Toronto Pearson
International Airport | Aéroport International

Greater Toronto
Airports Authority

ANNUAL REPORT 2016

# PEARSON CONNECTS

# 44.3M PASSENGERS

More than 44 million passengers travelled through Toronto Pearson in 2016, an increase of 8 per cent over the previous year's record total.

# LOCAL

Scott Robertson, human resources associate and frequent traveller

**Toronto Pearson connects Canadians to the far corners of the globe and welcomes people from around the world through our nation's front door. For tourists and adventurers, innovators and dealmakers, families reuniting and newcomers reinventing their lives – we're the vital link between here and there.**

CONTENTS



# GLOBAL

## 67% REACH

Two-thirds of the global economy is in reach of daily direct flights from Toronto Pearson. Last year our international traffic grew by 8.8 per cent to 27.4 million passengers, once again outpacing domestic growth of 6.9 per cent.

## 180+ CITIES

The 65 airlines flying in and out of Toronto Pearson provide regular non-stop service to more than 150 international destinations and over 30 Canadian centres. Last year we offered direct flights to more international destinations than any other North American airport.

Georgeta Suvaina, Passenger Service Representative, GTAA

# CONNECTING CANADA TO THE WORLD

**As a global hub, Toronto Pearson opens up new opportunities not just for Southern Ontario, but for dynamic regional economies across the country – including the ski tourism areas of British Columbia.**

**"Our resort, surrounding communities and the entire ski and snowboard industry in the Okanagan Valley have all benefited substantially from increased non-stop flights between Toronto and Kelowna."**

**Michael Ballingall, Senior Vice President, Big White Ski Resort**

Looking out from his office perched above the snow-covered slopes of the Okanagan Highland, Michael Ballingall sees clearly the crucial role that air connectivity plays in business growth. As Senior Vice President with Big White Ski Resort, the second-most popular skiing destination in British Columbia, Michael has worked with nearby Kelowna International Airport to promote vacation packages as well as real estate opportunities to skiing and snowboarding enthusiasts from Eastern Canada and beyond.

"Since non-stop service began from Toronto Pearson, there have been many positive economic spinoffs," Michael says, "including new families moving into our area, better medical facilities, more technology-based businesses and even higher enrolments at our campus of the University of British Columbia. Most important for us has been the substantial increase in skiers arriving via Toronto. The easy connection, with business-class options and the ability to bring your equipment on the same aircraft, has brought a whole new group of guests to local resorts, benefiting the entire Okanagan Valley."

## We help growing companies expand into new markets, product developers find manufacturers, entrepreneurs meet investors, and professionals collaborate on projects across Canada and in every part of the world. The result: more jobs here at home.

# GROWTH

**"We're rapidly evolving from an ethnic food maker into a provider of baked goods and snacks for retailers across North America and worldwide. We now do 60 per cent of our business in the U.S. and are creating opportunities in Europe, the Middle East and Australasia. A globally connected airport is crucial to sustaining our growth."**

**Zak Mashadi, Business Development and Legal Counsel, TWI Foods Inc.**

Founded in 1997, family-owned TWI Foods Inc. began as a producer of South Asian baked goods such as naan bread and rotis. Today its two plants in Etobicoke and Mississauga employ about 300 people on 12 production lines that meet the highest quality standards in the food industry. The company produces everything from naan crisps to shortbread cookies for direct sales and under private label for well-known retailers. Named Ontario Exporter of the Year in 2015, TWI is regularly ranked among Canada's fastest growing entrepreneurial businesses.

**Zak Mashadi, Business Development and Legal Counsel, TWI Foods Inc.**

# 332,000 JOBS

**Our airport generates and facilitates more than 300,000 jobs – about 6 per cent of all employment in Ontario.***

# 49,000 JOBS

**Toronto Pearson creates direct employment for 49,000 people. About half live in the Region of Peel; the rest commute from across the GTA and surrounding municipalities.***

# JOBS

**"From healthcare and life sciences to retail administration and logistics, businesses in our region, many of them world-leading innovators, depend on the global connections that Toronto Pearson provides. Continued investment in connectivity to facilitate the movement of people and goods to and from the airport is money well spent."**

**Todd Letts, Chief Executive Officer, Brampton Board of Trade**

The Brampton Board of Trade represents a diverse range of businesses across Peel Region, from startups to multinationals. A pillar of the Board's mission is to "help businesses connect on a local, national and global scale."

**Todd Letts,
Chief Executive Officer,
Brampton Board of Trade**

* From *Toronto Pearson's Economic Impact*, produced for the GTAA in October 2016 by Frontier Economics (using updated 2014 and 2015 data).

# LINKING INNOVATION TO OPPORTUNITY

From high-tech startups to research-driven multinationals, Canada's future is being shaped by pioneers who need to connect ideas with capital, and innovative products or services with potential customers. We help to make it happen.

**179,000 JOBS**

**Toronto Pearson's "catalytic" impacts – resulting from business travel and our role in facilitating international trade and investment – create an estimated 179,000 jobs across Ontario, more than half of them outside the GTA.***

**$42BN GDP**

**Toronto Pearson's annual contribution to economic activity in Ontario is estimated to be $42 billion – about 6 per cent of provincial GDP.***

* From *Toronto Pearson's Economic Impact*, produced for the GTAA in October 2016 by Frontier Economics (using updated 2014 and 2015 data).

**“The global economy is increasingly made up of ‘spikes’ or clusters of activity in major urban regions. These are places where people gather and can share knowledge easily – places that are connected to other places around the world that are doing the same thing. Airports are crucial factors in the success of these spiky places. A case in point is Toronto Pearson, which plays an increasingly important role in shaping the prosperity of the GTA and beyond.”**

**Dr. Meric Gertler, President, University of Toronto**

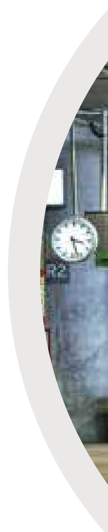
With nearly 87,000 students, the University of Toronto is regularly ranked best in Canada and among the top 10 public universities in the world. Renowned for its academic excellence and pioneering research, U of T is also a generator of new ventures: over 150 research-based startups were launched from the university in the last five years. With more than 20,000 faculty and staff, U of T contributes about $16 billion annually to the Canadian economy. The university both relies on and helps to extend global connections, welcoming students from 165 countries and building research partnerships and collaborative networks worldwide.

**“Thanks to digital technology, it’s amazing what we can accomplish remotely on projects worldwide. But face-to-face contact is still vital. That’s why so many of our people are constantly catching flights to meet with current or potential clients, as well as colleagues and other partners. We say our firm is about *redefining possible* – and with a global hub airport right down the road, we know we can keep that promise.”**

**Mike Soligo, Chief Executive Officer, RWDI**

Headquartered in Guelph, Ontario, RWDI is a firm of engineers and scientists who tackle complex technical challenges in the built environment, from mitigating the effects of wind, rain and snow around landmark developments to designing the sophisticated damping systems that stabilize many of the world’s tallest buildings – including the 830 m Burj Khalifa (right) in Dubai. Working from offices across North America, Europe and Asia, RWDI’s 500 employees collaborate with architects and other engineers on a diverse range of projects, balancing the demands of innovative design with the requirements of safety, economy and sustainability. The firm’s success underlines the growing impact of high-value services on the export side of Canada’s economy.

# CONNECTING OUR BACKYARD



**Our airport is not an island. The connections we offer worldwide must be mirrored by ground transportation networks that bring passengers efficiently to our terminals while providing easy access to the region's communities, businesses, attractions and public institutions.**

"Toronto is increasingly recognized as a key player globally, backed by Canada's reputation for economic, social and political stability. The GTA and the surrounding Golden Horseshoe, as the country's fastest-growing region, must have an effective and efficient transportation network that integrates air connections with regional transit, high-speed rail and other services to enhance productivity, provide access to jobs and ensure long-term sustainability. Toronto Pearson is at the heart of that network – and is a nexus for the entire country."

**Jennifer Keesmaat, Chief Planner, City of Toronto**


"More key stakeholders are recognizing that the Airport Employment Zone, with Toronto Pearson at its centre, plays a critical role in the regional economy. Its high concentration of 'core jobs,' providing tradeable goods and services that bring in revenue from outside the region, is essential to economic competitiveness. But because this zone spans several jurisdictions, planning has been fragmented – especially in the urgent area of transit, as each day over one million auto trips to and from the area add to already high congestion and GHG emissions. It's encouraging to see conversations moving forward on regional connectivity. And the GTAA is helping to drive them."

**Marcy Burchfield, Executive Director, Neptis Foundation**

## 300,000+ JOBS

**More than 300,000 people work in the Airport Employment Zone, Canada's second-largest employment cluster, centred around Toronto Pearson in the western GTA.**

# COMPLETING THE JOURNEY

## We help travellers move quickly through our airport, but that's just part of getting from A to B. Toronto Pearson is evolving into a hub for regional transportation, integrating transit, rail and road to ease every step in the journey to and from people's front doors.

**"After a generation of underinvestment in transit infrastructure, we're having to both *catch up* where there are gaps and *keep up* with continued growth. We've made some major strides, including with plans to create a new regional transit hub at Toronto Pearson. Completing what we've started will take time, cost money and cause some disruption, but there's more alignment than ever among all levels of government. We can't miss this opportunity to accelerate our efforts and build the transportation linkages that are economically critical for this region and the entire province."**

**Steven Del Duca, Ontario Minister of Transportation**

The GTAA continues to play a lead role in the development of a regional ground transportation strategy for the Greater Toronto Area. Last year we consulted extensively with the Toronto Transit Commission and Metrolinx – which oversees GO Transit – as well as planning authorities and decision makers at the municipal, provincial and federal levels.

In February 2017, we unveiled our proposal for a regional transit centre at Toronto Pearson connecting employment and residential areas across the Greater Golden Horseshoe. This multi-modal hub, to be built adjacent to our terminals, will support the UP Express rail link to downtown Toronto, as well as existing bus services. The hub will also connect several transit lines in development or at the proposal stage, including the Eglinton Crosstown West LRT, Mississauga Bus Rapid Transit, the Finch West LRT, Regional Express Rail (to/from Kitchener-Waterloo) and the province's High-Speed Rail concept.

This transit centre is part of a vitally needed solution for the region's increasingly congested roads. Of more than 300,000 people who work in the Airport Employment Zone – the second-largest such cluster in the country – more than 90 per cent have to make the daily commute by vehicle. The time they spend in traffic stifles productivity, erodes quality of life and greatly increases greenhouse gas emissions.

Currently, only about 10 per cent of passengers access Toronto Pearson via public transit, compared to 36 per cent at London Heathrow and 60 per cent at Shanghai Pudong. The multi-modal hub, with integrated check-in facilities and security screening, will free air travellers from traffic headaches and further reduce pressure on roads. And at a broader level, it will mesh the global connectivity of Toronto Pearson with transportation networks across southern Ontario, boosting competitiveness and creating new opportunities for growth.

# From the software engineer riding a train to Waterloo to the auto executive landing in a corporate jet in Oshawa, it's all part of the same regional transportation story. We're helping to drive a strategy that will improve connectivity across southern Ontario.

Stephen Wilcox, CM,
Airport Manager,
Oshawa Executive Airport

## REGION

**"We're looking holistically at air transportation needs in the Greater Golden Horseshoe, recognizing that by working as a system of airports we can help to drive economic prosperity across the region – and the nation. Coming together like this, with the GTAA as quarterback, is an exciting and critically important initiative."**

**Stephen Wilcox, CM, Airport Manager, Oshawa Executive Airport**

Serving the eastern GTA, Oshawa Executive Airport supports corporate travel and general aviation needs, as well as medical transport and other emergency services. The airport has joined with Toronto Pearson and nine airports in Southern Ontario: Hamilton, Niagara, Windsor, downtown Toronto (Billy Bishop), London, Kitchener-Waterloo, Lake Simcoe, Peterborough and Kingston. Working together to understand the aviation needs of the province's heartland and optimizing available capacity amongst these airports will support the region's overall growth.

## 110M PASSENGERS

**Regional air traffic, now about 48 million passengers annually, is projected to approach 110 million by 2043. Toronto Pearson is anticipated to handle more than 90 per cent of it.**

# NETWORK

"A key component to ensuring the ongoing success of the Toronto-Waterloo Region Innovation Corridor is a world-class international airport in close proximity, which we enjoy thanks to Pearson. It's important that we continue to strengthen and make the necessary investments in transit to ensure greater access to the airport. Our local businesses and residents rely on Pearson to meet their international travel needs."

**Mayor Dave Jaworsky, City of Waterloo, Ontario**

**Mayor Dave Jaworsky, City of Waterloo, Ontario**

# INVESTING IN OUR COMMUNITIES

**Toronto Pearson's efforts to meet growing regional demand for air travel is balanced by our commitment to being good neighbours. Through the Propeller Project, we invest in community building and positive social impact in our own backyard.**

## 1% OF NET REVENUE

**In late 2015, the GTAA's Board of Directors adopted the standard for corporate giving established by the national charitable organization Imagine Canada: we've committed to investing 1 per cent of net revenue annually in community organizations – which in 2016 represented an investment of about $800,000 through the Propeller Project.**

## THE NEST FUND: BUILDING STRONGER COMMUNITIES

Many local organizations and programs are having a positive impact in the neighbourhoods around Toronto Pearson; and with a bit of extra help, they could achieve that much more. Through the Nest Fund, we support a number of initiatives aimed at creating stronger, healthier and happier communities by focusing on the environment, employment and community vitality – through greater accessibility, better parks and playgrounds, and other community-building activities.


**“Communities like ours have custodians in key sectors we can always count on for support. Toronto Pearson, as both a major employer and the point of arrival for so many newcomers to our region, is an important partner as we grow and change.”**

**Wendy Rinella, Chief Executive Officer,
Oakville Community Foundation**

The Oakville Community Foundation addresses a wide range of social issues in this western GTA suburb, from income equity and affordable housing to mental health and the need to engage with indigenous community members as part of the national Truth and Reconciliation movement. In 2016, Toronto Pearson began sponsoring a key initiative in the charity’s action-oriented Creating Vital Solutions strategy: promoting diversity and inclusion – and helping people of all backgrounds achieve their potential – in a changing community where immigrants now make up more than 30 per cent of the population.

## $150,000 FOR REFUGEES

**As thousands of Syrian refugees continued to arrive through Toronto Pearson in 2016, we extended a program that matched all passenger donations to our Propeller Project spare-change globes around the airport with our own charitable gift. The result: $150,000 in public transit passes to help our newest neighbours get around the GTA.**

## THE UPLIFT FUND: PATHWAYS TO EMPLOYMENT

Toronto Pearson is at the heart of the second-largest employment zone in Canada; yet some neighbourhoods around our airport have unemployment rates well above the provincial average. Through the Uplift Fund, we help our neighbours find better job prospects by supporting (a) research into underlying issues, (b) advocacy to gain public and government support for promising employment initiatives and (c) programs designed to help area residents, including young people and newcomers to Canada, gain the skills and job opportunities they need to succeed – in the Airport Employment Zone and beyond.

# REDUCING OUR IMPACT

**A global hub has local responsibilities. To serve our communities well, we must conserve energy, manage waste, use water carefully, monitor and mitigate noise, and constantly look for new ways to make a vital piece of infrastructure sustainable.**

## AWARD FOR TRANSPARENCY

**The GTAA received a 2016 Corporate Social Responsibility Award for "organizational transparency" from *PR Daily* recognizing our efforts to build trust through education and empowerment via the Community Environment and Noise Advisory Committee (CENAC).**

**"People in the community want to understand more about airport noise. My job as CENAC's designated technical advisor is not just to ensure we have the most accurate measurements, but also to help people gauge whether those decibel numbers have an impact on their personal well-being."**

**Colin Novak, Acoustician and Professor of Engineering, University of Windsor**

The Community Environment and Noise Advisory Committee (CENAC) is a GTAA-sponsored forum where members of nearby communities can discuss and ask questions about noise and other environmental issues related to Toronto Pearson's operations. Comprising residents and elected representatives from Brampton, Mississauga and Toronto, and the regions of Halton, York and Durham, CENAC held five public meetings in 2016. Topics under discussion ranged from the GTAA's ongoing noise mitigation initiatives to the Independent Toronto Airspace Noise Review conducted by NAV Canada. The committee reviews data from 18 monitoring terminals around the GTA, assisted by acoustic engineer Colin Novak, a University of Windsor professor who studies the social and psychological effects of noise. A review conducted in 2016 as part of the GTAA's Five-Year Noise Management Action Plan concluded that eight more noise monitoring terminals should be added in the coming year.

## POWER TO SPARE

As we strive to lead by example in all aspects of environmental sustainability, Toronto Pearson focuses in particular on energy management. In 2016, our conservation initiatives yielded annualized savings totalling more than 4,100 MWh – roughly equivalent to the energy needed to travel five million miles by car.

One of our key strategies for reducing electricity usage has been the transition to LED (light-emitting diode) illumination in many parts of the airport. The revitalized Terminal 3 Pier, opened in mid-2015 as the first phase of a multi-year enhancement project, has LED lighting throughout, yielding a reduction in future electricity costs that last year represented a 40 per cent saving. Overall, our continuing energy-efficiency program for Terminal 3 is expected to cut energy costs by more than 25 per cent. Across our airport, from walkways and signage to the aprons where crews service aircraft, cost-efficient LED lighting is keeping public and work areas safe and comfortable while reinforcing our commitment to sustainability.

In 2016, we introduced a series of energy-efficiency initiatives aimed at reducing potential consumption by a total of 22,500 MWh. Once all of these projects are fully implemented, we'll avoid more than $1.5 million in energy costs annually. And working in partnership with Aelectra Utilities (formerly Enersource Hydro Mississauga), we'll qualify for an additional $1.6 million in incentives on projects slated for completion by early 2018.

## LEVEL 3 CARBON RATING

**In 2016, Toronto Pearson was upgraded to Level 3 in the Airport Carbon Accreditation global rankings. We're the only Canadian airport and one of three in North America to achieve this recognition for measuring, managing and engaging third-party support as we work to reduce our carbon footprint.**

# “I AM TORONTO PEARSON”

**The 49,000 people who work at Toronto Pearson are coming together, with enthusiastic support from their employers, to create a passenger experience that delivers on our vision to be the best airport in the world. It starts with a simple question: *How can I help?***

Visitors exploring behind the scenes at Toronto Pearson often note the feeling of pride expressed by the 49,000 people who are directly employed at our airport. In a diverse range of organizations, large and small, you find a shared appreciation for the role Canada’s largest airport plays in the life of our country and the global transportation network.

In the past year, we looked at how we can channel that grassroots pride toward the people whose experience of Toronto Pearson ultimately decides our ranking among the world’s best: our passengers. The result is *I am Toronto Pearson*, a movement that inspires everyone working at our airport to become ambassadors and celebrates the many exceptional employees who go out of their way to help passengers every single day.

Bringing together leaders and front-line staff from the GTAA and seven major airport employers, *I am Toronto Pearson* immediately gained momentum. And as ambassadors from the founding organizations continue to spread the word, more and more businesses are getting onboard.

The spirit of *I am Toronto Pearson* is summed up in a simple question we invite employees to ask themselves and pose to passengers they meet on the job: “How can I help?” Everyone should feel empowered to stretch their job descriptions and make a difference, whether providing a bit of unexpected help or welcoming newcomers to our community and our country. When such “moments of truth” are repeated countless times each day, they add up to a transformative passenger experience and move us steadily closer to becoming the world’s best airport – one passenger at a time.

# WORKING TOGETHER MORE EFFECTIVELY

**Whether ensuring aircraft push back promptly from our gates or coordinating the overall response to adverse weather conditions, we're working with our partners to maximize efficiency in every area of airport operations.**

## DECIDING TOGETHER

At Toronto Pearson, we're constantly exploring new ways of using advanced information technology to better coordinate operational systems and processes. A focal point in 2016 was our adoption of a concept called Airport Collaborative Decision Making (A-CDM), which uses real time data sharing to harmonize efforts among key stakeholders across the airport. The goal of A-CDM is to help complex operations run smoothly while maximizing the efficiency of our existing facilities – especially with respect to aircraft turnaround times and our response to adverse conditions such as severe winter storms.

Joining us in moving the concept forward are Air Canada and WestJet, our two principal carriers, and NAV Canada, which is responsible for air traffic control. Also at the table are providers of airside services such as ramp handling and cargo logistics. Participants within the GTAA include our teams that oversee terminal services, airfield management, facility maintenance and aircraft deicing. As we share relevant information on everything from delayed flights to the progress of snow removal, all A-CDM partners will be able to respond more effectively to changing conditions. Working together, we can optimize the deployment of assets, improve how gates are used and fine-tune flight priorities for all airlines within preset slot times.

As aspects of A-CDM are implemented over the coming year, we'll establish milestones for passenger flow, baggage handling, catering, fuelling, maintenance, runway grooming and other factors. All are drivers of on-time performance – a critical success measure as we leverage Toronto Pearson's existing capacity in the face of growing demand, particularly from connecting passengers.

“Toronto Pearson has some hard infrastructure constraints in runways, gates and deicing. We need the flexibility to keep high-priority long-haul flights moving, as do other carriers – and that’s where Collaborative Decision Making can really shine. It will enable us to optimally control sequencing even at peak times. This is essential as we continue to build our global hub at Pearson, which requires a highly interconnected schedule. By involving all key players in this process, the GTAA has shown that it has everyone’s interests in mind.”

**Capt. Steven Duke, Senior Director, Flying Operations, Air Canada**


Air Canada / Brian Losito


“As traffic in and out of Toronto continues to grow, WestJet and Pearson are working together more efficiently to ensure guests enjoy a positive overall experience. Carriers don’t need to share proprietary information, but we can update each other when, for instance, an aircraft is waiting for connecting passengers so an incoming flight should be sent to a different gate. By taking the lead on Collaborative Decision Making, the GTAA has shown it wants to do business differently.”

**Lori Strath, Manager, WestJet Operations, Toronto Pearson**

# KEEPING BAGS MOVING

**In 2016, over three million more travellers passed through Toronto Pearson than in the previous year – and they carried with them about three million more bags. Faced with growing pressure to handle high volumes of baggage quickly and smoothly, we're investing $300 million to enhance our processes and systems.**

Ensuring we're equipped to move passengers' bags as efficiently as possible is the focus of a complex, multi-year initiative by the GTAA. Working closely with Air Canada and other carriers, we've made significant improvements to inbound and outbound baggage handling by sharing more tracking data and improving work processes. But the challenge has become all the more complex as the number of connecting passengers rises at a faster rate than origin-and-destination traffic.

In the past year, nearly 14 million people flew via Toronto Pearson to their ultimate destinations. Ensuring that passengers' bags accompany them on connecting flights is a complex operation, as they may be arriving from domestic, U.S. or international cities and catching flights to similarly varied destinations. This is an area where we're investing significant capital and resources as we evolve from five legacy baggage systems to one integrated solution that moves bags seamlessly between our two terminals while providing for automated holding areas, additional security screening where required and – for originating passengers – the convenience of checking in anywhere. This is the next phase of our Baggage Master Plan, which combines infrastructure enhancements with human-centric process design to ensure this aspect of our airport keeps pace with continued growth.

# 31.5% CONNECTING

**In 2016, 13.7 million connecting passengers passed through our airport, accounting for nearly one-third of total traffic. The proportion of connecting passengers has grown by about one per cent annually since 2007. By providing fast, convenient connections, we help carriers build a critical mass of passengers, which in turn leads to more frequent flights, added routes and larger-capacity aircraft – for the benefit of all Toronto Pearson travellers.**

**To ensure a smooth journey through our terminals, we work closely with the Canadian Air Transport Security Authority (CATSA), which provides security screening, U.S. Customs and Border Protection (USCBP), which preclears U.S.-bound passengers, and the Canada Border Services Agency (CBSA).**


Nina Patel, Director, Passenger Operations District, Canada Border Services Agency (CBSA)

# SAFE

“Last year over 13 million people arrived at Toronto Pearson from outside Canada, which put pressure on the CBSA, airlines and GTAA operations staff. We can only manage increasing traffic through innovation, collaboration, understanding each other’s priorities and challenges, and building trust. The CBSA is responsible for ensuring the security and prosperity of Canada. We’re also committed to providing excellent service to the public. As we balance these responsibilities, our relationships with partners and stakeholders are paramount. We don’t operate in silos; our collective success positively impacts travellers, local communities and the overall economy.”

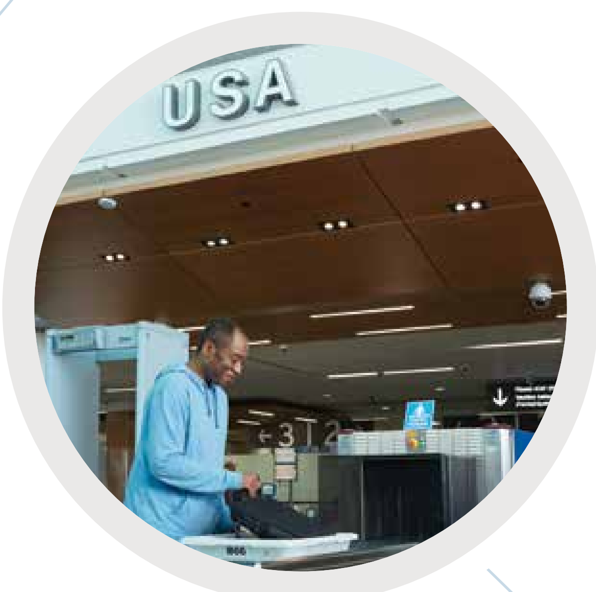
Nina Patel, Director, Passenger Operations District, Canada Border Services Agency (CBSA)

**"Security in Advance has enhanced the security of our Preclearance operation, while also improving the overall passenger experience. It's a testament to the tremendous partnership among CBP, the GTAA, CATSA, CBSA, Peel Regional Police and the airlines."**

**Justin Ratliff, Supervisory CBP Officer, Toronto Preclearance, U.S. Customs and Border Protection**

In July 2016, we celebrated completion of the two-year Security in Advance (SIA) project at Toronto Pearson. Developed to meet new requirements for the preclearance of U.S.-bound passengers (who account for about 27 per cent of all traffic at Toronto Pearson), SIA moves baggage checking and security screening ahead of USCBP processing, reducing congestion and creating a more comfortable passenger experience.

# EFFICIENT




## #4 U.S. ENTRY POINT

**Toronto Pearson is the fourth-largest port of entry for travellers flying to the U.S. In 2016, 5.6 million passengers bound for 50 U.S. cities were precleared in our terminals by U.S. Customs and Border Protection – carrying on a legacy dating from 1952.**

**Carlie Waksdale, Toronto-based graphic designer and global traveller**

# ENHANCING THE EXPERIENCE

**In 2016, we added 25 new shops and restaurants to make our airport more welcoming and enjoyable. The redeveloped passenger space in Terminal 3 includes a dramatically expanded duty-free store and luxury boutiques, plus enhanced retail and dining options.**


"As people fly more often than ever, we want to provide the best possible airport experience. And the great thing about Toronto Pearson is that everyone on the team shares that goal. Together we're working to make travellers' journeys even better – today and into the future."

**Tom Hogan, Airport Director, OTG**

OTG operates more than 350 restaurants and retail food concepts in airports across North America, including 11 locations at Toronto Pearson serving everything from contemporary Indian cuisine to gourmet paninis by Chef Mark McEwan. Known for innovative design and use of technology, OTG brought digital menus to Pearson in 2012 and now has 2,300 tablets in dining and waiting areas to keep travellers connected and engaged. One of OTG's latest concepts is Beerhive, featuring Ontario craft beers. It's part of a revitalized 50,000-square-foot dining and retail space opened in Terminal 3 during the summer of 2016.

# 4.25 ASQ

**In 2016, Toronto Pearson achieved its highest ranking to date in the Airport Service Quality (ASQ) passenger satisfaction survey conducted globally by Airports Council International. Among global hubs serving more than 40 million passengers annually, we've moved ahead against nine of 10 key quality benchmarks and are three years ahead of target in our long-term quality improvement strategy.**


"Toronto Pearson's focus on a better passenger experience is totally aligned with our brand. Our juices and smoothies are a quick, healthy alternative Canadians have come to trust and international passengers are happy to discover. We have over 300 stores, but at Pearson we've invested more than ever in interior design and features like 3-D games. It's been great to partner creatively with the GTAA on something neither of us had done before."

**Dale Wishewan, CEO and Founder, Booster Juice Ltd., Edmonton, Alberta**

# ENSURING FINANCIAL SUSTAINABILITY

**With continued gains in non-aeronautical revenue, no increase in carrier fees and a record of steady debt reduction, the GTAA remains a self-sustaining engine of Canada's economy, well positioned for future growth.**

## A+ CREDIT

**In August 2016, continued improvement in the GTAA's already strong financial metrics led Standard & Poor's Rating Service to upgrade our credit rating from A to A+. This followed a similar elevation from A1 to Aa3 by Moody's Investors Service in February 2016.**


## 7.3% NAR GROWTH

In 2016, non-aeronautical revenues (NAR) – from fees for check-in counters and kiosks, parking and ground transportation services, retail and dining concessions, and other sources – grew by 7.3 per cent or $26 million to $383.8 million. This enabled us to keep the fees we charge to airlines unchanged; carriers' average cost per enplaned passenger is approximately 38 per cent lower than in 2007.

Continued NAR growth enables us to invest in maintenance, operations and enhancements as we leverage the full value of existing assets. By investing prudently, managing expenses and constantly seeking further efficiency and productivity gains, we are in a better position to build when increased demand outpaces Toronto Pearson's current infrastructure.

**"Our new direct service from Toronto Pearson offers North Americans easy access to Guangzhou, China's third-largest city, and the key manufacturing centres of the Pearl River Delta. It also provides a gateway to all of southern China, as well as one-stop connections to destinations such as Australia, New Zealand, Vietnam, Thailand and the Philippines."**

**Tan Wangeng, CEO, China Southern Airlines**

In December 2016, China Southern Airlines, the largest carrier in the People's Republic of China, announced the launch of non-stop service operating three times a week between Toronto and Guangzhou. The new route, which integrates connections to major Canadian cities through a code-sharing agreement with WestJet, reflects the continuing growth in air travel between Canada and China. Toronto Pearson passenger traffic to and from Chinese destinations approached 840,000 in 2016, and we expect to see further growth of 50 per cent by 2020.

