



VANCOUVER AIRPORT AUTHORITY

2012 ANNUAL AND SUSTAINABILITY REPORT

Introduction

Vancouver Airport Authority is a community-based, not-for-profit organization that manages Vancouver International Airport (YVR). Canada's second busiest airport, YVR served 17.6 million passengers in 2012, facilitated 261,000 takeoffs and landings on our runways and handled 227,000 tonnes of cargo. Sixty-eight airlines serve YVR, connecting people and businesses to more than 120 destinations worldwide. We are committed to creating an airport that British Columbia can be proud of: a premier global gateway, local economic generator and community contributor.

This report summarizes the Airport Authority's business results in 2012, categorized by the organization's four sustainability pillars:

The **Economic** report includes financial statements and information on financial performance, customer satisfaction results and the destinations we serve.

The **Environment** report provides information on the Airport Authority's environmental programs, performance targets and results.

The **Governance** report outlines Board and Executive leadership, information on our subsidiary companies and governance practices.

The **Social** report highlights employee programs and results, and the Airport Authority's community engagement and communications activities.

Message from Mary Jordan Chair

In July 1992, a group of trailblazers negotiated the transfer of Vancouver International Airport (YVR) from the federal government to a local, community-based organization known as Vancouver Airport Authority. This past July, we celebrated the Airport Authority's 20th anniversary, toasting that original group of leaders for its bold vision – one that set YVR on a course to become one of the best airports in the world.



This is an accolade of which we're very proud, but it's not self-bestowed. At the 2012 Skytrax World Airport Awards in Vienna, Austria, YVR was named Best Airport in North America, marking the third time we've achieved this distinction. This is a particularly meaningful award as it is based on feedback from passengers, our most important stakeholders. Twelve million travellers from 108 countries voted for their favourite airport based on criteria ranging from retail amenities to clarity of directional signs. In a business that is all about connections, this award is a credit to the partnerships in place at YVR with airlines, government agencies, business partners, retailers and volunteers.

It is also a testament to Larry Berg, the Airport Authority's President and CEO, under whose leadership YVR has become more than simply a transit point through which passengers hurriedly move. It is a destination unto itself, thanks to art and architecture that reflect B.C.'s natural beauty and a world-class collection of shops, services and restaurants. It is a hub of passenger-friendly services, including thoughtfully-planned facilities and technologies like self-serve check-in that simplify passenger travel. It is a centre of excellence in customer care, provided by competent, compassionate airport staff and volunteers. It is a community gathering-place, featuring facilities like the Public Observation Area and Canada Line, which links YVR to Richmond and Vancouver in less than 26 minutes. It is a powerful economic generator, home to 23,600 employees and 400 businesses that together generate \$1.9 billion in Gross Domestic Product for Canada. And it is a gateway, thanks to connections with 122 global destinations, 68 airline partners and the business of 17.6 million passengers who travelled through YVR in 2012.

In the increasingly competitive airport business, both travellers and airlines have choices. During the coming decade, the Airport Authority will embark upon a strategy designed to keep YVR competitive and a key economic generator for our province. Focused on terminal and airside infrastructure upgrades, every element of this gateway strategy will make it faster and easier for passengers to move through the airport. Together with the provincial government's elimination of aviation fuel tax for international flights, which went into effect on April 1, 2012, this long-term vision positions YVR for tremendous growth as B.C.'s airport.

While senior leadership may change, our vision will not. Vancouver Airport Authority continues to strive to create an airport that British Columbia can be proud of: a premier global gateway, local economic generator and community contributor. On behalf of the Board of Directors, I offer my thanks to Larry Berg, the Airport Authority team and the entire airport community for your commitment to building a better YVR.

Mary B. Jordan
Chair
Board of Directors

Message from Larry Berg - President and Chief Executive Officer

New partners, new facilities and a new strategy for building a better airport made 2012 a busy and memorable year for Vancouver Airport Authority. To set the stage for the coming decade, we announced in January a 10-year, \$1.8-billion strategy designed to keep Vancouver International Airport competitive and a key economic generator for British Columbia.



Faced with increasing competition from other airports, we identified a number of projects that will make it faster and easier for passengers and bags to move through the airport. Work on these projects, which include a new high-speed baggage system, more moving walkways, expansion of parts of the original Domestic Terminal Building and runway safety enhancements, began this year.

Several important additions to air service in 2012 offered more options to YVR passengers looking to connect to Asia and Europe for business and leisure. Sichuan Airlines chose YVR as its first entry point into North America from China's interior, resulting in more flight options for travellers and more local jobs. We also welcomed Sir Richard Branson's Virgin Atlantic Airways – and his unique brand of service – to YVR. Flights between our airport and London Heathrow Airport conveyed thousands of passengers across the Atlantic last summer, and will do so again this coming summer.

Other new partners joined the YVR team in 2012, including World Duty Free, which made YVR its first North America airport location, opening with great fanfare in September. Our concession program is regularly recognized by passengers and the industry as one of best in the world – giving us a competitive advantage in the airport business.

The Airport Authority garnered a number of notable awards in 2012. For the third year running, YVR was named best airport in North America by the prestigious Skytrax World Airport Awards. And the commitment to safety and security that underscores all that we do was recognized by Transport Canada with its assessment of our Safety Management System, earning us one of the highest airport safety scores. From an environmental perspective, the Airport Authority also received accolades for Canada's first-ever Ground Run-up Enclosure, which opened on the airport's south side in January to help reduce aircraft noise in our community.

This year also marked a personal and professional milestone for me; in October, I announced my retirement as President and CEO of the Airport Authority. It has been an honour to have been a part of this organization over the past two decades. Seeing the airport evolve – 20 years ago last July – from a federally-run entity to a community-based organization focused on the passenger experience has been very gratifying. I offer my sincerest thanks to the 23,600 people who work at YVR, the some 500 Green Coat volunteers who provide assistance every day, and the more than 17 million passengers who chose to travel through YVR this year. I look forward to welcoming a new leader in 2013, and watching with pride as YVR continues to make its community proud.

Larry Berg
President and Chief Executive Officer
Vancouver Airport Authority

VANCOUVER AIRPORT AUTHORITY
2012 ECONOMIC REPORT



Our Business

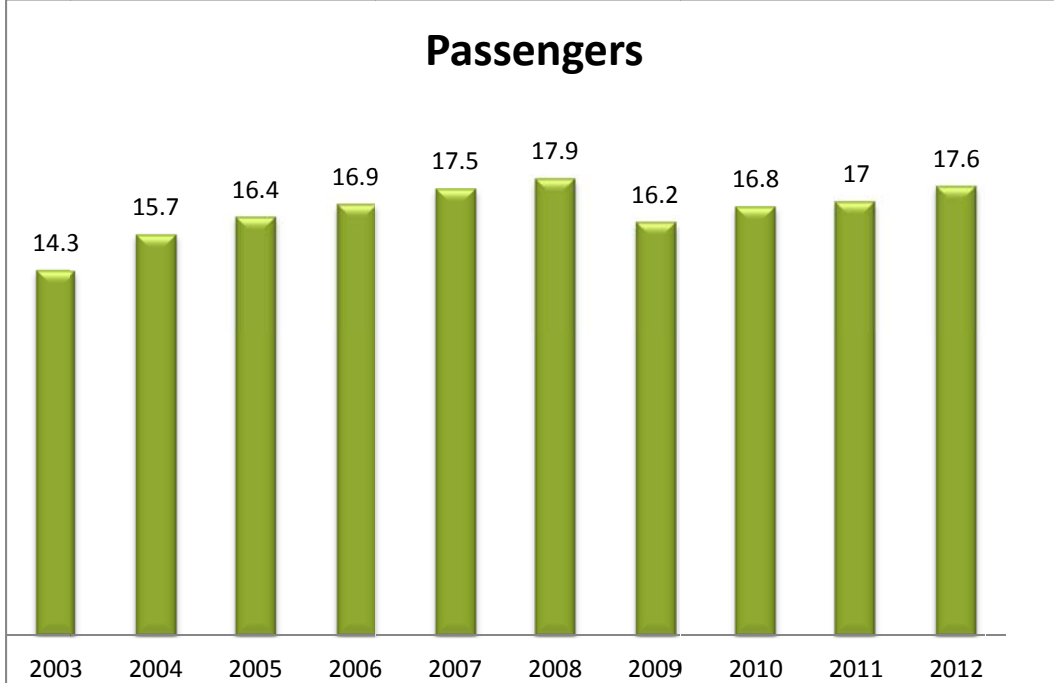
Financial and Operating Highlights (2003-2012)

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)
2012	403.6	280.2	39.1	84.9	1,162.8	106.0	17.6	261	227.2
2011	369.3	275.9	34.8	59.1	1,087.9	59.9	17.0	258	223.9
2010	368.7	280.8	33.2	56.0	1,028.8	71.2	16.8	255	228.4
2009	359.1	256.7	65.6	38.8	972.8	226.6	16.2	258	197.5
2008	373.8	236.3	65.6	81.8	934.0	233.1	17.9	279	211.7
2007	368.3	212.2	65.6	89.5	852.2	289.7	17.5	275	226.2
2006	363.8	190.2	65.7	107.8	762.3	315.9	16.9	271	222.7
2005	329.8	176.7	78.7	74.4	654.6	137.6	16.4	275	223.7
2004	276.9	158.5	73.9	44.5	580.2	123.0	15.7	270	229.9
2003	246.0	154.1	66.3	25.6	535.6	55.0	14.3	250	214.9

Our Customers

YVR welcomed 17.6 million passengers in 2012, representing a 3.5 per cent increase over the previous year. Visit the [Facts & Stats](#) page on our website for detailed passenger, cargo and aircraft take-off and landing numbers.

Vancouver International Airport Passengers (2003-2012)



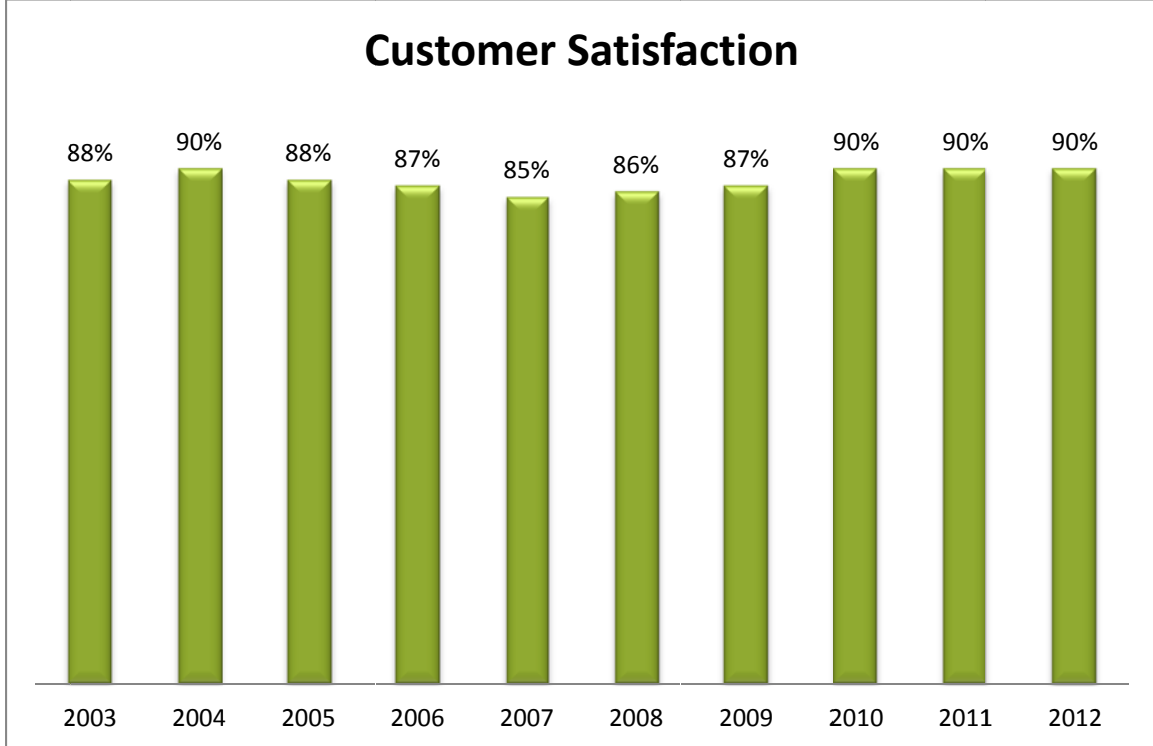
CUSTOMER CARE

Caring for every customer is central to our business and essential to our success. More than 120 Customer Care employees provide information and assistance at nine information desks located throughout YVR's terminal facilities. In 2012, staff responded to more than 778,000 customer enquiries.

Recruitment to the Airport Authority's award-winning Green Coat volunteer program continued in 2012. More than 100 new volunteers joined the program, bringing the total number of volunteers to 480. Green Coats logged a total of 69,119 service hours in 2012, assisting passengers in 26 different collectively-spoken languages.

The Airport Authority uses quarterly customer satisfaction surveys conducted by an independent consulting firm to track our performance. For the third consecutive year, customers gave YVR a 90 per cent satisfaction rating in 2012, based on 2,634 separate surveys.

Overall Customer Satisfaction Ratings (2003-2012)



Key Initiatives in 2012

BUILDING A BETTER AIRPORT

The Airport Authority announced in 2012 a 10-year strategy outlining \$1.8 billion in improvements designed to keep YVR competitive and an economic generator for British Columbia. With increasing competition for the growing Asian market from other airports, both travellers and airlines have choices. In order to capture that market, we must continue to invest in projects that make it easier and faster for passengers to move through the airport. To help fund these improvements, the Airport Authority increased the Airport Improvement Fee (AIF) from \$15 to \$20 for passengers travelling to destinations outside of B.C.; this increase went into effect on May 1, 2012. Passengers travelling within B.C. and to the Yukon continue to pay \$5. Since it was introduced in 1993, the AIF has helped build a new international terminal, a new runway, roads and bridges, airfield safety improvements and the Sea Island portion of the Canada Line. Every penny of the AIF will continue to go toward building a better airport for B.C. Several key capital improvement projects got underway in 2012, including:

Domestic Terminal Upgrades

Construction began in the Domestic Terminal's A and B Piers in 2012, one of the oldest remaining sections of YVR's original 1968 terminal building. Slated for completion in early 2016, the expanded facility will feature upgraded gates, new shops and restaurants and an original art installation with a design theme reflecting B.C.'s Interior.

Passenger Corridors & High-Speed Baggage Systems

To remain a gateway airport of choice, the Airport Authority is investing in facilities that will make it faster and easier for connecting passengers and their bags to move through YVR. In 2012, design and early construction work began on a new high-speed baggage system and more than 700 metres of moving walkways and secure corridors to reduce connection times for passengers.

