.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Revenue recognition

Revenue is recognized when the amount to be received is fixed or can be reasonably estimated, delivery has occurred, and collection is reasonably assured as follows:

- [i] Aeronautical charges, which consist of landing and terminal fees, are generally recognized as revenue when airport facilities are utilized.
- [ii] Concession revenue is recognized based on a percentage of reported concessionaire sales and/or specified minimum annual guarantees. Specified minimum annual guarantee amounts and incentives for lessees to enter into lease agreements are recognized on a straight-line basis over the lease term.
- [iii] Revenue from the Airport Improvement Fee ["AIF"], which is collected from passengers by air carriers, is recognized based on monthly passenger numbers submitted by individual air carriers.
- [iv] Car parking revenue is recognized when airport facilities are utilized.
- [v] Rental revenue is recognized on a straight-line basis over the term of the respective agreements. Revenue from rental arrangements classified as direct finance leases is recognized over the term of the lease in order to reflect a constant periodic return to the Airport Authority's net investment in the finance lease.
- [vi] Contributions are accounted for using the deferral method as follows:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to offset specific operating costs are deferred and recorded as revenue when the related costs are incurred.

Contributions received and designated by third parties for specific capital purposes are deferred and recorded as revenue on a basis consistent with the amortization of the related capital assets.

Ground lease expense

The ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined in the Ground Lease and is charged to operations.

The Airport Authority does not receive title to the underlying parcels of land; therefore, the Ground Lease has been accounted for as an operating lease.

Dividend income

Dividend income is recorded when the dividend is declared and collection is reasonably assured.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Taxes

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes under the *Airport Transfer (Miscellaneous Matters) Act*.

A payment in lieu of taxes is made for municipal services and is based on the municipality's rates applied to the assessment of property values.

Operations of each subsidiary are subject to taxes in the jurisdictions in which the subsidiaries operate and recorded in payments in lieu of taxes, insurance and other. Taxes in these entities are measured using the future income taxes method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Employee future benefits

The Airport Authority has a contributory defined benefit pension plan that covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan that covers new employees who have joined the Airport Authority since June 1992; and unfunded supplemental plans that cover its senior executives.

Defined benefit pension plans

The Airport Authority accrues its obligations under defined benefit pension plans as the employees render the service necessary to earn the employment benefits.

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets as at December 31 of each year, using the most recent funding valuation for the defined benefit pension plan, adjusted to remove the margin for adverse deviation from the discount rate. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of December 31, 2016. The next valuation for funding purposes will be as of December 31, 2017, the results of which are expected to be available during 2018.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service. Obligations for the pension plans are calculated using the assumptions from the actuarial funding valuation including an estimate of future salary levels, pension indexing, retirement ages of employees, and other actuarial factors. Obligations for the non-pension benefit plan are calculated using assumptions that incorporate management's best estimate of cost escalation, retirement ages of employees, and other actuarial factors.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the reporting date.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Remeasurements, which include settlement and actuarial gains and losses, arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, differences in demographic and economic experience compared to expectations, or from changes in actuarial assumptions used to determine the accrued benefit obligation. These remeasurements are recognized directly in net assets and presented separately.

Past service costs arising from plan amendments are recognized immediately on the consolidated statement of operations.

Defined contribution benefit plans

The Airport Authority records contributions to defined contribution benefit plans as an expense, which is included in salaries, wages and benefits expense as services are rendered.

Financial instruments

Recognition and measurement

The Airport Authority recognizes a financial asset or financial liability when the entity becomes a party to the contractual provisions of the financial instrument.

At initial acquisition, financial assets or financial liabilities acquired or assumed in an arm's length transaction are measured at fair value, adjusted for directly attributable financing fees and transaction costs if the instrument is subsequently measured at cost or amortized cost.

The following is a summary of the Airport Authority's financial instruments that are subsequently measured at cost or amortized cost: cash, accounts receivable, other receivables, accounts payable and debentures.