**"In recent years we've seen our partners at Toronto Pearson increasingly shift their focus from airport operations to enhancing all aspects of the passenger experience, including one of North America's largest duty-free retail offerings. After a major renovation in 2011 of our Terminal 1 stores, in 2016 we were part of the Terminal 3 transformation, doubling our footprint with a 12,000-square-foot walk-through shop right after Security, and adding fashion and jewelry boutiques aimed at a changing international clientele who are looking for luxury fashion brands. Whether we're collaborating on store design or finding ways to improve flow, we have an exceptional rapport with the GTAA team."**

**Andy Rattner, Senior Vice President, Operations, The Nuance Group (A Dufry Company)**

## 400 JOBS

**Each new daily international service added at Toronto Pearson facilitates and generates an estimated 400 jobs in the Canadian economy.***

* From *Toronto Pearson's Economic Impact*, produced for the GTAA in October 2016 by Frontier Economics (using updated 2014 and 2015 data).

Toronto Pearson is evolving from a leading global hub to a trailblazing mega hub, from Canada's largest airport to a regional transportation centre, and from a sustainable enterprise focused on the future to the vital link connecting our diverse stakeholders to their long-term goals.

Eileen Waechter, Director, Airport Planning, GTAA

# PRESENT


**65M PASSENGERS**

Annual passenger traffic through Toronto Pearson is expected to exceed 65 million by 2033, as our airport handles more than 600,000 flights per year.

## THE LONG VIEW

A global hub airport operates within a much longer horizon than most enterprises – not only geographically, but also in terms of time. The GTAA develops annual business plans and budgets, as well as five-year business plans, within a broader 20-year strategic framework approved by the Board of Directors in 2015. This framework allows us to keep pace with growing demand by optimizing our existing facilities before making capital investments in new infrastructure.

In the coming years, we expect to invest more than $6 billion to renew existing facilities and support anticipated growth – particularly through improving passenger, baggage and aircraft processes, delivering superior customer service and enhancing passenger amenities. All of our decision-making and business activities require the constant consideration and balancing of six strategic goals:

### Safety

Focus on the safety and security of everyone who visits or works at our airport.

### People

Develop a talented, high-performing workforce to achieve our mission and vision.

### Passenger and Customer Service

Pursue operational efficiency while providing a superior travel experience.

### Financial Sustainability

Generate sufficient returns to support our day-to-day operations and invest in infrastructure, customer service and debt reduction.

### Aviation Growth

Expand connectivity to benefit the surrounding region, Ontario and all of Canada.

### Corporate Responsibility

Work with our stakeholders to preserve the environment and support thriving communities.

## $63BN GDP

**By 2030, the GDP facilitated and generated by Toronto Pearson is projected to be $63 billion, or about 6.8 per cent of Ontario's annual economic output.***

# FUTURE

**"Being headquartered in a technology hub like Toronto gives us access to a great talent and investor community. But our future growth depends on reaching global markets with what Nudge Rewards has to offer: a mobile solution that engages, educates and rewards companies' front-line employees to improve team performance and profitability. While a lot of business is done through digital channels, to build lasting relationships it will always be important to have face time with customers and investors."**

**Lindsey Goodchild, Co-founder and CEO, Nudge Rewards**

**Lindsey Goodchild, Co-founder and CEO, Nudge Rewards**

* From *Toronto Pearson's Economic Impact*, produced for the GTAA in October 2016 by Frontier Economics (using updated 2014 and 2015 data).

# BROADENING OUR SCOPE AND IMPACT

A MESSAGE FROM THE BOARD CHAIR

**Toronto Pearson is evolving in several dimensions, as we help to improve regional ground transportation, elevate our airport's role in the global arena and support initiatives to boost social and economic well-being in our neighbouring communities.**

In 2016, we continued to meet the challenge of growing demand for air travel to and from the Greater Toronto Area, southern Ontario and the rest of Canada – as well as the rise in traffic from connecting passengers who see our airport as an efficient global hub. This report details many tangible measures of progress as we pursue the objectives set out in our 20-year strategic plan. At the same time, the themes explored here reflect a significant shift, over the past few years, in the scope of the GTAA's strategic priorities.

Originally, we were focused on developing and operating a key piece of Canada's transportation infrastructure, helping travellers get quickly and safely from Toronto Pearson to cities around the world. Today we see our role more as a provider of critical connections – between the local and global economies, and between the services we help to deliver and the transportation networks that extend across our surrounding region.

## IMPROVING GROUND TRANSPORTATION

This is the impetus behind our proposal to develop a regional transit centre at Toronto Pearson integrating rail, light rail and bus connections to communities across the Greater Golden Horseshoe. Our planned multi-modal hub will improve access to the airport while bringing much-needed transit options to the Airport Employment Zone, the dynamic area around Toronto Pearson that is Canada's second-largest employment cluster, providing jobs for more than 300,000 people. In the coming year we will deepen our constructive partnerships with key stakeholders – including transit authorities and federal, provincial and municipal governments – to determine how our plan can be implemented to maximize regional productivity, competitiveness and economic growth.

## MOVING TO A HIGHER TIER

Complementing this focus on our regional role is a new perspective on Toronto Pearson's evolution in the international context. Already established as a global hub, our airport meets many of the criteria for an emerging, higher-tier category: the *mega hub*. Defined quantitatively as an airport serving over 50 million passengers a year – with at least 20 million originating abroad – a mega hub supports levels of connectivity that few global hubs have the capacity or financial resilience to sustain. And the benefits can be significant, as each new route or scheduled flight attracts additional valuable connections, which in turn drive exponential economic gains in the mega hub's immediate region.

Howard Eng, the GTAA's Chief Executive Officer, with the full endorsement of the Board, has begun talking to various external stakeholders about Toronto Pearson's mega hub strategy and its potential to create local prosperity through global connectivity. We expect those consultations to become more robust in the year ahead.

## CONNECTED TO OUR COMMUNITIES

Our discussions about Toronto Pearson's future are part of a broader conversation with all of our stakeholders, and particularly those who live and do business nearby. The Community Environment and Noise Advisory Committee (CENAC), which includes residents and elected representatives from neighbouring communities, held five public sessions last year to address questions about our airport's impact and provide updates on the GTAA's Noise Management Program. Other highlights of our ongoing environmental efforts included further progress against targets in our stormwater and waste management programs, and the adoption of LED lighting in many more areas of the airport – part of an energy conservation strategy that will ultimately yield $1.5 million in annual savings.

In the past year we also extended and strengthened Toronto Pearson's relationships with a range of community-focused organizations, from the Oakville Community Foundation – as the lead sponsor for a program to promote diversity and inclusion – to the Scientists in School education initiative. As well, we continued to support many of the thousands of Syrian refugees who arrived in Canada via our airport: we matched travellers' generous donations to provide $150,000 in transit passes to newly arrived families; and we sponsored the Nai Syrian Children's Choir in its remarkable work to make young newcomers feel welcome through music.

These and many other public engagement initiatives undertaken in 2016 reflect the GTAA's renewed focus on corporate giving. Adopting a model pioneered by the not-for-profit Imagine Canada, the Board voted in late 2015 to invest 1 per cent of annual pre-tax profits through Toronto Pearson's charitable Propeller Project, focusing on programs that create pathways to employment and build stronger communities. After establishing a governance framework – including a committee of distinguished external advisors – along with processes to review and approve grant applications, in 2016 we were pleased to donate an initial $800,000 to an array of deserving organizations.


## A STRATEGY DRIVEN BY PEOPLE

This collective commitment to the public good is reflected in the individual dedication of our Board members. This year Poonam Puri, a respected lawyer and expert on corporate governance, reached the end of her mandated term as a GTAA director. We're grateful to Poonam for her many valuable contributions over the past nine years.

The strategic goals that the Board helps to frame are developed and put into action by the executive team led by Howard Eng, who continues to demonstrate his gift for articulating the GTAA's vision, setting a clear management agenda and inspiring a group of talented individuals to work together toward common goals. We're fortunate to have a CEO who is widely recognized as a leading global airport executive.

Lastly, we're indebted to our diverse and highly engaged community of Toronto Pearson stakeholders, several dozen of whom have generously contributed their perspectives to this report. Their support, insights and guidance are critical to our continued success as we broaden the scope and impact of one of the world's leading airports.

**David Wilson**
Chairman

# CONNECTING TODAY TO TOMORROW

A MESSAGE FROM THE PRESIDENT AND CEO

**As demand for fast, efficient global access continues to grow, Toronto Pearson links Canadians to opportunities worldwide while helping to integrate transit networks in our own backyard. Our impact can be summed up in two words: we connect.**

In 2016, more than 44 million passengers travelled through Toronto Pearson – an 8 per cent increase over the previous year, reflecting the continued growth in demand that has shaped our airport over the past two decades. Those additional three million travellers were attracted by our ability to provide quick, smooth connections to the rest of Canada, North America and the world – while serving as a gateway to our region for visitors from every part of the globe.

But there's far more to our airport's role than getting people efficiently and comfortably from one place to another. As this annual report shows, *Pearson connects* in countless ways. We link local, regional and national enterprises to the global economy, opening up new markets for innovative products and services. We facilitate business development, immigration, tourism and, more generally, the crucial flow of people and ideas.

The economic activity enabled by our airport drives greater prosperity throughout our region, most obviously in the form of employment. According to an independent study of our economic impact that was updated in the past year, Toronto Pearson generates or facilitates more than 330,000 jobs in Ontario. The total annual economic impact of our airport is calculated at $42 billion, or 6.3 per cent of Ontario's GDP. This is projected to reach $63 billion, or 6.8 per cent of GDP, by 2030.

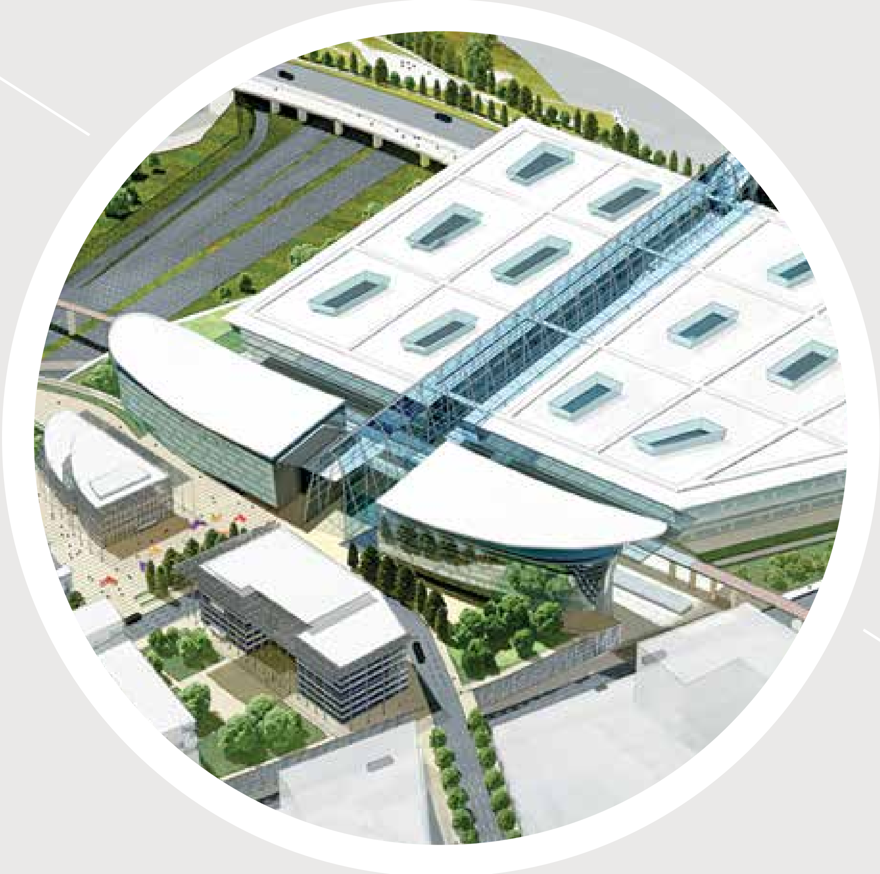
What's more, our impact extends right across the country. From the lobster fishery of Atlantic Canada to the ski resorts of British Columbia, businesses count on Canada's largest airport to provide easy global access and to welcome travellers from abroad who have money to spend or invest. From coast to coast to coast, Pearson connects Canadian communities and enterprises to long-term growth and prosperity.

## WE'RE IN THE CONNECTIVITY BUSINESS

The people we're here to serve don't just journey from airport to airport. Regional travellers make their way to Toronto Pearson from their homes or places of business, while those arriving from elsewhere typically have a few more kilometres to journey before they reach their final destination. We therefore also have an important role to play in supporting convenient, efficient and sustainable ground transportation.

In the past year, we announced plans for a regional transit centre integrating Toronto Pearson with existing and proposed rail and bus networks that will ultimately link much of southern Ontario. Working closely with ground transportation agencies and all levels of government, we've proposed a multi-modal hub that will provide easier access to our airport and – more importantly – offer greener, more economical and less stressful transit options for the hundreds of thousands of commuters who currently travel our region's traffic-clogged roads.

The GTAA is ideally positioned to spearhead development of the regional transit centre, based on geography, infrastructure and, above all, experience. Because while our focus at Toronto Pearson is on aviation, our real expertise is helping enhance the flow of people and goods across our region and around the globe. We're in the connectivity business.



## WHERE THE PRESENT MEETS THE FUTURE

This larger vision of how Pearson connects is driving our evolution from a major global hub to a "mega hub" – one of a handful of airports worldwide whose interconnections bridge dynamic regional economies. In planning for our evolution to this higher tier of airports, we're responding to the needs of the communities we serve, as more and more travellers crisscross the planet and regional businesses connect with the wider world.

As a mega hub, Toronto Pearson will extend its potential reach via daily direct flights to 80 per cent of the global economy. The volume of connecting passengers, which already accounts for nearly a third of total traffic, will steadily grow, allowing carriers to add more routes than origin-and-destination traffic alone could support. These new global dimensions will in turn boost the competitiveness of our region – and all of Canada – through increased trade and foreign direct investment. The economic benefits highlighted throughout this annual report will only deepen as Toronto Pearson grows to support a projected 700,000 jobs in the region.

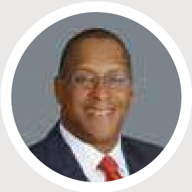
We've begun sharing our mega hub vision with diverse stakeholders and will continue these consultations in the coming year, confident that we've built a solid foundation for success. Our airport is a self-sustaining enterprise with a healthy balance sheet. Working with carriers, government agencies and other partners, we're improving passenger flow in areas such as baggage processing, customs and immigration (both Canadian arrivals and U.S. preclearance) and security screening. And we're maximizing the value of existing assets by adding more retail and dining options while revitalizing spaces such as the central node in Terminal 3 – all to enhance the overall airport experience.

The impact of these efforts is reflected in our highest score yet in the globally recognized Airport Service Quality (ASQ) passenger satisfaction survey. Toronto Pearson advanced against nine of 10 key quality benchmarks in 2016 – three years ahead of target in our long-term quality strategy. That momentum is sustained by the strong support of our Board of Directors, which provides vital counsel as we pursue our strategic goals. And as always we're indebted to the over 1,500 employees of the GTAA – and the 49,000 people who work at our airport – who support our vision every day. Their readiness to help ensure passengers enjoy the best possible experience is captured in the highly successful engagement campaign we launched during the past year: *I am Toronto Pearson*.

As Canada's largest airport and a leading global hub, we're here to create connections that wouldn't otherwise happen. We link adventurous people to promising opportunities, and we bridge the ambitious dreams of today to the achievements of tomorrow. Because this is what a great airport does. We connect.

**Howard Eng**
President and Chief Executive Officer

# BOARD OF DIRECTORS



### IAN L.T. CLARKE

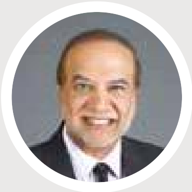
Ian Clarke is a finance consultant following his retirement from Maple Leaf Sports & Entertainment Ltd., Canada's pre-eminent leader in delivering top-quality sports and entertainment experiences, where he was Executive Vice President and Chief Financial Officer of Business and Development.

**Nominated by the Region of Durham**

### STEPHEN J. GRIGGS

Stephen Griggs is Chief Executive Officer of Smoothwater Capital Corporation, a private Canadian investment company. Mr. Griggs is also Chair of the Board of Genesis Land Development Corp. and Equity Financial Holdings Inc., and is a director of Marquee Energy Ltd. and several community organizations.

**Nominated by the Region of Peel**



### ROGER MAHABIR

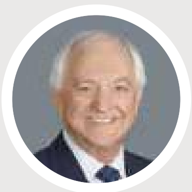
Roger Mahabir is Chairman and CEO, Tracker Networks Inc. Previously, he was founder and CEO, Assurent Secure Technologies and served in C-level roles at Royal Bank (Capital Markets & DS), GE and Suncor. A cyber risk authority, Mr. Mahabir is recognized as one of the IT industry's top transformative leaders and innovators.

**Community Member**

### PAUL W. CURRIE

Paul Currie is President and Director of Currie Strategic Capital Inc. Mr. Currie is a seasoned executive with senior officer and director-level commercial experience in North America, Europe and Asia. Mr. Currie was formerly a senior executive with a number of public and privately owned businesses and a Coopers & Lybrand partner.

**Community Member**



### BRIAN P. HERNER

Brian Herner is a corporate leader in the Canadian environmental industry. He is a founder and past President and CEO of BIOREM Technologies Inc., a leading global supplier of biofilters for air pollution control; a past President of General Chemical (Canada) Ltd.; and Vice President of Zenon Environmental Inc.

**Nominated by the Region of Halton**

### KATHY MILSOM

Kathy Milsom was President and Chief Executive Officer of the Technical Standards and Safety Authority, a safety standards organization, from December 2004 to September 2012. Ms. Milsom also serves as a director and former Chair of the Standards Council of Canada, and was appointed to the Board of Thermal Energy International Ltd. in November 2016 and to the Board of Infrastructure Ontario in December 2016.

**Community Member**

### JEFF P. FEGAN

Jeff Fegan is the former Chief Executive Officer of Dallas/Fort Worth (DFW) International Airport and past Chairman of the Board of Directors of Airports Council International – North America (ACI–NA).

**Community Member**

### TERRANCE F. NORD

Terry Nord is President of Terry Nord Consulting Corporation, an aviation consulting firm. He has held senior executive positions with DHL Express (Brussels, Belgium), FedEx (Memphis, Tenn.), Air Canada and Canadian Airlines International.

**Community Member**

### POONAM PURI

Poonam Puri is Professor of Law and former Associate Dean at Osgoode Hall Law School of York University. She is one of Canada's leading experts on corporate governance, corporate law and securities regulation.

**Community Member**

### W. DAVID WILSON

**Chairman**

David Wilson is the former Chair and Chief Executive Officer of the Ontario Securities Commission and is now retired following an extensive career in Canada's financial services industry.

**Nominated by the City of Toronto**

### TERRIE M. O'LEARY

Terrie O'Leary is Executive Vice President, Business Strategy and Operations at Toronto Global. Toronto Global is the Toronto Region's foreign direct investment attraction, marketing and sales corporation. A seasoned executive with extensive private and public sector experience, Terrie served two terms on The World Bank Board of Directors in Washington, DC, as the representative of Canada, Ireland and the Caribbean. Prior to Washington, she was the senior adviser to Finance Minister Paul Martin.

**Appointed by the Province of Ontario**

### MICHELLE SAMSON-DOEL

Michelle Samson-Doel is the President of Samson-Doel Group Limited and former Executive Chair of Multi-Marques, the largest bakery in Quebec. Ms. Samson-Doel has served on the boards of the Ontario Lottery and Gaming Corporation (OLG) and Women's College Hospital Foundation. She is currently Lead Director of Boralex Inc. (BLX), and is a member of the Women's Leadership Council of the United Way of York Region.

**Nominated by the Region of York**

### DANIELLE M. WATERS

Danielle Waters is Principal of Water's Edge Consulting, a private practice specializing in sales effectiveness, strategic planning and loyalty travel management.

**Community Member**

## RETIRED FROM THE BOARD OF DIRECTORS AS OF MAY 2016

### W. DOUGLAS ARMSTRONG

Douglas Armstrong had a long career as a senior public sector administrator, operated a small consulting business and is now a retired executive having served as a board member for a number of professional and community service committees.

**Appointed by the Government of Canada**

### SHAUN C. FRANCIS

Shaun Francis is Chief Executive Officer of Medcan Health Management Inc., a leading Canadian health management company.

**Appointed by the Government of Canada**

# EXECUTIVE TEAM

**MARTIN BOYER**
Vice President and
Chief Information Officer

**HOWARD ENG**
President and
Chief Executive Officer

**PATRICK NEVILLE**
Vice President, Airport Planning
and Technical Services

**CRAIG BRADBROOK**
Vice President,
Aviation Services

**SELMA M. LUSSENBURG**
Vice President, Governance, Corporate
Safety and Security, General Counsel
and Corporate Secretary

**JILL SHARLAND**
Vice President and
Chief Financial Officer*

**SCOTT COLLIER**
Vice President, Customer
and Terminal Services

**HILLARY MARSHALL**
Vice President, Stakeholder Relations
and Communications

**VALERIE DUFFEY**
Vice President, Human Resources
and Corporate Services

* Ian L.T. Clarke assumed the role of Chief Financial Officer as of April 10, 2017.

# CORPORATE GOVERNANCE

## The Board of Directors (the "Board") is representative of the cultural mosaic of the Greater Toronto Area and the major economic sectors in the region that Toronto Pearson serves.

The GTAA was incorporated in 1993 as a non-share capital corporation and recognized as a Canadian Airport Authority by the Government of Canada in 1994. The GTAA assumed operation of Toronto Pearson International Airport on December 2, 1996. In 2014, the GTAA transitioned to the *Canada Not-for-profit Corporations Act*. Although the GTAA is a non-share capital corporation, the GTAA complies with Canadian securities legislation as a reporting issuer. As a corporation without share capital, the GTAA has Members rather than shareholders or other equity holders.

The GTAA is governed by a Board consisting of 15 Directors. The Directors are elected by the Members. Directors serve terms of up to three years and are eligible to be re-elected subject to a maximum total term of nine years.

Five Directors are elected by the Members from candidates nominated by municipalities. Specifically, each of the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto, is entitled to provide, on a rotating basis, the names of up to three candidates; following a rigorous assessment process, the Members elect one individual for each available position as a Director.

In addition, seven Directors are elected by the Members on a cyclical basis from a pool of eligible candidates who are identified and assessed through a search process, which includes engaging the Law Society of Upper Canada, Professional Engineers Ontario, the Institute of Chartered Accountants of Ontario, the Toronto Region Board of Trade, the Board of Trade of the City of Mississauga and the Board of Trade of the City of Brampton.

Finally, the Government of Canada nominates two individuals and the Province of Ontario nominates one individual, all of whom are elected as Directors by the Members.

All Directors on the GTAA's Board are independent, as that term is defined in the applicable securities legislation. The GTAA's Board is a "skills based" Board; namely, the Directors are elected on the basis of their abilities, experience and skills needed to oversee the GTAA's complex and industry-leading activities of operating and managing Toronto Pearson, a vital facility for the region's economic and social benefit.

The GTAA's Board meets on a regular basis; its principal responsibility is to oversee the conduct of the GTAA's business and to set the strategic direction of the GTAA. The Board oversees the development of long-term goals and strategies and implementation in support of Toronto Pearson's mandate to support and foster growth in the Greater Toronto Area.

The Board also oversees the processes and systems to manage the risks associated with the GTAA's business, and monitors and measures management's performance in carrying out the GTAA's strategic plan, vision and mission.

The terms of reference of the Board are included in the GTAA's Annual Information Form, which may be accessed at www.sedar.com.

In 2016, there were five standing committees of the Board: the Audit Committee; the Governance and Stakeholder Relations Committee; the Risk Oversight Committee (formerly the Environment, Safety, Security and Stakeholder Relations Committee); the Human Resources and Compensation Committee; and the Planning and Commercial Development Committee. In addition to the standing Board committees, an Ad Hoc Airport Ownership Review Committee was established in June 2016 in connection with the Government of Canada's review of ownership models of airport authorities in Canada. The mandates of the Committees of the Board are summarized below:

### AUDIT COMMITTEE

The Audit Committee's mandate is to fulfill the legal obligations that apply to audit committees of reporting issuers and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting, accounting, auditing and internal controls. In so doing, the Committee oversees all aspects of the GTAA's financial and accounting management procedures and the integrity of the GTAA's financial statements and financial reporting process. It also oversees the work of the GTAA's external auditor engaged for the purpose of preparing and issuing an auditor's report, overseeing the qualifications and independence of the external auditor, and providing an open avenue of communication between the senior management of the GTAA, the external auditor, the internal auditor, and the members of the Board and Committees of the Board.

The Committee also oversees the GTAA's insurance programs which minimize risk and exposure and provide for compliance with the insurance requirements under the Ground Lease and the Master Trust Indenture. Finally, the Committee monitors and oversees the defined benefit and defined contribution pension plans for the GTAA's employees. The Charter of the Audit Committee is included in the GTAA's Annual Information Form, which may be accessed at www.sedar.com.

## GOVERNANCE AND STAKEHOLDER RELATIONS COMMITTEE

The Governance and Stakeholder Relations Committee is charged with the implementation and assessment of effective corporate governance principles and, since May 2016, with oversight of the GTAA's relationships and strategic communications program with governments, the community, community investment programs and the GTAA's stakeholders. The Committee also is responsible for developing and reviewing the roles and responsibilities of the Board, the Chair of the Board, the Chairs of the Board Committees, and the President and Chief Executive Officer; overseeing the Member nomination process; recommending candidates for appointment as Members; Board succession planning; the orientation program for new Directors; overseeing Director educational and professional development; reviewing the terms of reference of Board Committees; assessing the effectiveness of the Board and the Committees of the Board; and overseeing adherence to corporate governance requirements.

## RISK OVERSIGHT COMMITTEE (FORMERLY THE ENVIRONMENT, SAFETY, SECURITY AND STAKEHOLDER RELATIONS COMMITTEE)

The Risk Oversight Committee oversees the identification, management and mitigation of the GTAA's principal risks. The Committee's mandate includes proposing to the Board risk tolerances and appetites for identified risks driven by and aligned with the GTAA's strategic goals and priorities, overseeing the effectiveness of the GTAA's risk management program including resilience and adaptability to deal with emerging risks, risk mitigation, stress testing and scenario planning. The Committee's responsibilities include overseeing risks relating to environmental, safety, security and airport operations.

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee's mandate is to oversee matters related to the GTAA's human resources strategy, including occupational health and safety, hiring, employee training and talent development, performance oversight and succession planning for key management positions, the GTAA's compensation and benefit policies, recruitment and compensation matters relating to the President and Chief Executive Officer and officers, and matters relating to regulatory disclosure of compensation.

## PLANNING AND COMMERCIAL DEVELOPMENT COMMITTEE

The Planning and Commercial Development Committee's mandate includes oversight of the GTAA's commercial development of the airport, business and marketing strategy, planning, development and utilization of infrastructure and facilities to meet the needs of the GTAA's customers and stakeholders, including air carriers, passengers and cargo shippers. The Committee also is responsible for providing oversight with respect to the GTAA's airport master plan including a land use plan.

## AD HOC AIRPORT OWNERSHIP REVIEW COMMITTEE

The mandate of this Committee is to provide guidance to the Board regarding the Government of Canada's ongoing review of airport ownership models of airport authorities in Canada.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED DECEMBER 31, 2016**

*Dated March 22, 2017*

## FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis ("MD&A") contains certain forward-looking information. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. Please refer to the section titled "Caution Regarding Forward-Looking Information" contained at the end of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking information.

**This report discusses the financial and operating results of the Greater Toronto Airports Authority (the "GTAA") for the year ended December 31, 2016, and should be read in conjunction with the Financial Statements of the GTAA for the years ended December 31, 2016 and 2015, and the Annual Information Form for the year ended December 31, 2016. These documents provide additional information on certain matters that may or may not be discussed in this report. Additional information relating to the GTAA, including the Annual Information Form and the Financial Statements referred to above, is available on SEDAR at www.sedar.com. The GTAA's Financial Statements and MD&A are also available on its website at www.torontopearson.com.**

## CORPORATE PROFILE

The GTAA was incorporated in March 1993 as a corporation without share capital under the *Canada Corporations Act* and recognized as a Canadian Airport Authority by the federal government in November 1994. Effective February 27, 2014, the GTAA was continued under the *Canada Not-for-profit Corporations Act*, the successor legislation to the *Canada Corporations Act*. The GTAA is authorized to operate airports within the south-central Ontario region, including the Greater Toronto Area (the "GTA"), on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto Pearson International Airport (the "Airport" or "Toronto Pearson") under a ground lease with the federal government, which was executed in December 1996 (the "Ground Lease"). The Ground Lease has a term of 60 years, with one renewal term of 20 years. The Ground Lease is available on SEDAR at www.sedar.com and on the GTAA's website at www.torontopearson.com.

## SELECT FINANCIAL AND OPERATIONAL HIGHLIGHTS

The annual financial and operating highlights for the GTAA are as follows:

| ($ millions) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| | **$** | $ | $ | | $ |
| **Total Revenues** | **1,285.6** | 1,200.6 | 85.0 | 7.1% | 1,153.6 |
| Total Operating Expenses | **859.2** | 776.9 | 82.3 | 10.6% | 731.8 |
| Less: Amortization of property and equipment, investment property and intangible assets | **248.8** | 235.0 | 13.8 | 5.9% | 226.3 |
| **EBITDA**[2], [3] | **675.2** | 658.7 | 16.5 | 2.5% | 648.1 |
| EBITDA margin[2], [3] | **52.5%** | 54.9% | | (2.4)pp | 56.2% |
| **EBIT**[4] | **426.4** | 423.7 | 2.7 | 0.6% | 421.8 |
| **Net Income (loss)** | **85.5** | 65.9 | 19.6 | 29.7% | (59.6) |
| **Free Cash Flow**[5] ($ millions) | **127.3** | 66.7 | 60.6 | | 63.6 |
| **Key Credit Metric**[6] | | | | | |
| EBITDA/Interest (net) (x)[1] | **1.98** | 1.84 | | 0.14 | 1.35 |
| **Passenger Activity** (millions) | | | | | |
| Domestic | **16.9** | 15.8 | 1.1 | 6.9% | 15.2 |
| International | **27.4** | 25.2 | 2.2 | 8.8% | 23.4 |
| Total | **44.3** | 41.0 | 3.3 | 8.0% | 38.6 |
| **Flight Activity** | | | | | |
| Aircraft movements (thousands) | **456.4** | 444.0 | 12.4 | 2.8% | 435.0 |
| MTOW (million tonnes) | **17.2** | 16.0 | 1.2 | 7.9% | 15.1 |
| Arrived seats (millions) | **27.1** | 25.0 | 2.1 | 8.3% | 23.7 |
| Load factor (%) | **81.8%** | 82.0% | | (0.2)pp | 81.5% |

| At December 31 | **2016** | 2015 | | Change | 2014 |
|---|---|---|---|---|---|
| Total Debt – GAAP ($ millions) | **6,222.6** | 6,294.2 | (71.6) | | 6,660.4 |
| **Net Debt**[7] | **5,665.9** | 5,783.1 | (117.1) | | 5,843.5 |
| **Key Credit Metrics** ($) | | | | | |
| Total Debt/EPAX[8] | **281** | 307 | (26) | (8.5)% | 345 |
| Net Debt[7]/EPAX[8] | **256** | 282 | (26) | (9.3)% | 303 |

(1) "% Change" is based on detailed actual numbers (not rounded as presented); pp = percentage points; x = times.
(2) EBITDA (earnings before interest and financing costs and amortization) is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".
(3) See "Results of Operations – Net Operating Results" section for EBITDA and EBITDA margin narrative details.
(4) EBIT is earnings before interest and financing costs, net (see "Results of Operations – Net Operating Results" section for narrative details).
(5) Free cash flow, a non-GAAP financial measure, is defined as cash generated from operations, less cash interest and financing costs less capital expenditures. Refer to section "Non-GAAP Financial Measures".
(6) This key credit metric is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".
(7) Net Debt, a non-GAAP financial measure, is gross debt, less cash and cash equivalents, restricted funds and restricted cash. Refer to section "Non-GAAP Financial Measures".
(8) EPAX (enplaned passengers) is defined as equal to half of total passengers and is based on prior 12 months activity.