Airside Operations Building

Project design and preliminary site work for YVR's new Airside Operations Building began in 2012. Once complete in Fall 2014, this building will be home to the Airside and Emergency Service's team fire hall and a large storage and parking bay for the Airport Authority's dozens of airside maintenance, snow removal and emergency vehicles.

Designer Outlet Centre

An important component of the Airport Authority's 20-Year Master Plan is non-aeronautical development on Sea Island. Plans for a Designer Outlet Centre located on airport land were announced in 2012. In collaboration with development partner McArthurGlen and following community consultation, the Airport Authority selected a preferred location for the centre, at a site near the Canada Line Templeton Station. Scheduled to open in Fall 2014, the centre will increase the region's destination appeal and generate an estimated 1,000 new jobs.

Infrastructure Upgrades

More than \$23-million of general improvements were made to YVR in 2012, including pavement repairs and upgrades to the dyke system. This marked the second year of a five-year plan to improve YVR infrastructure on Sea Island.

GATEWAY COMPETITIVENESS

To be successful in an increasingly competitive market, the Airport Authority continued to focus on delivering a cost-effective, high-value airport in 2012, encouraging air carriers to enhance services to YVR. Introduced in 2011, the Gateway Incentive Program makes YVR more attractive to airlines by freezing landing and terminal fees at 2010 levels for five years. In 2012, 21 airlines participated in the program, together increasing capacity by 5.4 per cent.

NEW ROUTES AND SERVICES

Several important air service announcements in 2012 offered more travel options to YVR, particularly for passengers looking to connect to Asia and Europe for business and leisure. Sichuan Airlines joined the YVR roster, offering service to Chengdu, China, marking North America's first and only direct flight to China's interior. Together with the six other carriers serving destinations in China, YVR can continue to meet increasing demand for access to one of the fastest-growing markets in the world.

Additionally, Virgin Atlantic Airways began seasonal service between YVR and London Heathrow Airport beginning in May 2012, and longtime airline partner Lufthansa announced in November the addition of a new YVR-Munich route, to begin operations in Summer 2013.

YVR'S ECONOMIC IMPACT

The most recent economic impact assessment of YVR, completed in 2011, found that the airport employs approximately 23,600 people working for 400 businesses and organizations on Sea Island. Together, YVR's operations contributed approximately \$1.9 billion to Canada's Gross Domestic Product (GDP), or about one per cent of B.C.'s total economy. YVR connects the people

and businesses of B.C. to approximately 47 per cent of the global economy through daily, non-stop scheduled service. Previous economic impact assessments of YVR have found that one daily international flight creates between 150 and 200 jobs at the airport, and another 400 jobs in the related tourism, hospitality and retail sectors.

SIMPLIFIED PASSENGER TRAVEL

The Airport Authority has long been a pioneer of technologies that help customers travel through the airport quickly and easily. Automated Border Clearance (ABC), NEXUS and self-service kiosk technology are just some of the innovations developed here at YVR.

Thousands of Chinese citizens travelled through YVR's gateway airport to U.S. destinations in 2012 thanks to the China Transit Program. Now a permanent program, China Transit allows passengers to connect through YVR and other Canadian airports without requiring a transit Visa, helping secure YVR's position as a gateway of choice between Asia and North America.

The Airport Authority and Canada Border Services Agency (CBSA) continued to expand its Automated Border Clearance program in 2012, which allows returning Canadian citizens and permanent residents to clear the border using self-service kiosks. Approximately 1.3 million eligible passengers used Automated Border Clearance at YVR in 2012. The total number of available kiosks increased from 12 to 20, resulting in reduced congestion in the Customs Hall. This homegrown innovation was also implemented at the Montreal-Trudeau Airport in 2012; similarly, the Greater Toronto Transportation Authority placed an order for more than 40 kiosks, for installation at Pearson International Airport in early 2013, yielding a valuable additional source of non-aeronautical revenue for the Airport Authority.

COMMERCIAL SERVICES

YVR's commercial services program continued to expand in 2012 with the addition of 11 new shops, services and restaurants. Contemporary wine bar concept *Vino Volo* chose YVR for its first two international locations, opening in the International Arrivals and U.S. Departures areas in December 2012. The Airport Authority also introduced a new curb-to-cabin passenger assistance program designed to elevate the airport experience with concierge-style services. From valet to value-priced, the Airport Authority also offered customers a broad range of parking options in 2012 - including the lowest-priced parking on Sea Island.

September 2012 saw the grand opening of a new duty free program provided by internationally-acclaimed operator World Duty Free. An expanded range of luxury goods available in newly designed stores in the International Departures area helped increase overall duty free sales by 17 per cent.

Take Off Fridays, the Airport Authority's popular in-terminal promotional campaign, continued in July and August 2012. Passengers and members of the general public enjoyed live entertainment, product sampling and special concession offers throughout the terminal.

Our Destinations

B.C.

Abbotsford
Anahim Lake
Bella Bella
Bella Coola
Campbell River
Castlegar
Comox
Cranbrook
Dawson Creek
Fort Nelson¹
Fort St. John
Ganges Harbour
Kamloops
Kelowna
Lyall Harbour
Maple Bay
Masset
Miner's Bay
Montague Harbour
Nanaimo
Nanaimo Harbour
Penticton
Port Hardy
Port Washington
Powell River
Prince George
Prince Rupert
Qualicum Beach
Quesnel
Sandspit
Sechelt
Silva Bay
Smithers
Telegraph Harbour
Terrace
Tofino
Trail
Victoria
Victoria Harbour
Williams Lake

CANADA

Calgary
Edmonton
Fort McMurray
Montreal
Ottawa
Regina
Saskatoon
Toronto
Whitehorse
Winnipeg

U.S.A.

Anchorage
Atlanta
Chicago
Dallas
Denver
Detroit
Honolulu
Houston
Kahului (Maui)
Kona (Hawaii)
Las Vegas
Lihue (Kauai)
Los Angeles
Minneapolis
New York (JFK)
Newark
Orange County
Palm Springs
Phoenix
Portland
Salt Lake City
San Diego
San Francisco
Seattle
Washington D.C.*

MEXICO

Cancun
Huatulco^C
Ixtapa/Zihuatanejo
Manzanillo^C
Mazatlan^C
Mexico City
Puerto Vallarta
San José del Cabo

ASIA

China

Beijing
Chengdu*
Guangzhou
Hong Kong S.A.R.
Shanghai
Shenyang*

Japan

Tokyo

South Korea

Seoul

Philippines

Manila

Taiwan

Taipei

EUROPE

France

Paris^c

Germany

Dusseldorf^c

Frankfurt

Munich^c

Netherlands

Amsterdam

Switzerland

Zurich^c

United Kingdom

Glasgow, Scotland^c

London, England (Gatwick)^c

London, England (Heathrow)

Manchester, England^c

LATIN AMERICA

Costa Rica

San José

Cuba

Santa Clara^c

Varadero

Dominican Republic

Puerto Plata^c

Punta Cana^c

Jamaica

Montego Bay

Panama

Panama City^c

OCEANIA

Australia

Sydney

New Zealand

Auckland

**Planned for Summer 2013*

¹ *One stop en route*

^c *Charter service only; may have a stop en route*

Financial Planning

The Airport Authority's sound financial planning is reflected in our consistently high credit ratings, which are among the best in the world. Both Standard & Poor's and Dominion Bond Rating Service confirmed the Airport Authority's ratings at AA and AA (Low), respectively, in 2012.

Other than the Hong Kong International Airport which is rated AAA, the Airport Authority has the second highest AA rating. Los Angeles International Airport and Oklahoma City's Will Rogers World Airport are the only other airports that have an AA rating.

Financial Review

The Airport Authority earns revenue from three main sources:

- **Aeronautical revenue:** The Airport Authority collects landing and terminal fees to recover the operating and capital costs related to airline operations. This revenue amounted to \$120.3 million in 2012, a decrease of \$1.3 million from \$121.6 million in 2011. In 2011, the Airport Authority introduced the Gateway Incentive Program (GIP), a five-year program that freezes total aeronautical charges at 2010 levels for individual airlines, regardless of actual landed weight and aircraft capacity. This reduces the marginal cost of an additional flight to zero for an airline participating in the GIP and provides an incentive to expand capacity at YVR. Despite a three per cent tariff rate increase in 2012 for airlines not participating in the GIP, decreases in capacity by those carriers led to the decrease in aeronautical revenue.
- **Non-aeronautical revenue:** This includes revenue from concessions, such as duty free and car rentals, as well as car parking and terminal and land rents. Revenue from these sources amounted to \$176.2 million in 2012, an increase of \$18.2 million from \$158 million in 2011, due mainly to increased concession and land lease revenue and the sale of Automated Border Clearance kiosks (ABC) to other airports.
- **Airport Improvement Fee (AIF):** The revenue earned from aeronautical and non-aeronautical sources is not sufficient to cover both the costs of operating the airport and the required capital projects. To fund capital projects, the Airport Authority collects an AIF. Total revenue earned from the fee in 2012 was \$107.1 million, an increase of \$17.4 million from \$89.7 million in 2011, due mainly to the \$5 AIF rate increase for travel outside of B.C. and the Yukon that was implemented on May 1, 2012.

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 2012 these costs increased to \$140.8 million, an increase of \$4.9 million, from \$135.9 million in 2011. These increases were mainly due to the costs related to the sale of ABC kiosks to other airports, salary increases per the collective bargaining agreement, increases in pension plan and benefit expenses and an allowance for inventory obsolescence.

The Airport Authority also uses a portion of its revenue to pay rent to the federal government, which amounted to \$39.1 million in 2012, an increase of \$4.3 million, from \$34.8 million in 2011. The increase in rent was the result of the increase of the Airport Authority's revenue upon which the rent payment is based.

The total cash needed to pay for capital projects can exceed the amount available after payment of operating costs, ground lease and interest costs. In these situations, debt financing is required.

The Airport Authority takes a conservative approach to debt levels and strives to achieve a reasonable balance between debt and sources of revenue. Debt carries an annual interest payment, which in 2012 amounted to \$31.5 million, a decrease of \$0.1 million, from \$31.6 million in 2011.

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 projects, as opposed to being recognized as 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 2012 amounted to \$108 million, a decrease of \$0.1 million, from \$108.1 million in 2011.

The Airport Authority realized \$1.7 million in dividend revenue as a result of a distribution of cash from Vantage and interest on cash held within Vancouver Airport Enterprises Limited.

The Airport Authority recorded a \$1.0 million write off of capital assets as a result of the demolition of structural facilities necessary for the redevelopment of the Domestic Terminal's A and B Piers.

Total excess of revenue over expenses, which includes amortization, was \$84.9 million in 2012, an increase of \$25.5 million from \$59.4 million in 2011. When amortization, a non-cash item, is removed, the Airport Authority generated \$181.6 million of net cash flow, prior to its investment in capital projects and repayment of debt as described below.

During 2012, the Airport Authority invested \$106 million in capital projects. The capital projects included redevelopment of the Domestic Terminal's A and B piers, apron slab replacement and overlay, corporate systems project, baggage system upgrades, taxiway F upgrade, duty free store expansion, airfield fence upgrade, relocation of loading bridges and the Ground Run-up Enclosure (GRE).

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

- Net cash flow (excluding AIF) of \$78.7 million.
- Net AIF in the amount of \$102.9 million.

These amounts in total were more than sufficient to pay for the 2012 capital project costs, leaving \$142.2 million in cash available to pay for capital projects in 2013 and future years.

Unaudited Non-Consolidated Financial Statements of Vancouver Airport Authority

Financial statements for Vancouver Airport Authority's operations at Vancouver International Airport (YVR) are provided in the Unaudited Non-Consolidated Statements.

Audited Consolidated Financial Statements of Vancouver Airport Authority

Financial statements for all operations of Vancouver Airport Authority, including subsidiaries Vantage Airport Group (formerly YVR Airport Services Ltd.) and YVR Project Management Ltd., are provided in the Audited Consolidated Statements.

Unaudited Non-consolidated Financial Statements

Vancouver Airport Authority
December 31, 2012

Vancouver Airport Authority

**UNAUDITED NON-CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

[expressed in thousands of dollars]

As at December 31

	2012	2011	As at January 1, 2011
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents <i>[note 2]</i>	142,246	66,626	—
Accounts receivable <i>[note 3]</i>	17,970	13,113	21,322
Other receivables <i>[notes 5 and 13]</i>	2,196	2,644	7,883
Current portion of net investment in lease <i>[note 4]</i>	752	639	539
Supplies inventory <i>[note 2]</i>	5,198	5,534	5,555
Prepaid expenses	2,407	1,780	1,594
Total current assets	170,769	90,336	36,893
Net investment in lease <i>[note 4]</i>	7,404	8,156	8,795
Investment in subsidiaries <i>[note 5]</i>	52,570	52,570	52,570
Capital assets, net <i>[note 6]</i>	1,590,629	1,589,915	1,637,670
Other long-term assets, net <i>[note 7]</i>	23,744	19,382	17,602
	1,845,116	1,760,359	1,753,530
LIABILITIES AND NET ASSETS			
Current			
Bank indebtedness <i>[note 8]</i>	—	—	49,900
Accounts payable and accrued liabilities <i>[note 9]</i>	50,097	39,920	35,435
Current portion of deferred revenue	6,174	4,943	2,279
Current portion of deferred ground lease payments <i>[note 10]</i>	2,053	2,053	2,053
Total current liabilities	58,324	46,916	89,667
Deferred revenue	835	1,670	2,505
Other long-term liabilities <i>[note 15[b]]</i>	8,742	7,965	7,284
Deferred ground lease payments <i>[note 10]</i>	4,105	6,158	8,211
Deferred capital contributions <i>[note 11[a]]</i>	62,660	72,364	80,247
Debentures <i>[note 12]</i>	547,649	547,389	547,143
Total liabilities	682,315	682,462	735,057
Commitments and contingencies <i>[note 16]</i>			
Net assets	1,162,801	1,077,897	1,018,473
	1,845,116	1,760,359	1,753,530

See accompanying notes to unaudited non-consolidated financial statements

Vancouver Airport Authority

**UNAUDITED NON-CONSOLIDATED STATEMENTS
OF OPERATIONS**

[expressed in thousands of dollars]

Years ended December 31

	2012	2011
	\$	\$
REVENUE		
Landing fees	34,932	35,221
Terminal fees	85,321	86,376
Concessions	74,919	68,462
Airport improvement fees <i>[note 14]</i>	107,139	89,738
Car parking	27,679	27,641
Rentals	37,559	32,316
Fees and miscellaneous	22,148	15,598
Contributions <i>[note 11[b]]</i>	13,865	13,910
	403,562	369,262
EXPENSES		
Salaries, wages and benefits	44,043	41,930
Materials, supplies and services	74,103	74,133
Payments in lieu of taxes, insurance and other	22,617	19,707
Amortization of capital assets	108,023	108,115
	248,786	243,885
Other expenses		
Ground lease	39,076	34,767
Interest and financing charges	31,457	31,606
	70,533	66,373
Excess of revenue over expenses before undernoted items	84,243	59,004
Dividend income <i>[note 5]</i>	1,687	240
Write-down of capital assets	(1,024)	—
Gain on disposal of capital assets	34	156
Unrealized foreign exchange gain (loss)	(36)	24
Excess of revenue over expenses for the year	84,904	59,424