Financing costs

The Airport Authority capitalizes all transaction costs relating to the acquisition of financing as an offset to the related debt and amortizes the costs to interest expense using the effective interest rate method over the term of the underlying debt.

Translation of foreign currencies

The Airport Authority records foreign currency denominated transactions in Canadian dollars at exchange rates in effect at the time of the transactions. Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the consolidated statement of financial position date. Foreign exchange gains and losses are included in the results of operations in the period in which they occur.

Integrated foreign subsidiary YVRHK's monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at average exchange rates for the year. Foreign exchange gains or losses are recorded on the consolidated statement of operations.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, allowance for doubtful accounts, percentage of completion for construction-in-progress, useful lives for amortization of capital assets, accrued liabilities, assumptions with respect to defined benefit plans, and provisions for contingencies. Actual results could differ materially from those estimates.

3. Accounts receivable

[a]	2017 \$	2016 \$
Current	36,998	31,495
31 – 60 days past due	2,685	3,372
61 – 90 days past due	2,770	871
90+ days past due	3,190	2,204
Allowance for doubtful accounts	(590)	(552)
	45,053	37,390
[b]	2017 \$	2016 \$
Allowance for doubtful accounts, beginning of year	552	545
Increase in allowance for doubtful accounts	231	7
Write-off of specific accounts	(193)	—
Allowance for doubtful accounts, end of year	590	552

4. Net investment in lease

During 2002, the Airport Authority acquired a cargo facility for cash consideration of \$11,254,000, which was then leased back to the vendor under an agreement expiring September 30, 2019. The Airport Authority's net investment in the direct financing lease consists of the following:

	2017 \$	2016 \$
Minimum lease payments receivable	3,313	5,167
Unearned income	(400)	(868)
	2,913	4,299
Less current portion	1,602	1,386
	1,311	2,913

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

As at December 31, 2017, the future minimum lease payments receivable under the direct financing lease are as follows:

	\$
2018	1,882
2019	1,431
	<u>3,313</u>

5. Inventory

At December 31, 2017, the Airport Authority has a \$12,000 [2016 – \$754,000] valuation allowance on its inventory. The cost of inventory recognized as materials, supplies and services expense and payments in lieu of taxes, insurance and other during the year ended December 31, 2017 was \$8,917,000 [2016 – \$6,907,000].

6. Investment in Vantage

During 2015, VAEL sold its 50% equity interest in Vantage. On June 15, 2016, as a result of the occurrence of a post-closing event, the Airport Authority received additional proceeds of \$3,000,000.

7. Partnership interests

	2017 \$	2016 \$
DOC Partnership [a]	22,012	19,602
VAPH [b]	12,537	6,690
	<u>34,549</u>	<u>26,292</u>

[a] DOC Partnership

On May 5 and July 12, 2017, the Airport Authority contributed \$1,139,000 and \$540,000 [2016 – \$1,100,000], respectively, in equity to the DOC Partnership for work related to phase 2A of the DOC. The amounts were recorded as an increase in the partnership interests. To date, the Airport Authority has contributed \$24,237,000 [December 31, 2016 – \$22,558,000] in equity to the DOC Partnership.

For the year December 31, 2017, the Airport Authority recorded partnership income of \$731,000 [2016 – partnership loss of \$730,000] from the DOC Partnership. The amount was recorded as an increase (reduction) in the partnership interests.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's 50% [2016 – 50%] share of the DOC Partnership as at and for the years ended December 31, 2017 and 2016 are presented below:

	2017 \$	2016 \$
Assets	77,786	74,140
Liabilities	(55,774)	(54,538)
Net assets	22,012	19,602
	2017 \$	2016 \$
Revenue	7,940	6,221
Expenses	7,209	6,951
Net income (loss)	731	(730)
	2017 \$	2016 \$
Cash flows provided by (used in)		
Operating activities	3,883	758
Financing activities	2,644	6,417
Investing activities	(4,724)	(7,819)

[b] VAPH and VAPM

For the year ended December 31, 2017, the Airport Authority recorded \$7,004,000 [2016 – \$4,508,000] of partnership income in the consolidated statement of operations based on its partnership interest in VAPH and investment in VAPL. The amount was recorded as an increase in the partnership interests.