## BUSINESS STRATEGY

Air travel activity at Toronto Pearson has risen significantly over the last several years and Canada's major air carriers continue to expand and use Toronto Pearson as a key global hub airport. In the near term, additional investment in the Airport will relate to operational and passenger processing improvements, repairs and maintenance, and initiatives that generate additional non-aeronautical revenues, or will be made to meet regulatory requirements, all within existing facilities. The strong passenger growth experienced over the past few years, if sustained, will likely result in the need to accelerate the next large investment in physical infrastructure. The GTAA is reviewing terminal expansion plans and designs, and construction will commence when demand dictates and after a thorough consultation with the air carriers.

"The Best Airport in the World: Making a Difference, and Connecting the World" is the GTAA's vision. "Passengers Are Our Passion" is its mission. With passengers at the centre of its business focus, the GTAA has developed a set of strategic goals that will focus its efforts and drive the GTAA toward its vision.

The GTAA's 20-year strategic framework, approved by the Board of Directors (the "Board") in March 2015, seeks to position the Airport to meet the travel demands of the south-central Ontario region in a sustainable manner. The 20-year strategic framework is guided by three overarching principles: financial sustainability, customer experience and operational excellence. The overarching principles are intended to create a balanced approach to the GTAA's strategic business decisions. The GTAA's strategic framework will be advanced and measured through the achievement of the following six Strategic Goals: Passenger and Customer Service, Safety, Engaged People, Financial Sustainability, Aviation Growth and Corporate Responsibility (community and the environment).

## OUTLOOK

The improving financial results of the GTAA that began in 2010 have continued throughout 2016 and are expected to continue throughout 2017. Toronto Pearson's growth reflects the region's population growth and economic success, an increase in the Airport's connecting passenger traffic and the success of its overall global hub strategy. A key component of the global hub strategy is the long-term rate agreements with Air Canada and WestJet, which incentivize the Airport's two largest carriers to further invest in their operations at Toronto Pearson. During 2016, passenger traffic grew by 8.0 per cent compared to the same period in 2015. Toronto Pearson was the second-largest international passenger airport in North America as measured by the total number of annual international passengers. With 61.8 per cent of the Airport's passengers in 2016 being international, there continues, however, to be some risk for the air travel industry due to, among other risks, the uneven global economic outlook, volatile oil prices and currency fluctuations. The GTAA remains focused on activities designed to continue to reduce costs, to grow non-aeronautical revenues by offering products and services which passengers value and to work with air carriers to expand capacity on existing routes and attract new air service.

These improved financial results have allowed the Corporation to balance its approach to achieving its six Strategic Goals. The Corporation has increased its investments in initiatives which support Passenger and Customer Service, Safety, Engaged People, and Corporate Responsibility. At the same time, the GTAA has enhanced its Financial Sustainability through debt reduction, increasing net income, and continuing to lower the air carriers' cost per enplaned passenger. The GTAA has not raised aeronautical fees charged to airlines since 2007. Aeronautical fees have been held constant or lowered for nine consecutive years, resulting in a reduction in average air carriers' cost per enplaned passenger of approximately 38 per cent over this period. These fee reductions or rate freezes are a result of the continued growth in air carrier and passenger traffic, an increase in non-aeronautical revenues, and operating cost and capital expenditure management. Due to its improved financial performance, the GTAA has received credit rating upgrades during 2016 by Moody's from "A1" to "Aa3" and by Standard & Poor's from "A" to "A+".

Prior to July 1, 2015, aircraft deicing services were provided directly to the air carriers by a third-party service provider. Effective July 1, 2015, due to its desire to exercise full control over an airport function that is critical to the efficient operation of the Airport during winter operations, the GTAA assumed the responsibility for the provision of deicing services, using GTAA staff, equipment and facilities. Air carriers pay a Deicing Facility Fee to the GTAA.

The GTAA believes that continued prudent planning and strategy-setting will strengthen the GTAA and enable Toronto Pearson to capitalize on growth opportunities as its global hub strategy strengthens and air travel demand continues to grow. While the GTAA is placing increasing emphasis on utilizing internally generated cash flows to fund capital investments, the GTAA may from time to time access the capital markets to refinance maturing debt and fund the redevelopment of existing assets as well as new major capital programs. The GTAA's measured approach of matching Airport capacity to demand, together with the management focus expressed in its strategic framework, position the GTAA well to continue to meet the developing air travel needs of the south-central Ontario region in a sustainable manner.

# OPERATING ACTIVITY

The GTAA monitors passenger activity levels and aircraft movements, including the type and size of aircraft, as both passenger and aircraft activity have a direct impact on its financial results.

## Passenger Activity

In 2016, Toronto Pearson experienced the largest annual increase in passenger growth in terms of the total number of annual passengers, and also the percentage of passengers for both the domestic and international sectors in the last 10 years. Passenger traffic at the Airport increased in 2016 by 8.0 per cent, from 41.0 million passengers in 2015 to 44.3 million passengers in 2016, representing an annual growth of 3.3 million passengers.

Total passenger traffic at the Airport is generally categorized as belonging to one of two sectors: domestic, or passengers travelling within Canada; and international, or passengers travelling between Canada and destinations outside Canada. During 2016, the strongest growth was in the international sector, where there was an increase in passenger traffic of 8.8 per cent from 25.2 million passengers in 2015 to 27.4 million passengers in 2016. The domestic sector experienced an increase of 6.9 per cent from 15.8 million passengers to 16.9 million passengers, over the same comparable periods.

The following table summarizes passenger activity by sector for 2016, 2015 and 2014:

### PASSENGER ACTIVITY

| (in millions) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| Domestic | **16.9** | 15.8 | 1.1 | 6.9% | 15.2 |
| International | **27.4** | 25.2 | 2.2 | 8.8% | 23.4 |
| **Total** | **44.3** | 41.0 | 3.3 | 8.0% | 38.6 |

(1) "% Change" is based on detailed actual numbers (not rounded as presented).

Toronto Pearson's global hub strategy continues to flourish with substantial growth in 2016. The airlines' aircraft upgauging on existing frequencies, additional frequencies on existing routes, and the addition of new routes by existing air carriers have driven most of the capacity growth in 2016. Upgauging includes increasing the seat capacity per aircraft by either upgrading to larger aircraft or reconfiguring and increasing seats in existing aircraft. Air Canada's and WestJet's strategy to connect more traffic through their respective hubs has also contributed to Toronto Pearson's increased passenger activity.

In 2016, when compared to 2015, Toronto Pearson saw increased capacity on new and existing routes with the following destinations.

| Region | Destination | Air Carrier | Route Type |
|---|---|---|---|
| U.S. | Washington, D.C. (Dulles) | Air Canada | New |
| | Jacksonville, Florida | Air Canada | New |
| | Portland, Oregon | Air Canada | New |
| | Salt Lake City, Utah | Air Canada/Delta | New/New |
| | Boston, Massachusetts | WestJet | New |
| | Nashville, Tennessee | WestJet | New |
| | Los Angeles, California | WestJet | New |
| Europe | Amsterdam, Netherlands | Air Canada | Existing |
| | London, U.K. (Gatwick) | Air Canada/WestJet | New/New |
| | Glasgow, Scotland | Air Canada | New |
| | Brussels, Belgium | Brussels Airlines | New |
| | Keflavik, Iceland | WOW Airlines | New |
| | Prague, Czech Republic | Air Canada | New |
| | Budapest, Hungary | Air Canada | New |
| | Warsaw, Poland | Air Canada | New |
| | Zagreb, Croatia | Air Transat | New |
| Asia/Pacific | Delhi, India | Air Canada | New |
| | Seoul (Incheon), South Korea | Air Canada | New |
| | Guangzhou, China | China Southern | New |

Three new carriers joined Toronto Pearson in 2016. These new carriers were Brussels Airlines, serving North Africa connecting through Belgium; discount carrier WOW Air, serving Iceland; and China Southern, serving South East China. There were two discontinued air services during the 2016, namely seasonal air carrier Finnair serving Finland and TAM Airlines serving Brazil.

With respect to domestic traffic during 2016, when compared to the same period in 2015, Toronto Pearson saw increased capacity on existing routes with Vancouver, Montreal, Ottawa and Winnipeg. The domestic traffic growth was negatively impacted by the downturn of the energy sector in Alberta.

There are two principal types of passengers: origin and destination passengers, and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, while a connecting passenger changes aircraft at that same airport en route to their final destination. Approximately 68.5 per cent of Toronto Pearson's total passenger traffic in 2016 were origin and destination passengers, while the remaining 31.5 per cent of passengers were connecting passengers.

## Flight Activity

As a global hub airport, Toronto Pearson has a robust network offering direct flights to 152 international and 33 Canadian cities.

Flight activity is measured by aircraft movements, where one movement is defined as a landing or takeoff of an aircraft. Each aircraft has a specific maximum take-off weight ("MTOW"), as specified by the aircraft manufacturers, and total number of seats. These measures are used to calculate the majority of air carrier charges for each arrived flight. The load factor, a ratio of passengers to seats, is a measure of aircraft capacity utilization and is computed as a percentage of seats filled by passengers.

The following tables summarize aircraft movements, MTOW, arrived seats, arrived seats per arrived passenger aircraft movement and load factor for 2016, 2015 and 2014.

### FLIGHT ACTIVITY

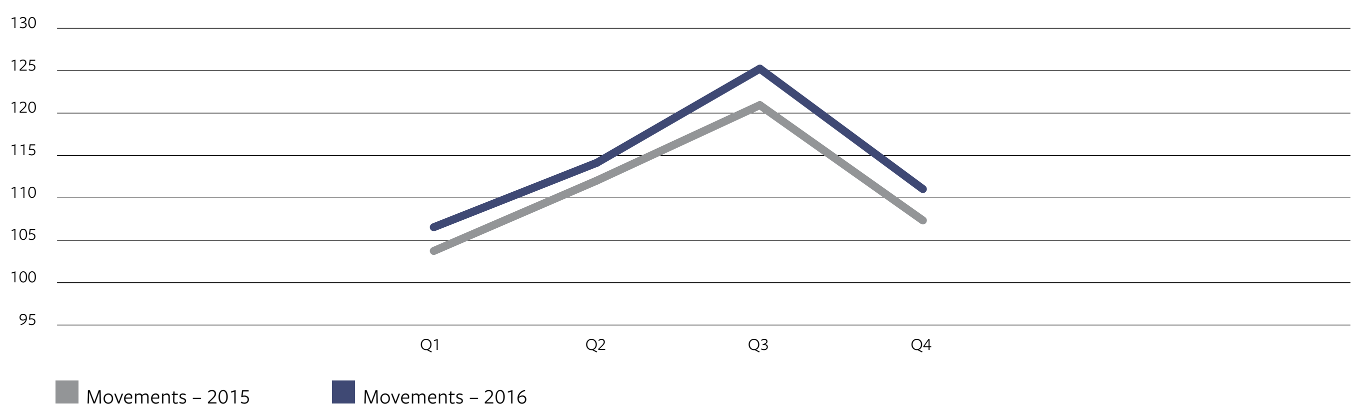
| (in thousands) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| Aircraft movements[2] | **456.4** | 444.0 | 12.4 | 2.8% | 435.0 |
| Passenger aircraft movements | **419.2** | 407.4 | 11.8 | 2.9% | 397.8 |
| (in millions) | | | | | |
| MTOW (tonnes) | **17.2** | 16.0 | 1.2 | 7.9% | 15.1 |
| Arrived seats | **27.1** | 25.0 | 2.1 | 8.3% | 23.7 |

| (in thousands) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| Arrived seats per arrived passenger aircraft movements | **129.2** | 122.8 | 6.4 | 5.2% | 119.0 |
| Load factor | **81.8%** | 82.0% | | (0.2)pp | 81.5% |

(1) "% Change" is based on detailed actual numbers (not rounded as presented).
(2) Aircraft movements include both passenger and non-passenger aircraft movements.

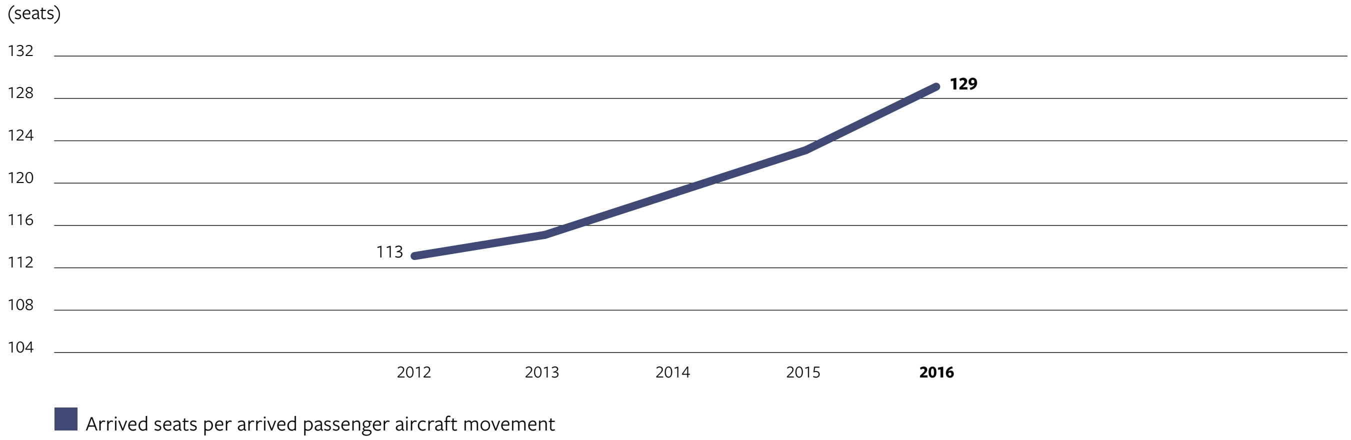
The following chart illustrates the seasonality and rise in movements for the past two years by quarter:

### MOVEMENTS
(in thousands)



There was significant growth in MTOW during 2016 with 17.2 million tonnes, an increase of 7.9 per cent as compared to 2015. This growth reflects additional aircraft traffic and airlines having upgraded their fleet to larger aircrafts. Arrived seats also increased significantly during 2016 by 8.3 per cent to 27.1 million seats, as compared to 2015. As explained in the previous section “Passenger Activity”, airlines have upgauged their aircrafts, especially during 2016, by increasing the seat capacity on existing aircrafts and upgrading to larger planes. For these same reasons, the number of arrived seats per arrived passenger aircraft movement during 2016 were 129.2, an increase of 6.4 seats or 5.2 per cent compared to 2015. As the chart below illustrates, the number of seats per movement has been increasing over the last five years.

**ARRIVED SEATS PER MOVEMENT**




The GTAA reviews and updates historical measures of Airport operating activity on an ongoing basis. Changes to these measures, although generally not material, do occur. For the most current operating activity statistics, please consult the GTAA’s website at www.torontopearson.com.

## RESULTS OF OPERATIONS

The following section discusses the GTAA’s approach to setting its aeronautical rates and charges, together with its financial results. In reviewing the financial results, it is important to note that the GTAA is a not-for-profit corporation without share capital. Under the GTAA’s financial model, all funds, whether generated through revenues or debt, are used for Airport operations, ancillary aviation-related activities, construction, repairs and maintenance, debt service (interest and repayment of principal), funding of restricted funds, and the GTAA’s other activities.

### Rate-Setting

The GTAA has maintained its aeronautical rates and charges for air carriers operating at the Airport during 2016 at 2013 levels. The GTAA retains the right, however, to set fees as required and, if circumstances should vary from the GTAA’s expectations, the GTAA may alter its rates and charges.

The GTAA and Air Canada have a long-term commercial agreement which further supports Toronto Pearson’s global hub strategy. The non-exclusive agreement covers an initial five-year term which commenced in 2014, and an extension for a further five years subject to certain conditions having been met, and includes fixed annual aeronautical fees for Air Canada and its family members, inclusive of landing fees, general terminal charges and apron fees. The fixed annual fees may be adjusted in certain circumstances, including instances where fees for all other carriers operating at the Airport are adjusted. If Air Canada exceeds passenger growth thresholds in a given year, it will be eligible for a rebate. The reader is directed to the GTAA’s Annual Information Form for the year ended December 31, 2014 for additional information relating to the Air Canada agreement.

In January 2016, the GTAA entered into a long-term commercial agreement with WestJet having similar parameters to the Air Canada commercial agreement. The WestJet agreement has an effective date of January 1, 2016 and covers an initial four-year renewable term.

### Revenues

Revenues are derived from aeronautical charges (which include landing fees, general terminal charges and apron fees), Airport Improvement Fees (“AIF”), Deicing Facility Fees and non-aeronautical revenue sources such as car parking and ground transportation, concessions, rentals (which include counter fees and check-in fees), and other sources. The primary driver of aeronautical revenues is aircraft movements. Landing fees are based on the MTOW of arriving aircraft, general terminal charges are based on the number of seats of an arriving aircraft, and apron fees are based on the usage of apron and aircraft gates and bridges. The AIF is paid by passengers and is charged on a per-passenger basis. The majority of non-aeronautical revenues are correlated with passenger activity.

The following table summarizes the GTAA's revenues for the years ended December 31, 2016, 2015 and 2014.

## REVENUES

| ($ millions) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| | **$** | $ | $ | | $ |
| Landing fees | **291.8** | 281.9 | 9.9 | 3.5% | 292.5 |
| General terminal charges | **197.5** | 193.8 | 3.7 | 1.9% | 189.1 |
| **Aeronautical revenues** | **489.3** | 475.7 | 13.6 | 2.9% | 481.6 |
| Car parking & ground transportation | **169.1** | 157.1 | 12.0 | 7.6% | 149.5 |
| Concessions & rentals | **214.7** | 200.7 | 14.0 | 7.0% | 186.6 |
| **Non-aeronautical revenues** | **383.8** | 357.8 | 26.0 | 7.3% | 336.1 |
| Airport improvement fees | **383.8** | 353.7 | 30.1 | 8.5% | 331.9 |
| Other | **28.7** | 13.4 | 15.3 | 113.6% | 4.0 |
| **Total** | **1,285.6** | 1,200.6 | 85.0 | 7.1% | 1,153.6 |

(1) "% Change" is based on detailed actual numbers (not rounded as presented).

Aeronautical revenues increased by $13.6 million or 2.9 per cent during 2016, when compared to 2015. This increase reflects increased passenger growth during 2016 when compared to 2015, offset by rebates related to the airline incentive programs.

The GTAA generates non-aeronautical revenues ("NAR") from car parking and ground transportation, concessions and rental properties. The GTAA has a long-term objective to increase the proportion of total revenues that are generated through non-aeronautical revenue streams to over 40 per cent. In recent years, NAR has been the fastest growing component of revenue. When combined with aeronautical rate reductions, the result has been an increase in NAR's proportion of total revenue from 25 per cent to 30 per cent from 2008 to 2016, respectively.

Car parking and ground transportation revenues increased by 7.6 per cent or $12.0 million during 2016 compared to 2015. The increase reflected a combination of rate increases in late 2015, significant increases in passenger volumes during 2016 when compared to 2015 and enhanced marketing and business development initiatives, including the parking reservations program.

Concession and rental revenues increased by 7.0 per cent or $14.0 million during 2016 compared to 2015. This increase is attributable to increased concession revenues in 2016 as a result of higher passenger volumes during 2016 and the introduction of new retail and food and beverage offerings over the prior 12 months designed to enhance the customer experience. During 2016, the GTAA's revenues from its retail tenants, which are included in concession and rental revenues, increased from $84.7 million during 2015 to $91.7 million, an 8.2 per cent increase. There was significant growth due to the opening of 25 new retail stores during 2016 and the introduction of new and enhanced products and services.

During 2016, the retail stores' sales per enplaned passenger at Toronto Pearson were $19.77 versus $19.34 in 2015, a 2.2 per cent increase. Retail stores' sales are the gross sales generated by the GTAA's retail tenants, who pay a percentage of their gross sales to the GTAA as rent. Retail stores include restaurant and beverage establishments.

AIF revenue, net of the administration fee collected by the air carriers for the administration of the AIF, increased 8.5 per cent, or $30.1 million, during 2016, compared to 2015. This increase reflects higher passenger activity and origin and destination passengers during 2016 when compared to 2015. Under the AIF agreements with each of the air carriers, the GTAA has committed to using the AIF revenues for capital programs, including associated debt service.

Other revenues, which are composed of deicing, fire and emergency services training and other miscellaneous revenues, increased by $15.3 million during 2016, when compared to 2015. The significant increase for the year ended December 31, 2016 is primarily attributable to the new in-house Deicing Operations for which the air carriers pay a Deicing Facility Fee.

## Expenses

Expenses include the costs to operate and maintain the Airport, interest and financing costs, and amortization of property and equipment, investment property and intangible assets.

The following table summarizes GTAA's expenses for the years ended December 31, 2016, 2015 and 2014.

### EXPENSES

| ($ millions) | **2016** | 2015 | Change[1] 2016–2015 | | 2014 |
|---|---|---|---|---|---|
| | **$** | $ | $ | | $ |
| Ground rent | **148.1** | 128.0 | 20.1 | 15.7% | 133.0 |
| Goods and services | **269.3** | 240.4 | 28.9 | 12.0% | 216.4 |
| Salaries, wages and benefits | **158.4** | 141.6 | 16.8 | 11.8% | 125.7 |
| PILT | **34.6** | 31.9 | 2.7 | 8.6% | 30.4 |
| Amortization of property and equipment, investment property and intangible assets | **248.8** | 235.0 | 13.8 | 5.9% | 226.3 |
| **Total operating expenses** | **859.2** | 776.9 | 82.3 | 10.6% | 731.8 |
| Interest expense on debt instruments and other financing costs, net | **340.9** | 357.8 | (16.9) | (4.7)% | 379.1 |
| Early retirement of debt charge | **–** | – | – | – | 102.3 |
| **Total expenses** | **1,200.1** | 1,134.7 | 65.4 | 5.8% | 1,213.2 |

(1) "% Change" is based on detailed actual numbers (not rounded as presented).

Ground rent payments are calculated as a percentage of revenues (as defined in the Ground Lease). Ground rent expense (including the amortization of land acquisition costs) increased by $20.1 million or 15.7 per cent during 2016, when compared to 2015. This increase in ground rent expense was primarily due to an increase in net revenues in 2016 and a one-time reduction to ground rent expense in 2015.

Expenditures for goods and services increased $28.9 million, or 12.0 per cent, during 2016, when compared to 2015. The GTAA incurred higher expenditures during 2016 due to continued investments in company-wide initiatives to achieve its strategic goals and achieve the Corporation's vision to be the best airport in the world. Some of these costs relate to its investments in operational excellence, such as baggage operations enhancements in Terminal 1; and improving the customer experience and security, which are key elements of the GTAA's 20-year Strategic Framework. Two specific strategic investments fully implemented in 2016 were the first full-year impact of bringing aircraft deicing operations in-house, which began midway through 2015, and an upgrade to the delivery model for information technology, including infrastructure and key outsourced relationships.

Salaries, wages and benefits increased $16.8 million or 11.8 per cent during 2016 when compared to 2015. A significant part of the increase was due to the full year's salaries and benefits from the Deicing Operations compared to only half a year of the same expenses in 2015. During 2016, the GTAA invested significantly in its people, a strategic goal for the Company, by transforming and aligning itself to achieve its short- and long-term strategic goals. As a result, there were increases during 2016 in annual salaries, benefits and severance costs as well as enhancements to the Management incentive plans and the hiring of additional staff in various departments, to support rapid passenger growth and enhanced customer experience.

The GTAA has an exemption from the payment of real property taxes under the *Assessment Act* (*Ontario*), and instead pays payments in lieu of real property taxes ("PILT") to each of the cities of Toronto and Mississauga as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year. The PILT expenditure increased $2.7 million or 8.6 per cent during 2016, when compared to 2015.

Amortization of property and equipment, investment property and intangible assets during 2016 increased $13.8 million or 5.9 per cent, when compared to 2015. This increase is due to additions to the depreciable asset base.

Net interest and financing costs decreased $16.9 million or 4.7 per cent during 2016, when compared to 2015. The decreases were primarily attributable to a lower balance of outstanding debt and debt refinancing at lower interest rates. The GTAA reduced its gross debt during 2015 by utilizing certain cash reserve funds and cash generated from operations to repay the $350 million Series 2005-1 Medium Term Notes ("MTNs") that matured on June 1, 2015. The GTAA also partially reduced its debt when it refinanced the $350 million Series 2005-3 MTNs with the issuance of the new $300 million Series 2016-1 MTNs on February 16, 2016.

## Net Operating Results

The following table summarizes the GTAA's net operating results for the year ended December 31, 2016, 2015 and 2014.

### NET OPERATING RESULTS

| ($ millions) | **2016** | 2015 | Change[1] | 2016–2015 | 2014 |
|---|---|---|---|---|---|
| | **$** | $ | $ | | $ |
| Net Income (loss) | **85.5** | 65.9 | 19.6 | 29.7% | (59.6) |
| Add: Interest and financing costs, net | **340.9** | 357.8 | (16.9) | (4.7)% | 379.1 |
| Early redemption of debt charge | **–** | – | – | – | 102.3 |
| EBIT | **426.4** | 423.7 | 2.7 | 0.6% | 421.8 |
| Add: Amortization[2] | **248.8** | 235.0 | 13.8 | 5.9% | 226.3 |
| EBITDA (non-GAAP financial measure) | **675.2** | 658.7 | 16.5 | 2.5% | 648.1 |
| EBITDA margin | **52.5%** | 54.9% | | (2.4)pp | 56.2% |

(1) "% Change" is based on detailed actual numbers (not rounded as presented).
(2) Amortization means amortization of property and equipment, investment property and intangible assets.

During 2016, the GTAA recorded net income of $85.5 million as compared to $65.9 million in 2015, an increase of $19.6 million or 29.7 per cent. This increase in net income was due to the reduction in interest costs as discussed in the "Expenses" section above and the earnings generated from the year's strong operational performance.

Earnings before interest and financing costs ("EBIT") during 2016, when compared to 2015, increased by $2.7 million, or 0.6 per cent, due to the year's strong operational results, however, it was partially offset by the 2015 adjustments relating to the reduction to the ground rent expense. Excluding this one-time adjustment, adjusted EBIT increased 2.9 per cent during 2016, when compared to 2015.

Earnings before interest and financing costs and amortization ("EBITDA") during 2016 increased by $16.5 million, or 2.5 per cent, when compared to 2015. Excluding the 2015 one-time adjustment indicated in EBIT above, adjusted EBITDA increased 4.0 per cent during 2016, when compared to 2015. The EBITDA margin, however, decreased by 2.4 percentage points to 52.5 per cent during 2016, when compared to 2015. This decrease was due to the 2015 one-time adjustment described above and the 2016 accounting for the in-house deicing operations, which encompasses a full cost recovery model. EBITDA is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

## Summary of Quarterly Results

Select unaudited quarterly financial information for the quarters ended March 31, 2015 through December 31, 2016, is set out in the following table.

| | | | | | | | | Quarter Ended |
|---|---|---|---|---|---|---|---|---|
| | | | | **2016** | | | | 2015 |
| ($ millions)[1] | **Dec** | **Sep** | **Jun** | **Mar** | Dec | Sep | Jun | Mar |
| | **$** | **$** | **$** | **$** | $ | $ | $ | $ |
| Revenues | **317** | **351** | **315** | **303** | 298 | 325 | 292 | 285 |
| Operating expenses (excluding amortization)[2] | **163** | **150** | **146** | **152** | 149 | 134 | 121 | 138 |
| Amortization[2] | **65** | **62** | **61** | **61** | 60 | 59 | 58 | 58 |
| Earnings before interest and financing costs, net | **89** | **139** | **108** | **90** | 89 | 132 | 113 | 89 |
| Interest and financing costs, net | **85** | **85** | **85** | **86** | 88 | 88 | 91 | 90 |
| Net income/(loss) | **4** | **54** | **23** | **4** | 1 | 44 | 22 | (1) |

(1) Rounding may result in the above figures differing from the quarterly results reported in the condensed interim financial statements.
(2) Amortization means amortization of property and equipment, investment property and intangible assets.

The GTAA's quarterly results are influenced by passenger activity and aircraft movements, which vary with travel demand associated with holiday periods and other seasonal factors. In addition, factors such as weather and economic conditions may affect operating activity, revenues and expenses. Changes in operating facilities at the Airport may affect operating costs, which may result in quarterly results not being directly comparable. Due to these factors, the historical quarterly results cannot be relied upon to determine future trends.

## CAPITAL PROJECTS

As part of the 20-year strategic framework approved by the Board in 2015, the GTAA will continue to meet the growing demand for air travel through making optimum use of existing facilities prior to investing in new capital infrastructure.

In the near term, the GTAA will continue to focus on capital programs that optimize the capacity and use of its existing infrastructure assets to improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance customer experience, primarily through its improvement projects. Expenditures related to these capital projects are expected to be funded primarily through cash flows generated from operations.

The following describes the GTAA's most significant capital projects recently completed or currently in development.

**Terminal 3 Improvement Projects** – Completed Terminal 3 improvements include the opening of Node C on June 28, 2016, with 50,398 square feet of retail improvements, including new post-security retail space for duty free, food and beverage, specialty retail, and newsstands, and an atrium allowing natural light into the space to enhance passenger experience.