See accompanying notes to unaudited non-consolidated financial statements

Vancouver Airport Authority

**UNAUDITED NON-CONSOLIDATED STATEMENTS OF
CHANGES IN NET ASSETS**

[expressed in thousands of dollars]

Years ended December 31

	2012	2011
	\$	\$
Balance, beginning of year	1,077,897	1,018,473
Excess of revenue over expenses for the year	84,904	59,424
Balance, end of year	1,162,801	1,077,897

See accompanying notes to unaudited non-consolidated financial statements

Vancouver Airport Authority

**UNAUDITED NON-CONSOLIDATED STATEMENTS
OF CASH FLOWS**

[expressed in thousands of dollars]

Years ended December 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	84,904	59,424
Add (deduct) items not involving cash		
Amortization of capital assets	108,023	108,115
Amortization of deferred capital contributions	(9,779)	(9,739)
Amortization of prepaid interest on bankers' acceptances	—	271
Amortization of deferred financing costs	260	246
Amortization of other long-term assets	2,169	2,007
Write-down of capital assets	1,024	—
Gain on disposal of capital assets	(34)	(156)
Unrealized foreign exchange loss (gain)	36	(24)
Changes in non-cash operating working capital [note 20[a]]	2,062	17,452
Cash provided by operating activities	188,665	177,596
FINANCING ACTIVITIES		
Decrease in bank operating line	—	(14,558)
Issuance of bankers' acceptances	—	10,887
Repayment of bankers' acceptances	—	(46,500)
Deferred capital contributions received	75	3,502
Increase in other long-term liabilities	777	681
Repayment of deferred ground lease payments	(2,053)	(2,053)
Cash used in financing activities	(1,201)	(48,041)
INVESTING ACTIVITIES		
Additions of capital assets	(105,950)	(59,873)
Proceeds on disposal of capital assets	34	168
Decrease in net investment in lease	639	539
Increase in other long-term assets	(6,531)	(3,787)
Cash used in investing activities	(111,808)	(62,953)
Effect of exchange rates on cash	(36)	24
Net increase in cash and cash equivalents	75,620	66,626
Cash and cash equivalents, beginning of year	66,626	—
Cash and cash equivalents, end of year	142,246	66,626

See accompanying notes to unaudited non-consolidated financial statements

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

1. OPERATIONS

The Vancouver Airport Authority [the “Airport Authority”] is incorporated under Part II of the Canada Corporations Act as a not-for-profit corporation. The Airport Authority is governed by a Board of Directors, 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”].

2. SIGNIFICANT ACCOUNTING POLICIES

Presentation and basis of accounting

These non-consolidated financial statements have been prepared in accordance with the significant accounting policies described herein pursuant to the Trust Indenture Agreement [the “Trust Indenture”] dated December 6, 1996, one Supplemental Indenture dated November 14, 2006, two dated December 7, 2006 and one dated November 14, 2007.

On January 1, 2012, the Airport Authority adopted Canadian Institute of Chartered Accountants Handbook Part III – *Accounting Standards for Not-for-Profit Organizations* [“ASNPO”]. The basis of accounting used to prepare these non-consolidated financial statements materially differs from ASNPO because the Airport Authority’s wholly owned subsidiaries are accounted for using the cost method.

In accordance with the transitional provisions in ASNPO, the Airport Authority has applied the change retrospectively to the January 1, 2011 opening statement of financial position, subject to certain exemptions and elections allowed under these standards. All comparative information provided in these non-consolidated financial statements has been prepared in accordance with ASNPO, except for the accounting difference noted above.

A summary of the transitional adjustments is provided in note 21.

The Airport Authority also distributes audited consolidated financial statements prepared for the same period in accordance with ASNPO.

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

Future changes in accounting policies

In January, 2012, the Accounting Standards Board [“AcSB”] issued an Exposure Draft, pertaining to Employee Future Benefits, which proposes to replace Canadian Institute of Chartered Accountants [“CICA”] Handbook section 3461 with new CICA section 3462. The proposal is intended to improve the understandability, comparability, and transparency of financial reporting for defined benefit plans by eliminating the deferral and amortization approach for actuarial gains and losses and requiring plan assets and obligations to be measured at the reporting date.

In January 2013, the AcSB met and determined that the exposure draft required modification to present remeasurement and other items for a defined benefit plan as a separate component of changes in net assets.

AcSB intends to reissue an exposure draft in mid-2013 which will incorporate the change noted above. A final standard is expected to be issued in time to be effective for the 2014 fiscal year.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term bankers’ acceptances having original maturities of three months or less from the date of purchase, which are readily convertible to cash. As at December 31, 2012, the amount of the short-term bankers’ acceptances recorded as cash and cash equivalents was nil [2011 - \$50,000,000; January 1, 2011 - nil].

Supplies inventory

Supplies inventory is valued at the lower of weighted average cost and net realizable value. In December 2012, the Airport Authority recorded a \$484,000 [2011 - nil] valuation allowance on its inventory which was recorded in payments in lieu of taxes, insurance and other. There were no reversals of previous write-downs during the year [2011 - nil]. Weighted average cost includes 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. The cost of inventory recognized as a materials, supplies and services expense during the year ended December 31, 2012 was \$2,012,000 [2011 - \$1,286,000].

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

Investment in subsidiaries

The Airport Authority has two wholly owned subsidiaries:

- Vancouver Airport Authority (Hong Kong) Ltd. ["YVRHK"], which 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 Ltd. ["VAEL"] holds investments in the following companies:
 - YVR Project Management Ltd. ["YVRPM"] - 100% owned subsidiary of VAEL, which provides capital project management and consulting services to affiliated and non-affiliated entities.
 - Vantage Airport Group ["Vantage"] [formerly YVR Airport Services Ltd.] - 50% equity interest held by VAEL, which invests in and manages a number of airports across Canada and around the world.

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. Borrowing costs are recognized as an expense in the period in which they are incurred. The costs included in construction-in-progress are capitalized during the construction phase. Upon completion of the project, the assets will be allocated to the respective classes and amortized at the rates provided in the table below.

Amortization is provided at cost less estimated salvage value on a straight-line basis over a period not exceeding 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 systems	3 to 10 years
Art collection	Not amortized

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

Deferred revenue

Deferred revenue represents premiums received from tenants at preferential locations, prepaid rents and licenses received from tenants and operators in advance, which are deferred and amortized over the terms of the related agreements.

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.

Effective January 1, 2011, the Airport Authority introduced the Gateway Incentive Program, which is a program that offers carriers fixed annual aeronautical charges for a period of 5 years beginning in 2011 and ending in 2015 based on the amount of fees paid in 2010. Participating carriers are charged a fixed monthly aeronautical fee regardless of their level of activity.

- [ii] Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum rentals. Differences between revenue recognized and actual cash payments are recorded as lease inducement assets or liabilities. The lease inducement asset (liability) is amortized over the lease term, resulting in constant revenue recognized over the term of the lease.

- [iii] Revenue from the Airport Improvement Fees ["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 straight-line over the duration of the respective agreements. Revenue from rental arrangements classified as direct finance leases are 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.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

[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 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.

The Airport Authority does not have any endowment contributions.

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.

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.

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.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

Employee future benefits

The Airport Authority has a contributory defined benefit pension plan which 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 which covers new employees who have joined the Airport Authority since June 1992; and unfunded supplemental plans which cover its senior executives.

The Airport Authority accrues its obligations under these 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 for accounting purposes as at December 31 of each year, using a measurement date of October 31. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2011. The next valuation for funding purposes will be as of December 31, 2012, the results of which are expected to be available during the year ending December 31, 2013.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service [which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors]. Obligations are discounted using current interest rates on long-term corporate bonds.

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

Actuarial gains/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 or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains/losses over 10 percent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

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 which are subsequently measured at cost or amortized cost:

- Cash and cash equivalents
- Accounts receivable
- Other receivables
- Bank indebtedness
- Accounts payable and accrued liabilities
- 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.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the statement of financial position date. Revenue and expenses are translated at the exchange rates prevailing on the transaction date.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

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 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

	2012	2011	As at January 1, 2011
	\$	\$	\$
Current	18,610	13,485	21,973
31 - 60 days past due	60	312	140
61 - 90 days past due	32	45	16
90+ days past due	53	80	118
Less allowance for doubtful accounts	(785)	(809)	(925)
	17,970	13,113	21,322

	2012	2011	As at January 1, 2011
	\$	\$	\$
Allowance for doubtful accounts, beginning of year	809	925	725
Addition to (decrease in) allowance for doubtful accounts	50	(285)	975
Recovery of previously written-off accounts	—	367	—
Write-off of specific accounts	(74)	(198)	(775)
Allowance for doubtful accounts, end of year	785	809	925

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

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 December 31, 2019. The Airport Authority's net investment in the direct financing lease consists of the following:

	2012	2011	As at January 1, 2011
	\$	\$	\$
Minimum lease payments receivable	12,313	14,034	15,730
Unearned income	(4,157)	(5,239)	(6,396)
	8,156	8,795	9,334
Less current portion	752	639	539
	7,404	8,156	8,795

As at December 31, 2012, the future minimum lease payments receivable under the direct financing lease are as follows:

	\$
2013	1,747
2014	1,773
2015	1,800
2016	1,826
2017	1,854
2018 and thereafter	3,313
	12,313

5. INVESTMENT IN SUBSIDIARIES

	2012	2011	As at January 1, 2011
	\$	\$	\$
VAEL, at cost	52,570	52,570	52,570
YVRHK, at cost	—	—	—
	52,570	52,570	52,570

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

During the year ended December 31, 2012, the Airport Authority recognized dividend income of \$1,687,000 [2011 - \$240,000] from VAEL, of which \$187,000 is recorded in other receivables at December 31, 2012 [2011 - \$240,000].

6. CAPITAL ASSETS

	2012			2011			As at January 1, 2011
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Buildings and other structures	1,384,051	500,290	883,761	1,338,498	438,125	900,373	922,314
Runways and other paved surfaces	457,658	174,317	283,341	432,391	155,968	276,423	287,707
Rapid transit infrastructure	298,948	20,378	278,570	298,934	14,395	284,539	289,868
Machinery and equipment	106,697	57,602	49,095	101,495	47,901	53,594	58,468
Furniture and fixtures	27,035	23,755	3,280	26,851	22,571	4,280	6,127
Computer equipment and systems	113,048	90,426	22,622	104,784	80,274	24,510	31,334
Art collection	7,266	—	7,266	7,266	—	7,266	6,872
Construction-in-progress	62,694	—	62,694	38,930	—	38,930	34,980
	2,457,397	866,768	1,590,629	2,349,149	759,234	1,589,915	1,637,670

7. OTHER LONG-TERM ASSETS

	2012			2011		As at January 1, 2011
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$	Net book value \$	
[a] Operating lease receivable	21,045	7,735	13,310	12,659	11,679	
[b] Leasehold interest	4,640	396	4,244	4,315	4,793	
[c] Development costs	4,313	—	4,313	966	765	
[d] Intangible asset	1,400	117	1,283	—	—	
[e] Accrued benefit asset [note 15[a]]	594	—	594	1,442	338	
Long-term receivables	—	—	—	—	27	
	31,992	8,248	23,744	19,382	17,602	

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

- [a] In certain circumstances, the Airport Authority provides lease inducements to tenants. These lease inducements are recorded as long-term assets and recognized evenly as a reduction of revenue over the life of the lease. During the year, the Airport Authority granted lease inducements of \$34,000 [2011 - \$2,913,000] to tenants and recognized \$1,981,000 [2011 - \$1,933,000] 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 forty years with two subsequent renewal options of ten 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 sublease. As at December 31, 2012, the difference between the rental income recognized and cash lease payments received is \$3,253,000 [2011 - \$655,000; January 1, 2011 - nil].

- [b] In June 2008 the Airport Authority acquired a leasehold interest on Sea Island for \$5,043,000, 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.

In 2011 all work required to decommission and demolish the acquired building was completed at a final cost of \$404,000 less than originally estimated, resulting in a reduction of the leasehold interest.

The leasehold interest is being amortized over the remaining term of the Ground Lease, which has been extended to June 30, 2072 [note 16[a]]. For the year ended December 31, 2012, the amortization of the leasehold interest was \$71,000 [2011 - \$74,000].

- [c] The Airport Authority is currently undertaking two major development projects on Sea Island. In 2012, the Airport Authority incurred significant earthworks, design and development costs related to the proposed designer outlet centre located adjacent to the Templeton Canada Line station. These costs incurred to-date on both projects will form part of the Airport Authority's future investment in a separate company that will own and operate these developments.

- [d] In October 2012 the Airport Authority purchased intellectual property rights from a third party relating to a technology the Airport Authority plans to develop and sell. This intangible asset is being amortized on a straight-line basis over three years, which represents the period over which the asset is expected to generate future economic benefit.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

8. BANK INDEBTEDNESS

	2012	2011	As at January 1, 2011
	\$	\$	\$
Unsecured bank operating line	200,000	200,000	200,000
Bank indebtedness			
Operating line drawings	—	—	14,558
Bankers' acceptances	—	—	35,342
Total bank indebtedness	—	—	49,900
Outstanding letters of credit, reducing available balance	3,232	1,576	—
Available unsecured bank operating line	196,768	198,424	150,100

9. 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 adjustments to Transport Canada.

	2012	2011	As at January 1, 2011
	\$	\$	\$
Canada Revenue Agency	785	2,544	1,761
TransLink	443	488	499
Transport Canada	4,309	1,591	—
	5,537	4,623	2,260

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

10. DEFERRED GROUND LEASE PAYMENTS

Between July 2003 and June 2005, the Airport Authority deferred a total of \$20,529,000 of ground lease payments due to Transport Canada under an arrangement whereby Transport Canada provided temporary relief to Canadian airports which suffered declines in passenger traffic resulting from international events in 2001 through 2003.

	2012	2011	As at January 1, 2011
	\$	\$	\$
Deferred ground lease payments	6,158	8,211	10,264
Less current portion	2,053	2,053	2,053
Long-term portion	4,105	6,158	8,211

Annual repayments of \$2,053,000 are interest free over a ten-year period, commencing January 1, 2006.