In 2017, the Airport Authority received total partnership distributions from VAPH of \$1,157,000 [2016 – \$485,000]. The distribution was recorded as a reduction in the partnership interests.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's share of VAPH [99.9%], which include equity earnings in VAPM as at and for the years ended December 31, 2017 and 2016, are presented below:

	2017 \$	2016 \$
Assets	12,520	6,687
Liabilities	(9)	(11)
Net assets	12,511	6,676
	2017 \$	2016 \$
Revenue	6,998	4,511
Expenses	8	12
Net income	6,990	4,499
	2017 \$	2016 \$
Cash flows provided by		
Operating activities	126	481
Financing activities	3,460	3,790
Investing activities	—	—

8. Capital assets

	2017		
	Cost \$	Accumulated amortization \$	Net book value \$
Buildings and other structures	2,065,961	872,372	1,193,589
Runways and other paved surfaces	542,098	277,104	264,994
Rapid transit infrastructure	298,948	50,283	248,665
Machinery and equipment	134,864	96,788	38,076
Furniture and fixtures	34,067	28,751	5,316
Computer equipment and software	195,612	150,669	44,943
Art collection	9,804	—	9,804
Construction-in-progress	146,582	—	146,582
	3,427,936	1,475,967	1,951,969

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Buildings and other structures	1,940,733	791,903	1,148,830
Runways and other paved surfaces	523,566	258,582	264,984
Rapid transit infrastructure	298,948	44,303	254,645
Machinery and equipment	127,187	89,379	37,808
Furniture and fixtures	32,871	27,569	5,302
Computer equipment and software	180,510	136,798	43,712
Art collection	9,804	—	9,804
Construction-in-progress	158,683	—	158,683
	3,272,302	1,348,534	1,923,768

9. Other long-term assets

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Operating lease receivables [a]	32,636	15,625	17,011
Leasehold interest [b]	4,640	752	3,888
Development costs	961	—	961
Intangible asset	1,400	1,400	—
Accrued benefit asset [note 16[a]]	20,788	—	20,788
	60,425	17,777	42,648

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Operating lease receivables [a]	29,893	13,740	16,153
Leasehold interest [b]	4,640	681	3,959
Development costs	961	—	961
Intangible asset	1,400	1,400	—
Accrued benefit asset [note 16[a]]	17,737	—	17,737
	54,631	15,821	38,810

[a] In certain circumstances, the Airport Authority provides lease inducements to tenants. These lease inducements are recorded as long-term assets and recognized, on a straight-line basis, as a reduction of revenue over the term of the lease. During the year ended December 31, 2017, the Airport Authority

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

provided lease inducements of \$1,107,000 [2016 – \$31,000] to tenants and recognized \$1,885,000 [2016 – \$1,776,000] as a reduction of concession and rental revenue.

In October 2011, the Airport Authority entered into a sublease with a tenant for a parcel of land on Sea Island. The initial term of the sublease is 40 years with two subsequent renewal options of 10 years each at the option of the tenant. The sublease has been classified as an operating lease, with rental revenue being amortized evenly over the initial term of the sub-lease. As at December 31, 2017, the cumulative difference between the rental income recognized and cash lease payments received is \$9,319,000 [2016 – \$8,546,000].

- [b] In June 2008, the Airport Authority acquired a leasehold interest on Sea Island for \$4,640,000, which included the estimated cost of decommissioning and demolishing the existing building on the land. Accordingly, the Ground Lease with Transport Canada was amended to include this additional site.

The leasehold interest is being amortized over the remaining term of the Ground Lease. For the year ended December 31, 2017, the amortization of the leasehold interest was \$71,000 [2016 – \$72,000].

10. Line of credit

The Airport Authority has an unsecured bank operating line of \$250,000,000 [2016 – \$250,000,000] bearing interest at the bank prime rate, which was 3.20% as at December 31, 2017 [2016 – 2.7%], or at prevailing market interest rates if issuing bankers' acceptances. The unsecured bank operating line remained undrawn as at December 31, 2017 [2016 – nil].