The following Terminal 3 improvement projects are expected to be completed in 2017:

a) Energy efficiency improvements, including LED lighting upgrades, installation of daylight sensors, and modifications to mechanical and lighting control systems; and

b) Modifications to check-in and security screening layout, including expanded passenger security screening checkpoints serving domestic and international passengers.

As at December 31, 2016, the GTAA had expended $128.2 million on the Terminal 3 improvement projects.

**Regulatory Project – Security Screening in Advance of United States Customs and Immigration Processing** – This project was developed and implemented to meet new U.S. CBP ("Customs and Border Protection") regulatory requirements and improve passenger flow for U.S.-bound passengers using the preclearance process. The Terminal 1 portion of the project became operational on May 17, 2016 and was completed by the end of the third quarter of 2016, while the Terminal 3 portion of the project has been operational since January 14, 2016 and was completed by the end of the second quarter of 2016. As at December 31, 2016, the GTAA had expended $106.9 million on this project. Toronto Pearson is the fourth-largest U.S. CBP port of entry by air to the United States.

**Restoration Capital Projects** – The GTAA has an ongoing program to improve, restore or replace certain capital assets. During 2016, the GTAA expended approximately $136.4 million for capital restoration projects to upgrade, refurbish or replace existing facilities.

## ASSETS AND LIABILITIES

Total assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2016, 2015 and 2014, are set out in the following table.

| ($ millions) | **2016** | 2015 | Change 2016–2015 | 2014 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| Total assets | **5,967.0** | 5,934.3 | 32.7 | 6,158.0 |
| Total liabilities | **6,553.2** | 6,601.5 | (48.3) | 6,902.9 |
| Deficit & Accumulated other comprehensive loss | **(586.2)** | (667.2) | 81.0 | (744.9) |

At December 31, 2016, total assets increased by $32.7 million and total liabilities decreased by $48.3 million when compared to December 31, 2015. Cash flows generated from operating activities during 2016 have contributed to the increase in total assets and the reduction of total liabilities, and the deficit and accumulated other comprehensive loss.

## RESTRICTED FUNDS

| ($ millions) | **2016** | 2015 | 2014 |
|---|---|---|---|
| | **$** | $ | $ |
| Debt Service | **73.3** | 78.8 | 79.3 |
| Debt Service Reserve | **403.7** | 421.6 | 435.9 |
| Trust Indenture directed funds | **477.0** | 500.4 | 515.2 |
| Operations, Capital and Financing Funds(1) | **–** | – | 289.6 |
| **Total Restricted Funds** | **477.0** | 500.4 | 804.8 |

(1) During 2015, the Operating and Maintenance Reserve fund and the Renewal and Replacement Reserve fund were replaced with letters of credit.

As shown in the table above, total restricted funds decreased from $500.4 million in 2015 to $477.0 million in 2016 primarily due to the GTAA's use of some of the reserve funds to repay the principal maturity of the Series 2005-3 MTNs which were replaced by the lower reserve fund set up for the Series 2016-1 MTNs. The restricted funds that are cash-funded are invested in short-duration investment-grade instruments.

The various Debt Service Funds represent funds for regular payments of interest and principal and amounts set aside with the Trustee under the GTAA's Master Trust Indenture (the "Trust Indenture") as security for specific debt issues. As the GTAA has sufficient revenues and reserve funds to meet the 125 per cent debt service covenant under the Trust Indenture, no funds are currently required to be deposited into the Debt Service Coverage Fund to meet the debt service covenant (see "Earnings Coverage"). The Operating and Maintenance Reserve and Renewal and Replacement Reserve Funds represent letters of credit issued in accordance with the terms of the Trust Indenture for operating and capital expenses.

The GTAA also maintains for its own account funds for future principal payments and other commitments, which include the Notional Principal Fund and the AIF Reserve Fund, each of which is described below.

The amounts deposited to the Notional Principal Fund are computed on the basis of an estimated principal amortization for each debt issue based on a 30-year amortization period for the debt, regardless of the actual term of the respective issue. The Notional Principal Fund may be applied to repay any debt on maturity in whole or in part or to purchase portions of any outstanding debt prior to their maturity. During 2016, $152.9 million was deposited to this fund and $152.9 million of accumulated Notional Principal Fund was used towards debt repayments.

The AIF Reserve Fund accumulates AIF revenue as it is collected. This fund is used by the GTAA for capital programs or debt service payments. See "Revenue" above for further details regarding use of the AIF Reserve Fund. The AIF Reserve Fund was $nil as at December 31, 2016 (December 31, 2015 – $nil).

Accounts payable and accrued liabilities increased $25.2 million and long-term debt decreased by $71.6 million at December 31, 2016, respectively, as compared to December 31, 2015. The accounts payable and accrued liabilities increased due to higher capital expenditures and operating expenses that were accrued as at December 31, 2016 compared to December 31, 2015. The decrease in long-term debt is primarily attributable to the maturity and repayment on February 16, 2016 of the $350 million Series 2005-3 MTNs which was partially offset by the issuance of the $300 million Series 2016-1 MTNs. See "Liquidity and Capital Resources" below.

The deficit and accumulated other comprehensive loss of $586.2 million at December 31, 2016, as reported on the statements of financial position, has arisen primarily due to the historical aeronautical rate-setting methodology. The notional amortization of debt used in setting the historical aeronautical rates was less than the amortization of property and equipment, investment property and intangible assets and contributed to the GTAA's cumulative net deficit. The transition from the historical aeronautical rate-setting model to one that targets full cost recovery and optimal cash flow is expected to continue to contribute to an improvement in the net deficit position over time.

## LIQUIDITY AND CAPITAL RESOURCES

The following table provides the calculation of free cash flow, net debt and key credit metrics for the GTAA for the years indicated:

| ($ millions) | 2016 | 2015 | Change 2016–2015 | 2014 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| **Free Cash Flow ("FCF")**[1] | | | | |
| Cash flows from Operating Activities – GAAP | **700.5** | 659.8 | 40.7 | 670.2 |
| Capital Expenditures[2] | **(227.2)** | (228.4) | 1.2 | (122.0) |
| FCF before interest and financing costs | **473.3** | 431.4 | 41.9 | 548.2 |
| Interest and financing costs, net (cash)[3] | **(346.0)** | (364.7) | 18.7 | (484.6) |
| **Free Cash Flow**[1] | **127.3** | 66.7 | 60.6 | 63.6 |
| EBITDA[4]/Interest (net) (x) | **1.98** | 1.84 | 0.14 | 1.35 |

At December 31

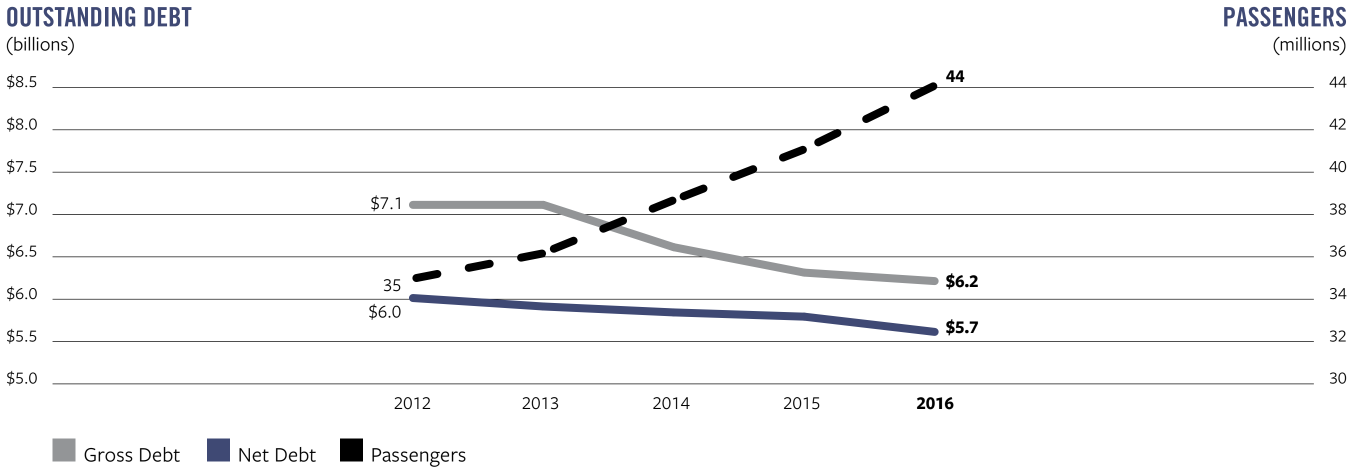
| ($ millions) | 2016 | 2015 | Change 2016–2015 | 2014 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| **Debt** | | | | |
| Total Debt – GAAP | **6,222.6** | 6,294.2 | (71.6) | 6,660.4 |
| Cash | **73.8** | 3.5 | 70.3 | 9.0 |
| Restricted funds and restricted cash | **482.9** | 507.6 | (24.7) | 807.9 |
| **Net Debt**[5] | **5,665.9** | 5,783.1 | (117.2) | 5,843.5 |
| **Key Credit Metrics** ($) | | | | |
| Total Debt/EPAX[6] | **281** | 307 | (8.5)% | 345 |
| Net Debt[5]/EPAX[6] | **256** | 282 | (9.3)% | 303 |

(1) Free cash flow, a non-GAAP financial measure, is defined as cash generated from operations, less cash interest and financing costs less capital expenditures. Refer to section "Non-GAAP Financial Measures".
(2) Capital expenditures are acquisition and construction of property and equipment, investment property and intangible assets per the Statements of Cash Flows in the Financial Statements as at December 31, 2016.
(3) Interest and financing costs, net, excludes non-cash items, therefore is a non-GAAP financial measure.
(4) EBITDA (earnings before interest and financing costs and amortization) is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".
(5) Net Debt, a non-GAAP financial measure, is gross debt, less cash and cash equivalents, restricted funds and restricted cash. Refer to section "Non-GAAP Financial Measures".
(6) EPAX (enplaned passengers) is defined as equal to half of total passengers and is based on the prior 12 months activity.

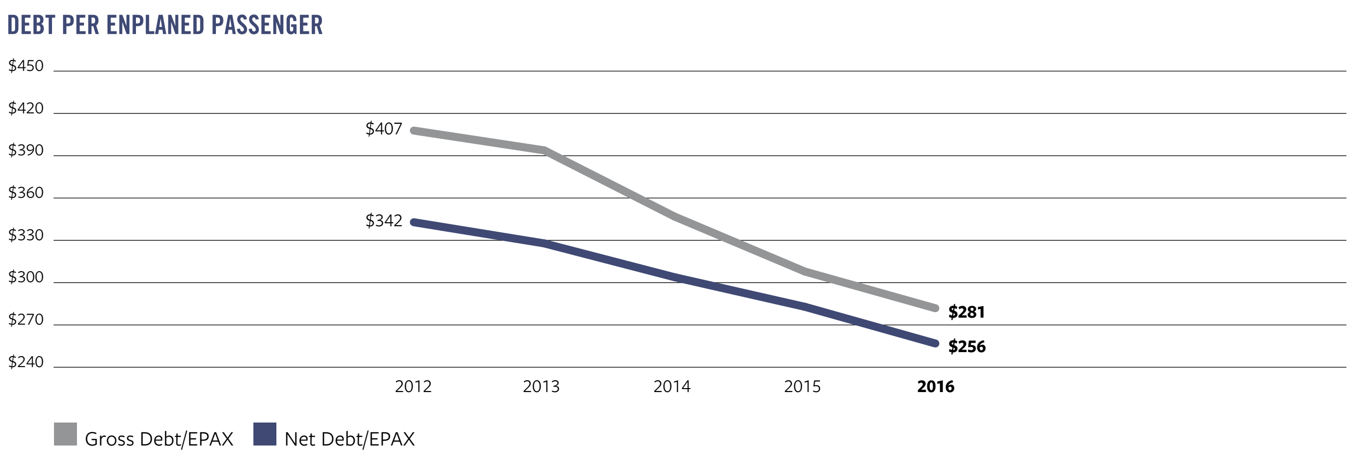
Cash flows from operations increased during 2016 by $40.7 million when compared to 2015. This increase was mainly due to the impact of a strong operational performance and higher cash inflows from changes in working capital. Free cash flow increased during 2016 by $60.6 million when compared to 2015. The increase in free cash flow was primarily due to strong cash flows from operating activities and lower interest and financing costs. Free cash flow is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

EBITDA over interest costs improved during 2016 when compared to 2015 by 0.14 times. EBITDA over interest costs is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The following chart illustrates the GTAA's reduction of gross debt over the last five years from $7.1 billion in 2012 to $6.2 billion in 2016 and the reduction of net debt from $6.0 billion in 2012 to $5.7 billion in 2016, notwithstanding the rise in passenger volumes over the same periods. Net debt is a non-GAAP financial measure.




The GTAA's total debt per enplaned passenger, one of the airport industry's key financial metrics, has declined from $407 in 2012 to $307 in 2015 and $281 in 2016, and net debt per enplaned passenger has declined from $342 in 2012 to $282 in 2015 and $256 in 2016. Debt per enplaned passenger has been on a downward trajectory for the GTAA over the last several years as illustrated in the following chart. Net debt per enplaned passenger is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.




The GTAA's debt obligations have been assigned credit ratings by Standard & Poor's Rating Service ("S&P") and Moody's Investors Service, Inc. ("Moody's") of "A+" and "Aa3", respectively. On February 8, 2016, Moody's upgraded its credit rating of the GTAA's MTNs from "A1" to "Aa3", and on August 10, 2016, S&P upgraded the GTAA's credit rating from "A" to "A+" in recognition of the GTAA's improved financial metrics. Ratings are intended to provide investors with an independent view of credit quality. They are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating. The GTAA's Annual Information Form for the year ended December 31, 2016 contains more detailed information about the credit ratings.

On February 16, 2016, the GTAA issued five-year $300 million Series 2016-1 MTNs to partially refinance the $350 million Series 2005-3 MTNs maturity. During 2015, the GTAA, in contemplation of a MTN issuance in February 2016, entered into a cash flow hedge agreement to lock in the interest rate on a notional debt amount of $300.0 million using the Government of Canada five-year bond maturing in the year 2020 as its reference bond. On February 16, 2016 in conjunction with the issuance of the 2016-1 MTNs, the GTAA terminated the hedge agreement.

## LIQUIDITY & CREDIT FACILITIES

| ($ millions) | | | | | | As at December 31, 2016 |
|---|---|---|---|---|---|---|
| Source | Currency | Expiry | Size | Drawn | LoCs | Available |
| | $ | $ | $ | $ | $ | $ |
| Credit Facilities: | | | | | | |
| Revolving Operating facility | CAD | 22-Nov-18 | 600.0 | 0.0 | 0.0 | 600.0 |
| Letter of Credit facility | CAD | 22-Nov-17 | 100.0 | 0.0 | 76.3 | 23.7 |
| Hedge facility | CAD | Per contract | 150.0 | 0.0 | 0.0 | 150.0 |
| | | | 850.0 | 0.0 | 76.3 | 773.7 |
| Cash & Cash Equivalents | | | | | | 73.8 |

The GTAA currently maintains the credit facilities as indicated in the above table. The revolving operating facility and the letter of credit facility can be extended annually for one additional year with the lenders' consent. The $600 million revolving operating credit facility is used to fund capital projects or operating expenses, as required, and provides flexibility on the timing for accessing the capital markets. These facilities rank pari passu with all other debt of the GTAA. As at December 31, 2016, nil funds were drawn under the $600 million revolving operating facility, $76.3 million was utilized on the $100 million letter of credit facility and no amounts were secured on the $150 million hedge facility.

At December 31, 2016, the GTAA had a working capital deficiency of $546.7 million, as computed by subtracting current liabilities from current assets. Working capital is a financial metric that measures the short-term liquidity for those assets that can easily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. At December 31, 2016, the GTAA had available $600 million under its revolving operating credit facility. The GTAA believes that the available credit under the revolving operating facility, its cash flows from operations, and its ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities.

An overall Capital Markets Platform has been established by the GTAA with the Trust Indenture setting out the security and other common terms and conditions of all debt, including bank facilities, revenue bonds and MTNs. The program has been used to fund certain capital programs, and the GTAA will continue to access the debt markets to fund certain capital programs and to refinance some or all of its maturing debt.

The GTAA's approach to rate-setting, together with the GTAA's prudent liquidity and interest rate risk management practices, enable the GTAA to proactively manage its debt levels and debt service costs. The GTAA has in the past redeemed certain of its debt prior to its scheduled maturity, and may do so in the future. In addition, the GTAA may from time to time seek to retire or purchase any outstanding debt through cash purchases in open market, privately negotiated transactions or otherwise. Such redemptions and purchases, if any, will depend on excess cash and reserve balances, prevailing market conditions, and other factors. These activities are intended to reduce the gross amount of the GTAA's outstanding debt and reduce the GTAA's annual net interest expense. As of the date of this report, the GTAA does not expect to purchase and cancel additional outstanding debt in the near term.

The following table analyzes the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. It includes both principal and interest cash flows.

| ($ millions) | Less than 1 year | 1 year to 3 years | 4 years to 5 years | Thereafter |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 220.1 | | – | – |
| Long-term debt | 432.0 | 1,037.7 | 730.7 | 3,976.1 |
| Interest payable on long-term debt | 336.7 | 881.4 | 525.1 | 2,810.0 |
| | 988.8 | 1,919.1 | 1,255.8 | 6,786.1 |

Accounts payable and accrued liabilities are expected to be funded through operations, while the long-term debt obligations and related interest payable are expected to be funded primarily through a combination of borrowings from accessing the capital markets and cash flows generated from operations.

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2016 and subsequent to the year-end of approximately $332.4 million, as compared to $184.4 million at December 31, 2015. The GTAA expects to fund these commitments primarily through its cash flow from operations.

The objective of the GTAA's investment and cash management strategy is to ensure that the cash requirements for operations, capital programs and other demands are met, and to access capital markets as may be required. The GTAA monitors its cash flow requirements accordingly. Given the availability of its credit facilities, its restricted fund balances, the ability to access the capital markets, and its projected operating cash flows, the GTAA does not anticipate any funding shortfalls in 2017. There may, however, be events outside of the control of the GTAA that could have a negative impact on its liquidity.

## EARNINGS COVERAGE

For the 12-month period ended December 31, 2016, earnings before interest and financing costs for the GTAA were $426.4 million. Interest and financing costs for the same period, net of interest income and adding back capitalized interest and other non-cash finance costs, were $346.0 million, resulting in an earnings coverage ratio of 1.23:1.00.

The updated earnings coverage calculations have been provided to comply with disclosure requirements of the Canadian Securities Administrators ("CSA"). The earnings coverage ratio included above is computed in accordance with the CSA's requirements and is not a measure under Generally Accepted Accounting Principles. An alternate measure of the GTAA's ability to service its indebtedness is its compliance with certain covenants in the Trust Indenture. The Trust Indenture contains a covenant that requires the GTAA to establish and maintain rates, rentals, charges, fees and services so that, among other things, Net Revenues, together with any Transfer from the General Fund in each Fiscal Year will be at least equal to 125 per cent of the Annual Debt Service for each Fiscal Year (as such capitalized terms are defined in the Trust Indenture).

The GTAA sets its rates to ensure the 125 per cent debt service covenant under the Trust Indenture is met. The debt service covenant test excludes amortization of property and equipment, investment property and intangible assets from expenses. It does, however, include a notional amortization, over 30 years of outstanding debt. Inclusion of debt amortization ensures that revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-lived assets. As a result, the GTAA continues to meet the 125 per cent debt service covenant under the Trust Indenture, even though the earnings coverage ratio as calculated in accordance with the disclosure requirements of the CSA may at certain times be less.

## NON-GAAP FINANCIAL MEASURES

Throughout this MD&A, there are references to the following performance measures which Management believes are valuable in assessing the economic performance of the GTAA. While these financial measures are not defined by International Financial Reporting Standards ("IFRS"), are referred to as non-GAAP and may not have any standardized meaning, they are common benchmarks in the industry, and are used by the GTAA in assessing its operating results, including operating profitability, cash flow and investment program.

### EBITDA and EBITDA Margin

("EBITDA") is earnings before interest and financing costs and amortization, and EBITDA margin is EBITDA divided by revenues. EBITDA is a commonly used measure of a company's operating performance. Essentially, it's used to evaluate Pearson's performance without having to factor in financing and accounting decisions.

### EBITDA over Interest Costs

EBITDA over interest costs is defined as EBITDA divided by interest costs, for the year ended December 31, 2016. EBITDA over interest costs is used to assess the cash flow risk and is a commonly used ratio to measure the ability to meet interest expenses.

### Free Cash Flow

Free cash flow ("FCF") is cash generated from operating activities less capital expenditures and interest and financing costs, net (excluding non-cash items). FCF is used to assess funds available for debt reduction or future investments within Pearson.

### Net Debt

Net Debt is defined as gross debt, less cash and cash equivalents, restricted funds and restricted cash. Net debt is used as a measure of Pearson's ability to repay its debts if they were all due today.

### Net Debt per Enplaned Passenger

Net debt per enplaned passenger is defined as net debt over total enplaned passengers ("EPAX"). EPAX is defined as equal to half of total passengers and is based on the prior 12 months activity. EPAX is widely used in the aviation industry and represents a passenger boarding a plane at a particular airport. Net debt per EPAX is commonly used by airports and other users to assess an appropriate debt burden for an airport.

## SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of the GTAA and changes thereto are set out in Notes 3 and 4, respectively, of the Financial Statements as of December 31, 2016 and 2015.

The GTAA has adopted the following amendments effective January 1, 2016. These changes were made in accordance with the transitional provisions in the applicable accounting standards set out in IFRS and International Accounting Standards ("IAS").

#### a) Amendment to IAS 1, *Presentation of Financial Statements:*

This standard was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, and the disclosure of accounting policies. The GTAA has adopted the amendment to IAS 1 effective January 1, 2016. The adoption of the amendment to IAS 1 did not have an impact on the financial statements.

#### b) Amendment to IAS 19, *Employee Benefits:*

The amendment to the standard clarifies guidance on discount rates for post-employment benefit obligations. The GTAA has adopted the amendment to IAS 19 effective January 1, 2016. The adoption of the amendment to IAS 19 did not have an impact on the financial statements.

#### c) Amendment to IAS 34, *Interim Financial Reporting:*

The amendment clarifies what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. The GTAA has adopted the amendment to IAS 34 effective January 1, 2016. The adoption of the amendment to IAS 34 did not have an impact on the financial statements.

### Accounting Standards Issued But Not Yet Applied

#### a) Amendment to IAS 7, *Statement of Cash Flows:*

This standard was amended to provide additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017. The GTAA is currently evaluating the impact of the standard on the financial statements.

#### b) Amendment to IAS 40, *Investment Property:*

This standard was amended to clarify that to transfer to, or from, investment properties there must be a change in use of assets supported by evidence. This amendment is effective for annual periods beginning on or after January 1, 2018. The GTAA is currently evaluating the impact of the standard on the financial statements.

#### c) IFRS 9, *Financial Instruments:*

This standard will replace the current IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The standard introduces new requirements for classifying and measuring financial assets and liabilities and introduces a new model for general hedge accounting. The standard is effective for years beginning on or after January 1, 2018. The GTAA is currently evaluating the impact of the standard on the financial statements.

#### d) Amendments to IFRS 7, *Financial Instruments: Disclosure:*

This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. The GTAA is currently evaluating the impact of the amendments to the standard on the financial statements.

### e) IFRS 15, *Revenue from Contracts with Customers:*

This standard is a new standard on revenue recognition, superseding IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The standard is effective for years beginning on or after January 1, 2018. The GTAA has evaluated the impact of the standard on the financial statements. As a result of this assessment, the GTAA has initially concluded that the presentation of certain revenue contracts on the financial statements is expected to change. In accordance with IFRS 15, the allocation of rebates to customers which are currently recorded in landing fees will be required to be split between landing fees and general terminal charges. The GTAA is still assessing the impact of IFRS 15 on AIF.

### f) IFRS 16, *Leases:*

This standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will replace the current IAS 17, Leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has assessed the impact of the new standard on the Ground Lease. The GTAA expects no impact on the financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue (see Note 11, Leases and Note 13, Related Party Transactions and Balances), and therefore the expense will continue to be recognized in the statements of operations and comprehensive income on an accrual basis. The GTAA continues to evaluate the impact of other leases on the financial statements under the standard.

## RELATED PARTY TRANSACTIONS

The GTAA is governed by a 15-Member Board of Directors. Five Members are municipal nominees. Due to the ability of the regional municipalities of York, Halton, Peel, Durham and the City of Toronto to appoint Members, these governments and their respective government-related entities are considered related parties for accounting purposes. In addition, the Government of Canada and the Province of Ontario are entitled to appoint two Members and one Member, respectively. At December 31, 2016, the GTAA had transactions with key management personnel in the ordinary course of their employment or directorship agreements. The post-employment benefit plan is also considered a related party. Transactions with the pension plan include contributions paid to the plan.

The Ground Lease is the principal document governing the relationship between the GTAA and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport ("Transport Canada"), as landlord at the Airport. It determines the rent to be paid and generally allocates risk and responsibilities between the GTAA and the federal government for all matters related to the operation of the Airport.

The GTAA has applied the exemption for government-related entities to disclose only significant transactions.

## INTERNAL CONTROLS AND PROCEDURES

In compliance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, the GTAA has filed certificates signed by the President and Chief Executive Officer and Vice President and Chief Financial Officer that, among other things, report on management's design of disclosure controls and procedures and internal controls over financial reporting. No changes were made in internal controls over financial reporting during the last quarter and for the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect the GTAA's internal controls over financial reporting. Management will continue to monitor the effectiveness of its internal controls over financial reporting and disclosure controls and procedures and may make modifications from time to time as considered necessary or desirable.

## RISKS

The GTAA's Board of Directors is accountable for the oversight of the principal risks of the GTAA's business and is responsible for ensuring that Management has effective policies and procedures to identify, assess and manage such risks.

The GTAA has established an Enterprise Risk Management ("ERM") program to instill risk awareness among employees and provide a disciplined approach to identify, assess, treat and manage risks. An enterprise-wide approach enables financial, customer, people, business and external risks to be managed and aligned with the GTAA's strategic goals. The GTAA has integrated the ERM program into its strategic and financial planning processes which helps the GTAA to better understand uncertainty and its potential impact on strategic goals and is a key input into the GTAA's decision-making process. The GTAA continues to review and improve its ERM program by building stronger linkages between strategy, risk and opportunity, and by incorporating emerging risks based on current events that affect the GTAA's business.

The GTAA, its operations and its financial results are subject to certain risks. At present, these risks include, without limitation, the risks set out below. Other risks are detailed from time to time in the GTAA's publicly filed disclosure documents.

If any risks materialize, there could be a reduction in the GTAA's revenues or an increase in its costs. The GTAA has the unfettered right to increase its aeronautical rates and charges to ensure that its revenues are sufficient to cover its financial obligations.

The following is a list of the principal risks that may affect the financial position of the GTAA.

## a) Funding Risk

As of December 31, 2016, the GTAA had outstanding debt securities, including accrued interest and net of unamortized discounts and premiums, of approximately $6.2 billion. The GTAA will need to continue to access the capital markets to refinance maturing debt, finance future capital projects and fund reserve funds.

There are always risks when raising funds in the capital markets, including risks related to fluctuating interest rates and the availability of funds at any point in time. External factors, such as economic conditions, government policies, catastrophic events and the state of the financial markets, can have an impact on the GTAA's ability to access the capital markets.

## b) Strategic Development Risk

In 2015, the Board approved its 20-year strategic framework which identifies the strategic priorities that support Toronto Pearson's ability to meet the growing demand for air travel. Since forward-looking plans are not able to anticipate all possible factors, there is a risk of developing strategies that may not enable the GTAA to achieve its corporate goals. Accordingly, the GTAA periodically conducts a comprehensive review of its strategic plans to incorporate any emerging factors that may influence business objectives.

## c) Business Risk

**Infrastructure** – The provision of services at the Airport is dependent on the availability of physical assets such as runways and taxiways, terminal buildings, parking structures, and information technology. All of these facilities are designed and built to meet all regulatory standards. Should any of these assets become unavailable due to accident, event or maintenance failures, the ability to provide services and earn revenues may be impaired. The GTAA maintains insurance to protect against damage to property and business interruption. Although the GTAA maintains a well-developed asset management system, including proactive inspections and monitoring, preventative maintenance, and repairs to prevent the failure of these facilities, there remains the risk of an unforeseen service disruption that may have an impact on operations or financial results. Appropriate controls such as monitoring of service delivery standards, operating procedures and continuity plans have been established to ensure that the impact on passengers would be minimized during a service disruption.

**Cyber-Security** – Information security is integral to the GTAA's business activities and reputation. Given the Airport's extensive use of information technologies, the GTAA faces potential information security risks, including the threat of hacking, identity theft and denial of service targeted at causing system failure and service disruption. The GTAA proactively maintains appropriate safeguards and procedures to prevent, detect, respond to and manage cyber-security threats.

**Commercial Relationships** – The GTAA works with a number of parties at the Airport to deliver services to passengers, air carriers, and others. These parties include government agencies, air carriers and third-party vendors. Should any of these parties fail to deliver services as required or in coordination with other partners including the GTAA, the GTAA's ability to generate revenue or deliver desired service levels and value to its customers and stakeholders, will be impacted.

There is a risk of an air carrier reducing or ceasing operations at the Airport, which may result in a temporary decline in the GTAA's aviation activity and revenues until such time as replacement capacity is provided by existing or new air carriers. The GTAA maintains an effective credit and collections program which mitigates the financial loss due to a defaulting airline.

**Security** – The federal government is responsible for passenger, baggage and cargo screening at the Airport. The GTAA is responsible for other aspects of security, including maintaining secure access to restricted areas of the Airport and policing. The GTAA discharges its security requirements in compliance with the regulations set out by the federal government. A major security event anywhere in the world or changes in security regulations could result in more stringent regulations that the GTAA would need to comply with, but which could increase security screening processes and wait times or impose additional costs to the GTAA, airlines and passengers.

**Major Event** – Any airport, including Toronto Pearson, is subject to the risk of a loss of confidence by air travelers as a result of a major event, such as an aircraft accident or terrorist attack at the Airport or elsewhere. This could lead to a temporary reduction in passenger demand, processing capacity and the GTAA's revenues.

**Reputation** – Any action or inaction by the GTAA, or any businesses or government agencies operating at the Airport, may impair Toronto Pearson's image in the community or the public's confidence in the Airport which could lead to a loss of revenue or additional expense to the GTAA should passenger traffic shift to another airport.