11. DEFERRED CAPITAL AND OPERATING CONTRIBUTIONS

[a] Deferred capital contributions

	2012	2011	As at January 1, 2011
	\$	\$	\$
Capital contributions:			
Canadian Air Transport Security Authority ["CATSA"]	118,604	118,529	116,779
Other	2,474	2,474	2,368
	121,078	121,003	119,147
Accumulated amortization	(58,418)	(48,639)	(38,900)
	62,660	72,364	80,247

The Airport Authority receives funding from 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.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

[b] Contributions

	2012	2011
	\$	\$
Amortization of deferred capital contributions	9,779	9,739
Operating contributions	4,086	4,171
	13,865	13,910

12. DEBENTURES

	2012	2011	As at January 1, 2011
	\$	\$	\$
Amended Series B 7.425%, due December 7, 2026	150,000	150,000	150,000
Series D 4.424%, due December 7, 2018	200,000	200,000	200,000
Series E 5.020%, due November 13, 2015	200,000	200,000	200,000
	550,000	550,000	550,000
Less unamortized deferred financing costs	(2,351)	(2,611)	(2,857)
	547,649	547,389	547,143

The amended Series B debentures are issued under the Trust Indenture dated December 6, 1996, and amended under the Supplemental Indenture dated December 7, 2006. The Series D and Series E debentures are issued under Supplemental Indentures dated December 7, 2006 and November 14, 2007, respectively.

The effective interest rates on the Series B, D and E debentures are 7.530%, 4.484% and 5.094%, respectively. At December 31, 2012, the Airport Authority has accrued debenture interest and fees of \$2,717,000 [2011 - \$2,717,000] which are recorded in accounts payable and accrued liabilities. See note 20[b] for interest expense paid during the year.

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

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 E. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time. 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, 0.125% for the Series D debentures, and 0.20% for the Series E debentures.

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.

13. 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 in either 2012 or 2011.

The Airport Authority provides certain administrative support services including IT, legal, accounting, and HR services to its subsidiaries.

YVRPM provides certain capital project management services to the Airport Authority, which for the year ended December 31, 2012 totalled \$546,000 [2011 - \$503,000].

The Airport Authority receives dividend income from VAEL [note 5].

Included in other receivables are amounts owing from the following related entities:

	2012	2011	As at January 1, 2011
	\$	\$	\$
Due from VAEL	202	1,102	754
Due from YVRPM	930	556	561
Due from YVRHK	56	—	—
Due (to) from Vantage	11	(7)	142
	1,199	1,651	1,457

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

14. 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 2012, the Airport Authority recorded \$106,563,000 [2011 - \$89,093,000] main terminal AIF revenue, and main terminal AIF eligible capital expenditures totalled \$105,875,000 [2011 - \$56,371,000]. To December 31, 2012, the cumulative main terminal AIF revenue totalled \$1,316,836,000 [2011 - \$1,210,273,000], and cumulative AIF eligible expenditures totalled \$2,402,402,000 [2011 - \$2,296,527,000]. To December 31, 2012, the cumulative AIF revenue has been used to fund AIF eligible capital expenditure in accordance with the MOA.

15. EMPLOYEE FUTURE BENEFITS

[a] Funded pension plans

Defined contribution plans

The Airport Authority participates in a Registered Retirement Savings Plan [“RRSP”] which covers employees who have joined the Airport Authority since June 1992. Employees covered by this plan are required to contribute 6%, and the Airport Authority contributes an additional 7% of their earnings. Total contributions included in the pension expense for 2012 were \$2,198,000 [2011 - \$2,127,000].

The Airport Authority participates in a defined contribution plan, which covers some of the senior executives who are also in an unfunded supplementary plan discussed in [b] below. Pension expense for the supplementary plan for year ended December 31, 2012 was \$13,000 [2011 - \$11,000].

Some senior executives are also provided a Retirement Compensation Arrangement [“RCA”]. Contributions to the RCA in 2012 totalled nil [2011 - \$196,000].

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

Defined benefit plan

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

	2012	2011
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	55,652	45,321
Current service cost	1,368	1,147
Interest cost	2,701	2,637
Benefits paid	(1,479)	(1,215)
Actuarial loss (gain)	(571)	7,762
Balance, end of year	57,671	55,652
Fair value of plan assets		
Balance, beginning of year	45,834	45,660
Actual return on plan assets	3,734	(510)
Employer contributions	851	1,679
Employee contributions	218	220
Benefits paid	(1,479)	(1,215)
Balance, end of year	49,158	45,834
Deficiency of plan assets	(8,513)	(9,818)
Unamortized net actuarial loss	9,107	11,260
Accrued benefit asset	594	1,442

The accrued benefit asset is included in other long-term assets [note 7].

Plan assets [measured as of the measurement date of October 31 each year] comprise:

	2012	2011
	%	%
Asset category		
Equity shares	67.8	65.2
Debt securities	28.4	32.4
Cash and short-term investments	3.8	2.4
	100.0	100.0

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

The significant assumptions used are as follows [weighted average]:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation as of December 31		
Discount rate	4.00%	4.80%
Rate of compensation increase	3.25%	4.00%
Benefit costs for years ended December 31		
Discount rate	4.00%	5.75%
Expected long-term rate of return on plan assets	6.10%	6.50%
Rate of compensation increase	3.25%	4.00%
Expected average remaining service life	<u>7.0 years</u>	<u>7.2 years</u>

The elements of the defined benefit plan costs recognized in the year are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Current service cost, net of employees' contributions	1,150	927
Interest cost	2,701	2,637
Actual return on plan assets	(3,734)	510
Actuarial loss (gain)	<u>(571)</u>	<u>7,762</u>
Employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	(454)	11,836
Adjustments to recognize the long-term nature of employee future benefit costs		
Difference between expected return and actual return on plan assets for the year	768	(3,498)
Difference between actuarial loss (gain) on accrued benefit obligation for year	<u>1,385</u>	<u>(7,762)</u>
Pension expense	<u>1,699</u>	<u>576</u>

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. At December 31, 2012, the total amount of the letter of credit was \$2,557,000 [2011 - \$584,000], which reduced the available bank operating line [note 8].

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

Total cash payments for employee future benefits for the year ended December 31, 2012, consisting of cash contributed by the Airport Authority to its funded pension plans [the defined benefit plan, defined contribution plans and RCA], were \$3,061,000 [2011 - \$4,669,000].

[b] Unfunded pension plans

The Airport Authority participates in supplementary plans for its senior executives, along with some of its senior management.

Pension expense for the year ended December 31, 2012 was \$861,000 [2011 - \$790,000]. Based on an actuarial report, the total accrued benefit liability of these plans as at December 31, 2012 was \$8,742,000 [2011 - \$7,965,000; January 1, 2011 - \$7,284,000], which has been accrued as long-term liabilities. The total unamortized actuarial losses related to these plans at December 31, 2012 were \$1,494,000 [2011 - \$799,000].

[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 Airport Authority has established a provision for these retiring allowances based on management's best estimates, which is updated each quarter based on the best available information. Changes in the estimated liability are recorded prospectively. As at December 31, 2012, the liability of \$3,551,000 [2011 - \$3,226,000; January 1, 2011 - \$2,954,000] was recorded in accounts payable and accrued liabilities.

16. COMMITMENTS AND CONTINGENCIES

[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 June 30, 2052. The Airport Authority exercised its option to renew the Ground Lease for an additional 20 years, through an amendment dated January 5, 2010, which extends the term to 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.

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

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 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.

For the year ended December 31, 2012, the Airport Authority's required ground lease payments were less than its ground lease expense by \$4,309,000 [2011 - \$1,591,000; January 1, 2011 - nil]. This amount is included in accounts payable and accrued liabilities at December 31, 2012.

Projected lease expense and payments, including repayments of deferred ground lease payments [note 10] under the amended Ground Lease for the next five years, are estimated as follows:

	Lease expense	Lease payments
	\$	\$
2013	41,022	43,075
2014	42,273	44,326
2015	42,879	44,932
2016	43,975	43,975
2017	45,108	45,108

[b] Capital and operating commitments

As at December 31, 2012, in connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding of approximately \$60,934,000 [2011 - \$23,685,000]. As at December 31, 2012, in connection with operating the Airport, the Airport Authority has total operating commitments of approximately \$10,097,000 [2011 - \$42,522,000]. These commitments extend for periods of up to five years.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

[c] Legal claims

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

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, 2012, there are no material claims pending against the Airport Authority.

17. ECONOMIC DEPENDENCE

The Airport Authority derives approximately \$54,067,000 [2011 - \$46,980,000] in aeronautical charges and rents from one airline and \$24,507,000 [2011 - \$20,801,000] in concession revenue from one concession operator. The Airport Authority believes that the cessation of operations of an 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.

18. FINANCIAL INSTRUMENTS

[a] Fair value of financial instruments

The Airport Authority's financial instruments include cash and cash equivalents, accounts receivable, other receivables, long-term receivables, bank indebtedness and accounts payable and accrued liabilities for which the carrying amounts approximate fair values.

The fair value of the debentures at December 31, 2012 is estimated to be \$651,727,000 [2011 - \$655,625,000]. To determine an estimated fair value of the debentures, the Airport Authority maintains a financial model which uses current market interest rates based upon the applicable Government of Canada bond yield plus a corporate spread based upon the Airport Authority's credit rating.

[b] Risk management

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

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

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 \$2,039,000 as at December 31, 2012 [2011 - \$2,060,000; January 1, 2011 - \$1,550,000]. 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 2012 either in the form of bankers' acceptance or drawings on the bank operating line. 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.

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.

19. CAPITAL RISK MANAGEMENT

The Airport Authority is a non-share corporation and, accordingly, is funded through aeronautical and non-aeronautical revenues, AIF revenue, an unsecured bank operating line and debentures. The funds generated by the Airport Authority are used to cover costs within its mandate. There were no changes in the Airport Authority's approach to capital risk management during the year.

Vancouver Airport Authority

NOTES TO UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS

[tabular amounts in thousands of dollars]

December 31, 2012

The Trust Indenture dated December 6, 1996 and related supplemental indentures as described in note 12 provide the terms of the debentures issued and require a minimum interest coverage ratio of 1.25:1. As at December 31, 2012, the Airport Authority was in compliance with the required minimum interest coverage ratio.

As at December 31, 2012, net assets amounted to \$1,162,801,000 [2011 - \$1,077,897,000; January 1, 2011 - \$1,018,473,000]. The Airport Authority has established, within its net assets, funds for operational requirements and debt obligations.

20. SUPPLEMENTARY CASH FLOW INFORMATION

[a] Changes in non-cash operating working capital

	2012 \$	2011 \$
Accounts receivable	(4,857)	8,209
Other receivables	448	3,593
Supplies inventory	336	21
Prepaid expenses	(627)	(186)
Accounts payable and accrued liabilities	6,366	3,986
Deferred revenue	396	1,829
	<u>2,062</u>	<u>17,452</u>

[b] Other supplementary information

	2012 \$	2011 \$
Supplementary information		
Interest expense paid	30,349	30,796
Interest income received	1,142	249
Non-cash transaction		
Construction-in-progress accrual	<u>13,355</u>	<u>9,544</u>

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

21. TRANSITIONAL ADJUSTMENTS

As stated in note 2, the Airport Authority adopted ASNPO on January 1, 2012 with a transition date of January 1, 2011.

CICA Handbook Section 1501 – *First-time Adoption by Not-for-profit Organizations* sets guidance for the initial adoption of ASNPO. Under CICA Handbook Section 1501, the standards are applied retrospectively at the date of transition with all adjustments to assets and liabilities recognized in net assets unless certain exemptions are applied.

The Airport Authority has applied the following exemption to its opening statement of financial position at January 1, 2011:

Employee future benefits

The Airport Authority is continuing to use the deferral and amortization approach for defined benefit plans as outlined in note 2 and permitted under CICA Handbook Section 3461 – *Employee Future Benefits*. However, CICA Handbook Section 1501 provided the option and the Airport Authority is electing to recognize all accumulated actuarial gains and losses for all defined benefit plans in opening net assets at the date of transition.

CICA Handbook Section 1501 also outlines specific guidance that a first-time adopter must adhere to relating to the use of estimates. In accordance with CICA Handbook Section 1501, an entity's estimates under ASNPO at the date of transition must be consistent with the estimates made for the same date as previously reported, unless there is new objective evidence that those estimates were in error. The Airport Authority's estimates as of January 1, 2011 are consistent with its previously reported estimates for the same date.

The accounting policies set out in note 2 have been applied in preparing these non-consolidated financial statements along with the comparative figures. Adoption of ASNPO has resulted in changes to the Airport Authority's reported financial position, results of operations and cash flows.

Vancouver Airport Authority

**NOTES TO UNAUDITED NON-CONSOLIDATED
FINANCIAL STATEMENTS**

[tabular amounts in thousands of dollars]

December 31, 2012

The following table provides a reconciliation of net assets as at January 1, 2011 and excess of revenue over expenses for the year ended December 31, 2011 as presented under the previous not-for-profit accounting standards [“previous GAAP”] with those completed under ASNPO:

	Net assets at January 1, 2011	Excess of revenue over expenses for the year ended December 31, 2011
	\$	\$
Net assets and excess of revenue over expenses [previous GAAP]	1,028,814	59,060
Employee future benefits [i]	(10,341)	364
Net assets and excess of revenue over expenses [ASNPO]	<u>1,018,473</u>	<u>59,424</u>

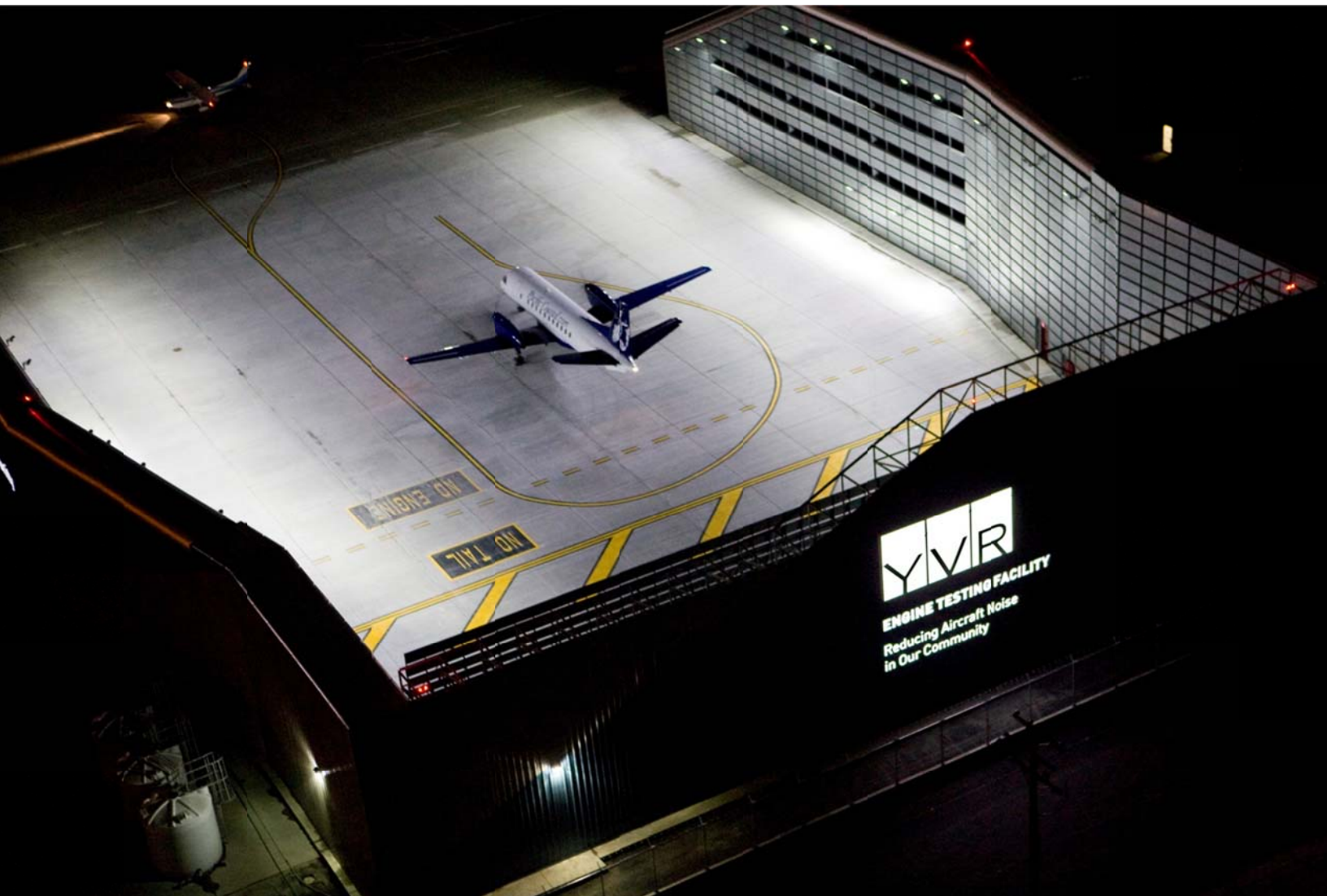
[i] Employee future benefits

The recognition of accumulated actuarial gains and losses in net assets on all defined benefit plans at January 1, 2011 have resulted in a reduction to net assets of \$7,387,000 with corresponding changes to the accrued benefit asset relating to the defined benefit pension plan, and both current and long-term liabilities relating to the unfunded pension plans.