	2017 \$	2016 \$
Unsecured bank operating line	250,000	250,000
Outstanding letters of credit, reducing available balance [note 16[a]]	19,128	14,694
Available unsecured bank operating line	230,872	235,306

11. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable, which include amounts payable for sales, parking and payroll related taxes, as well as ground lease payments to Transport Canada.

	2017 \$	2016 \$
Transport Canada [note 17[a]]	4,672	1,319
TransLink	667	576
Canada Revenue Agency	289	355
	5,628	2,250

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

12. Debentures

	2017 \$	2016 \$
Debentures	545,638	544,719
Current portion		
Series D 4.424%, due December 7, 2018	200,000	—
Less unamortized deferred financing costs	752	—
	199,248	—
Long-term portion		
Amended Series B 7.425%, due December 7, 2026	150,000	150,000
Series D 4.424%, due December 7, 2018	—	200,000
Series F 3.857%, due November 10, 2045	200,000	200,000
	350,000	550,000
Less unamortized deferred financing costs	3,610	5,281
	346,390	544,719

The Amended Series B debentures are issued under the Trust Indenture dated December 6, 1996 and amended under the Supplemental Indentures dated December 7, 2006 and October 5, 2015. The Series D debentures are issued under the Supplemental Indenture dated December 7, 2006 and amended October 5, 2015. The Series F debentures are issued under the Supplemental Indenture dated November 10, 2015.

The effective interest rates on the Series B, D and F debentures are 7.668%, 4.814%, and 3.895%, respectively. As at December 31, 2017, the Airport Authority has accrued debenture interest of \$2,440,000 [2016 – \$2,440,000], which is recorded in accounts payable and accrued liabilities.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B and D and in May and November for Series F. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time. For the Series B and D debentures, the redemption price is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.15% for the Series B debentures and 0.125% for the Series D debentures. For the Series F debentures, the redemption price prior to May 10, 2045 is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.37%. The redemption price on or after May 10, 2045 is par.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further new issues of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets, acquisitions of corporations, investments and guarantees. As at December 31, 2017 and 2016, the Airport Authority was in compliance with its covenants.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

13. Deferred capital and operating contributions

[a] Deferred capital contributions

The Airport Authority receives funding from Canadian Air Transport Security Authority ["CATSA"] towards specific security infrastructure upgrades. The funds received are deferred and brought into revenue as contributions at a rate consistent with the amortization of the related capital assets.

	2017	2016
	\$	\$
Capital contributions		
CATSA	136,444	134,651
Other	3,876	3,647
	140,320	138,298
Less accumulated amortization	100,865	94,660
	39,455	43,638

[b] Contributions

	2017	2016
	\$	\$
Amortization of deferred capital contributions	6,205	6,291
Operating contributions	12	57
	6,217	6,348

14. Related party transactions

Related parties include the Board of Directors, key management personnel, subsidiaries and affiliates. The Airport Authority has not engaged in any significant related party transactions with directors and key management personnel for the years ended December 31, 2017 and 2016.

The Airport Authority provides certain administrative support services including information technologies, legal, accounting, and human resources to its subsidiaries for no consideration.

The Airport Authority pays legal, administrative, and salaries and wages expenses on behalf of its subsidiaries in the normal course of operations, which are included in other receivables and are measured at the agreed upon exchange amount. All receivables from subsidiaries are due and payable upon the Airport Authority's demand.

During the year ended December 31, 2017, the Airport Authority recognized \$396,000 [2016 – \$396,000] of rental revenue from the DOC Partnership, which is included in fees and miscellaneous revenue.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

15. AIF – use of funds

The AIF is collected on the airline ticket by air carriers under a Memorandum of Agreement [“MOA”] between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under the MOA, all AIF revenue collected is to be used to fund capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers.