### d) Industry Risk

The health of the air transportation industry and future airline traffic at the Airport give rise to a broad array of business and aviation risks that have the ability to slow or temporarily cease operations at the Airport and/or negatively affect passenger demand and therefore the GTAA's revenues. These risks, among others, include: population growth; unemployment rates; economic conditions; regulatory actions and legislative changes; international air transportation agreements; air carrier instability; the ability and willingness of airlines to provide air service; the increase in the cost of air fares, including taxes and surcharges; currency fluctuations; labour disputes; the availability and cost of aviation fuel; carbon emission charges, taxes and restrictions; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and ground transportation as alternatives to air travel; volcanic eruptions; health epidemics and related travel advisories; geopolitical risk; war; and terrorist attacks, the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

### e) Laws and Regulations Risk

Airport operations are governed by federal, provincial and municipal regulations and standards. Changes in regulatory requirements by any level of government may have an impact on the GTAA's cost to operate the Airport or the achievement of its strategic goals. The GTAA's relationship with government agencies may affect its ability to influence positive change, deliver efficient and effective operations, and meet business goals.

### f) People Risk

A failure by the GTAA to attract, develop and retain the right talent throughout the GTAA, while fostering a high-performance culture, may have an impact on the GTAA's ability to realize its strategic goals. The GTAA continues to invest in employee programs, initiatives and development plans that enable the GTAA to mitigate the risk.

On July 22, 2016, an arbitration award was rendered which finalized a renewal collective agreement between the GTAA and the Pearson Airport Professional Firefighters Association ("PAPFFA"). The term of the renewal collective agreement is from January 1, 2015 to December 31, 2017.

On July 27, 2016, the GTAA and UNIFOR Local 2002 reached a tentative settlement on a three-year renewal collective bargaining agreement with a term of August 1, 2016 to July 31, 2019. On August 3, 2016, the tentative settlement was ratified by 88 per cent of the GTAA employees that are members of the UNIFOR bargaining unit.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information about the GTAA. This forward-looking information is based on a variety of assumptions and is subject to risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, will not prove to be accurate, that the assumptions may not be correct and that actual results may vary from the forward-looking information. The GTAA cautions readers of this MD&A not to place undue reliance on the forward-looking information as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information.

Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking information. Specific forward-looking information in this MD&A includes, among others, statements regarding the following: the GTAA's infrastructure capacity and its ability to meet projected air travel demand; additional investment in the Airport; the GTAA's strategic framework; growth in domestic and international passenger traffic; the GTAA meeting growing demand for air travel through making optimum use of its existing facilities before investing in new infrastructure or facilities; future growth in Airport activity; the GTAA's capital borrowing requirements and program and its ability to access the capital markets; airline load factors and fleet mix; the GTAA's rate-setting methodology and its relationship to financial and corporate sustainability and debt levels and service costs; cash flows, working capital and liquidity, the GTAA's ability to mitigate any working capital deficiency and no funding shortfalls in 2017; reductions in average air carrier's cost per enplaned passenger; the long-term aeronautical fee agreements entered into with Air Canada and WestJet; budgets and expenditures relating to capital programs and the funding of such programs; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; the commencement of operations of facilities currently under construction at the Airport; the redemption or purchase of outstanding debt and associated savings in net interest and financing costs; the use of certain restricted reserve funds; and the funding of outstanding capital commitments.

The forward-looking information is based on a variety of material factors and assumptions including, but not limited to, the following: long-term growth in population, employment and personal income will provide the basis for increased aviation demand in the GTA; the Canadian, U.S. and global economies will recover and grow at expected levels; air carrier capacity will meet the demand for air travel in the GTA; the growth and sustainability of air carriers will contribute to aviation demand in the GTA; the GTA will continue to attract domestic and international travellers; the commercial aviation industry will not be significantly affected by terrorism or the threat of terrorism; the cost of enhancing aviation security will not overly burden air carriers, passengers, shippers or the GTAA; no significant event will occur that has an impact on the ordinary course of business such as a natural disaster or other calamity; the GTAA will be able to access the capital markets at competitive terms and rates; and there are no significant cost over-runs or delays relating to capital programs. These assumptions are based on information currently available to the GTAA, including information obtained by the GTAA from third-party experts and analysts.

Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, among other things, continuing volatility in the economic recovery and future economic activity; high rates of unemployment and household debt; levels of aviation activity; air carrier instability; the availability of aviation liability and other insurance; the timing of recovery of receipt of insurance proceeds; construction risk; geopolitical unrest; terrorist attacks and the threat of terrorist attacks; war; health epidemics; labour disputes; capital market conditions; currency fluctuations; changes in laws; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; the availability and cost of jet fuel; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental issues; lawsuits; and other risks detailed from time to time in the GTAA's publicly filed disclosure documents.

The forward-looking information contained in this MD&A represents expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information or future events or for any other reason.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Greater Toronto Airports Authority have been prepared by management and approved by the Board of Directors and the Members of the Greater Toronto Airports Authority. Management is responsible for the preparation and presentation of the information contained in these financial statements and other sections of this Annual Report. The Greater Toronto Airports Authority maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Greater Toronto Airports Authority's independent auditor, PricewaterhouseCoopers LLP, have been appointed by the Members of the Corporation to express their professional opinion on the fairness of these financial statements.

The Board of Directors ensures that management fulfills their responsibilities for financial reporting and internal controls through an Audit Committee, which is composed of five directors. This Committee reviews the financial statements and reports to the Board of Directors. The auditor has full and direct access to the Audit Committee.

**Howard Eng**
President and Chief Executive Officer

**Jill Sharland**
Vice President and Chief Financial Officer

# INDEPENDENT AUDITOR'S REPORT

## To the Board of Directors of the Greater Toronto Airports Authority

We have audited the accompanying financial statements of the Greater Toronto Airports Authority, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of operations and comprehensive income, changes in deficit and accumulated other comprehensive income (loss) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Toronto Airports Authority as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**
Toronto, Canada
March 22, 2017

# STATEMENTS OF FINANCIAL POSITION

| As at December 31 (in thousands of Canadian dollars) | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | **73,781** | 3,547 |
| Restricted funds (Note 6) | **95,249** | 95,405 |
| Restricted cash | **5,911** | 7,161 |
| Accounts receivable (Note 7) | **68,296** | 75,272 |
| Prepaids | **3,190** | 4,715 |
| Inventory | **9,295** | 7,065 |
| | **255,722** | 193,165 |
| Non-current Assets | | |
| Restricted funds (Note 6) | **381,739** | 404,984 |
| Intangibles and other assets (Note 8) | **86,426** | 90,848 |
| Property and equipment (Note 9) | **5,187,980** | 5,193,604 |
| Post-employment benefit asset (Note 12) | **55,149** | 51,729 |
| | **5,967,016** | 5,934,330 |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 16) | **220,103** | 194,935 |
| Security deposits and deferred revenue | **84,587** | 73,264 |
| Current portion of long-term debt (Note 10) | **497,695** | 435,825 |
| | **802,385** | 704,024 |
| Non-current Liabilities | | |
| Deferred credit (Note 8) | **20,003** | 22,205 |
| Post-employment benefit liabilities (Note 12) | **5,851** | 16,922 |
| Long-term debt (Note 10) | **5,724,932** | 5,858,379 |
| | **6,553,171** | 6,601,530 |
| **Deficit and Accumulated other comprehensive loss (Notes 1 and 18)** | **(586,155)** | (667,200) |
| | **5,967,016** | 5,934,330 |

Commitments and contingent liabilities (Note 14)

The accompanying notes are an integral part of these financial statements.

Signed on Behalf of the Board

**W. David Wilson**
Director

Signed on Behalf of the Board

**Ian Clarke**
Director

# STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

| Years Ended December 31 (in thousands of Canadian dollars) | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Revenues** | | |
| Landing fees | **291,765** | 281,921 |
| General terminal charges | **197,510** | 193,792 |
| Airport improvement fees | **383,801** | 353,687 |
| Car parking and ground transportation | **169,050** | 157,070 |
| Concessions | **119,767** | 107,903 |
| Rentals | **94,925** | 92,822 |
| Other | **28,712** | 13,445 |
| | **1,285,530** | 1,200,640 |
| **Operating Expenses** | | |
| Ground rent (Note 1 and 11) | **148,101** | 128,007 |
| Goods and services (Note 17) | **269,266** | 240,384 |
| Salaries, wages and benefits | **158,368** | 141,612 |
| Payments-in-lieu of real property taxes | **34,656** | 31,921 |
| Amortization of property and equipment and investment property (Note 9) | **247,491** | 233,485 |
| Amortization of intangibles and other assets (Note 8) | **1,306** | 1,518 |
| | **859,188** | 776,927 |
| Earnings before interest and financing costs, net | **426,342** | 423,713 |
| Interest income | **5,868** | 5,576 |
| Interest expense on debt instruments and other financing costs | **(346,729)** | (363,384) |
| Interest and financing costs, net (Note 10) | **(340,861)** | (357,808) |
| Net Income | **85,481** | 65,905 |
| Items that may be reclassified subsequently to Net Income: | | |
| Amortization of terminated hedges and interest rate swap | **1,782** | 768 |
| Loss on cash flow hedge | **(4,309)** | (1,773) |
| Items that may not be reclassified subsequently to Net Income: | | |
| Pension remeasurements (Note 12) | **(1,909)** | 12,817 |
| **Other Comprehensive (Loss) Income** | **(4,436)** | 11,812 |
| **Total Comprehensive Income** | **81,045** | 77,717 |

The accompanying notes are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| Year Ended December 31, 2016 (in thousands of Canadian dollars) | **Deficit** | **Accumulated Other Comprehensive Income (Loss)** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| **Balance, January 1, 2016** | **(653,015)** | **(14,185)** | **(667,200)** |
| Net Income | **85,481** | **–** | **85,481** |
| Amortization of terminated hedges and interest rate swap | **–** | **1,782** | **1,782** |
| Loss on cash flow hedge | **–** | **(4,309)** | **(4,309)** |
| Pension remeasurements | **(1,909)** | **–** | **(1,909)** |
| Total Comprehensive Income (Loss) for the year | **83,572** | **(2,527)** | **81,045** |
| **Balance, December 31, 2016** | **(569,443)** | **(16,712)** | **(586,155)** |

| Year Ended December 31, 2015 (in thousands of Canadian dollars) | Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, January 1, 2015 | (731,737) | (13,180) | (744,917) |
| Net Income | 65,905 | – | 65,905 |
| Amortization of terminated hedges and interest rate swap | – | 768 | 768 |
| Loss on cash flow hedge | – | (1,773) | (1,773) |
| Pension remeasurements | 12,817 | – | 12,817 |
| Total Comprehensive Income (Loss) for the year | 78,722 | (1,005) | 77,717 |
| Balance, December 31, 2015 | (653,015) | (14,185) | (667,200) |

The accompanying notes are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

| Years Ended December 31 (in thousands of Canadian dollars) | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Cash Flows from (used in) Operating Activities** | | |
| Net Income | **85,481** | 65,905 |
| Adjustments for: | | |
| Amortization of property and equipment and investment property | **247,491** | 233,485 |
| Amortization of intangibles and other assets | **2,748** | 2,961 |
| Net loss on disposal of property and equipment and intangible assets | **632** | 1,790 |
| Post-employment benefit plans | **(3,872)** | (2,233) |
| Interest expense on debt instruments | **342,098** | 359,583 |
| Amortization of terminated hedges and interest rate swap | **1,782** | 768 |
| Amortization of deferred credit | **(2,202)** | (2,202) |
| Amortization of Clean Energy Supply Contract | **4,029** | 4,029 |
| Severance entitlement plan settlement | **(12,528)** | – |
| Changes in working capital: | | |
| Net change in restricted cash | **1,250** | (4,309) |
| Accounts receivable | **6,976** | (20,870) |
| Prepaids | **1,525** | (1,050) |
| Inventory | **(2,230)** | (690) |
| Accounts payable and accrued liabilities | **15,989** | 18,747 |
| Security deposits and deferred revenue | **11,323** | 3,844 |
| | **700,492** | 659,758 |
| **Cash Flows from (used in) Investing Activities** | | |
| Acquisition and construction of property and equipment and intangible assets | **(227,165)** | (228,395) |
| Proceeds on disposal of property and equipment | **132** | 1,158 |
| Decrease in restricted funds | **23,401** | 304,463 |
| | **(203,632)** | 77,226 |
| **Cash Flows from (used in) Financing Activities** | | |
| Issuance of medium term notes and long-term debt | **298,265** | – |
| Repayment of medium term notes and long-term debt | **(365,136)** | (369,019) |
| Interest paid | **(353,673)** | (369,300) |
| Payment on termination of cash flow hedge | **(6,082)** | – |
| Payment of deferred ground rent payable | **–** | (4,156) |
| | **(426,626)** | (742,475) |
| **Net Cash Inflow (outflow)** | **70,234** | (5,491) |
| **Cash and cash equivalents, beginning of year** | **3,547** | 9,038 |
| **Cash and cash equivalents, end of year** | **73,781** | 3,547 |

As at December 31, 2016, cash and cash equivalents consisted of short-term investments of $58.3 million (December 31, 2015 – $nil) and cash of $18.5 million (December 31, 2015 – $5.7 million) less outstanding cheques of $3.0 million (December 31, 2015 – $2.2 million).

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015
(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

## 1. GENERAL INFORMATION

The Greater Toronto Airports Authority ("the GTAA") was incorporated on March 3, 1993, under Part II of the *Canada Corporations Act* as a corporation without share capital. Effective February 27, 2014, the GTAA transitioned to the *Canada Not-for-profit Corporations Act*, the successor legislation to Part II of the *Canada Corporations Act*. This corporate structure ensures that the excess of revenues over expenses is retained and reinvested in the airport and airport operations under control of the GTAA.

The GTAA is authorized to develop, manage and operate airports within the south-central Ontario region, including the Greater Toronto Area, on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA manages and operates Toronto Pearson International Airport (the "Airport"). Under the terms of a ground lease, the Airport was transferred to the GTAA in 1996. The Airport operates on land, which includes Terminals 1 and 3; airside assets, including five runways, taxiways and aprons; groundside assets, including bridges and parking lots; infield assets, including an aircraft deicing facility and cargo buildings; and ancillary structures. Excluded are any assets owned by NAV CANADA, the operator of Canada's civil air navigation system.

The GTAA is committed to the continuing development of the Airport. This includes continued redevelopment of the terminals, increasing airside capacity, increasing cargo and aircraft facilities, and maintaining the roadway system.

The GTAA's registered office and principal place of business is located at 3111 Convair Drive, Mississauga, Ontario, Canada.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook for the Chartered Professional Accountants of Canada. These financial statements were approved by the Board of Directors on March 22, 2017.

In applying the GTAA's accounting policies, as described in Note 3, Significant Accounting Policies, Management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5, Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

The GTAA's operations can be affected by seasonal fluctuations due to changes in customer travel demands associated with holiday periods and other seasonal factors. This seasonality could impact quarter-over-quarter comparisons, the busiest quarter being the third quarter and the slowest one being the first quarter.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are described below.

### Basis of Measurement

The financial statements have been prepared on a going-concern basis under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities measured at fair value, including derivative instruments and available-for-sale investments.

### Segment Reporting

The GTAA consists of one reportable operating segment as defined under IFRS 8, *Operating Segments*.

## Foreign Currency Translation

The financial statements are presented in Canadian dollars, which is the GTAA's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the GTAA's functional currency are recognized in the statements of operations and comprehensive income.

## Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term, liquid investments with remaining terms to maturity of three months or less.

## Inventory

Inventory consists of natural gas and parts and supplies held for use at the Airport. Inventory is stated at the lower of cost and net realizable value. Cost of natural gas is determined using the first-in, first-out method. Cost of parts and supplies is determined using the weighted-average cost method. Net realizable value is the estimated replacement cost.

## Financial Instruments

Financial assets and liabilities are recognized when the GTAA becomes a party to the contractual provisions of the instrument on the trade date. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the GTAA has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the GTAA classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of operations and comprehensive income when incurred. Gains and losses arising from changes in fair value are presented in the statements of operations and comprehensive income within goods and services expense in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the statements of financial position date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The GTAA's available-for-sale assets comprise investments in eligible short-term financial assets within restricted funds (see Note 6, Restricted Funds).

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive (loss) income.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statements of operations and comprehensive income as part of interest income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statements of operations and comprehensive income and included in interest and financing costs.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The GTAA's loans and receivables are composed of cash and cash equivalents, restricted cash and accounts receivable, and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, provisions, security deposits, and long-term debt. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred and discount/premiums, and subsequently recorded at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities in the statements of financial position.

(v) Derivative financial instruments: Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the items being hedged.

Derivative financial instruments, including interest rate swaps, bond forwards, cash flow hedges and foreign exchange hedges, may be used from time to time to reduce exposure to fluctuations in interest rates and foreign exchange rates.

Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs in the statements of operations and comprehensive income where the underlying instrument is a GTAA debt issue and as adjustments to interest income where the underlying instrument is an investment. Derivative financial instruments that are not designed by the GTAA to be in an effective hedging relationship are carried at fair value with the changes in fair value, including any payments and receipts made or received, being recorded in interest and financing costs in the statements of operations and comprehensive income.

As at December 31, 2016, the GTAA had no derivative instruments outstanding that have been designated as a hedge. However, certain gains and losses relating to terminated hedging instruments are being amortized to the statements of operations and comprehensive income over the term to maturity of the previously hedged item (see Note 15, Financial Instruments).

## Impairment of Financial Assets

At each reporting date, the GTAA assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the GTAA recognizes an impairment loss.

## Impairment of Non-financial Assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The GTAA evaluates impairment by examining long-lived assets for impairment indicators and examines any prior-period impairment losses for potential reversals when events or circumstances warrant such consideration.

## Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Ground Lease is accounted for as an operating lease (see Note 11, Leases).

## Intangibles and Other Assets

As required under the terms of the Ground Lease, in certain instances, the title of any land acquired is transferred to the federal government, while the GTAA retains use of the land. The purchase price for acquired land is recorded as land acquisition costs in the statements of financial position and amortized on a straight-line basis over the remaining term of the Ground Lease in ground rent expense in the statements of operations and comprehensive income.

Computer software costs are capitalized and amortized on a straight-line basis in amortization of intangible assets in the statements of operations and comprehensive income over the period of their expected useful lives, which range from three to 20 years.

Deferred leasehold inducements are capitalized and amortized on a straight-line basis over the term of the respective lease. Amortization is netted against concessions revenue in the statements of operations and comprehensive income.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and include items such as improvements to leased land, runways, buildings and roadways. These assets will revert to Transport Canada upon the expiration or termination of the Ground Lease. No amounts are amortized longer than the lease term plus one renewal option.

Property and equipment are amortized at the following annual rates:

| | |
|---|---|
| Buildings and structures ("Terminal and Airside assets") | Straight-line over four to 60 years |
| Bridges and approach systems ("Terminal and Airside assets") | Straight-line over 10 to 25 years |
| Baggage handling systems | Straight-line over 18 to 25 years |
| Improvements to leased land | Straight-line over the remaining term of the Ground Lease |
| Runways and taxiways ("Terminal and Airside assets") | Straight-line over 10 to 40 years |
| Airport operating assets | Straight-line over three to 40 years |

The GTAA allocates the amount initially recognized with respect to an item of property and equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of goods and services expense in the statements of operations and comprehensive income.

Assets under construction are transferred to property and equipment when the asset is available for use, and amortization commences at that time.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in interest and financing costs in the statements of operations and comprehensive income in the period in which they are incurred.

## Investment Property

Investment property is property held to earn rental income and is stated at historical cost less accumulated amortization and any recognized impairment loss. The fair value of investment property is estimated annually by using a discounted cash flow projection model.

Amortization on investment property assets is calculated using the straight-line method to allocate an asset's cost over its estimated useful life. Amortization rates for each significant component range from 15 to 50 years.

Investment property is derecognized either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statements of operations and comprehensive income in the period of derecognition. Transfers are made to or from the investment property category only when there is a change in use.

## Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the GTAA and delivery has occurred, when the sales price is fixed or determinable, stated net of discounts and value added taxes, and when collectability is reasonably assured.

Landing fees, general terminal charges and car parking revenues are recognized as Airport facilities are utilized. Airport Improvement Fees ("AIF") are accrued upon the enplanement of the passenger. AIF revenue is remitted to the GTAA based on airlines self-assessing their passenger counts. An annual reconciliation is performed by the GTAA with air carriers. Concessions revenue and car rental revenue is earned on a monthly basis and is recognized based on a percentage of sales or specified minimum rent guarantees. Ground transportation revenue is recognized based on a combination of the duration of the term of the licences and permits, and utilization fees. Rentals revenue is recognized straight-line over the duration of the respective agreements. Other revenue is mainly composed of deicing revenue which is recognized upon arrival of aircrafts.

## Post-employment Benefit Obligations

The GTAA maintains defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans for its employees. The cost of defined contribution pension plans is charged to expense as they are earned by employees. The cost of defined benefit plans and other post-employment benefit plans is determined using the projected unit credit method. The related pension asset/liability recognized in the statements of financial position is the present value of the defined benefit obligation as at the statements of financial position date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Actuarial valuations for defined benefit plans and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income (loss) without recycling to the statements of operations and comprehensive income in subsequent periods.

Past service costs are recognized in net income when incurred.

For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is based primarily on the extent to which the GTAA can unilaterally reduce future contributions to the plan.

## Provisions

Provisions are recognized when the GTAA has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the GTAA will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

## Deferred Financing Costs

Deferred financing costs (except for line of credit fees) and debt issuance premiums or discounts are included in debt balances and recognized as an adjustment to interest expense over the life of the debt. The GTAA uses the effective interest method to recognize bond interest expense.

# 4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The GTAA has adopted the following new and revised standards effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions.

### a) Amendment to IAS 1, *Presentation of Financial Statements:*

This standard was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, and the disclosure of accounting policies. The GTAA has adopted the amendment to IAS 1 effective January 1, 2016. The adoption of the amendment did not have an impact on the financial statements.

### b) Amendment to IAS 19, *Employee Benefits:*

The amendment to the standard clarifies guidance on discount rates for post-employment benefit obligations. The GTAA has adopted the amendment to IAS 19 effective January 1, 2016. The adoption of the amendment did not have an impact on the financial statements.

### c) Amendment to IAS 34, *Interim Financial Reporting:*

The amendment clarifies what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. The GTAA has adopted the amendment to IAS 34 effective January 1, 2016. The adoption of the amendment did not have an impact on the financial statements.

## Accounting Standards Issued But Not Yet Applied

### a) Amendment to IAS 7, *Statement of Cash Flows:*

This standard was amended to provide additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017. The GTAA is currently evaluating the impact of the standard on the financial statements.

### b) Amendment to IAS 40, *Investment Property:*

This standard was amended to clarify that to transfer to, or from, investment properties there must be a change in use of assets supported by evidence. This amendment is effective for annual periods beginning on or after January 1, 2018. The GTAA is currently evaluating the impact of the standard on the financial statements.

### c) IFRS 15, *Revenue from Contracts with Customers:*

This standard is a new standard on revenue recognition, superseding IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations. IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The standard is effective for years beginning on or after January 1, 2018. The GTAA has evaluated the impact of the standard on the financial statements. As a result of this assessment, the GTAA has initially concluded that the presentation of certain revenue contracts on the financial statements is expected to change. In accordance with IFRS 15, the allocation of rebates to customers which are currently recorded in landing fees will be required to be split between landing fees and general terminal charges. The GTAA is still assessing the impact of IFRS 15 on AIF.

### d) IFRS 9, *Financial Instruments:*

This standard will replace the current IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard introduces new requirements for classifying and measuring financial assets and liabilities and introduces a new model for general hedge accounting. The standard is effective for years beginning on or after January 1, 2018. The GTAA is currently evaluating the impact of the standard on the financial statements.

### e) Amendments to IFRS 7, *Financial Instruments: Disclosure:*

This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. The GTAA is currently evaluating the impact of the amendments to the standard on the financial statements.

### f) IFRS 16, *Leases:*

This standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will replace the current IAS 17, *Leases*. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has assessed the impact of the new standard on the Ground Lease. The GTAA expects no impact on the financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue (see Note 11, Leases and Note 13, Related Party Transactions and Balances), and therefore the expense will continue to be recognized in the statements of operations and comprehensive income on an accrual basis. The GTAA continues to evaluate the impact of other leases on the financial statements under the standard.

# 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the GTAA's accounting policies, which are described in Note 3, Significant Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## Critical Judgements in Applying Accounting Policies

The following are the critical judgements that management has made in the process of applying the GTAA's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

### Property and Equipment, Intangibles and Investment Property

Critical judgements are utilized in determining when an item of property and equipment and intangible assets are available for use as intended by management. There are also critical judgments utilized in determining amortization rates and useful lives of these assets and whether impairments are necessary in accordance with Note 3, Significant Accounting Policies.

### IFRIC 12, *Service Concession Arrangements*

Management has concluded that it does not fall within the scope of IFRIC 12, *Service Concession Arrangements*, given the current structure of the GTAA's arrangements with Transport Canada, whereby the GTAA is not controlled by a single government.

## Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

### Post-employment Benefit Obligations

The GTAA accounts for pension and other post-retirement benefits through the use of actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions, including discount rates, expected salary increases and mortality rates. Actual results may differ from results that are estimated based on assumptions. Additional information is disclosed in Note 12, Post-employment Benefit Obligations.

# 6. RESTRICTED FUNDS

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("Trust Indenture") or Medium Term Note ("MTN") offering documents, and which consist of the Debt Service Fund and Debt Service Reserve Fund (the "Trust Funds") and Operations, Capital and Financing Funds. These funds are invested in cash or eligible short-term financial assets with less than one year to maturity as follows:

| As at December 31 | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Debt Service Fund** | | |
| Principal | **12,486** | 13,378 |
| Interest | **60,825** | 65,374 |
| | **73,311** | 78,752 |
| **Debt Service Reserve Funds** | | |
| Revenue Bonds | | |
| Series 1997–3 due December 3, 2027 | **37,004** | 37,261 |
| Series 1999–1 due July 30, 2029 | **40,233** | 40,618 |
| Medium Term Notes | | |
| Series 2000–1 due June 12, 2030 | **38,631** | 39,068 |
| Series 2001–1 due June 4, 2031 | **35,107** | 35,489 |
| Series 2002–3 due October 15, 2032 | **38,297** | 38,762 |
| Series 2004–1 due February 2, 2034 | **38,913** | 39,193 |
| Series 2005–3 due February 15, 2016 | **–** | 16,653 |
| Series 2007–1 due June 1, 2017 | **21,938** | 22,130 |
| Series 2008–1 due April 17, 2018 | **26,385** | 26,621 |
| Series 2009–1 due November 20, 2019 | **35,834** | 36,133 |
| Series 2010–1 due June 7, 2040 | **22,624** | 22,847 |
| Series 2011–1 due February 25, 2041 | **32,067** | 32,267 |
| Series 2011–2 due December 2, 2041 | **18,281** | 18,360 |
| Series 2012–1 due September 21, 2022 | **12,221** | 12,263 |
| Series 2016–1 due February 16, 2021 | **2,281** | – |
| Security for Bank Indebtedness | | |
| Series 1997–B Pledge Bond | **3,861** | 3,972 |
| | **403,677** | 421,637 |
| | **476,988** | 500,389 |
| Less: Current portion | **(95,249)** | (95,405) |
| | **381,739** | 404,984 |

As at December 31, restricted funds consisted of the following:

| | 2016 | 2015 |
|---|---|---|
| | **$** | $ |
| Cash | **129,581** | 96 |
| Bankers' Acceptance and Bearer Deposit Notes | **–** | 363,925 |
| Provincial Treasury Bills and Promissory Notes | **–** | 136,368 |
| Guaranteed Investment Certificates | **347,407** | – |
| | **476,988** | 500,389 |

## Trust Funds

The GTAA is required to establish and maintain with the Trustee the Trust Funds in accordance with the terms of the Trust Indenture (see Note 10, Credit Facility and Long-Term Debt). The Trust Funds are held for the benefit of the bondholders and noteholders for use and application by the Trustee in accordance with the terms of the Trust Indenture.

### (i) Debt Service Fund (Principal and Interest)

Amounts in the Debt Service Fund are allocated to either a Principal Account or an Interest Account. Amounts in the Debt Service Fund are disbursed by the Trustee to pay interest and principal as they become due. On a monthly basis, the GTAA is required to deposit into the Principal Account an amount equal to one-twelfth of the total principal amount included in annual debt service, during the term, for any bonds or notes due in such year. During 2016, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2016 was $12.5 million (December 31, 2015 – $13.4 million).

During 2016, principal of $23.6 million (December 31, 2015 – $22.5 million) was paid from the Principal Account of the Debt Service Fund, and $22.7 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999–1 and MTNs (December 31, 2015 – $23.5 million).

Also, on a monthly basis, the GTAA is required to deposit into the Interest Account an amount equal to one-sixth of the semi-annual aggregate interest requirement due on all outstanding bonds and MTNs. The fund balance as of December 31, 2016 was $60.8 million (December 31, 2015 – $65.4 million).

### (ii) Debt Service Reserve Funds

To the extent provided in any supplemental indenture, the GTAA is required to set aside funds in the Debt Service Reserve Fund for each series of bond or MTNs. The required amount is established at the time of issue of each series of bond or MTNs and is funded from the proceeds of each issue. Amounts held in the Debt Service Reserve Fund are held in trust for the benefit of the bondholders or noteholders for use and application in accordance with the terms of the Trust Indenture.

At the maturity of each series of bond or MTNs, funds not applied by the Trustee will be returned to the GTAA.

Included among these Trust Funds is a Debt Service Reserve Fund related to the $1.35 billion pledge bond (Series 1997–B) securing the credit facility.

## Operations, Capital and Financing Funds

The GTAA has established an Operating and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund pursuant to the Trust Indenture. The Operating and Maintenance Reserve Fund is calculated as one-sixth of the projected operating and maintenance expenses estimated for the following fiscal year. As at December 31, 2016, this fund was secured by a letter of credit of $71.0 million (December 31, 2015 – $65.0 million). This amount is to be used only for operating and maintenance expenses or other purposes as required for the safe, ongoing operation and maintenance of the Airport as set out in the Trust Indenture. The Renewal and Replacement Reserve Fund is also secured by a letter of credit of $3.0 million (December 31, 2015 – $3.0 million). This amount is to be used for unanticipated repairs to, or the replacement of, property and equipment as set out in the Trust Indenture.

## 7. ACCOUNTS RECEIVABLE

| As at December 31 | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Trade accounts receivable | **57,570** | 59,954 |
| Less: Allowance for doubtful accounts | **(95)** | (357) |
| Trade accounts receivable, net | **57,475** | 59,597 |
| Other receivables | **10,821** | 15,675 |
| **Total accounts receivable** | **68,296** | 75,272 |

Included in trade accounts receivable and other receivables is $14.4 million due from Canadian Air Transportation Security Authority (December 31, 2015 – $12.1 million) which is a related party (see Note 13, Related Party Transactions and Balances). No provision has been made against these receivables.