The elimination of the accumulated actuarial gains and losses at January 1, 2011 has resulted in the reduction of salaries, wages, and benefits expense of \$364,000 for the year ended December 31, 2011.

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 Airport Authority has established a provision for these retiring allowances based on management’s best estimates, which is updated each year based on the best available information. Changes in the estimated liability are recorded prospectively. The additional liability was identified and recorded at January 1, 2011, resulting in an increase of liabilities and decrease in net assets of \$2,954,000.

VANCOUVER AIRPORT AUTHORITY
2012 ENVIRONMENT REPORT



Vancouver International Airport's Environmental Management Plan describes environmental policies and programs around key sustainability issues overseen by the Airport Authority's Environment Department.

Our Environmental Management Plan (2009-2013) outlines six strategic priorities:

- Manage aircraft noise
- Reduce emissions
- Reduce energy
- Reduce waste
- Implement a Communication, Awareness, Recognition and Education (CARE) program
- Continually improve environmental programs

Manage Aircraft Noise

The Airport Authority aims to minimize noise disturbance to the community caused by aircraft operations. The published Noise Abatement Procedures and five-year Noise Management Plan outlines specific initiatives aimed at improving the noise environment around the airport.

The Airport Authority received 903 noise complaints from 224 individuals in 2012; this represents a 15 per cent increase in complaints but a 30 per cent decrease in the number of individual complainants in 2011. An annual survey which asked Metro Vancouver residents if they were bothered by aircraft noise in their homes showed that 85 per cent of residents were not annoyed by aircraft noise. This is consistent with our survey results from previous years. For more information, please visit the [Noise Management](#) and [2012 results](#) sections of our website.

In 2012, the Airport Authority opened Canada's first Ground Run-Up Enclosure (GRE). Located at YVR's Airport South, the GRE reduces noise from run-ups performed by propeller and jet aircraft heard in neighbouring communities by up to 50 per cent. The \$12-million facility uses aerodynamic design combined with special sound absorbing panels to reduce and direct noise away from residential areas. The GRE has been well-received by operators, which together conducted more than 1,400 run-ups in the facility since it opened January 25, 2012.

Reduce Emissions

The Airport Authority aims to reduce greenhouse gas and air-pollutant emissions by working with our business partners to reduce vehicle and aircraft emissions, promoting alternative forms of transportation to and from Sea Island, improving airport systems and infrastructure and raising awareness of low-emission and clean air practices.

CANADA LINE

As part of its commitment to sustainable transportation and connectivity, the Airport Authority invested \$300 million in the Sea Island portion of the Canada Line rapid transit system, which began operations in August 2009. Approximately 17 per cent of passengers used the Canada Line to access YVR in 2012.

CYCLING INFRASTRUCTURE IMPROVEMENTS

Several new bike paths on Sea Island were built in 2012, including on-road and off-road connections. Paved shoulders were added to Grant McConachie Way and Inglis Drive. Off-road connections were added between North Service Road and the terminal, and around the No. 2 Rd Bridge. A detailed map of Sea Island's bike routes is available on our [website](#).

The Airport Authority's cycling improvement efforts were acknowledged in 2012 by HUB, Metro Vancouver's largest cycling coalition with Runner Up status in the *Most Bike Friendly Workplace* category. HUB recognized the Airport Authority's promotion of year-round cycling transportation, highlighting our green commuter and wellness incentive programs, on-site cycling facilities and the dedicated cycling infrastructure on Sea Island.

GREEN COMMUTER PROGRAM

The Airport Authority offers its employees a \$50 per month financial incentive to take public transit, cycle, walk or carpool to work. The Green Commuter Program had 157 participants - 37 per cent of employees - in 2012, reducing the amount of single-occupant vehicle trips by more than 750,000 kilometres.

IMPROVING FLEET EFFICIENCY

The Airport Authority continues to improve our fleet by replacing older, larger vehicles with appropriately-sized fuel-efficient models. In 2012, eight new light-duty vehicles were introduced to the fleet including: one electric utility vehicle, one hybrid-electric vehicle and two compact fuel-efficient vehicles. In addition to introducing these vehicles, 11 older light-duty vehicles and two buses were retired from service, decreasing overall fuel consumption.

TAXI INCENTIVES

The Airport Authority offers a significant annual discount on licensing fees to taxi operators with low-emission vehicles. In 2012, 373 of the 525 taxis (71 per cent) in the fleet serving YVR were hybrid-electric vehicles – a seven per cent increase over 2011.

Reduce Energy

The Airport Authority promotes resource-efficient operations and identifies ways to reduce consumption of natural gas, diesel, gasoline, water and electricity at the airport. We have a long-term goal to improve electricity efficiency, which has resulted in cumulative savings of more than \$11 million dollars in electricity costs since 1999. In 2012, the Airport Authority reduced electrical energy consumption per square metre by 3.9 per cent over 2011 results, exceeding our target to decrease energy consumption.

SMART HEATING AND COOLING

The Airport Authority continues to reduce its natural gas consumption through the use of solar hot water, lowered night room temperatures, CO₂ sensors, improved scheduling and system tune-ups. The careful management of our heating system enables the boilers to be turned off throughout the summer, using outside air for space heating. Along with ongoing monitoring of our temperatures, these tactics help significantly reduce energy consumption in the terminal.

SMART LIGHTING

Changing technologies, new concepts and operating procedures and terminal renovations result in energy conservation opportunities in 2012. Using flight schedules, motion detectors and other tools, the Airport Authority takes an area-by-area approach to identify areas in which lighting can be reduced or turned off altogether. In 2012, two major lighting retrofit, projects converted

inefficient lighting into more efficient bulbs. This effort saved two Gigawatt hours of energy, which is equivalent to removing approximately 200 B.C. homes from the electricity grid.

POWER SMART PROGRAMS

The Airport Authority was once again the proud recipient of a BC Hydro Power Smart Leadership Excellence award in 2012. This award is presented to Power Smart Leaders who achieve greater levels of energy savings year-over-year, demonstrating a commitment to continuous improvement.

The Airport Authority renewed participation in BC Hydro's Energy Manager Program in 2012, a program that dedicates an existing staff member to establish, identify and enhance energy efficiency opportunities, manage the implementation of energy-saving projects and improve on existing operational and maintenance procedures at our facility.

Reduce Waste

The Airport Authority oversees a range of programs aimed to reduce garbage and increase recycling and waste diversion by Airport Authority employees, airport tenants and passengers. In 2012, our overall diversion rate of materials away from landfill was 38 per cent. Diverted materials include:

- Paper and cardboard;
- Glass, metal and plastic mixed containers;
- Organic waste;
- Pallets;
- Construction waste and metals;
- Used lighting products;
- Batteries;
- Hazardous materials;
- Landscape materials; and
- Sweeper debris.

ORGANIC WASTE DIVERSION PROGRAM

In 2012, the Airport Authority began an organic waste diversion program in our offices and with select terminal tenants. A waste composition study performed in 2012 revealed that up to 59 per cent of terminal waste is compostable material, representing a huge opportunity to divert waste from landfill. The organic waste diversion program will allow us to work with Metro Vancouver to comply with its 2015 landfill ban on organic materials.

CONSTRUCTION MATERIAL REUSE AND RECYCLING

For several years the Airport Authority and its construction contractors have been successful in finding alternate uses and recycling options for construction waste materials. In 2012, there were 24,789,000 kilograms of construction waste materials generated, and 99 per cent was reused or recycled. Most of this material came from three airfield paving projects, where old apron concrete and asphalt pavement was removed, crushed and reused on airport as sub-base material for new pavement structures.

MATERIALS RECYCLING

An additional 131,365 kilograms of used wood, metals, landscaping materials and other miscellaneous debris associated with YVR maintenance activities were recycled or diverted in

2012. These items were processed by a sorting facility in Richmond, rather than sent to the landfill.

Communication, Awareness, Recognition and Education

The Environmental CARE program is designed to improve communication, awareness, recognition and education of sustainability across the airport community, including employees, business partners and passengers.

CLEAR SKIES AWARDS

The Airport Authority's third annual Clear Skies Awards were held during Environment Week in June. Harbour Air earned the 2012 Clear Skies award with its commitment to improving environmental performance. The airline's initiatives include becoming the first airline in North America to achieve carbon neutrality for in-flight services and corporate operations; operating a paperless ticket system; participating in educational events such as Bike to Work Week and Earth Day; and for continual improvements to reduce its carbon footprint across all aspects of the business.

EMPLOYEE TRAINING

Many employees within the Airport Authority require training on topics such as spill response and noise management to effectively do their jobs. In 2012, new training modules were prepared and delivered to our Airfield and Emergency Services department, Airport Operations Centre staff and Terminal Duty officers.

WASTE REDUCTION WEEK

The Airport Authority held its first Waste Reduction Week event in October 2012, to coincide with national Waste Reduction Week. The week generated interest from Airport Authority employees, who learned about recycling programs through several interactive displays, including composting demonstrations and an electronic waste round-up.

Continuous Improvement of Environmental Management

While the Airport Authority's key environmental priorities are reductions in energy, emissions and waste, minimizing the environmental impact of an airport includes many more elements. The Airport Authority strives for continual improvement in the following program areas:

ENVIRONMENTAL IMPACT ASSESSMENT AND SUSTAINABLE BUILDING DESIGN

The Airport Authority's sustainable design guidelines are used to ensure all major facilities incorporate energy efficiency, water efficiency and environmental management into building design. All airport facility permits are subject to an environmental review under the Airport Authority's environmental impact assessment program. In 2012, all 152 facility permit applications received were reviewed by the Environment Department for environmental issues. Additional studies are conducted to determine the potential impact of new facilities on any archeological and historical resources in the vicinity. Large and environmentally-sensitive projects undergo more detailed reviews and are monitored regularly by the Environment Department.

HAZARDOUS MATERIALS

The Airport Authority maintains a Hazardous Materials Management Program that aims to reduce and control the use of dangerous goods at YVR. In late 2012, the Airport Authority completed a three-year project to upgrade petroleum storage tank systems, replacing old infrastructure and adding new safeguards against accidental releases. With more than 1 billion litres of jet fuel passing through YVR each year, effectively preventing and responding to fuel spills is vital. Two fuel spills of amounts greater than 100 litres occurred in 2012; in both cases, spills were contained and cleaned up before reaching drains, ditches, waterways or sensitive habitat.

WATER QUALITY

As part of our ongoing water quality assessment, the Airport Authority samples airport water to monitor for total suspended solids and turbidity in runoff from construction sites, groundwater cooling system outfall and to ensure the successful containment of de-icing fluid. In 2012, Airport Authority technicians collected 450 water samples, of which 220 were checked specifically for de-icing fluid containment. Only one sample exceeded the Canadian Glycol Guideline limit of 100 parts per million. While our target for glycol exceedances is zero, the 2012 results still represent effective minimization of airport-related pollutants.

WILDLIFE MANAGEMENT & NATURAL HABITAT

Operating a safe and secure airport is the Airport Authority's primary focus, and bird strikes pose a significant safety risk to aircraft and passengers. To manage that risk, our wildlife program consists of four components: monitoring, habitat management, movement of birds through harassment techniques and, where there is a perceived safety risk to aviation, killing of birds. In order to prevent bird strikes, approximately 704,000 birds were moved away from aircraft operating areas using pyrotechnics, sirens, lights, propane cannons and specially trained border collies, falcons and hawks. In 2012, 377 birds were killed in 238 bird strikes with aircraft. While habitat management and harassment techniques are our primary tools, killing occurs when wildlife behavior is perceived to be a safety risk. This may consist of an immediate risk to an approaching aircraft, or a potential or chronic risk that has reached unacceptable levels. In 2012, 564 birds were killed by control officers.

2012 Environmental Performance Indicators

The Airport Authority is committed to operating YVR in a manner that minimizes its impact on the environment, both natural and urban. The following table summarizes environmental performance indicators and results for 2012.