During the year ended December 31, 2017, the Airport Authority recorded \$158,669,000 [2016 – \$149,746,000] main terminal AIF revenue, and main terminal AIF eligible capital expenditures totalled \$172,629,000 [2016 – \$134,520,000]. The remainder of the AIF revenue is from the south terminal. To December 31, 2017, the cumulative main terminal AIF revenue totalled \$2,011,994,000 [2016 – \$1,853,325,000], and cumulative AIF eligible expenditures totalled \$3,364,109,000 [2016 – \$3,191,480,000]. To December 31, 2017, the cumulative AIF revenue has been used to fund AIF eligible capital expenditures in accordance with the MOA.

16. Employee future benefits

[a] Funded pension plans

Defined benefit plan

Information regarding the Airport Authority’s defined benefit pension plan is as follows:

	2017	2016
	\$	\$
Accrued benefit obligation	52,442	51,556
Fair value of plan assets	73,230	69,293
Accrued benefit asset	20,788	17,737

The accrued benefit asset is included in other long-term assets [note 9].

Total cash payments

In April 2011, amendments were made to the Pension Benefits Standards Regulations, which permitted plan sponsors to secure structured letters of credit in lieu of making solvency payments to the pension plan, up to a limit of 15% of plan assets. On August 31, 2011, the Airport Authority issued a letter of credit to fund its required solvency payments to its defined benefit plan. As at December 31, 2017, the total amount of the letter of credit was \$8,517,000 [2016 – \$8,296,000], which reduced the available bank operating line [note 10].

Total cash payments for employee future benefits for the year ended December 31, 2017, consisting of cash contributed by the Airport Authority to its funded pension plans [the defined benefit plan and defined contribution plans], were \$3,287,000 [2016 – \$3,130,000].

[b] Unfunded pension plans

The Airport Authority participates in supplementary plans for its senior executives.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Pension expense for the year ended December 31, 2017 was \$1,193,000 [2016 – \$1,113,000]. Based on an actuarial report, the total accrued benefit liability of these plans as at December 31, 2017 was \$13,574,000 [2016 – \$12,906,000], which has been accrued in other long-term liabilities.

[c] Retiring allowance

The Airport Authority provides a retiring allowance to bargaining unit employees based on their number of years of service and their salary at retirement. The accrued benefit liability is determined using an actuarial valuation and as at December 31, 2017, the total accrued benefit liability of this plan is \$3,932,000 [2016 – \$3,988,000], of which \$497,000 [2016 – \$528,000] is recorded in accounts payable and accrued liabilities and \$3,435,000 [2016 – \$3,460,000] in other long-term liabilities.

17. Commitments, contingencies and guarantees

[a] Ground Lease

The Ground Lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending on June 30, 2072.

The Ground Lease requires that the Airport Authority operate the Airport as a “first class international airport” and that, as the operator, the Airport Authority exercise sound business judgment.

Under the Ground Lease, Transport Canada is required to assume all costs associated with environmental remediation of any noxious or hazardous substance when such substance was present prior to the commencement of the Ground Lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the Ground Lease and the general duty to the environment are the tests to determine when an obligation exists. These matters are under active discussion.

Effective January 1, 2010, the ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined in the Ground Lease. At a minimum, the required monthly payments are based on the immediately preceding year's actual ground lease expense while the expense is calculated as a percentage of current year revenue.

The difference between the Airport Authority's required ground lease payments based on its estimated 2017 Airport Revenue at the beginning of the year and its expenses is \$4,672,000 [2016 – \$1,319,000]. This amount is included in accounts payable and accrued liabilities at December 31, 2017.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Projected lease payments under the amended Ground Lease for the next five years are estimated as follows:

	\$
2018	60,181
2019	62,113
2020	66,903
2021	84,395
2022	86,630

[b] Commitments

- [i] As at December 31, 2017, in connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding of approximately \$65,179,000 [2016 – \$16,608,000].
- [ii] As at December 31, 2017, in connection with operating the Airport, the Airport Authority has total operating commitments of approximately \$165,918,000 [2016 – \$114,662,000]. These commitments extend for periods of up to five years.
- [iii] On June 21, 2017, the Airport Authority and a third party entered into a 30-year mutually beneficial agreement based on the four pillars of sustainability — economic, social, environmental, and governance. The agreement includes a revenue sharing arrangement whereby the Airport Authority will pay, on an annual basis, to the third party an amount equal to 1% of the Airport Authority's revenue as defined in the agreement.