## 8. INTANGIBLES AND OTHER ASSETS

| | | | **December 31, 2016** |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| | **$** | **$** | **$** |
| Deferred leasehold inducements | **6,107** | **(5,981)** | **126** |
| Land acquisition costs | **53,118** | **(8,136)** | **44,982** |
| Computer software | **10,633** | **(5,912)** | **4,721** |
| Clean Energy Supply contract ("CES Contract") | **44,655** | **(8,058)** | **36,597** |
| | **114,513** | **(28,087)** | **86,426** |

| | | | December 31, 2015 |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| | $ | $ | $ |
| Deferred leasehold inducements | 6,107 | (5,606) | 501 |
| Land acquisition costs | 50,763 | (7,069) | 43,694 |
| Computer software | 12,026 | (5,999) | 6,027 |
| Clean Energy Supply contract ("CES Contract") | 44,655 | (4,029) | 40,626 |
| | 113,551 | (22,703) | 90,848 |

The aggregate amortization expense with respect to deferred leasehold inducements for 2016 was $0.4 million (2015 – $0.4 million) and is netted against concessions revenue in the statements of operations and comprehensive income.

The aggregate amortization expense with respect to land acquisition costs for 2016 was $1.1 million (2015 – $1.1 million) and is included in ground rent expense in the statements of operations and comprehensive income.

A reconciliation of the carrying amount of intangible asset costs is as follows:

| | Land Acquisition Costs | Computer Software | Total |
|---|---|---|---|
| | **$** | **$** | **$** |
| **Balance, January 1, 2016** | **43,694** | **6,027** | **49,721** |
| Additions | **2,355** | **–** | **2,355** |
| Amortization expense | **(1,067)** | **(1,306)** | **(2,373)** |
| **Balance, December 31, 2016** | **44,982** | **4,721** | **49,703** |
| Balance, January 1, 2015 | 44,762 | 7,124 | 51,886 |
| Additions | – | 447 | 447 |
| Amortization expense | (1,068) | (1,544) | (2,612) |
| Balance, December 31, 2015 | 43,694 | 6,027 | 49,721 |

During the year, computer software with a net book value of $nil and a cost of $1.4 million was retired (December 31, 2015 – net book value of $nil and a cost of $0.4 million).

On February 1, 2006, the GTAA entered into the CES Contract with Independent Electricity System Operator ("IESO") (formerly, the Ontario Power Authority ("OPA")), pursuant to which the GTAA is obligated to have 90 MW of electrical energy available to the Ontario power grid. The term of the CES Contract is for 20 years, subject to early termination rights available to the GTAA. The contract allows for payments by either party, depending on whether net electricity market revenues that the GTAA is deemed to have earned are greater or less than a predetermined threshold, as defined in the CES Contract.

The carrying value of the CES Contract, which was evaluated at $44.6 million at January 1, 2015 following the merger of the OPA with the IESO, is being amortized on a straight-line basis over the remaining term of the contract. The amortization expense with respect to the CES Contract value for 2016 was $4.0 million (2015 – $4.0 million) and is included in the goods and services expense in the statements of operations and comprehensive income.

The GTAA also recorded a deferred credit of $44.0 million, which is being amortized on a straight-line basis, over the term of 20 years. The unamortized balance at December 31, 2016 was $20.0 million (December 31, 2015 – $22.2 million). During 2016, the reduction of the unamortized liability of $2.2 million (December 31, 2015 – $2.2 million) was recorded as a reduction to goods and services expense in the statements of operations and comprehensive income.

## 9. PROPERTY AND EQUIPMENT

Property and equipment are composed of:

| | | | | | | | | **December 31, 2016** |
|---|---|---|---|---|---|---|---|---|
| | **Terminal and Airside Assets** | **Investment Property** | **Baggage Handling Systems** | **Improvements to Leased Land** | **Runways and Taxiways** | **Airport Operating Assets** | **Assets under Construction** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Cost** | | | | | | | | |
| Balance, beginning of year | **6,166,945** | **26,085** | **299,491** | **9,480** | **474,786** | **619,748** | **222,037** | **7,818,572** |
| Additions | **925** | **–** | **–** | **–** | **–** | **–** | **241,706** | **242,631** |
| Disposals | **(348)** | **–** | **–** | **–** | **–** | **(22,696)** | **–** | **(23,044)** |
| Transfers | **165,184** | **–** | **47,170** | **–** | **13,965** | **51,162** | **(277,481)** | **–** |
| Balance, end of year | **6,332,706** | **26,085** | **346,661** | **9,480** | **488,751** | **648,214** | **186,262** | **8,038,159** |
| **Accumulated amortization** | | | | | | | | |
| Balance, beginning of year | **2,002,498** | **5,612** | **160,740** | **3,010** | **158,156** | **294,952** | **–** | **2,624,968** |
| Amortization expense | **162,468** | **716** | **11,866** | **158** | **17,169** | **55,114** | **–** | **247,491** |
| Disposals | **(57)** | **–** | **–** | **–** | **–** | **(22,223)** | **–** | **(22,280)** |
| Transfers | **(6)** | **–** | **–** | **–** | **–** | **6** | **–** | **–** |
| Balance, end of year | **2,164,903** | **6,328** | **172,606** | **3,168** | **175,325** | **327,849** | **–** | **2,850,179** |
| **Net book value, end of year** | **4,167,803** | **19,757** | **174,055** | **6,312** | **313,426** | **320,365** | **186,262** | **5,187,980** |

| | | | | | | | | December 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| | Terminal and Airside Assets | Investment Property | Baggage Handling Systems | Improvements to Leased Land | Runways and Taxiways | Airport Operating Assets | Assets under Construction | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Cost | | | | | | | | |
| Balance, beginning of year | 6,058,591 | 26,085 | 294,182 | 9,480 | 458,029 | 562,815 | 141,600 | 7,550,782 |
| Additions | 345 | – | – | – | – | – | 287,842 | 288,187 |
| Disposals | (2,890) | – | – | – | – | (17,507) | – | (20,397) |
| Transfers | 110,899 | – | 5,309 | – | 16,757 | 74,440 | (207,405) | – |
| Balance, end of year | 6,166,945 | 26,085 | 299,491 | 9,480 | 474,786 | 619,748 | 222,037 | 7,818,572 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 1,846,425 | 4,895 | 148,010 | 2,852 | 141,888 | 264,886 | – | 2,408,956 |
| Amortization expense | 157,442 | 717 | 12,730 | 158 | 16,268 | 46,170 | – | 233,485 |
| Disposals | (1,369) | – | – | – | – | (16,079) | – | (17,448) |
| Transfers | – | – | – | – | – | (25) | – | (25) |
| Balance, end of year | 2,002,498 | 5,612 | 160,740 | 3,010 | 158,156 | 294,952 | – | 2,624,968 |
| Net book value, end of year | 4,164,447 | 20,473 | 138,751 | 6,470 | 316,630 | 324,796 | 222,037 | 5,193,604 |

As at December 31, 2016, $186.3 million (December 31, 2015 – $222.0 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $3.4 million (December 31, 2015 – $4.4 million) of capitalized interest. During the year, borrowing costs were capitalized at the rate of 5.6 per cent, which represents the weighted-average rate of the GTAA's general borrowings (2015 – 5.7 per cent).

Investment property represents flight simulator facilities owned by the GTAA and leased to third parties.

## 10. CREDIT FACILITY AND LONG-TERM DEBT

As at December 31, 2016, long-term debt, including accrued interest, net of unamortized discounts and premiums, consisted of:

| Series | Coupon Rate | Maturity Date | Principal Amount | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue Bonds | | | $ | **$** | $ |
| 1997–3 | 6.45% | December 3, 2027 | 321,500 | **319,825** | 319,581 |
| 1999–1 | 6.45% | July 30, 2029 | 313,185 | **319,771** | 335,054 |
| Medium Term Notes | | | | | |
| 2000–1 | 7.05% | June 12, 2030 | 526,550 | **527,109** | 526,969 |
| 2001–1 | 7.10% | June 4, 2031 | 492,150 | **490,902** | 490,678 |
| 2002–3 | 6.98% | October 15, 2032 | 468,960 | **475,487** | 475,407 |
| 2004–1 | 6.47% | February 2, 2034 | 567,428 | **577,195** | 576,956 |
| 2005–3 | 4.70% | February 15, 2016 | 350,000 | **–** | 356,082 |
| 2007–1 | 4.85% | June 1, 2017 | 415,870 | **417,345** | 416,842 |
| 2008–1 | 5.26% | April 17, 2018 | 460,900 | **465,504** | 465,166 |
| 2009–1 | 5.96% | November 20, 2019 | 522,000 | **534,758** | 537,622 |
| 2010–1 | 5.63% | June 7, 2040 | 400,000 | **398,756** | 398,654 |
| 2011–1 | 5.30% | February 25, 2041 | 600,000 | **607,362** | 607,224 |
| 2011–2 | 4.53% | December 2, 2041 | 400,000 | **398,486** | 398,385 |
| 2012–1 | 3.04% | September 21, 2022 | 388,000 | **389,881** | 389,584 |
| 2016–1 | 1.51% | February 16, 2021 | 300,000 | **300,246** | – |
| | | | | **6,222,627** | 6,294,204 |
| Less: Current portion (including accrued interest) | | | | **(497,695)** | (435,825) |
| | | | | **5,724,932** | 5,858,379 |

On February 16, 2016, the GTAA issued $300.0 million Series 2016-1 MTNs for net proceeds of $298.3 million, to partially refinance the $350.0 million Series 2005-3 MTNs which matured and were repaid on February 16, 2016. The remaining balance was funded through the revolving operating facility and operating cash flows.

As at December 31, interest and financing costs, net, consisted of the following:

| | 2016 | 2015 |
|---|---|---|
| | **$** | $ |
| Interest income | **5,868** | 5,576 |
| Interest expense on debt instruments | **(348,967)** | (367,298) |
| Capitalized interest | **6,869** | 7,715 |
| Other financing fees | **(4,631)** | (3,801) |
| | **(346,729)** | (363,384) |
| **Interest and financing costs, net** | **(340,861)** | (357,808) |

With the exception of Series 1999–1 revenue bonds, principal on each series of revenue bond and MTNs is payable on the maturity date. Series 1999–1 are amortizing revenue bonds repayable in scheduled annual installments of principal, payable on July 30 of each year. These payments commenced July 30, 2004, and continue until maturity in 2029.

Set out below is a comparison of the amounts that would be reported if long-term debt amounts were reported at fair values. Fair values were based on quoted market rates for GTAA bonds as at the date of the statements of financial position. The fair values are within Level 2 of the fair value hierarchy.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Book Value** | **Fair Value** | Book Value | Fair Value |
| | **$** | **$** | $ | $ |
| Long-term debt | **6,222,627** | **7,631,449** | 6,294,204 | 7,750,936 |

All notes are redeemable in whole or in part at the option of the GTAA at any time at a redemption price that is the greater of (i) the face value amount plus accrued and unpaid interest and (ii) the price based on yields over Government of Canada bonds with similar terms to maturity.

### Credit Facility

As part of its liquidity management program, the GTAA maintains the following credit facilities: a revolving operating facility in an amount of $600.0 million, a letter of credit facility in the amount of $100.0 million and an interest rate and foreign exchange hedging facility in the amount of $150.0 million. These credit facilities are secured by a $1.35 billion pledge bond (Series 1997–B) issued pursuant to the Trust Indenture. Indebtedness under the credit facilities ranks pari passu with other indebtedness issued under the Trust Indenture. The $600.0 million revolving operating facility matures on November 22, 2018 and the $100.0 million letter of credit facility matures on November 22, 2017. Each of the credit facilities can be extended annually for one additional year with the lender's consent.

As at December 31, 2016, $nil was utilized on the $600.0 million revolving operating facility (December 31, 2015 – $2.3 million by way of two letters of credit). Indebtedness under the credit facility bears interest at rates that vary with the lenders' prime rate, bankers' acceptance rates and LIBOR, as appropriate. Interest rates during the year ranged from 1.49 per cent to 2.70 per cent (2015 – 1.44 per cent to 3.00 per cent).

As at December 31, 2016, $76.3 million was utilized on the $100.0 million letter of credit facility (December 31, 2015 – $68.0 million).

As at December 31, 2016, $nil was outstanding under the $150.0 million interest rate and foreign exchange hedging facility (December 31, 2015 – $1.8 million hedge marked-to-market valuation loss).

## 11. LEASES

### Ground Lease

The GTAA's commitment with respect to annual ground lease Airport rent is based on a percentage of the GTAA's revenues (see "Airport Subject to Ground Lease" in Note 13, Related Party Transactions and Balances). Ground rent expense in 2016 was $147.0 million (2015 – $126.9 million) excluding amortization of land acquisition costs (see Note 8, Intangibles and Other Assets). Estimated revenues are subject to change depending on economic conditions and, as a result, ground lease payments are subject to change. The lease continues until 2056 with one 20-year option at the GTAA's discretion.

### Other Leases

The GTAA, as the lessor, leases under operating leases land and certain assets that are included in property and equipment and investment property. Many leases include renewal options, in which case they are subject to market price revision. The lessees do not have the possibility to acquire the leased assets at the end of the lease.

Contingent rents form part of certain lease agreements. Total contingent rent recognized in the statements of operations and comprehensive income for 2016 was $39.9 million (2015 – $37.5 million).

Future minimum lease receipts (excluding contingent rent payments) from non-cancellable leases are as follows:

| | **Within 1 Year** | **1 to 5 Years** | **After 5 Years** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **December 31, 2016** | **148,244** | **494,511** | **197,136** | **839,891** |
| December 31, 2015 | 132,995 | 475,790 | 199,868 | 808,653 |

# 12. POST-EMPLOYMENT BENEFIT OBLIGATIONS

## Defined Benefit Pension Plans

The GTAA maintains two pension plans with defined benefit provisions. One of these plans is a registered pension plan for former Transport Canada employees who were eligible to elect to transfer their pension credits to the GTAA plan.

The GTAA measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2016, and the next required valuation will be as of January 1, 2017.

### a) Characteristics of the Plans

Benefit obligations are estimated using the projected unit credit method. Under this method, each participant's benefits under the plans are attributed to years of service, taking into consideration future salary increases (as applicable) and the plan's benefit allocation formula. The GTAA's net obligation is calculated separately for each plan and is determined as the benefit obligation less the fair value of plan assets.

When the above calculations result in a benefit to the GTAA, the recognized asset is limited to the net total of the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plans.

The plans are final average earnings pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the registered plan and for one supplemental plan member, pensions paid are indexed with inflation.

The weighted average duration of the defined benefit plans is 14.4 years.

### b) Risks Associated with the Plans

The nature of these benefit promises exposes the GTAA to a number of risks, the most significant of which are as follows:

#### (i) Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform the discount rate, this will create a deficit under the plan. The pension plans currently invest approximately 60.6 per cent in equities, which may outperform corporate bonds in the long term, but may contribute to volatility and risk in the short term.

#### (ii) Changes in Bond Yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the pension plan's assets invested in fixed income.

#### (iii) Inflation Risk

The majority of the defined benefit plans' obligations are linked to inflation, with higher inflation leading to higher liabilities. The majority of the plan's assets may have some correlation with inflation and, as such, an increase in inflation may reduce the surplus and/or increase the deficit.

#### (iv) Life Expectancy

The majority of the plans' obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the plans' liabilities, with the exception of life insurance liabilities.

### c) Amounts Recognized in the Financial Statements

The amounts recognized in the statements of financial position as at December 31 are determined as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Present value of funded obligation | **(177,418)** | (169,173) |
| Fair value of plan assets | **232,567** | 220,902 |
| Funded status – surplus | **55,149** | 51,729 |
| **Net Defined benefit asset** | **55,149** | 51,729 |

The movement in the defined benefit pension plans as at December 31 is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Accrued Benefit Obligation** | | |
| Balance, beginning of year | **169,173** | 169,024 |
| Current service cost | **2,605** | 2,809 |
| Interest cost | **6,766** | 6,601 |
| Benefits paid | **(6,489)** | (5,984) |
| Employee contributions | **546** | 555 |
| Remeasurements: | | |
| Loss (gain) from changes in demographic assumptions | **4,893** | (2,778) |
| Experience gain | **(76)** | (1,054) |
| Balance, end of year | **177,418** | 169,173 |
| **Plan Assets** | | |
| Fair value, beginning of year | **220,902** | 206,047 |
| Interest income | **9,027** | 8,198 |
| Return on plan assets, excluding amounts included in interest income | **3,466** | 7,834 |
| Employer contributions | **5,592** | 4,626 |
| Employee contributions | **546** | 555 |
| Benefits paid | **(6,489)** | (5,984) |
| Administrative expenses paid from plan assets | **(477)** | (374) |
| Fair value, end of year | **232,567** | 220,902 |
| Funded status – surplus | **55,149** | 51,729 |

As at December 31, 2016, each of the GTAA's defined benefit pension plans was in a surplus position. One plan was in a surplus position of $52.9 million (2015 – $50.9 million), with an accrued obligation of $160.3 million (2015 – $152.0 million) and a fair value of plan assets of $213.2 million (2015 – $202.9 million). The other plan was in a surplus position of $2.2 million (2015 – $0.8 million), with an accrued obligation of $17.1 million (2015 – $17.2 million) and a fair value of plan assets of $19.3 million (2015 – $18.0 million).

The GTAA's net defined benefit pension plan expense for the year ended December 31 is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Current service cost | **2,605** | 2,809 |
| Interest cost | **6,766** | 6,601 |
| Interest income | **(9,027)** | (8,198) |
| Administrative expenses | **340** | 320 |
| Defined benefit pension plan expense recognized in Net Income | **684** | 1,532 |
| Amounts recognized in Other comprehensive income (loss): | | |
| Loss (gain) from changes in financial assumptions | **4,893** | (2,778) |
| Experience gain | **(76)** | (1,054) |
| Return on plan assets | **(3,329)** | (7,780) |
| Total Remeasurements recognized in Accumulated other comprehensive (loss) income | **1,488** | (11,612) |

A reconciliation of the net defined benefit asset as at December 31 is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Net Defined benefit asset, beginning of year** | **51,729** | 37,023 |
| Defined benefit cost included in Net Income | **(684)** | (1,532) |
| Total remeasurements included in Other comprehensive income (loss) | **(1,488)** | 11,612 |
| Employer contributions | **5,592** | 4,626 |
| **Net Defined benefit asset, end of year** | **55,149** | 51,729 |

The accrued benefit obligation by participant status as at December 31 is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Active members | **67,182** | 69,933 |
| Vested deferreds | **5,294** | 3,752 |
| Retirees | **104,942** | 95,488 |
| **Accrued benefit obligation** | **177,418** | 169,173 |

The GTAA's plan assets consist of the following as at December 31:

| | **Fair Value of Plan Assets** | |
|---|---|---|
| Asset Category | **2016** | 2015 |
| | **%** | % |
| Equity securities | **61** | 59 |
| Fixed income | **39** | 41 |

The fair values of equity and fixed income plan assets are based on quoted market prices in active markets.

## d) Significant Actuarial Assumptions

The significant actuarial assumptions used in measuring the GTAA's accrued defined benefit pension plan obligations are as follows (weighted-average assumptions as at December 31):

| | **2016** | 2015 |
|---|---|---|
| | **%** | % |
| Discount rate | **3.88** | 4.08 |
| Rate of compensation increase | **3.00** | 3.00 |
| Rate of price inflation | **2.00** | 2.00 |
| Rate of pension increases | **2.00** | 2.00 |

Mortality rates have been established in accordance with the Canadian Pensioners' Mortality Table Private Sector published by the Canadian Institute of Actuaries.

### e) Future Cash Flows

The sensitivity of the obligation to changes in the weighted-average significant actuarial assumptions as at December 31, 2016, would be as follows:

| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
|---|---|---|---|
| | | $ | $ |
| Discount rate | 1.00% | (22,246) | 27,470 |
| Rate of price inflation | 1.00% | 25,060 | (21,251) |
| Mortality | 1 year | 5,746 | (5,860) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the obligation to significant actuarial assumptions, the same method (present value of the obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

As at January 1, 2016, the registered defined benefit plan had a funding valuation solvency deficit of $5.3 million and, in accordance with applicable legislation, the GTAA is making special payment contributions to fund the deficit. The supplementary defined benefit plan had a solvency deficit of $2.2 million as at January 1, 2016. In accordance with the terms of this plan, a contribution in the amount of the shortfall was remitted.

Expected contributions, benefit payments and administrative expenses to defined benefit pension plans for the year ended December 31, 2017 are $3.8 million, $7.0 million and $0.3 million, respectively.

## Severance Entitlement Plan

The GTAA has a severance entitlement plan for certain employees under the terms of the labour agreement. The plan provides a payment upon retirement, resignation, termination or death to eligible employees or their beneficiaries based on years of service and vesting restrictions. The GTAA records the cost of this obligation based on an independent actuarial valuation updated annually.

In 2016, the GTAA and one of its collective bargaining units reached an agreement to remove the severance entitlement provision from the labour agreement effective August 1, 2016. This resulted in a one-time payment to members of the labour agreement in the amount of $12.5 million. Members of the other labour agreement continue to accrue the severance entitlement.

Since the GTAA's accrued severance entitlement plan is unfunded, the net obligation is equal to the sum of the benefit obligations for all the members under this plan. As at December 31, 2016, the balance of the accrued benefit obligation was $2.2 million (2015 – $13.8 million), the post-employment benefit expense recognized in net income for the year ended December 31, 2016 was $1.0 million (2015 – $1.7 million) and the pension remeasurements loss recognized in other comprehensive (loss) income was $0.4 million (2015 – gain of $1.2 million).

## Defined Contribution Pension Plan Expense

The GTAA maintains four pension plans with defined contribution provisions providing pension benefits to certain of its employees. The net expense for the defined contribution pension plans in 2016 was $4.1 million (2015 – $3.7 million).

The GTAA's contribution to the registered defined contribution pension plans is a maximum of 6 per cent of the employee's gross earnings. For designated employees of one unfunded supplemental plan, the GTAA's notional contribution equals 16 per cent of the employee's gross earnings less amounts already contributed to the plan by the employee and the GTAA. Recorded in post-employment benefit liabilities in the statements of financial position is the estimated payment at December 31, 2016 of $1.5 million (December 31, 2015 – $1.2 million).

## Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2016, the estimated obligation for this payment is $2.1 million (December 31, 2015 – $1.9 million) and is included in post-employment benefit liabilities in the statements of financial position.

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

### Related Parties

As a corporation without share capital the GTAA has Members rather than shareholders. The Members of the GTAA are also its directors. The GTAA is governed by a 15-member Board of Directors. Five Members are municipal nominees. Each of the regional municipalities of York, Halton, Peel, Durham and the City of Toronto is entitled to provide the names of up to three nominees, and the Board appoints one of the nominees for each of the five available positions as a municipally nominated Member. In addition, the Government of Canada and the Province of Ontario are entitled to appoint two Members and one Member, respectively.

As a result of the ability of these governments to appoint Members, these governments and their respective government-related entities are considered related parties for accounting purposes.

The GTAA has applied the exemption for government-related entities to disclose only significant transactions.

The post-employment benefit plan is also considered a related party. Transactions with the pension plan include contributions paid to the plan.

The GTAA entered into the following transactions with related parties during the year ended December 31, as included in the statements of operations and comprehensive income:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Ground rent | **147,034** | 126,939 |
| Payments-in-lieu of real property taxes | **34,656** | 31,921 |
| Post-employment benefit plans expense | **4,937** | 5,372 |

Amounts due from (to) and balances with respect to related parties as included in the statements of financial position were as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| IESO | **36,597** | 40,626 |
| Commodity sales tax | **(5,720)** | (4,801) |
| Canadian Air Transport Security Authority | **14,385** | 12,080 |

### Airport Subject to Ground Lease

On December 2, 1996, the GTAA assumed the operation, management and control of the Airport for a period of 60 years, together with one renewal term of 20 years, by virtue of a ground lease (the “Ground Lease”) between the GTAA, as tenant, and Her Majesty the Queen in Right of Canada, represented by the Minister of Transport (“Transport Canada”), as landlord. The GTAA assumed the obligations of Transport Canada under all existing agreements at the Airport.

The Ground Lease is the principal document governing the relationship between the GTAA and Transport Canada at the Airport. It determines the rent to be paid and generally allocates risk and responsibilities between the GTAA and the federal government for all matters related to the operation of the Airport. Under the Ground Lease, all revenue and expenditure contracts in effect on December 1, 1996, were assigned to the GTAA. The GTAA did not assume any liability with respect to claims against the federal government incurred prior to December 2, 1996.

By virtue of its status as the tenant under the Ground Lease, the GTAA has the authority to set and collect airline rates and charges; negotiate and issue leases, licenses and permits; and construct and develop the infrastructure of the Airport. The Ground Lease permits the GTAA to pledge its leasehold interest in the Airport as security.

Ground rent is calculated as a percentage of Airport Revenue, as defined by the Ground Lease and related documents, using escalating percentages with the following ranges: 0 per cent for Airport Revenue below $5.0 million, 1 per cent for Airport Revenue between $5.0 million and $10.0 million, 5 per cent for Airport Revenue between $10.0 million and $25.0 million, 8 per cent for Airport Revenue between $25.0 million and $100.0 million, 10 per cent for Airport Revenue between $100.0 million and $250.0 million, and 12 per cent for Airport Revenue in excess of $250.0 million. The calculation of Airport Revenue is subject to audit by Transport Canada.

### Compensation of Key Management

Key management includes the GTAA's Directors, the CEO and the Vice Presidents. The following table includes compensation to key management personnel for the year ended December 31 included in the statements of operations and comprehensive income.

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Salaries, fees and short-term benefits | **6,033** | 6,006 |
| Post-employment benefits | **489** | 379 |
| Other long-term benefits | **13** | 13 |
| **Total (included in salaries, wages and benefits)** | **6,535** | 6,398 |

## 14. COMMITMENTS AND CONTINGENT LIABILITIES

### Capital Commitments

In connection with the operation and development of the Airport, the GTAA had capital commitments outstanding at December 31, 2016 and subsequent to the year-end of approximately $332.4 million, as compared to $184.4 million at December 31, 2015.

### Letters of Credit

A number of letters of credit for $76.3 million in total were outstanding as at December 31, 2016 (see Note 10, Credit Facility and Long-Term Debt).

### Insurance

In December of 2015, the Canadian government advised the GTAA that the Transport Canada Aviation War Risk Liability Program (the "Program") would remain in effect until June 30, 2016 but would not be extended. With the expiry of the Program the GTAA was required to obtain the war risk insurance directly from the commercial insurance market as the coverage was now readily available.

In June of 2016, the GTAA secured aviation war risk liability coverage through the commercial insurance market with a limit of $1.5 billion to replace the expiring Program.

The GTAA continues to purchase first-party terrorism property insurance in the amount of $300.0 million which provides coverage that was excluded from the main property insurance policy following the events of September 11, 2001.

### Cogeneration Plant

The GTAA has entered into certain contracts in order to secure the supply and delivery of natural gas necessary for anticipated future operations of the Cogeneration Plant. Under these contracts, the GTAA will be required to make payments relating to both the delivery of natural gas based on standard rate agreements and the cost of natural gas as determined by market rates. The GTAA has also entered into a delivery contract that establishes a maximum volume of natural gas inventory that the GTAA is permitted to maintain, as of November 30 of each year. The GTAA has the option to dispose of natural gas in excess of this maximum volume either through consumption or through the sale of natural gas to third parties.

### Contingent Liabilities

The GTAA is subject to legal proceedings and claims from time to time that arise in the normal course of business. Where appropriate, the GTAA has recorded provisions while it actively pursues its position. Where it is the opinion of management that the ultimate outcome of these matters will not result in a probable outflow of cash, no provisions have been recorded.

### Payments-in-Lieu of Development Charges

The GTAA is not required to pay development charges to the City of Mississauga, the Regional Municipality of Peel ("Peel Region") or the City of Toronto with respect to development at the Airport, but rather pays a payments-in-lieu of development charges ("PILDC") in accordance with the *Payments in Lieu of Taxes Act* (*Canada*). The amount of PILDC is calculated by Public Works and Government Services Canada ("PWGSC").

With respect to development undertaken by the GTAA at the Airport between 1996 and 2004, PWGSC paid PILDC in the amount of $0.8 million to the City of Mississauga and $4.1 million to Peel Region. As required by the Ground Lease, the GTAA reimbursed Transport Canada for such amounts. The City of Mississauga filed an application to increase the amount of the PILDC. The current claim by the City of Mississauga is $4.6 million. No amounts have been accrued as at December 31, 2016 with respect to this claim as the obligation relating to this application is not probable at this time.

With respect to any further applications to PWGSC for PILDC with respect to Airport developments by the GTAA occurring after 2004, if these applications were successful, the GTAA would be required to pay to Transport Canada the amount of PILDC paid to the municipality by PWGSC.

# 15. FINANCIAL INSTRUMENTS

## Fair Value Hierarchy

Fair value measurements recognized in the statements of financial position must be categorized in accordance with the following levels:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

b) Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; or

c) Level 3 – Significant unobservable inputs that are supported by little or no market activity.

Financial instruments that are not measured at fair value in the statements of financial position are represented by cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, security deposits, and long-term debt. The fair values of these items, excluding long-term debt, approximate their carrying values due to their short-term nature. The fair value of long-term debt is disclosed in Note 10, Credit Facility and Long-Term Debt.

Restricted funds are categorized as Level 2 as the GTAA uses observable inputs such as yield curves applicable to identical assets to fair value this group.

During 2015, the GTAA entered into a cash flow hedge to lock in the interest rate on a notional debt amount of $300.0 million using the Government of Canada five-year bond maturing in the year 2020 as its reference bond. On February 16, 2016 in conjunction with the issuance of the 2016-1 MTNs, the GTAA terminated the derivative, resulting in the GTAA making a cash payment of $6.1 million. The amount paid at the time of termination, is included in other comprehensive income (loss) and is being amortized over the term of the hedged debt (five years).

There were no transfers of financial instruments between the levels during the year.

## Risk Management

In the normal course of business, the GTAA is exposed to a number of financial risks that can affect its operating performance. The GTAA's overall risk management program seeks to minimize potential adverse effects on the GTAA's financial performance.