Objective	Measure	2012 Target	2012 Results
REGULATORY COMPLIANCE <i>Comply with environmental legislation and regulations</i>	Number of violations of environmental regulations	0	0
GLYCOL EXCEEDANCES <i>Minimize pollution that results from airport-related activities</i>	Number of water samples exceeding Canadian Glycol Guideline of 100 parts per million of glycol	0	1
WASTE DIVERSION RATES: TERMINAL AND SATELLITE FACILITIES <i>Decrease the amount of solid waste sent for disposal</i>	Percentage of waste diverted from landfill from Airport Authority facilities and satellite locations	Greater than 32%	38%
WASTE DIVERSION RATES: CONSTRUCTION WASTE <i>Decrease the amount of solid waste sent for disposal</i>	Percentage of waste diverted from landfill from Airport Authority construction projects	Greater than 75%	99%
ENERGY: ELECTRICITY <i>Reduce energy consumption</i>	Percentage of year over year reduction of energy consumption/m ²	2% reduction	3.9% reduction
NOISE ANNOYANCE <i>Minimize aircraft noise disturbance on the community</i>	Percentage of community indicating they have not been annoyed by aircraft noise (as per Community Survey)	80%	85%

VANCOUVER AIRPORT AUTHORITY
2012 GOVERNANCE REPORT



Our Governance Process

The Airport Authority's comprehensive governance procedures are contained in the *Board of Directors' Governance Rules and Practices Manual*, which is available on our [website](#). The Manual includes:

- Terms of Reference for the Board, Board Chair, President & CEO and Directors
- Conflict of interest guidelines
- Director compensation
- Accountability and transparency practices
- Guidelines, Terms of Reference and membership for each of the Board's committees: Finance and Audit, Governance, Human Resources and Compensation and Planning and Development.

Board of Directors

Our Board has up to 15 Directors with nine appointed by eight nominating entities with key ties to the local community. Up to five additional Directors may be appointed by the Board from the community at large. The President and Chief Executive Officer also serves as a Director.

Director	Representative Capacity (Nominating Entity)	Term Expiry	Committee Memberships (see key below)
Mary Jordan	Chair, Director At Large	2013	b, c
Larry Berg	President and Chief Executive Officer	n/a	
Brian Bentz	Institute of Chartered Accountants of British Columbia	2014	d
George Cadman	Government of Canada	2014	a, c
Joseph Caron	Director At Large	2014	b, d
John Currie ¹	Director at Large	2015	a
Ruston Goepel	Director At Large	2013	b, d
Kenneth Goosen	Association of Professional Engineers and Geoscientists of British Columbia	2014	d
Grayden Hayward	The Vancouver Board of Trade	2015	a, c
Howard Jampolsky	City of Richmond	2014	a, d
Carol Alter Kerfoot	The Law Society of British Columbia	2013	b, c
Wilson Parasiuk	Metro Vancouver (GVRD)	2014	a, d
Gerri Sinclair	Director At Large	2014	c, d
Tamara Vrooman	City of Vancouver	2014	a
Peter Webster	Government of Canada	2015	a, b,

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

¹ Mr. Currie joined the Board in December 2012.

The Executive Committee

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

Larry Berg	President and Chief Executive Officer
Don Ehrenholz	Vice President, Engineering
Tony Gugliotta	Senior Vice President, Marketing and Business Development
Steve Hankinson	Vice President, Operations
Glenn McCoy	Vice President, Finance and Chief Financial Officer
Michele Mawhinney	Vice President, Human Resources
Kevin Molloy	Vice President, Simplified Passenger Travel and Chief Information Officer
Anne Murray	Vice President, Community and Environmental Affairs
Michael O'Brien	Corporate Secretary and Vice President, Strategic Planning and Legal Services

Subsidiaries

YVR PROJECT MANAGEMENT

YVR Project Management (YVRPM) is a wholly owned subsidiary of Vancouver Airport Authority established in 2005 to oversee major expansion projects at YVR.

VANTAGE AIRPORT GROUP

[Vantage Airport Group](#) (Vantage) markets the expertise, operating philosophies and leading-edge systems developed at YVR. Vantage is jointly owned by Vancouver Airport Authority and Citi Infrastructure Investors (CII). Vantage's portfolio consists of 11 airports in six countries and its network of airports welcomed more than 34.9 million passengers in 2012.

Our Planning Process

The Airport Authority has a five-tiered planning process to guide airport operations and development in the short, medium and long terms. The Strategic Plan provides the fundamental direction—the Mission, Vision and Values—for the organization.

The Master Plan looks forward 20 years to ensure the best allocation of YVR resources. The Master Plan process includes a significant public consultation program and evaluates potential airside, terminal, and ground access and parking development options based on comprehensive sustainability criteria that are divided into four areas: Governance, Economic, Environmental and Social. The Airport Authority's most recent Master Plan and accompanying Land Use Plan, *YVR: Your Airport 2027 Master Plan* is available on our [website](#).

The Capital and Financial Plans determine the funding and timing of airport infrastructure developments. The annual Business Plan outlines the Airport Authority's objectives and initiatives for the coming year.

Corporate Governance Report

PART ONE – CORPORATE GOVERNANCE

I. Introduction

The Airport Authority's Board of Directors and management regard effective corporate governance as critical to the proper execution of its responsibilities. The Board's fundamental role is to ensure that the Airport Authority fulfills its objectives in a safe, efficient and reliable manner. Its responsibilities include oversight, review and approval of the Airport Authority's strategic plan, long-term financial plans and annual budgets. Maintaining the integrity of internal controls, assuring prudent plans are in place for Board renewal and management succession and making sure that there is a policy to enable effective communications with employees, business partners and the community are also critical Board functions.

II. Composition of the Board

Except for the President and Chief Executive Officer (CEO), all Directors are independent and have no direct or indirect material relationship with the company or its subsidiaries. Each is independent of management and free from any interest, business or other relationship that could, or could reasonably be perceived to, interfere materially with the Director's ability to exercise independent judgment and act with a view to the best interests of the Airport Authority. The Airport Authority's President and CEO is not independent by virtue of his position in management.

The Airport Authority's by-laws permit a maximum of 15 Directors. As described previously, nine Directors are appointed by Nominating Entities, up to five Directors are appointed by the Board from the community at large and one seat on the Board is held by the President and CEO of the Airport Authority.

The following organizations—Nominating Entities—appoint Directors:

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

Directors normally serve a three-year term and are eligible for re-appointment subject to a limitation that no person may serve as a Director for more than nine years. To balance the need for renewal and continuity, there is a limited exception allowing a Director to serve for one additional year if otherwise the number of individuals ceasing to be Directors in a given year would be more than two.

III. Committees of the Board

The Finance and Audit Committee ensures that the Airport Authority has a rigorous system of internal controls and financial reporting and is in compliance with applicable laws and regulations as they relate to financial disclosure.

The Governance Committee is responsible for ensuring that Board governance practices enhance corporate performance and meet accepted levels of transparency and accountability.

The Human Resources and Compensation Committee oversees human resources and compensation policies and ensures that there is a plan for the development and orderly succession of executive and other key employees.

The Planning and Development Committee assists the Board in fulfilling its responsibility for long-range planning including strategic, master and capital plans. It reviews the plans, scope, schedule and budget for major capital projects.

In addition to the above Committees, the Board periodically establishes Task Forces. A Task Force is established for a specific period of time to undertake a specific assignment and is then disbanded.

IV. Code of Conduct for Directors

All Directors of the Airport Authority are required to comply with Rules Concerning Conflicts of Interest.

Every Director of the Airport Authority is required to file a disclosure statement upon becoming a Director. Thereafter, each Director must file an annual disclosure statement, which is reviewed by the Chair, the President and the Corporate Secretary and the Airport Authority's external auditors. In addition, any Director may review the statements upon request to the Corporate Secretary.

The Airport Authority's by-laws require that it report annually in writing on the Directors' compliance with its conflict of interest guidelines. The Airport Authority confirms that all Directors have complied in full with the Rules Concerning Conflicts of Interest.

PART TWO - EXECUTIVE AND BOARD COMPENSATION

I. Executive Compensation Philosophy

The objectives of the Airport Authority's executive compensation program are:

1. To remain competitive in the marketplace and attract and retain the caliber of executive required to ensure the Airport Authority remains a global leader; and
2. To motivate our executives to achieve business results and reinforce accountability to our customers and our community.

The key elements of our executive compensation program are base salary and incentive compensation. Incentive compensation is dependent on achieving the following corporate and individual performance objectives:

Incentive Measures

- Non-Aeronautical Revenues: To increase non-aeronautical revenues.
- Variable Operating Costs: To improve the Airport Authority's net operating margin which is defined as revenue (excluding airport improvement fees) less operating costs.
- Customer Care: To improve the annual satisfaction score on the customer satisfaction survey. The survey is based on passenger evaluations and is conducted quarterly by an independent external firm.
- Community Relations: To enhance the relationship with, and overall satisfaction levels from, our community. This is measured annually using survey results which rate the overall impression of the Vancouver Airport conducted by an independent external firm.
- Return on Capital Assets: To earn a reasonable level of return on capital assets.
- Excess Revenue over Expenses: To achieve a desired level of revenue and control over expenses to generate funds available for capital reinvestment or debt reduction.
- Trans-Pacific flights: the number of flights between YVR and Asia, excluding Australia and New Zealand.
- Trans-Pacific passengers: the number of passengers on flights between YVR and Asia, excluding Australia and New Zealand.
- Individual Objectives: Each executive has four stretch goals to achieve. The goals are established at the beginning of each year through consultation with the Chief Executive Officer.

Commencing in 2009, the executive incentive program also measures sustained performance over the longer term (three years) based on two key financial measures listed above: return on capital assets and excess revenue over expenses. In 2012, two longer term Gateway measures, listed above, were added to the program: Trans-Pacific flights and Trans-Pacific passengers.

Executive Compensation Peer Group

In determining executive pay levels, the Airport Authority is compared to select private sector companies from a variety of industries across Canada, including other major domestic and international airports. Where applicable, a size adjustment is made to the compensation data for the Airport Authority's revenue in relation to the comparator firms' revenues.

Market Positioning

The Airport Authority targets compensation at the median of the peer group with the opportunity for pay to exceed median when individual and corporate performance exceeds expectations.

II. Executive Compensation Review Process

The Airport Authority's policy is for the Human Resources and Compensation Committee to retain an independent compensation consultant to provide market compensation data, which is one factor used to inform compensation decisions, as well as assistance with incentive plan design and information on trends in executive pay. The Committee then recommends to the Board the compensation of the CEO and the executive team after considering the market data, as well as individual and corporate performance.

In 2009, the Board established a compensation task force to conduct a comprehensive review of executive pay. To assist with this review, the Airport Authority retained the services of an independent compensation consultant, Towers Watson. Based on the results of this review, the Human Resources and Compensation Committee updated the compensation philosophy, developed a compensation framework and modified the incentive program to align more closely with the Airport Authority's business strategy.

In 2012, the incentive programs were aligned with the Airport Authority's new growth strategy with the addition of Gateway measures, specifically the growth of flights and passengers between YVR and Asia.

III. Executive Compensation

The salary range for the President is \$368,000 to \$552,000, with a midpoint of \$460,000. The President participates in a short-term incentive program that has a target opportunity of 55 per cent of base salary and a maximum opportunity of 83 per cent of base salary.

The salary range for Senior Vice Presidents is \$196,000 to \$294,000 with a midpoint of \$245,000. The salary range for the Vice Presidents is \$168,000 to \$252,000 with a midpoint of \$210,000. Vice Presidents participate in a short-term incentive program that has a target opportunity of 30 per cent of base salary and a maximum opportunity of 45 per cent of salary.

As indicated earlier, the executives have longer term performance plans based on two key financial measures and two measures aligned to achieving the Gateway growth strategy for YVR.

In 2012, the average increase for executives was three per cent in addition to adjustments to move some executive salaries closer to the salary range midpoint.

Executives also participate in post-retirement arrangements as reported in the Consolidated Financial Statements, footnote No.15.

IV. Directors' Remuneration

Directors' compensation is reviewed by the Governance Committee of the Board every two years with the assistance of an independent compensation consultant to provide market compensation data and advice on industry best practices. In 2012, the Board of Directors approved new compensation principles, set out below, which apply to setting the levels of compensation for Airport Authority Directors. The President and CEO, who is an employee of the Airport Authority, is not remunerated for services as a Director.

Compensation Principles:

1. Compensation paid to Directors will neither unduly reward, nor unduly penalize, an individual for choosing to serve on the Airport Authority Board rather than on any other Board of Directors.
2. Every two years, the Board will review market data and set compensation at a level generally consistent with the mid-range of that being paid to Directors of BC corporations of similar size and responsibility and Canadian Airport Authorities (the Comparable Corporations -- defined below).

3. To reflect both the inherent responsibilities and the variable time commitments, each Director will be paid through a combination of an annual retainer, and, fees for each meeting attended.
4. To reflect the additional time and responsibility of serving as Chair of a Committee or Task Force, these Directors will receive additional compensation in the form of an additional annual retainer.
5. To reflect the extra legal responsibilities and time commitments entailed in the role, the Chair of the Audit Committee's Additional Annual Retainer will be 125 per cent of the Additional Annual Retainer.
6. The Board Chair will be paid an annual retainer, calculated as 275 per cent of the average total annual compensation of the other Directors.
7. The Comparable Corporations are:
 - A. Airport Authorities of Toronto, Montreal and Calgary.
 - B. British Columbia's three major government transportation companies: Translink, BC Ferries and Port Metro Vancouver; and,
 - C. Twenty corporations in British Columbia, with assets greater than \$1 billion, whose shares are publically traded, adjusted to match the Airport Authority's size.
8. The Board will be guided by, but not bound by, the following calculation:

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

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

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

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

The remuneration for non-management Directors is:

Annual Retainer	Chair	\$135,000
	Directors	\$25,000
Additional Retainer for Committee Chairs	Chair Finance and Audit Committee	\$8,000
	Chair other Board Committees	\$6,500
Board and Committee meeting attendance fee ²		\$1,250
Other meeting fee		\$ 625

Subject to approval from the Governance Committee, Directors are reimbursed for all reasonable out-of-pocket expenses. Out of town travel expenses incurred to attend to the business of the Airport Authority must be pre-approved by the Chair in the case of Directors and by the

² The Chair receives an annual retainer only; the Chair does not receive any additional meeting attendance fees.

Governance Committee Chair in the case of the Chair. Travel expenses for attendance at Board and Committee meetings are not reimbursed unless the Director resides outside the Metro Vancouver Regional District.

The total remuneration paid during 2012³ to each Director was as follows:

M. Jordan ¹	\$135,000	G. Hayward	\$67,375
B. Bentz	\$53,250	H. Jampolsky	\$51,250
G. Cadman	\$67,750	C. Kerfoot	\$64,000
J. Caron	\$45,625	W. Parasiuk	\$59,375
John Currie ²	\$4,375	G. Sinclair	\$48,750
R. Goepel	\$47,500	T. Vrooman	\$43,750
K. Goosen	\$43,750	P. Webster	\$55,125

¹During the year, Ms. Jordan also received remuneration in the amount of \$24,500 from Vantage Airport Group for serving on its Board of Directors.

²Mr. Currie joined the Board in December 2012.

³There were 38 meetings of Committees, Task Forces and the full Board in 2012.

In addition to the above remuneration, Directors were reimbursed for expenses totaling \$9,361.95 in 2012.

PART THREE - PURCHASING POLICIES

I. Conflict of Interest and Confidentiality

All Airport Authority employees and consultants must comply with the Airport Authority's Conflict of Interest Guidelines.