[c] Guarantees

- [i] On December 6, 2013, the Airport Authority entered into a payment guarantee agreement as the guarantor for a loan agreement between DOC Partnership and its bank [the "Loan Agreement"]. The Loan Agreement was amended and restated February 26, 2018. The maximum amount of the guarantee is \$24,500,000, and will be reduced for any repayment of the principal amount of the loan made with cash capital contributions to the DOC Partnership directly or indirectly from the Airport Authority which are not proceeds of the collateral securing the loan.
- [ii] On February 18, 2015, the Airport Authority entered into an agreement to irrevocably and unconditionally guarantee the timely payment of the obligations of DOC Partnership to the utility company for electrical services, up to an amount of \$974,800. The agreement remains valid until February 28, 2020 and may be automatically extended without notice for a one-year period, unless the utility company provides notice at least 90 days prior to the expiry that the guarantee is not extended.

[d] Legal claims

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

While the final outcome with respect to these claims and legal proceedings cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations.

As at December 31, 2017, there are no material claims pending against the Airport Authority.

18. Customer concentration

The Airport Authority derives approximately \$50,839,000 [2016 – \$49,433,000] in aeronautical and rental revenue from one airline and \$55,708,000 [2016 – \$49,884,000] in concession and rental revenue from one concession operator. The Airport Authority believes that the cessation of operations of the airline or concession operator would not have a material long-term effect on the Airport Authority's revenue or operations as the lost revenue would eventually be recovered by other service providers.

19. Financial instruments – risk management

The Airport Authority primarily has exposure to credit, currency, interest rate and liquidity risk on its financial instruments.

Credit risk

The Airport Authority is subject to credit risk through its financial assets. Ongoing credit valuations are performed on these accounts and valuation allowances are maintained for potential credit losses. The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about the customer. The Airport Authority held security deposits in the amount of \$2,483,000 as at December 31, 2017 [2016 – \$2,450,000]. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The accounts receivable aging and allowance for doubtful accounts reconciliation are detailed in note 3.

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this diversification, the concentration of credit risk is considered to be minimal.

Currency risk

The Airport Authority has minimal transactions denominated in foreign currencies, as the majority of revenue, expenses and capital asset purchases are denominated in Canadian dollars.

Interest rate risk

The Airport Authority had no bank indebtedness in both 2017 and 2016 either in the form of bankers' acceptances or drawings on the bank operating line [note 10]. The balance of outstanding debt is by way of debentures [note 12], which have fixed interest rates for their term and, therefore, any changes in market interest rates do not impact the Airport Authority's interest payments.

Vancouver Airport Authority

Notes to consolidated financial statements

[tabular amounts in thousands of dollars]

December 31, 2017

Liquidity risk

The Airport Authority manages liquidity risk by maintaining adequate cash or available credit facilities. Cash flow projections are continually updated and reviewed by management to ensure a sufficient continuity of funding.

20. Supplementary cash flow information

[a] Changes in non-cash operating working capital

	2017	2016
	\$	\$
Accounts receivable	(7,663)	(10,403)
Other receivables	(67)	200
Inventory	(2,064)	(1,894)
Prepaid expenses	(3,641)	(1,644)
Accounts payable and accrued liabilities	2,702	(13,094)
Deferred revenue	(1,434)	4,838
	(12,167)	(21,997)

[b] Other supplementary information

	2017	2016
	\$	\$
Non-cash transactions		
Construction-in-progress accrual	29,223	21,373
Deferred capital contribution accrual	828	1,719
Employee future benefit plan remeasurements	2,146	(2,964)
Prior year costs contributed to DOC Partnership	—	121