The GTAA's treasury function is responsible for the procurement of the GTAA's capital resources and for the management of financial risk. All treasury operations are conducted within policies and guidelines approved by the Board of Directors and are within the requirements set out in the Trust Indenture dated December 2, 1997, as supplemented or amended from time to time. Compliance with these policies is monitored by the regular reporting of treasury activities to the Audit Committee of the Board. The GTAA's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

## Market Risk

### a) Interest Rate Risk

The GTAA's exposure to interest rate risk relates to its MTNs bank indebtedness as described in Note 10, Credit Facility and Long-Term Debt. As at December 31, 2016, all of the GTAA's MTNs are fixed-rate carried assets and, therefore, changes in interest rates do not have an impact on interest payments but may have an impact on the fair value of this debt. There were amounts drawn from the credit facilities during 2016 (see Note 10, Credit Facility and Long-Term Debt).

The GTAA also has exposure to interest rate risk through its short-term investments in restricted funds (see Note 6, Restricted Funds). As at December 31, 2016, $347.4 million of the GTAA's short-term investment holdings carried a fixed rate during their term and therefore changes in the interest rate would not have a significant impact on the fair value of restricted funds due to the short-term nature of the investments. The remaining funds were invested in savings accounts which are highly liquid, and therefore the principal balances were protected regardless of changes in interest rates.

The minimum balance of the Debt Service Reserve Fund securing bank indebtedness is adjusted annually on December 2, based on the prevailing bankers' acceptance rate.

### b) Foreign Currency Rate Risk

The GTAA undertakes certain transactions denominated in foreign currencies, primarily the U.S. dollar. However, the GTAA's exposure to any foreign currency risk is not significant.

## Credit Risk

The GTAA is subject to credit risk through its financial assets. The GTAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss.

Before accepting a new air carrier, the GTAA uses an external credit scoring system to assess the potential customer's credit quality, as well as an internal credit rating system. Customers are subject to credit checks and require prepayment or a deposit in the form of cash, a letter of credit or a letter of guarantee. Operational and credit-related reviews for aeronautical customers are seasonally reviewed for appropriateness. Should the requirements for security deposits change, new payment terms or deposit requirements will be established. A security deposit is required for most non-aeronautical customers as well. Credit checks for these customers are performed at the time of the agreement negotiations, renewal and amendments.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the customer.

| As at December 31 | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Cash and cash equivalents** | | |
| Aa3 | **73,781** | 3,547 |
| | **73,781** | 3,547 |
| **Restricted funds** | | |
| Aaa | **–** | 37,014 |
| Aa1 | **–** | 110,317 |
| Aa2 | **–** | 151,144 |
| Aa3 | **476,988** | 201,914 |
| | **476,988** | 500,389 |

None of the financial assets that are fully performing have been renegotiated during the year.

There is a concentration of service with two air carriers that represents approximately 50.9 per cent (2015 – 50.0 per cent) of total revenue and 22.2 per cent (2015 – 31.0 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2016.

## Liquidity Risk

The GTAA manages liquidity risk by maintaining adequate cash, restricted funds and available credit facilities. Quarterly cash flow projections are prepared by management and reviewed by the Audit Committee to ensure a sufficient continuity of funding. To maintain a flexible program, debt maturities are spread over a range of dates, thereby ensuring that the GTAA is not exposed to excessive refinancing risk in any one year.

The GTAA maintains lines of credit and executes a Capital Markets Platform to meet cash needs as debt maturities occur (see Note 10, Credit Facility and Long-Term Debt, and Note 18, Capital Risk Management).

The table below analyzes the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the date of the statements of financial position to the contractual maturity date. It does not include pension and post-retirement benefit obligations, as maturities are variable based on timing of individuals leaving the plan. The table has been prepared based on the contractual undiscounted cash flows based on the earliest date on which the GTAA can be required to pay. It includes both principal and interest cash flows.

| | | | | **December 31, 2016** |
|---|---|---|---|---|
| | **Less Than 1 Month** | **1 Month to 12 Months** | **1 Year to 5 Years** | **Thereafter** |
| | **$** | **$** | **$** | **$** |
| Accounts payable and accrued liabilities | **104,659** | **115,444** | **–** | **–** |
| Long-term debt | **10,100** | **758,535** | **3,175,077** | **6,786,099** |
| | **114,759** | **873,979** | **3,175,077** | **6,786,099** |

| | | | | December 31, 2015 |
|---|---|---|---|---|
| | Less Than 1 Month | 1 Month to 12 Months | 1 Year to 5 Years | Thereafter |
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 91,923 | 103,012 | – | – |
| Long-term debt | 10,588 | 705,956 | 2,952,531 | 7,456,894 |
| | 102,511 | 808,968 | 2,952,531 | 7,456,894 |

Additional disclosure about the GTAA's credit facility and long-term debt can be found in Note 10, Credit Facility and Long-Term Debt, and Note 8, Intangibles and Other Assets.

## Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the GTAA currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the GTAA enters into various arrangements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the financial instruments that may be subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2016 and 2015, and shows in the "Net Amount" column what the net impact would be on the GTAA's statements of financial position if all set-off rights were exercised in circumstances described above. As at December 31, 2016, no recognized financial instruments are offset in the statements of financial position.

| | | | **December 31, 2016** |
|---|---|---|---|
| | **Gross Amount Presented in the Statement of Financial Position** | **Related Accounts Not Set Off in the Statement of Financial Position** | **Net Amount** |
| | **$** | **$** | **$** |
| **Financial assets** | | | |
| Accounts receivable | **68,296** | **(34,351)** | **33,945** |
| Restricted funds | **476,988** | **(473,127)** | **3,861** |
| | **545,284** | **(507,478)** | **37,806** |
| **Financial liabilities** | | | |
| Security deposits | **(34,351)** | **34,351** | **–** |
| Long-term debt | **(6,222,627)** | **473,127** | **(5,749,500)** |
| | **(6,256,978)** | **507,478** | **(5,749,500)** |

| | | | December 31, 2015 |
|---|---|---|---|
| | Gross Amount Presented in the Statement of Financial Position | Related Accounts Not Set Off in the Statement of Financial Position | Net Amount |
| | $ | $ | $ |
| Financial assets | | | |
| Accounts receivable | 75,272 | (32,931) | 42,341 |
| Restricted funds | 500,389 | (496,417) | 3,972 |
| | 575,661 | (529,348) | 46,313 |
| Financial liabilities | | | |
| Security deposits | (32,931) | 32,931 | – |
| Long-term debt | (6,294,204) | 496,417 | (5,797,787) |
| | (6,327,135) | 529,348 | (5,797,787) |

## 16 . ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Trade payables | **43,935** | 34,383 |
| Accrued expenses | **164,569** | 150,560 |
| Commodity sales tax payable | **5,720** | 4,801 |
| Provisions | **4,555** | 3,082 |
| Other liabilities | **1,324** | 2,109 |
| | **220,103** | 194,935 |

## 17. GOODS AND SERVICES EXPENSE BY NATURE

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Property and equipment maintenance and repairs | **96,561** | 93,682 |
| Outsourcing and professional services | **95,881** | 66,442 |
| Utilities | **16,906** | 24,917 |
| Policing and security | **32,768** | 33,332 |
| Other | **27,150** | 22,011 |
| | **269,266** | 240,384 |

## 18. CAPITAL RISK MANAGEMENT

The GTAA defines its capital as long-term debt, including its current portion; borrowings, if any, under the GTAA's credit facility (see Note 10, Credit Facility and Long-Term Debt); cash and cash equivalents; and restricted funds.

The GTAA's objectives when managing capital are to:

a) Maintain a capital structure and an appropriate rating that provide financing options to the GTAA when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity or resulting in a downgrade to the credit ratings of the existing indebtedness;

b) Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments; and

c) Satisfy covenants set out in the Trust Indenture.

The GTAA is a corporation without share capital and, accordingly, is funded through operating revenues, AIF revenue, restricted funds, the debt capital markets and its bank credit facilities. The GTAA uses a rate-setting methodology that targets levels of cash flow sufficient not only to fund operating expenses, maintenance and restoration capital expenditures, and partial debt repayment but also, in most years, to fund certain other capital investments. Consistent with this mandate, any excess funds generated by the GTAA are reinvested in the Airport.

As at December 31, 2016, the GTAA's deficit and accumulated other comprehensive loss amounted to $586.2 million (December 31, 2015 – $667.2 million).

### Capital Markets Platform

As a corporation without share capital, the GTAA's ongoing capital requirements, as noted above, are financed through the issuances of debt. The GTAA developed a financing program referred to as the Capital Markets Platform, capable of accommodating a variety of corporate debt instruments. All indebtedness incurred under the Capital Markets Platform is secured under the Trust Indenture dated December 2, 1997, as supplemented or amended from time to time, which establishes common security and a set of common covenants by the GTAA for the benefit of its lenders. The security comprises an assignment of the revenues of the GTAA; a specific charge on certain funds; restricted funds and accounts; an unregistered first leasehold mortgage of the GTAA's leasehold interest in the Airport; and a guarantee and related collateral security of subsidiaries, if any, as designated from time to time.

The Debt Service Reserve Funds are funded from the net proceeds of each bond or MTN issuance (see Note 6, Restricted Funds). The covenants that the GTAA must meet include two specific coverage tests for operating expenses and debt payments. The operating covenant states that the total revenue must at least cover all operating expenses, including interest and financing costs and excluding amortization. The debt service covenant states that the net revenues, which may include available credit, must be at least 1.25 times the total interest and financing costs, including notional principal. At December 31, 2016 and throughout the year, the GTAA was in compliance with the above covenants and was not in default under the Trust Indenture as defined therein.

# DISCLOSURE REQUIREMENTS OF THE GROUND LEASE

Subsection 9.01.07, Paragraphs (a) to (g) of the Ground Lease requires the GTAA to publish in its Annual Report the matters listed below.

## a) Audited Financial Statements

The auditors' report and the audited financial statements are found on pages F21 to F50 and the summary of affairs (Management's Discussion and Analysis or "MD&A") is found on pages F1 to F20 of the Annual Report.

## b) Report on the Business Plan and Objectives for 2016

The projected cash flows in any year constitute the business plan for that year. The business plan for 2016 is the 2016 summary of projected cash flows which is found below in Paragraph c) (the "2016 Business Plan"). A report on the GTAA's performance relating to the 2016 Business Plan is discussed in Paragraph c) below and in the MD&A.

Further, in the Annual Reports for the previous five years, comparisons to the respective business plans and the overall corporate performance are discussed in the respective MD&A and Ground Lease disclosures.

## c) Variances and Corrective Measures with Respect to the Report on the 2016 Business Plan

The following table provides a comparison between the 2016 actual results and the 2016 Business Plan.

| (in millions, unaudited) | | | 2016 |
|---|---|---|---|
| | Actual | Business Plan | Favourable/ (Unfavourable) |
| | $ | $ | $ |
| Revenues | 1,286 | 1,272 | 14 |
| Expenses | 859 | 851 | (8) |
| Earnings before interest and financing costs, net | 427 | 421 | 5 |
| Interest income | (6) | (4) | 2 |
| Interest expense on debt instruments and other financing costs, net | 347 | 345 | (2) |
| Interest and financing costs, net | 341 | 341 | 0 |
| **Net Income/(Loss)** | **86** | **80** | **6** |
| Add: Amortization | 249 | 248 | 1 |
| **Operating cash flows** | **335** | **328** | **6** |
| Less: Capital expenditures | 242 | 285 | 43 |
| Available for debt repayment and future investment | 93 | 43 | 49 |

For a more complete discussion of the 2016 financial results and capital projects, see the MD&A and the Annual Information Form for the year ended December 31, 2016, copies of which are available on SEDAR at www.sedar.com. The GTAA's MD&A is also available on its website at www.torontopearson.com.

Total revenues were favourable to the 2016 Business Plan by $14 million, driven by robust aviation activity and passenger growth.

Total expenses, including amortization of property and equipment, investment property and intangible assets ("Amortization"), were $8 million unfavourable to the plan, primarily driven by continued reinvestments in the passenger experience, including initiatives related to enhancing the flow of aircraft, passengers and baggage. Additional expenditures relating to the information technology transition to a new vendor also resulted in higher expenditures that were not contemplated by the plan.

Amortization costs were $1 million unfavourable, resulting from the early completion of capital initiatives versus plan, while net interest and financing costs were in line with the plan.

Pursuant to the Master Trust Indenture ("MTI"), the deposit to the Notional Principal Fund and the letter of credit adjustment regarding the Operations and Maintenance Reserve Fund were as projected. No deposits were made to the Debt Service Coverage Reserve Fund since the financial ratio covenants in Section 7.4 of the MTI were met.

None of the variances to the 2016 Business Plan discussed above were of a nature that caused the Corporation to take specific corrective actions.

## d) Summary of the Five-Year Business Plan

The five-year Business Plan (2017 to 2021) is driven by the 20-year strategic framework, which is in turn based upon three fundamental strategic principles: financial sustainability, customer experience and operational excellence. This means that the Corporation will meet the growing demand for air travel by making optimum use of existing facilities before investing in new capital infrastructure. This will be achieved by improved passenger, baggage and aircraft processing, and flow through the Airport, while delivering exemplary customer service, atmosphere and amenities to all passengers.

The key corporate revenue generation assumptions used to develop the 2017 Business Plan are as follows:

- 46.7 million total passengers;
- Landed Maximum Takeoff Weight (> 19 tonnes) of 17.0 million tonnes; and
- Landed seats of 28.7 million.

Over the five-year forecast horizon, the primary driver for the Corporation's Business Plan is the long-term growth in Airport activity. Specific revenue, customer service or cost containment initiatives carried out over this period may also have an impact on revenues and expenses. The average annual passenger growth rate from 2017 to 2021 is projected to be approximately 5.3 per cent. During the same period, landed MTOW is expected to grow at an average annual growth rate of approximately 4.8 per cent, while landed seats are expected to grow by an average annual growth of approximately 5.2 per cent.

2017 will mark the fifth consecutive year of freezing posted aeronautical rates and charges to air carriers.

During the Business Plan's five-year horizon, the Corporation plans to continue to pursue its non-aeronautical revenue growth strategy. This will include the introduction of new retail, food and beverage offerings and advertising/sponsorship initiatives, as well as enhanced marketing and business development initiatives to increase parking revenues. Over the term of the Business Plan, growth rates for non-aeronautical revenues is expected to exceed passenger growth rates.

The Corporation typically undertakes capital projects to meet one of the following key objectives: (i) to comply with regulatory requirements (e.g., safety, security or environmental); (ii) to expand the capacity or improve the productivity of existing assets; (iii) to restore or replace existing assets; (iv) to modify existing infrastructure to improve revenue or reduce costs; or (v) add new capacity or businesses to the Airport beyond the existing infrastructure.

As part of the 20-year strategic framework adopted by the Corporation in 2015, the Corporation will continue to meet the growing demand for air travel through making optimum use of existing facilities prior to investing in new capital infrastructure.

In the near term, the Corporation will continue to focus on capital programs that will optimize the capacity and use of its existing infrastructure assets to improve passenger, baggage and aircraft processing and flow, comply with regulatory requirements, and enhance customer experience, primarily through its Terminal 1 and Terminal 3 improvement projects.

Due to the consistent high passenger growth the Airport has experienced over the past five years and the high growth forecasted over the next five years, it is anticipated that there will be a need to expand the existing infrastructure via a new concourse facility within the next five to 10 years. The specific plans for this will form part of the updated Master Infrastructure Plan, due to be published by the end of 2017.

Expenditures related to capital programs are expected to be funded through cash flows generated from operations and are expected to average approximately $300 million per year over the next five years, pending finalization of the Master Infrastructure Plan. This is less than the average annual capital spent over the past 15 years, but greater than the Corporation's expected long-term average annual capital expenditure of $200 million to $250 million per year going forward.

The reader is cautioned that some assumptions used to derive forecast information may not materialize and unanticipated events and circumstances may occur subsequent to the date when this summary was prepared. Therefore, the actual results achieved during the period may vary, and the variations may be material. For a more complete discussion of the risks and uncertainties and caution regarding forward-looking statements, see the MD&A and the Annual Information Form, copies of which are available on SEDAR at www.sedar.com. The GTAA's MD&A is also available on its website at www.torontopearson.com.

## e) Remuneration to Board and Salary of Senior Officers

For 2016, the Chair of the Board of Directors received remuneration in the amount of $170,000, while the other Directors earned remuneration ranging from $16,694 to $87,775. For 2016, salaries for the Corporation's senior officers ranged from $243,110 to $582,033. Senior officers are also eligible for a performance-based bonus.

A Director's annual remuneration varies by the number of Board and Board Committee meetings attended and the manner of attendance, whether the Director serves as a Chair of a committee, and whether the Director has served for a full or part year. A senior officer's salary varies by the responsibilities and experience of the senior officer and whether the senior officer served for a full or part year.

Additional information regarding the remuneration paid to the Directors and the senior officers is available in the Annual Information Form, copies of which are available on SEDAR at www.sedar.com.

## f) Ethical Business Conduct

The Corporation has a "Code of Business Conduct and Ethics" (the "Code"), which has been approved by the Corporation's Board of Directors (the "Board"). The Code complies with the requirements of the Canadian Securities Administrators' National Policy 58-201 and represents a comprehensive approach to addressing, among other matters, conflicts of interest and promoting fair, honest and ethical behaviour by all of the Corporation's Directors, officers, employees and contractors. A copy of the Code may be accessed on SEDAR at www.sedar.com.

The Board monitors compliance with the Code, and the Corporation requires that each Director and officer sign an Annual Declaration advising that the Director or officer has read the Code and either declares that the Director or officer is in compliance or not in compliance with the Code and declares the reasons for the non-compliance. In addition, the Board has implemented Confidential Anonymous Reporting for Employees ("C.A.R.E."), which permits the anonymous reporting of an employee, officer or Director's unethical behaviour. C.A.R.E. also extends to business partners contracted by the Corporation.

All Directors and officers indicated that they were in compliance with the Code.

## g) Report on Contracts over $100,000 Not Tendered

The Ground Lease provides that any contracts in excess of $100,000 (adjusted periodically by CPI from an original threshold of $75,000) that are not awarded through a public tendering process must be described in the Corporation's Annual Report. Such description must identify: the parties to the contracts; the amount, nature and circumstances of the contract; and the reasons for not awarding such contract on the basis of a public competitive tendering process. The table below summarizes the applicable contracts awarded in 2016. Definitions for the "reason for award without public tender" can be found at the end of the table.

| Contract Value | Contractor | Description of Contract | Reason for Award without Public Tender |
|---|---|---|---|
| $100,000 to $500,000 | AGO Industries Inc. | Provide Non-Fire Related and Fire Rated Trades Uniforms | B |
| | Straight A's Ltd. | Executive Coaching Services | A |
| | Glidepath Systems Ltd. | Software Support and Reporting for Inbound Baggage Delivery | C |
| | Tailor Made Systems Limited | Purchase Mobile Airfield Lighting Management System and Training for Field Electricians | B |
| | Robly Mechanical Maintenance Ltd. | Passenger Boarding Gantries | B |
| | Spice Technology Group Inc. | Support Services for the IBM Websphere DataPower Gateway System | A |
| | Kenstruct Limited | Repair the Waste Oil Tank at the Airfield Maintenance Facility | B |
| | Anco Contracting Inc. | Hoarding and Drywall Supply for T1 Level 3 Pier F Satellite Primary Inspection Lines (SPIL) | C |
| | Quantum Murray LP | Terminal 1 SPIL Rescreening Electrical Early Works | C |
| | Black and McDonald Limited | Terminal 1 SPIL Rescreening Electrical Early Works | C |
| | AERO MAG 2000 (YOW) Inc. | Rental of Deicing Trailer and Signboards for Hangar Deicing Facility (HDF) | A |
| | George Schmitt & Co., Inc. | Purchase of RFID Bag Tags | B |
| | Baglogix Limited | Consultant Services to Support Baggage Capacity and Connections Improvements | B |
| | Cognex Corporation | Terminal 1 Baggage Handling System AS5 and AS6 Stations | B |
| | DSG Bagdrop Support as part of Materna Group | Software Support for Self Service Bag Drop for Terminal 3 | A |
| | Oracle Canada ULS | Software licenses of Oracle Webcentre | A |
| | Glidepath Systems Ltd. | Design, Deliver, Supervise and Install Conveying Equipment for HDF | B |
| | Jervis B. Webb Company of Canada Ltd. World Headquarters | Supply 51 Portec Power Turn Conversion Kits Specific for Baggage Handling System Terminal 1 Model 140 Series | B |
| | Safedesign Apparel Ltd. | Firefighter Turnout Gear | A |
| | Vestergaard Company Inc. | Vestergaard Underwing Deicer | B |
| | Enersource Power Services | Connection to Power Supply to Support FESTI Facility | B |
| | NAV Canada | Aeronautical Radio Replacement and Ongoing Maintenance | B |
| | Ontario Clean Water Agency | Central Deicing Facility Spent Deicing Fluid Management and Disposal | A |

| Contract Value | Contractor | Description of Contract | Reason for Award without Public Tender |
|---|---|---|---|
| $100,000 to $500,000 | Vanderlande Industries Inc. | Replacement of Baggage Information Display Systems (BIDS) for T3 | A |
| | Enersource Power Services | Provision of engineering services | B |
| | Clearview Executive Search Group | Professional recruitment services | A |
| $500,000 to $1,000,000 | ThyssenKrup Norte | Design, Manufacture, Supply and Install 8 New Corian Ballustrades for Express Walks | B |
| | Embross North America Ltd. | Provision of T-Series Kiosks | B |
| | Johnson Controls | Metasys Building Management System Programming and Field Control Devices | B |
| | Eventscape Inc. | Passenger Information Zones Supply and Installation of Custom Millwork Features | B |
| | Siemens Canada Limited | Supply and Install a New Gear Set for Siemens Steam Turbine | C |
| $1,000,000 to $2,000,000 | Vipond Inc. | T3EP Sprinklers Early Works | B |
| | 1791949 Ontario Ltd. O/A TBH Services | T1 and T3 SIA Projects Baggage Handling Support Services | A |

A. Where the GTAA determines that in connection with an existing contract for the supply of goods and services that is expiring, it is most efficient and practicable to extend or award a new contract to the existing contractor or services supplier where such contractor or services supplier has developed a specific skill set or knowledge base in respect of that contract not found on the market.

B. Where there is just one contractor, or services supplier who can provide the required goods or services.

C. Where warranty, patent or copyright requirements or technical compatibility factors dictate a specific supplier.

D. In any other circumstances where the President and Chief Executive Officer determines it is necessary to do so having regard to the safe, efficient and practicable operation of Toronto Pearson.

# SECTION 9.01.07, PARAGRAPHS (a) TO (g), OF THE GROUND LEASE

The Tenant shall, prior to each public meeting to be held pursuant to Subsection 9.01.05, publish an annual report in respect of the Lease Year (in this Subsection 9.01.07 called "that Lease Year") immediately preceding the Lease Year in which the public meeting is held which shall, as a minimum:

(a) include the audited annual financial statements of the Tenant for that Lease Year, the Tenant's Auditor's report on such Tenant's audited annual financial statements, and a summary of the Tenant's affairs for that Lease Year;

(b) contain a report on the Tenant's performance relating to the Tenant's business plan and objectives established for that Lease Year, and as applicable for the previous five Lease Years;

(c) include an explanation by the Tenant of all variances and corrective actions taken with respect to the Tenant's performance described in Paragraph 9.01.07(b);

(d) present a summary of the Tenant's business plan for the then current Lease Year and the Tenant's business plan containing a forecast for the next five Lease Years, including specific objectives (measurable where feasible), for such summary and forecast and relating to the approved objectives of the Tenant;

(e) contain a report on the remuneration provided to each Board member and on the salary of each of the Senior Officers of the Tenant;

(f) contain a report on compliance or non-compliance with the Tenant's Code of Conduct; and

(g) report on all contracts in excess of an amount obtained by multiplying seventy-five thousand ($75,000) dollars by the CPI. Adjustment Factor for that Lease Year which are entered into during that Lease Year and which contracts were not awarded on the basis of a public competitive tendering process and such report shall identify the parties to the contract, the amount of the contract, the nature of the contract, the circumstances of the contract and the reasons for not awarding such contract on the basis of a public competitive tendering process.


*The Nai Syrian Children's Choir performs regularly across the Greater Toronto Area.*

# WE'RE CONNECTED

# SUSTAINED SUCCESS

## As a global hub and Canada's connection to the world, the GTAA collaborates with its stakeholders and surrounding communities so that our evolution as an airport is both responsible and strategic.

We've experienced tremendous growth – in 2016 alone, Toronto Pearson served 44.3 million passengers, representing an increase of 5.7 million from 2014. Our 20-year strategic framework has sustainability at the forefront and helps us plan for the future.

Thinking sustainably requires long-term goals that consider the impact of our operations and the many challenges that come with running an organization as large and complex as Toronto Pearson. Being successful requires engaging our stakeholders and understanding their needs. Only through collaboration will we meet our vision of becoming "the best airport in the world."

**Howard Eng, President and CEO, GTAA**

As the operator of Toronto Pearson, the GTAA is guided by its vision to be "the best airport in the world." With demand reaching unprecedented levels in the coming years, we have a unique opportunity to be stewards of the environment and contribute even further to the regional economy. Responsible growth means working with our partners: the people, communities and industry peers who provide us with our social licence to grow.

Corporate sustainability is the very foundation of our 20-year Strategic Framework. Developed by the executive leadership team and approved by the Board of Directors, this Framework guides our growth by considering how we can:

- Maintain high levels of safety and security
- Deliver outstanding passenger and customer service
- Be recognized as an employer of choice
- Strengthen ties with community partners
- Minimize negative environmental impacts

From 2005 to 2012, we reported on our sustainability initiatives with a stand-alone corporate social responsibility report. *Pearson Connects* is our fourth report in which we have combined our financial and non-financial priorities, commitments and performance. Environmental and social responsibility is inseparable from our strategic corporate goals, and our integrated report showcases how the GTAA collectively (and collaboratively) seeks both short- and long-term solutions.

Maintaining a balanced, holistic approach lies at the core of our greater sustainability mission. Informed by the GTAA's values, targets and diverse people, we hope that this report provides our stakeholders a comprehensive perspective in areas that are critical to achieving our vision.

**20-YEAR**
**strategic framework and goals**

**4 YEARS**
**integrated reporting**

**GRI-G4**
**Comprehensive report**

## ABOUT OUR SUSTAINABILITY REPORTING

In this section of *Pearson Connects*, we provide a summary of our sustainability priorities, initiatives and performance. We have also developed a separately downloadable Global Reporting Initiative (GRI) Index on our website that provides greater management approach details, performance data and context, which are essential to meeting the GRI G4 Guidelines Comprehensive option (self-declared). Our G4 reporting includes the Airport Operators Sector Disclosure, which we helped to develop in 2011. We intend to report according to the GRI Standards in subsequent reports.

We define our material topics (i.e., specific priorities falling within our strategic goals), and the approaches taken to identify these topics, based on a scan of industry guidelines and practices, recent insights shared by our stakeholders, and the broader mandate to meet our strategic goals. As a result, we include information in our Annual Report that is considered of value by our stakeholders, and we see each Annual Report as an opportunity to improve on our reporting.

Some values have been restated as a result of a change in units or how data was compiled in response to the recently updated GRI Guidelines. This has been clearly reflected in the relevant sections, and in the separately downloadable GRI Index.

We continue to have used an internal verification program to assess our performance data, including, but not limited to, how the data was captured, collected, reviewed and reported. We evaluated a sample of the information and data related to the performance indicators to ensure that a documented process and adequate controls are in place so that we can present consistent and accurate data. We do not currently have a policy or mandate with respect to externally assuring our non-financial reporting.

We maintain an ISO 14001 environmental management system, which helps us in determining our long-term objectives. Our management system is externally audited to ensure the quality and credibility of our environmental data.

# STAKEHOLDER ENGAGEMENT

## WHY IT MATTERS

We represent an industry that continues to evolve in its policies and technologies, and we operate in a prosperous region that is growing both in cultural and commercial diversity.

Our stakeholders are part of a complex network of organizations that play critical roles in helping the airport maintain and improve its connection to local communities, deliver best-in-class customer service, operate safely and address the priorities of its investors.

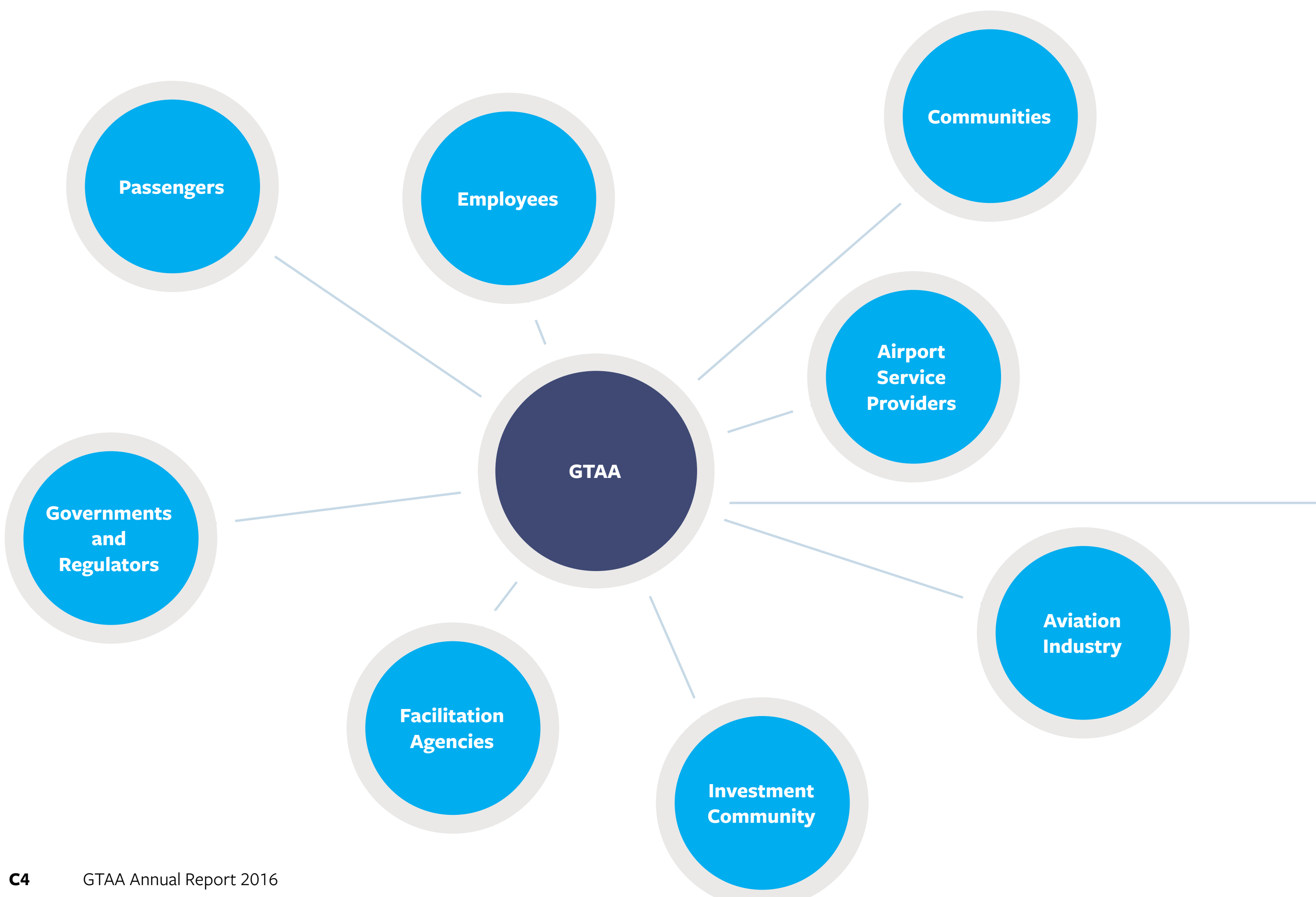
We are always at the table, because we appreciate the critical role that stakeholders play in keeping us abreast of the latest changes, concerns, challenges and opportunities affecting Toronto Pearson, our industry, surrounding neighbourhoods and our regional economic hub.