II. Environmental and Safety Considerations

The Airport Authority is committed to meeting or exceeding any laws or regulations concerning both environmental protection and workplace safety. During the purchasing process, suppliers are encouraged to offer, and the buyer will seek out, environmentally responsible products or services. Contractors and suppliers will be required to abide by all Airport Authority safety and environmental rules and regulations.

III. Insurance

No contractor shall commence work on the airport site until evidence of adequate insurance and WCB coverage is provided.

IV. Acquisition Methods

Best Value Purchasing

Best value purchasing is assessed in terms of legal and financial risks as well as timing of delivery, quality, pricing, life cycle costs including warranties, operating and maintenance costs, disposal and any other costs associated with ownership, function and use.

Competitive Submissions

In general, the procurement of goods and services will be awarded following a competitive process.

The Airport Authority will provide information to all proponents including:

- written competitive specifications;
- proposed terms and conditions;
- whether alternatives will or will not be considered;
- an indication of the evaluation criteria that will be used to assess the offers.

If a site visit or contractor meeting is required prior to submission closing time, the Airport Authority will ensure all proponents are invited. At the conclusion of the meeting, the Airport Authority will prepare and distribute minutes of the meeting, and issue in writing any required addenda to all contractors.

Submissions will be received in accordance with the instructions given by the Airport Authority. The Airport Authority reserves the right to accept or reject late or incomplete submissions. Following the submission closing time, submissions are opened by Purchasing and Contracting Services in the presence of a witness. All submissions are initialed, and date and time stamped at time of receipt and opening.

Exceptions

Exceptions to this policy may be made in the circumstances described in the list following the table in Part Four. The persons with the appropriate signing authority will state in writing upon what grounds the exception is being made.

PART FOUR - REPORT ON SINGLE-SOURCE CONTRACTS IN EXCESS OF \$100,000

The table below reports contracts for the purchasing of goods and services in excess of \$129,626 (\$100,000 in 2000 dollars) awarded during 2012, which were not awarded on the basis of a competitive process.

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$4,204,192	City of Richmond	Services	1
\$3,350,188	Team Eagle Ltd. (Eagle Airfield Ltd.)	Heavy equipment fleet	3
\$2,368,457	Kasian Architecture Interior Design and Planning Ltd.	Architectural professional services	3
\$2,142,171	Westguard Security Services (1986) Inc.	Multiple year contract: Wildlife management	7
\$2,065,860	MacAulay Trucking Ltd.	Multiple year contract: Snow and ice removal – aprons	7

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$1,830,000	Chevron Canada Ltd.	Multiple year contract: Fuel and lubricants	7
\$1,814,770	Compass Canada Support Services Ltd.	Additional janitorial services	3, 7
\$1,740,000	Vancouver Aquarium Marine Science Centre	Multiple year contract: Aquarium management	7
\$1,310,816	B.C. Ambulance Services	Multiple year contract: Paramedic services	1
\$1,188,631	Ledcor Construction Ltd.	Construction services	3, 7
\$982,821	Vanderlande Industries Canada Inc.	Baggage system design and replacement	3, 7
\$900,771	Corporate Express Canada	Cleaning supplies	7
\$782,300	PCL Constructors Westcoast Inc.	Tenant relocation construction	7
\$683,167	IBM Canada Ltd.	Software license and support	1
\$625,000	Gage-Babcock & Associates Ltd.	Multiple year contract: Building code review	3
\$613,247	Long View Systems Corporation	Multiple year contract: IT support services and equipment	1, 4
\$582,000	Booz & Company (N.A.) Inc.	Consulting services	4
\$557,603	Federal APD, Inc.	Multiple year contract: Parking equipment support and maintenance	1
\$495,000	Trecan Combustion Ltd.	Heavy equipment fleet	3
\$456,750	Airport Wildlife Management International	Multiple year contract: Wildlife control	1
\$454,807	Ledcor Technical Services (LTS)	Telecommunication Passive infrastructure	2

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$394,000	Habanero Consulting Group	Website development	7
\$385,400	Remsoft Consulting Inc.	Software	1
\$360,000	RFS Canada	Multiple year contract: Leasing of copiers and printers	5
\$350,000	KPMG LLP	Project management services	2
\$333,279	Ambius Canada	Multiple year contract: Indoor plant maintenance	7
\$297,288	Sierra Systems Group Inc.	IT project management	1
\$291,025	Studio One Architecture Inc.	Multiple year contract: Architectural and design consulting services	3, 4
\$278,688	Sabre Inc.	Multiple year contract: Software licenses	1
\$257,352	Brent Kelly Farms	Multiple year contract: Snow and ice removal - aprons	7
\$252,389	Mannington Mills	Carpet	7
\$250,000	InterVistas Consulting Inc.	Multiple year contract: Customer satisfaction surveys	4
\$237,987	Mainroad Lower Mainland Contracting Ltd.	Multiple year contract: Snow and ice removal - aprons	7
\$236,250	Omnivex Corporation	Multiple year contract: Software support renewal	1
\$219,436	Qlik Tech Corporation	Software	1
\$217,477	Hydea S.R.L.	Architectural consulting services	3
\$212,713	Stantec Architecture Ltd.	Multiple year contract: Architectural and design consulting services	4, 5

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$212,600	MCW Consultants Ltd.	Engineering services	4
\$208,313	Compugen Inc.	Computer hardware	3
\$198,000	International Air Transport Association (IATA)	Multiple year contract: Aviation consulting services	5
\$197,460	CEM Systems Ltd.	Multiple year contract: Access control support renewal	1
\$177,641	Aeroplan Canada Inc.	Aeroplan contract program	1
\$171,466	Action Data Communication Ltd.	Multiple year contract: Server room relocation	3
\$168,600	Babcock Airports	Baggage and system support	1
\$167,879	Intersystems USA Inc.	Multiple year contract: Software support renewal	1
\$165,000	PMG Engineering Inc.	Planning and design services	4
\$164,155	Hobart Ground Power	Apron drive bridge equipment	1
\$156,271	Ultra Electronics	Software	4
\$144,029	Bruel & Kjaer EMS Inc.	Software support renewal	1
\$142,600	Kerr Wood Leidal Associates Ltd.	Engineering consulting services	3
\$139,100	Securiguard Services Ltd.	Security services	1
\$134,977	Hewlett Packard (Canada) Co	Multiple year contract: Server support renewal	1

**Reasons are explained below.*

Reasons for exceptions:

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

PART FIVE - GUIDELINES FOR CORPORATE GOVERNANCE

The Airport Authority chooses to report against National Policy 58-201 Corporate Governance Guidelines and the accompanying National Instrument 58-101 Disclosure of Corporate Governance Practices.

The following table demonstrates how Vancouver Airport Authority meets these Corporate Governance Guidelines.

Vancouver Airport Authority Corporate Governance Disclosure	
Guideline	Disclosure
<p>1. The Board of Directors Disclose:</p> <ul style="list-style-type: none"> ➤ Independent Directors and whether or not majority are independent. ➤ Directors who are not independent and explain. ➤ If Independent Directors hold regularly scheduled meeting at which members of 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 and CEO, who as an employee and executive officer of the Airport Authority is not independent. ➤ Independent Directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2012, i.e., at six regular Board meetings and 20 Committee meetings. In addition, the Finance and Audit Committee, which consists entirely of independent directors, holds separate <i>in camera</i> sessions with the External Auditor and the Internal Auditor at each meeting they attend. ➤ Mary Jordan, the Chair, is an Independent Director. The Chair's Terms of Reference can be found at Tab 4 in the Board's Governance Rules and Practices Manual. ➤ The Chair's Terms of Reference are reviewed annually by the Governance Committee. ➤ Director attendance is reviewed annually by the Governance Committee. In 2012, there were 38 meetings of the full Board, Board Committees and Task Forces. Including all of these meetings, the Board had an overall average attendance rate of 94 percent.

Vancouver Airport Authority Corporate Governance Disclosure	
Guideline	Disclosure
<p>2. Board Mandate</p> <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 of Directors can be found at Tabs 2 and 3 respectively in the Board's Governance Rules and Practices Manual.
<p>3. Position Descriptions</p> <p>Disclose:</p> <ul style="list-style-type: none"> ➤ Whether the Board has developed written position descriptions for the Chair, and the Chair of each Board Committee. ➤ Whether the Board and CEO have developed a written position description for the CEO. 	<ul style="list-style-type: none"> ➤ The Terms of Reference for the Chair (Tab 4), Guidelines for Committees (Tab 15b) and Terms of Reference for each individual Committee (Tabs 15c to 15f) can be found in the Board's Governance Rules and Practices Manual. The latter two effectively guide the Committee Chairs. ➤ The Terms of Reference for the President and CEO can be found at Tab 5 in the Board's Governance Rules and Practices Manual.
<p>4. Orientation and Continuing Education</p> <p>Briefly describe:</p> <ul style="list-style-type: none"> ➤ What measures the board takes to orient new Directors regarding the role of the Board, its committees and its Directors and the nature and operation of the corporation's business. ➤ What measures the Board takes to provide continuing education for its Directors and how the Board ensures its Directors maintain the skill and knowledge necessary to meet their obligations as Directors. 	<ul style="list-style-type: none"> ➤ The orientation and continuing education programs are described in Tab 8 Director Development and Education Plan in the Board's Governance Rules and Practices Manual. ➤ In 2011 the Board instituted a new <i>Aviation 101</i> course for all new directors including an introduction to the industry, presentations from each Vice President and an overview of key issues facing the Airport Authority in the near to medium term. In 2012, the Board added a briefing on the Airport Authority's executive compensation program to new directors' orientation 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.

**Vancouver Airport Authority
Corporate Governance Disclosure**

	Guideline	Disclosure
		<p>request to the Corporate Secretary. In addition to internal channels for reporting, the Whistleblower Policy includes an option to report via a third party hotline telephone number or website.</p>
<p>6.</p>	<p>Nomination of Directors Disclose:</p> <ul style="list-style-type: none"> ➤ The process by which the Board identifies new candidates. ➤ Whether or not the Board has a nominating committee composed entirely of Independent Directors. ➤ If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee. 	<ul style="list-style-type: none"> ➤ The Board may appoint up to five Directors from the Community at large. The Governance Committee, which is composed entirely of Independent Directors, acts as the Nominating Committee and is responsible for the recruitment and recommendation of Candidates to the Board for its consideration to fill at-large positions. ➤ The Governance Committee annually reviews a Director Composition Matrix to ensure that the matrix continues to be aligned with the strategic direction of the business. It then reviews the skills, knowledge and attributes of current Directors—as well as their length of tenure—in order to identify current and upcoming gaps. ➤ The Governance Committee may engage assistance from an external consultant to help with this process. ➤ For Director positions appointed by Nominating Entities, the Chair reviews the Board Matrix with the Entity and discusses the skills and experience currently required by the Board and requests that the Entity keep this in mind in making its appointment. ➤ The Governance Committee’s Terms of Reference can be found at Tab 15d in the Board’s Governance Rules and Practices Manual.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>7. Compensation Disclose:</p> <ul style="list-style-type: none"> ➤ The process by which the Board determines the compensation for Directors and officers. ➤ Whether or not the Board has a compensation committee composed entirely of Independent Directors. ➤ If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee. ➤ If a compensation consultant or advisor has at any time since the beginning of the corporation's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's Directors and officers, disclose the identity of the consultant or adviser and summarize the mandate for which they have been retained. 	<ul style="list-style-type: none"> ➤ See Part Two - Executive and Board Compensation of this report. ➤ The Human Resources and Compensation Committee is composed entirely of Independent Directors. ➤ The Human Resources and Compensation Committee's Terms of Reference can be found at Tab 15d in the Board's Governance Rules and Practices Manual. ➤ Towers Watson was engaged by the Human Resources and Compensation Committee to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized in Section III of this report.
<p>8. Other Board Committees</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board has standing committees other than audit, compensation and nominating committees and describe their function. 	<p>The Board also has a Planning and Development Committee. Its Terms of Reference can be found at Tab 15f in the Board's Governance Rules and Practices Manual.</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline		Disclosure
9.	<p>Assessments</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board, its committees and individual Directors are regularly assessed with respect to their effectiveness and contribution and describe the process used for the assessment. 	<ul style="list-style-type: none"> ➤ This is an annual process, which is set out in Tab 10 – The Board Evaluation Process in the Board’s Governance Rules and Practices Manual. ➤ The Board undertakes an overall review of Board and Committee effectiveness through the use of a questionnaire supplemented with interviews by a third party consultant engaged to conduct the annual review. ➤ The Board also completes an Individual Director Peer Evaluation Questionnaire annually; results are tabulated by a third party consultant and discussed with the individual Director and the Board Chair only.

VANCOUVER AIRPORT AUTHORITY
2012 SOCIAL REPORT



Our People

Our people are essential to our success. With 402 employees, of whom 307 are members of the Public Service Alliance of Canada (PSAC), the Airport Authority strives to create a workplace where employees truly enjoy and are fulfilled by their jobs.

The average age of an Airport Authority employee is 44.5, with an average length of service of 10.4 years. Our voluntary five-year average turnover rate is 3.2 per cent, with a consistently high average attendance rate of 96 per cent. The Airport Authority's annual voluntary turnover rate increased from 1.8 per cent to 2.8 per cent in 2012.

OUR CORPORATE VALUES

- We promote collaboration and teamwork
- We accept accountability
- We strive for creativity
- We have a passion for results

We maintain a highly skilled and efficient workforce by investing in the development of our team members, listening to feedback and recognizing outstanding contributions.

CAREER DEVELOPMENT

To enable a cross-functional and flexible team, the Airport Authority's skilled trade employees are encouraged to develop proficiency in a second trade. In 2012, approximately 70 per cent of our maintenance trades group were dual-ticketed or in the process of becoming dual-ticketed. Additionally, the Airport Authority supported apprenticeship training for nine tradespersons in 2012.

The Airport Authority maintains a target of 35 hours of training per employee on average during normal work hours each year. In 2012, we exceeded this target with an average of 40 hours of training and apprenticeship hours per employee. We also offer up to \$20,000 tuition reimbursement on the successful completion of education programs outside of normal work hours.

We offer employees a range of training options, from online and departmental training to corporate and external courses. Focus areas include leadership and performance management; business acumen; personal performance; communications and relationships; computer and technical training; and health and safety.

Investing in employee career development improves our organization's business results. In 2012, the Airport Authority completed its second year of a new performance management program, through which employees establish specific objectives that align with both team objectives and the Airport Authority's annual business plan. Individual development plans are created collaboratively by each employee and their manager. The Airport Authority's performance management program reflects our commitment to open, feedback-rich communication in support of the business.

Airport Authority Employee Training (2008- 2012)

	2008	2009	2010	2011	2012

Total training and apprenticeship hours	22,985	16,695	16,462	17,200	16,071
Average training/apprenticeship hours per full-time equivalent position	55	40	42	45	40

EMPLOYEE COMMUNICATION

Tools used for employee communication in 2012 include all-employee meetings and myYVR, the Airport Authority's corporate intranet.

Two times per year, employees attend all-employee meetings to learn about what's happening in the organization and provide feedback. In 2012, the Human Resources department amended the meeting format to maximize attendance given the Airport Authority's shift work environment, reducing meeting times to 75 minutes and introducing electronic voting keypads to receive immediate and anonymous feedback from employees via poll results. Employees responded positively to these changes, and participation in all-employee meetings increased from 45 per cent in Fall 2011 to 76 per cent in Spring 2012.

RECOGNITION

The Airport Authority strongly believes in rewarding employees who, through their actions and achievements, have made an outstanding contribution to our collective success. Reward programs include individual recognition and awards programs and departmental safety awards.

Health and Safety

The health and safety of our employees is the Airport Authority's top priority. We adhere to the highest standards for employee health and safety, and we work hard to continually build our strong safety culture. Health and safety strategies include:

- Proactive occupational health and safety management system processes
- Rigorous construction safety management program
- Competency-based safety training philosophy
- Robust disability management and return-to-work programs
- Ongoing health surveillance and monitoring programs
- Employee and family assistance program, offering confidential, personalized guidance and counseling

WELLNESS

The Airport Authority's Wellness Program, now in its eleventh year, is an incentive-based program that promotes physical fitness, nutrition and overall wellness. The program is overseen by a joint employee-management Wellness Committee, which provides guidance and leadership for employer-sponsored wellness programs and initiatives. Programs offered in 2012 included lunch-and-learn sessions on everything from psychological health to nutrition and on-site fitness classes.

SAFETY INITIATIVES

The Airport Authority recognizes that a key aspect of a safe workplace is ongoing proactive risk assessment of our work environment. The Airport Authority empowers employees to identify hazards in our workplace, and as a result, we endeavor to reduce the frequency and severity of injuries and health problems in our daily work. Our comprehensive safety initiatives extend beyond our employees to include tenants, contractors and major service providers, as well as the travelling public. These initiatives include:

- Adherence to regimented safety management system principles for risk management
- Compliance with all regulatory requirements under the Canada Labour Code Part II
- Submission of annual departmental safety goals and objectives
- A stringent contractor safety management system
- Ongoing public safety inspections
- Regular departmental safety inspections
- A standardized root-cause analysis accident and incident investigation program
- A comprehensive computer-based safety training system for recurrent training
- Accurate and readily-accessible health and safety information for all employees

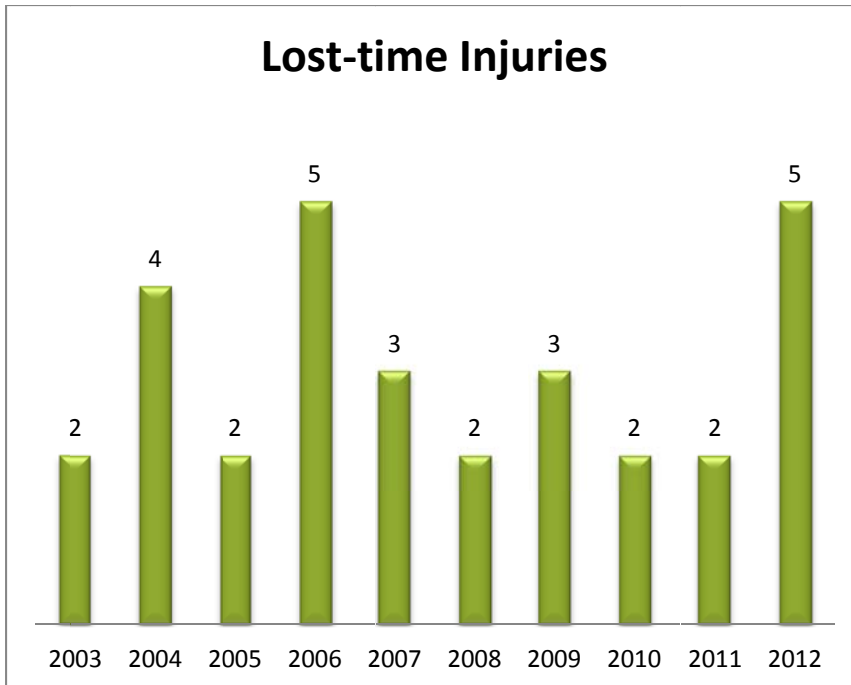
As a result, we had no health and safety non-compliances from either Human Resources and Skills Development Canada or WorkSafeBC in 2012.

To continually improve our health and safety initiatives, the Airport Authority holds monthly meetings of employee, management and employer representatives. Committees include the Joint Occupational Safety and Health Committee, composed of employee and employer representatives working together to identify and resolve safety and health issues; and the Policy Occupational Safety and Health Committee, a senior-level joint committee which participates in the development of occupational health and safety policies and programs.

Regular review of health and safety programs helps the Airport Authority identify key areas of improvement along with strong health and safety performance areas. The Airport Authority successfully passed the Certificate of Recognition audit for its health and safety management system and disability management program in 2012.

LOST-TIME INJURIES

One of the ways we measure health and safety performance is by tracking any injuries that occurred on the job that resulted in an employee missing work. There were five lost-time injuries in 2012, which resulted in 34 lost-time days at the Airport Authority. Our target for each of these indicators is zero.



Respect and Equality

WORKFORCE DIVERSITY

The Airport Authority wants a workforce that reflects the vibrancy and diversity of the communities we serve. We comply with the Employment Equity Act to ensure fair employment practices across our organization.

The Airport Authority reports its workforce demographics to the federal government, showing how each of the designated groups is represented within various occupational classifications. Demographic data is taken from a survey supplied to each employee to complete voluntarily in confidence. As such, numbers are based upon employees' self-identification as a member of a designated group.

The Airport Authority regularly offers comprehensive, onsite training to our employees on various topics including disability awareness and respect in the workplace.

The Airport Authority led a number of employment equity initiatives in 2012, including an awareness campaign in October to mark Diversity Awareness Month. Activities included a mapping exercise that encouraged employees to pin their places of birth and ancestral origins on maps placed throughout the offices; trivia contests featuring questions about diversity; and an internationally-inspired Hot Dog Day that fostered some interesting conversations about diversity.

All Airport Authority employment postings are distributed to a variety of outreach organizations in our community, including Spinal Cord Injury B.C., Immigrant Services Society, the United Native Nations, Western Institute of the Deaf, Women in Aviation and the Canadian Association of

Professionals with Disabilities. We also partner with the Greater Vancouver Business Leadership Network (GVBLN) to promote employment opportunities with the Airport Authority.

THE ACCESSIBLE AIRPORT

The Airport Authority is a world leader in creating accessible air terminal facilities. We have a facilities design policy that specifies the highest applicable building code requirements with respect to access for people with disabilities, and we utilize an independent access consultant to review all new construction and retail projects. Features of our accessible airport include:

- Low-pile carpets, high-contrast pathways and specially designed unisex washrooms
- Visual paging, TTY/TTD (Telecommunications Device for the Deaf), closed captioning decoders and visual fire alarm strobes
- Tactile maps and distinct and consistent floor treatments to identify locations within the terminals

Community Investment

Our community investment program is guided by three focus areas: First Nations; environment and accessibility; and the greater YVR community. An online application system accessible at www.yvr.ca provides a central portal for requests. Driven by guidelines and criteria, the Airport Authority provides support in the form of donations, sponsorships and gifts-in-kind. The Airport Authority targets approximately one per cent of excess of revenue over expenses for community investment contributions, including in-kind donations.

In 2012, the Airport Authority provided \$675,000 in funding to 69 charities or community organizations through our community investment program, and contributed an estimated \$46,000 of in-kind donations to 27 organizations.

Major funding contributions in 2012 included the annual YVR for Kids golf tournament and auction, Richmond Hospital Foundation, Great Canadian Shoreline Cleanup, Honda Celebration of Light, Quest Food Exchange and an employee-driven United Way campaign. The 2012 employee-driven United Way campaign raised more than \$77,000, which the Airport Authority matched for a total contribution of \$ 154,000.

Additionally, coin collection kiosks in the post-security areas of the Domestic and International Terminals encourage passengers to donate loose change to charity. More than \$20,000 was collected in 2012 for distribution to local charities.

Connecting With Our Communities

As a community-based organization, we know that connecting with our communities – our neighbours, our employees and our business partners – is key to the Airport Authority's continued success. To this end we have created and supported a number of initiatives that not only contribute to the community, but offer opportunity for participation and engagement.

QUEST FOOD EXCHANGE

In 2012, the Airport Authority continued its relationship with Quest Food Exchange (Quest), as the not-for-profit's official transportation sponsor. Quest collects and distributes overstock, mislabeled or near-expiry products that would otherwise go to waste and diverts that food to people who need it. This relationship provides opportunities for more than simple sponsorship.

In 2012, the greater YVR Community came together to raise funds to provide lunches for children in need. More than 50 Sea Island businesses and stakeholders raised 516 kilograms of pennies for the *Final Boarding Call for the Penny at YVR* program. The Airport Authority also led the Christmas Hamper drive for Quest, creating 165 hampers for Quest clients and raising money to cover an additional 200 hampers. Additionally, the Airport Authority and its business partners donated more than \$80,000 in food, furniture and electronics to Quest.

GREAT CANADIAN SHORELINE CLEANUP

In 2012, Vancouver Airport Authority entered into a multi-year agreement as the B.C. provincial sponsor of the Great Canadian Shoreline Cleanup. Launched in 1994 by the Vancouver Aquarium, this program is recognized as one of the largest direct action conservation programs in Canada. As provincial sponsor, the Airport Authority hosted the kick-off clean-up event at Sea Island's Iona Beach, with more than 250 volunteers collecting 853 kilograms of garbage. The Airport Authority also invited all airports across the province to participate and provided support and

materials to all participating airports.

YVR WHEELCHAIR EXPERIENCE TOURS

For 20-plus years, the Airport Authority has worked hard to provide travellers of all abilities a positive experience travelling through YVR. That commitment continued in 2012 with a new partnership with Spinal Cord Injury B.C. The Airport Authority sponsored the development of a series of nine how-to travel videos, each focusing on a different aspect of the airport experience. Along with guided tours, this program has become a valuable training tool and helpful community service.

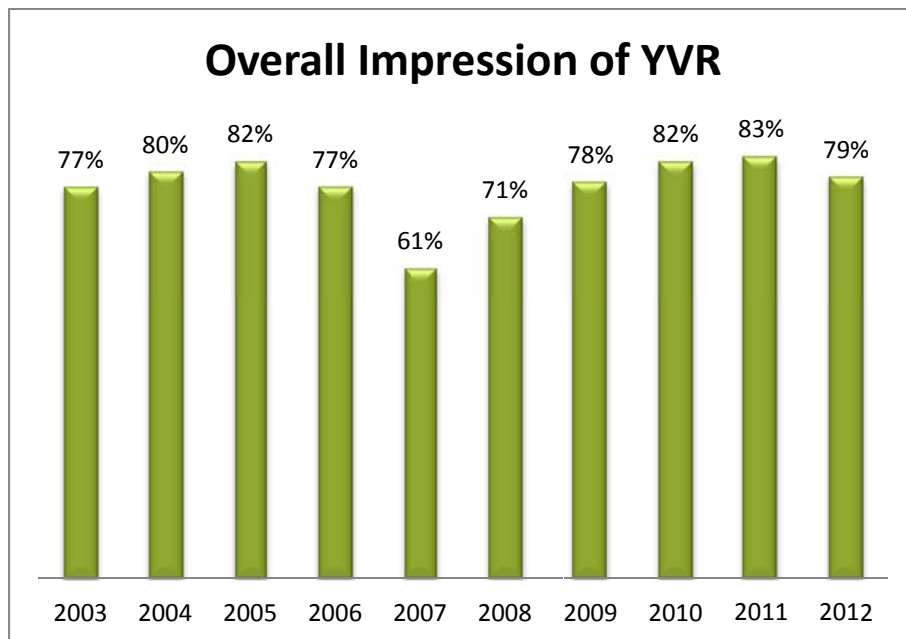
YVR BANNER PROGRAM

Building upon the tradition of First Nations artwork on display at YVR, the Airport Authority sponsored a contest to select artwork for the hundreds of street banners gracing YVR's curbs, ramps and parking areas. Open to B.C. First Nations artists, we received 18 submissions from 14 artists. This mix of established and emerging artists submitted a range of pieces celebrating the B.C. First Nations art tradition and the theme of flight. The work of two artists was chosen: Valerie Malesku from Queen Charlotte City and Michelle Stoney from Hazelton. Banner art will rotate on a seasonal basis.

COMMUNITY SURVEY

As part of our public consultation activities, each year we undertake a community survey, conducted and compiled by an external consultant. The survey explores overall impressions of the Airport Authority and the impact YVR has on the community, and seeks recommendations for improving services and communications.

In 2012, overall impressions of YVR were positive, with approximately 79 per cent of Metro Vancouver residents giving the airport a rating of 4 out of 5 or higher. While still a very positive rating, the 2012 results reflect a reduction of four per cent from 2011, which can be attributed to a lack of high-profile public-facing campaigns in 2012.



Communications

The Airport Authority is committed to open, timely and informative conversations with our stakeholders. We keep the community informed about YVR using a number of tools, including:

ONLINE COMMUNITY

YVR's corporate website, www.yvr.ca, received more than 11,000 visitors per day in 2012. Real-time flight information, facts and stats, and the latest news about YVR is all available online, as is [YVR Connections](#), the Airport Authority's community-focused blog. Featuring some 90 stories in 2012, the blog offers a lighter take on the many personalities and features that make YVR unique. The Airport Authority's electronic newsletter [YVR Air Mail](#) is distributed monthly to 4,500 subscribers and also available on the website.

More than a buzzword, social media is an important business tool that engages customers and the community alike. Vancouver Airport Authority is active on various social media platforms including Twitter and Facebook. In 2012, the Airport Authority defined its social media strategy with the goal to care for every customer – both online and in the terminal – as well as building and engaging the community.

YVR's Twitter handle, @YVRAirport, has the most Twitter followers of any Canadian airport, and the Airport Authority uses the platform to respond to customer enquiries, promote airport activities and to communicate important operational messages that affect passengers. For example, Vancouver was hit with an unprecedented one-day record snowfall in December 2012, which impacted flights and holiday travel plans. YVR's customers turned to Twitter; to ensure travellers had the latest info, the Airport Authority responded to every enquiry and updated its feed every 30 minutes with the latest information. The estimated audience reach from Airport Authority tweets and re-tweets was 500,000 people in a single day.

MEDIA RELATIONS

A key component of our communications efforts is providing timely updates to the public via the media on operational, business and community activity at YVR. In 2012, YVR Media Relations facilitated approximately 800 enquiries, on topics ranging from the impact of weather on flight schedules to new airline announcements. Media coverage of the Airport Authority in 2012 generated a total circulation of 1.2 billion.