Through initiatives ranging from industry committees, face-to-face meetings and passenger surveys to employee forums, public tours and social media outreach, we receive feedback from and collaborate with our diverse stakeholders so that we are in the best possible position to plan strategically and act responsibly.

## OUR STAKEHOLDERS

We identify our stakeholders as any person or group that has direct dealings with the airport, or that has influence over or is impacted by airport operations, including those with economic ties to the airport, our surrounding community, our partners and our people.

The figure below depicts the stakeholder groups with which we regularly engage to assess whether we are on track to become "the best airport in the world":



## HOW WE ENGAGE AND WHAT WE LEARN

We actively reach out to our stakeholders to inform them, and to engage and/or collaborate with them to help us improve our policies, plans and practices. Stakeholders often partner with us to enhance the impact of our community and environmental initiatives, and to both discover and realize new economic opportunities.

Not all stakeholders want to be deeply engaged in what we do, but may still wish to be informed of our latest performance and goals; whereas other groups may not review our financial performance but wish to be heard in matters relating to our environment and noise-related commitments.

As a result, we regularly evaluate and modify how we engage with specific stakeholder groups, and how we incorporate stakeholder feedback into our corporate sustainability planning, programs and performance measurement.

Below we describe how we engage with specific stakeholder groups on topics relating to corporate sustainability, how often we engage with them and the topics that were raised in 2016.

### Passengers

Our mission is: "passengers are our passion." Since the number of passengers that we serve has grown and is expected to continue to grow on average 3 per cent annually over the next 20 years, we need to look for opportunities to maintain and improve our relationships by considering how we can meet and exceed their changing expectations. During the past three years, we have engaged our passengers and have implemented a number of initiatives to improve the passenger experience by improving flow, atmosphere and amenities.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| Improved Airport Service Quality (ASQ) survey score<br>The opening of the new Terminal 3 Pier, which handles approximately 2.9 million passengers per year<br>The Terminal 3 Enhancement Project (T3EP), expected to be complete in 2017, will improve passenger flow and introduce new and refreshed facilities and retail offerings to better meet the needs of airport users today and in the future | Passenger surveys<br>ASQ survey<br>Customer and passenger feedback kiosks | Regularly | Customer experience<br>Customer service<br>Operational excellence<br>Infrastructure |
| | Web portal for passengers, visitors and the community (TorontoPearson.com)<br>Social media channels (e.g., Twitter, Facebook, Instagram) | Continuously | |

**"In developing our goal of becoming a regional transit hub, we realized that it was our responsibility to bring more stakeholders to the table. These people make up the fabric of the community and deserve to be heard. It's not about paving runways; it's about paving the way for opportunity."**

**Hillary Marshall, Vice President, Stakeholder Relations and Communications, GTAA**

## Employees

### GTAA Employees

Directly employing over 1,500 persons who are engaged in management, technical, administrative and labour activities, the GTAA aspires to be a leading employer in Canada by fostering an open and welcoming culture and a positive work environment. We want to encourage our people to develop their skills and share innovative ideas which support our strategic goals. Our people are strong advocates for sustainability – they regularly engage on related topics through a combination of online and print-based communication, in-person events and an annual opinion survey.

<table>
<tr><th>2016 Update</th><th>How We Engage</th><th>How Often</th><th>Key Topics</th></tr>
<tr><td rowspan="9">I am Toronto Pearson program and website launch<br><br>“Coffee with Howard” sessions for employees to engage with our CEO<br><br>Completing the Aon Hewitt employee engagement survey<br><br>Toronto Pearson Safety Index Program<br><br>People of Pearson – a social media campaign profiling airport employees each week</td><td>I am Toronto Pearson workshops</td><td>Continuously</td><td rowspan="9">Upcoming events<br><br>Staffing changes<br><br>Operations updates<br><br>Policy changes<br><br>Company initiatives<br><br>Engagement survey results<br><br>Recognition of staff accomplishments</td></tr>
<tr><td>Updated on corporate intranet</td><td>Continuously</td></tr>
<tr><td>All-employee meetings</td><td>Semi-annually</td></tr>
<tr><td>People Leaders Forum</td><td>Quarterly</td></tr>
<tr><td>Employee opinion surveys</td><td>Annually</td></tr>
<tr><td>Anonymous complaints and whistle-blowing</td><td>Continuously</td></tr>
<tr><td>Evening of Excellence (employee recognition event)</td><td>Annually</td></tr>
<tr><td>Employee social activities (e.g., barbecues, Evening of Excellence, holiday events)</td><td>Quarterly</td></tr>
<tr><td>Airport employee tours (i.e., airside terminal, YYBeeZ hives, stormwater management)</td><td>On request</td></tr>
</table>

### Airport Employees

In addition to our direct employees, the number of direct jobs at the airport has grown from 40,000 to 49,000 since 2015. We share commitments to provide high-quality customer service, and to operate in ways that are safe and considerate to peers and passengers. Our Community Relations team regularly develops programs and initiatives to foster a sense of collegiality and cooperation among airport employees.

<table>
<tr><th>2016 Update</th><th>How We Engage</th><th>How Often</th><th>Key Topics</th></tr>
<tr><td rowspan="8">I am Toronto Pearson program and website launch<br><br>Ongoing awareness – building goodwill and engaging with front-line employees<br><br>FOD-Free Fridays (“FOD” standing for “foreign object debris”) aimed to help maintain a safe airport environment, and an opportunity for anyone with a valid Restricted Area Identity Card (RAIC) to volunteer to clean up specific areas of the airfield<br><br>People of Pearson – a social media campaign profiling airport employees each week<br><br>Toronto Pearson Safety Index Program</td><td>General community engagement email</td><td>Continuously</td><td rowspan="8">Operations updates<br><br>Events and initiatives<br><br>Volunteer opportunities<br><br>Campaigns and discounts<br><br>General education and outreach</td></tr>
<tr><td>Employee updates on the Toronto Pearson website</td><td>Continuously</td></tr>
<tr><td>Email and printed newsletter</td><td>Monthly</td></tr>
<tr><td>Cross-functional airport working groups</td><td>Monthly</td></tr>
<tr><td>Outreach/intercept events</td><td>Periodically</td></tr>
<tr><td>Outreach – town halls and meetings</td><td>Periodically</td></tr>
<tr><td>Large-scale community events</td><td>Periodically</td></tr>
<tr><td>Airport employee tours (airside and terminal)</td><td>On request</td></tr>
</table>

## Airport Service Providers

Toronto Pearson's ground transportation services, airlines, aviation services and tenant enterprises play a critical role in the success of our operations and excellence in customer service. Together with these partners, the GTAA manages customer-service needs and issues and day-to-day operational requirements.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| Hosted the third annual Eye on Safety Awards. Airport service providers (and employees) are recognized for their behaviours and acts that support a culture of safety and security<br><br>Continuing program for restaurants – grease/oil recycling program | Safety Climate Survey | Annually | Passenger facilitation |
| | Airline Consultative Committee | Quarterly | Strategic planning |
| | Airline Consultative Committee – Technical Subcommittee | Quarterly | Long-term development |
| | *Away* magazine | Quarterly | Operations |
| | *Eye on Safety* newsletter | Quarterly | Rates and charges |
| | Commercial Affairs Subcommittee | Monthly | Airport Master Plan |
| | Passenger Operations Subcommittee | Monthly | Building/terminal infrastructure |
| | Airside Operations Subcommittee | Monthly | Development proposals |
| | Irregular Operations Subcommittee | Twice monthly | Policy/practice changes |
| | One-on-one meetings (safety Summits Labour Council) | Regularly | Customer service: connections, passengers, baggage, cargo, mail and stores |
| | *I am Toronto Pearson* | Regularly | Review of information technology and telecommunications |
| | | | Air carrier and ground handling |
| | | | Performance metrics |
| | | | Deicing |
| | | | Traffic management |
| | | | Foreign Object Debris program |
| | | | Interruption management |
| | | | Long-term air traffic growth |
| | | | Transit connectivity |
| | | | Safety/security facilitation |

## Communities

### Regional Communities

Community engagement plays a critical role in achieving the GTAA's vision and strategic goals. Developing and maintaining strong relationships and open communication with our neighbours is crucial for Toronto Pearson to earn the social licence to grow. Our community engagement program uses a combination of tools and initiatives, including local events, public meetings, committees, volunteer opportunities and web-based outreach (e.g., social media), to build awareness of, and support for, the airport and its role in the surrounding community. Our community investment program, called the Propeller Project, provides funding to community building activities and initiatives.

<table>
<tr><th>2016 Update</th><th>How We Engage</th><th>How Often</th><th>Key Topics</th></tr>
<tr><td rowspan="11">Growing Propeller Project funding to support community organizations and projects<br><br>Ongoing awareness – building goodwill and engaging with residents<br><br>Engaging with surrounding corporate community through involvement with Partners in Project Green (an eco-industrial zone)<br><br>The GTAA and NAV Canada started a three-phase Noise Mitigation Initiatives Engagement Plan with communities across the Greater Toronto Area (GTA), beginning with stakeholder roundtables<br><br>29,499 people participated in programs sponsored by the Propeller Project</td><td>Noise complaints line at Web Trak</td><td>Continuously</td><td rowspan="11">Airport operations<br><br>Noise<br><br>Events and initiatives<br><br>Community investment<br><br>Community outreach and feedback<br><br>Biodiversity<br><br>Waste<br><br>Emissions<br><br>General awareness, education and outreach<br><br>Supporting new Canadians<br><br>Developing young leaders</td></tr>
<tr><td>General community engagement line and email</td><td>Continuously</td></tr>
<tr><td>Community section of the Toronto Pearson website</td><td>Continuously</td></tr>
<tr><td>Community Environment and Noise Advisory Committee (CENAC)</td><td>Quarterly</td></tr>
<tr><td>Email newsletter</td><td>Monthly</td></tr>
<tr><td>Events, town halls and meetings (in the community)</td><td>On request</td></tr>
<tr><td>Events, workshops and meetings (at Toronto Pearson)</td><td>On request</td></tr>
<tr><td>Large-scale community events</td><td>Semi-annually</td></tr>
<tr><td>Community tours</td><td>On request</td></tr>
<tr><td>Corporate giving – Propeller Project</td><td>On request, and proactively sought</td></tr>
<tr><td>Social media followers, in 2016:<br>Twitter: 41,000+<br>Facebook: 156,000+<br>LinkedIn: 11,000+<br>Instagram: 13,000+</td><td>Continuously</td></tr>
</table>

## Media

The media plays an important role in informing the public of the GTAA's operational updates such as air traffic, weather and events which may give rise to irregular operations or disruptions. We also engage with the media to communicate to stakeholders and the general public on major announcements and other airport initiatives, such as those relating to the environment, enhanced services, community investment and public advocacy.

Throughout the year, we receive numerous inquiries from print, broadcast (radio and television) and online media relating to every facet of airport operation and aviation in general. Each inquiry is handled by an appropriate GTAA spokesperson who responds specifically to the questions raised.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| Increased use by media outlets of the GTAA's social media feeds (e.g., Twitter, Facebook) for updates on operational issues | Interviews<br>Social media<br>Media statements<br>Speeches | Continuously | Operational issues (e.g., delays and cancellations) as well as broader airport initiatives (e.g., the environment, enhanced services, community investment, public advocacy) |
| | News releases | Continuously | Financial results, executive changes, report findings, significant operational issues |

## Facilitation Agencies

The safety and security of Toronto Pearson's passengers and employees is paramount in how we operate the airport. The GTAA works closely with government agencies (e.g., Canadian Air Transport Security Authority, Canada Border Services Agency, U.S. Customs and Border Protection) that serve Toronto Pearson to ensure anticipated changes in our operations or shifts in regulation will not impact safety, security and efficiency. GTAA departments meet regularly with the local leadership of these government agencies to share information, address day-to-day security and facilitation issues, and coordinate long-term operations and facility planning.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| U.S. Customs and Border Protection – preclearance<br>Meetings with CATSA, CBSA, USCBP | One-on-one meetings | Regularly | Passenger facilitation<br>Strategic planning<br>Long-term development<br>Operations |

## Governments and Regulators

The GTAA takes a progressive view on how it interacts with the communities that surround the airport and with local governments by providing opportunities to publicly discuss the growth and impact of our business and operations, as well as by offering community relations programming. We actively engage with municipal, provincial and federal levels of government, and with federal and international regulators (i.e., IATA, NAV Canada), on a variety of environmental, social and economic issues that impact the GTAA and the broader air transportation industry. In 2016, the GTAA conducted 437 meetings with political stakeholders at the federal, provincial, regional and municipal levels of government. This outreach provided the opportunity to discuss the growth of our business, operations and impact as well as our community relations programming.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| "Growing Canada with a Mega Hub Airport" publication released<br>Partnered with the City of Toronto's International Students Welcome Program to welcome students from around the world<br>Regional Airports and Ground Transportation Strategy | Meetings | 437 government briefings and meetings in 2016 | Growth of our business, operations and impact<br>Community relations programming |
| | Symposiums<br>White papers<br>Quarterly newsletters | Regularly | |

## Investment Community

We regularly meet and communicate with bondholders and investment analysts to explain the GTAA's strategy, business and operations. These discussions include financial projections, performance and strategic goals.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| Presented at three investor/industry conferences | Investor conference presentations | Semi-annually | Activity |
| | Replying to ad hoc requests from investors and analysts | Continuously | Financial results<br>Forecasts<br>Capital and operational projects<br>Financing needs |

## Aviation Industry

To effectively respond to and anticipate changes within our industry, we are actively involved with regional airports, industry organizations and professional associations such as the Canadian Airports Council (CAC), Airports Council International (ACI), International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO). We are in regular communication with the members and executives of these industry and/or regulatory organizations to ensure that we are informed of, and have the opportunity to address, issues affecting the aviation industry and airports in Canada and around the world.

| 2016 Update | How We Engage | How Often | Key Topics |
|---|---|---|---|
| Attained ACI's Airport Carbon Accreditation Program – Level 3<br>Regional Airports and Ground Transportation Strategy | Industry association meetings, conferences and working groups | Regularly | Airport operations and impacts |

**"We appreciate the GTAA's leadership and its long-term vision for aviation growth in Southern Ontario. We are committed, with the GTAA, to collaborate so that we can collectively benefit from the expected economic changes in our region."**

**Chris Wood, General Manager, Region of Waterloo International Airport**

# OUR PRIORITIES

## OUR APPROACH

Due to the nature of our industry, we have committed to reviewing our priority (material) topics every two to three years, but we address specific stakeholder priorities and concerns on an ongoing basis. We will next review our priority topics in 2017.

In our 2015 report, we undertook thorough review of our priority topics by reassessing those identified in our 2014 Annual Report. To determine priority reporting topics, we considered feedback from our stakeholders, gathered through surveys and other methods outlined in the "Stakeholder Engagement" section on page C4.

We also looked at our priorities from an internal perspective – for example, how they aligned with the goals outlined in our strategic framework and practical insights shared during annual in-person interviews conducted with members of our executive leadership team.

## OUR PRIORITY TOPICS

The following illustration provides a present-day view of the corporate sustainability priorities, which are tied to our 20-year strategic goals and are significantly important to the GTAA and its stakeholders.

**Safety**

- Lost-time injuries (LTI) reduction
- Promoting a culture of safety and security
- Safety and security management systems
- Toronto Pearson Safety Index Program

**Passenger and Customer Service**

- Airport Service Quality (ASQ)
- Efficient passenger flow per ICAO standards
- Service Level Agreements and performance standards with major airline partners
- Ground transportation

**Corporate Responsibility – Social**

- Economic impact and opportunities
- Community engagement
- Noise management

**Corporate Responsibility – Environmental**

- Energy
- Climate-change adaptation
- Greenhouse gas emissions
- Waste and stormwater management
- Deicing and anti-icing fluid

**Aviation Growth**

- Airport capacity
- Long-term partnerships
- Public policy and compliance

**Financial Sustainability**

- Net income
- Return on assets
- Free cash flow generation
- Business continuity

**Engaged People**

- Employee engagement
- Talent acquisition
- Talent development
- Rewards and recognition

## Priority Topics, Aspects and Boundaries

This table indicates the stakeholder groups that are most impacted by, or are able to influence, each priority topic, and how each topic aligns to specific Aspects linked to the GRI (G4) Guidelines.

| Priority Topics | GRI Aspects | Boundaries |
|---|---|---|
| **Lost-time injuries (LTI) reduction** | Occupational health and safety | **Internal:** GTAA and airport employees |
| **Promoting a culture of safety and security** | Training and education | **External:** Airport service providers, Airport facilitation agencies, Governments, Industry, Media |
| **Safety and security management systems** | Occupational health and safety | |
| **Toronto Pearson Safety Index Program** | Compliance | |
| **Airport Service Quality (ASQ)** | Customer health and safety<br>Marketing and communications | **Internal:** GTAA and airport employees |
| **Efficient passenger flow per ICAO standards** | Marketing and communications | **External:** Airport service providers, Airport facilitation agencies, Passengers |
| **Service Level Agreements and performance standards with major airline partners** | Marketing and communications | |
| **Ground transportation** | Marketing and communications | |
| **Economic impact and opportunities** | Economic performance<br>Market presence<br>Indirect economic impacts<br>Local communities | **Internal:** GTAA and airport employees<br>**External:** Community residents, Governments, Media |
| **Community engagement** | Local communities | |
| **Noise management** | Compliance | |
| **Energy** | Energy | **Internal:** GTAA and airport employees |
| **Climate-change adaptation** | Economic performance | **External:** Airport facilitation agencies, Community residents, Governments, Industry, Media |
| **Greenhouse gas emissions** | Emissions | |
| **Waste and stormwater management** | Effluents and waste | |
| **Deicing and anti-icing fluid** | Effluents and waste | |
| **Airport capacity** | Market presence | **Internal:** GTAA and airport employees |
| **Long-term partnerships** | Procurement practices | **External:** Airport service providers, Airport facilitation agencies, Community residents, Governments, Analysts and bondholders |
| **Public policy and compliance** | Public policy<br>Compliance | |
| **Net income** | Economic performance | **Internal:** GTAA and airport employees |
| **Return on assets** | Economic performance | **External:** Airport service providers, Community residents, Governments, Analysts and bondholders, Media |
| **Free cash flow generation** | Economic performance | |
| **Business continuity** | Economic performance | |
| **Employee engagement** | Employment<br>Labour/management relations<br>Training and education | **Internal:** GTAA and airport employees<br>**External:** Airport service providers, Community residents, Media |
| **Talent acquisition** | Employment | |
| **Talent development** | Training and education | |
| **Rewards and recognition** | Labour/management relations | |

# SAFETY

**Being a safe and secure airport is the GTAA's highest priority. In 2016, over 44 million people passed through our doors, and it is important that each passenger, customer, employee and visitor arrives home safely at the end of the day.**

To foster a culture of safety at the airport, we have the Toronto Pearson Safety Program, a comprehensive program that focuses on aviation safety, security, terminal and groundside safety, environment, technical and construction, occupational health and safety and emergency management. The goal of the Program is zero injuries, because we believe all injuries and accidents can be prevented.

We work directly with our staff and contractors to set goals and to improve safety practices and performance. In 2016, we implemented the SafeStart training program to plan, think and act within a greater safety mindset, and we mandated that our contractors be COR™ certified by 2017.

As delegated by the GTAA's Board of Directors, the Board's Risk Oversight Committee oversees the GTAA's safety and security program at Toronto Pearson. Our management team, in turn, is responsible for ensuring that such policies and programs meet legislative and regulatory requirements and best practices.

Implementation of our Safety Strategy is primarily the responsibility of our Vice President of Governance, Corporate Safety and Security, and our team of executives and managers are accountable for the adoption of all applicable safety policies, programs, practices and training.

## 12.34 TORONTO PEARSON SAFETY INDEX (TPSI) SCORE

**measured in lost-time injuries per one million enplaned and deplaned passengers (7.78% reduction from 2015).**

## TPSI PARTICIPATION EXPANDED

**from only GTAA employees in 2013 to 27,000 employees working for 70 employers in 2016.**

*GTAA employees deice a plane at Toronto Pearson's Central Deicing Facility.*

**"In 2016, the Toronto Pearson Safety Team surveyed 2,000 airport employees to receive feedback on areas of safety culture, communication and perception in order to make better decisions towards the improvement of safety at Toronto Pearson. A highlight of the survey is that 96 per cent of all employees strongly feel that safety is important to their immediate supervisor, which is a great testament to the importance of safety at the airport."**

**Jennifer Sullivan, Director, Corporate Safety and Security, GTAA**

## ACHIEVING ZERO INJURIES

For the GTAA, being a safe airport means zero injuries to our employees, passengers and customers. From executive leadership to the workers on the ground, safety is our ultimate priority if we are to achieve our vision of being a multi-modal hub and "the best airport in the world."

"Our stakeholders need to know that the GTAA cares about them," says Jennifer Sullivan, Director, Corporate Safety and Security. "We want everyone at Toronto Pearson to safely go home to their family and friends."

During 2016, the Toronto Pearson Safety Program focused on communications and awareness throughout the airport by conducting safety talks and presentations, and by sharing ways to stay safe. In the fall, the GTAA led Airside Safety Week, during which 497 safety talks were delivered, 200 quizzes administered and 140 prizes awarded. Initiatives such as this continued to keep safety front of mind as the airport headed into a busy winter season.

We continue to strive towards our vision of zero injuries by improving how we are communicating safety messaging, providing training, and enabling the reporting and management of safety concerns. Remaining connected with the Toronto Pearson employer community is vital and an area of focus.

As Toronto Pearson employees, we are entrusted with the safety of our passengers, our customers and one another. No matter what other duties we may have, nothing is more important than that. While the airport community is charged with getting passengers to their ultimate destination, each day each of us must focus on getting ourselves and our passengers home to our families.


**"If we want to be the best airport in the world, we must be the safest airport in the world."**

**Howard Eng, President and Chief Executive Officer, GTAA**

# PASSENGER AND CUSTOMER SERVICE

**Our mission: "passengers are our passion." In the coming years, passenger and customer traffic at Toronto Pearson will reach unprecedented levels, directly influencing our long-term growth and viability.**

We remain committed to partnering with top-notch hospitality, transportation and retail service providers to deliver an always-improving passenger experience. This is the very core of our operations and activities.

Recently, the GTAA has implemented a number of initiatives to provide faster and more streamlined passenger processing, enhanced flow, and improved atmosphere and amenities throughout Toronto Pearson. These include:

- Passenger navigation enhancements
- Improved pre-board screening experience
- Self-service passage kiosks and trusted traveller programs
- International to domestic baggage connections
- New restaurants, stores and services
- Strategic partnerships and advertising
- Volunteer program
- Parking and ground transportation

Beyond our passengers and customers, we are also committed to serving the airlines and businesses that call Toronto Pearson home. We work closely with partners like the Canadian Air Transport Security Authority to ensure smooth and efficient security screening service.

Internal collaboration on passenger and customer service strategy is essential if we are to achieve our vision of being "the best airport in the world." With the highest service standards in mind, our Vice President of Customer and Terminal Services leads a team of employees dedicated to a simple goal: improve the passenger experience.

**"Leveraging technology will be key to managing operations going forward. By capturing and sharing real-time performance with our partners we can collectively anticipate potential problems, and implement mitigation strategies before flow is disrupted and passengers are impacted. This approach allows us to maximize productivity and better manage passenger, baggage and aircraft flow at Toronto Pearson."**

**Glen Henderson, Director, Terminal Operations**

## 4.25 ASQ SCORE

**Toronto Pearson surpassed all European airports and now ranks in the top two airports in North America (serving more than 44 million passengers per year) in airport service quality.**

## 200 "WELCOME TEAM" MEMBERS

**providing over 1,000 volunteer hours weekly.**

## 800 SIGNS ADDED

**made of approximately 3,350 individual sign blades (3,598 sign blades in 2015).**

## A HOME AWAY FROM HOME

As Canada's connection to the world, we know the importance of making a good first impression. That's why we created our Welcome Team, a group of volunteers dedicated to making passengers feel relaxed and – most importantly – at home. Clothed in bright blue uniforms and stationed throughout our terminals, the Welcome Team also provides directions and answers passenger questions.

In addition to our volunteers, our employees also play pivotal roles in welcoming newcomers. Like Toronto's population, one of Toronto Pearson's unique strengths is our diversity and we understand the challenges of living and working in a new country. Committed to tolerance and inclusion, we strive to be a model representative for Canadians everywhere.

## "I AM TORONTO PEARSON" MOVEMENT LAUNCH

**Recognizing the role of customer service in the helpful and caring acts achieved each day for passengers, peers and friends of Toronto Pearson.**

## 421 FEWER ARRIVAL GATE HOLDS

**A 10.1 per cent cumulative improvement over 2015.**

## A MOVING EXPERIENCE

Our growth is completely dependent on the satisfaction of our passengers and customers. From ambiance to amenities, we strive to make Toronto Pearson both a destination and an experience.

In 2016, we made significant ground-level transportation advancements. Improved lighting and seating create a softer ambiance in our curbside waiting area while dynamic signage now displays real-time transit information.

Improving passenger and customer satisfaction is an ongoing priority – wait times and transit fare integration across jurisdictions remain challenges – but overall customer feedback is positive. "I've travelled quite a bit," says Cheryl Robinson, Aviation Council Chair for UNIFOR. "Airports are often intimidating, but the GTAA has done a great job of putting its passengers and customers first."

# AVIATION GROWTH

## Toronto Pearson is North America's second-largest international gateway airport, serving over 44 million passengers in 2016 (an increase of 3 million from the previous year).

Much more than a regional hub, Toronto Pearson's catchment area extends well beyond the Greater Toronto Area, as up to 200 million people live within a two-hour flight from the city. This is only the beginning. By 2043, the number of passengers expected to travel through Southern Ontario by air is expected to reach 90 million, the majority of whom will travel through Toronto Pearson.

As Canada takes a greater role on the world stage, Toronto Pearson will need to grow to support and serve the needs of Canadians – locally, regionally and nationally. The ability to engage the world is critical for the country's future, and essential if we are to ensure a diverse, creative and innovative economy.

With the service of 65 airlines, Toronto Pearson provides direct flights to 33 Canadian cities and 152 international cities. The airport is Canada's largest entry and departure point for international air service.

To meet unprecedented demand and remain regionally competitive, the GTAA needs to collaborate with our partners – neighbouring communities, governments, airlines and industry peers – to create opportunities for the region while staying true to our vision of "connecting the world through Toronto Pearson."

In the short term, the GTAA continues to focus on capital programs to optimize both the capacity and use of existing infrastructure assets. This improves passenger, baggage and aircraft processing and flow in conjunction with regulatory requirements. Our vision to be "the best airport in the world" remains our long-term focus and several initiatives are already underway to transform Toronto Pearson into a multi-modal hub.

The GTAA's Aviation Growth Strategy is, above all, a team endeavour. Our Chief Executive Officer is in constant dialogue with our executive leadership team, Board of Directors, management and a diverse group of employees. The message is clear: Toronto Pearson is focused on connecting citizens and helping Canada to compete in the global marketplace.

**456,400**
**AIRCRAFT MOVEMENTS**
**(444,000 in 2015).**

**472,300**
**TONNES OF CARGO**
**(433,900 tonnes in 2015).**

**"Increasing capacity at Toronto Pearson to accommodate growth is a key part of our business strategy, while expanding cultural and sustainable economic opportunity for our entire region as well."**

**Eileen Waechter, Director, Airport Planning, GTAA**

## MOVING TOWARD THE MEGA HUB

In 2016, the GTAA announced its intent to transform Toronto Pearson into a multi-modal hub encompassing regional transit, mixed-use infrastructure and public space. Once built, this economic development zone will empower the airport's surrounding communities and serve as Canada's gateway to the world.

Located just north of the airport on what is currently a parking lot, the hub will service a network of trains, light rail, buses, cars, pedestrians and cyclists, connecting people – local and foreign – to the many communities of Southern Ontario and beyond. A central building will act as the new passenger processing and security screening area to enable the reduction of wait times and provide on-site amenities.

"As Canada's second-largest employment zone, Toronto Pearson is at a critical juncture," says Eileen Waechter, Director, Airport Planning at the GTAA. "With an additional 20 million passengers expected by 2034, we can't let ground access become a choking point and inhibit the region's growth."

For the GTAA, 2016 was a year of advocacy and awareness regarding the multi-modal hub. "By forming a clear vision and engaging our constituencies, we realized that growth for Toronto Pearson will mean growth for the entire region," says Hillary Marshall, Vice President, Stakeholder Relations and Communications. "Last year's conceptual work allows us to now execute our short- and long-term plans."

Along with its obvious economic benefit, the hub will serve many of the GTAA's social and environmental goals. By providing more transit options, this hub will reduce congestion and greenhouse gas emissions, and afford commuters increased mobility.

With so many stakeholders involved, aligning interests will be a significant challenge in bringing the multi-modal hub to life. Progress is being made. Mississauga's Bus Rapid Transit will soon connect to the airport, and the first phase of the hub could be complete by 2027 to receive Toronto's Eglinton LRT extension. Leslie Wu, Chief Planning Officer at Metrolinx, is optimistic that the hub is the right strategy. "The GTAA's heightened vision complements the region's vision for a seamless integrated transportation network," says Wu. "We look forward to even more collaboration going forward."

**44.3M**
**PASSENGERS IN 2016**

**(41 million in 2015).**

**65M**
**PASSENGERS A YEAR BY 2033**

**Toronto Pearson is projected to serve 65 million passengers a year by 2033.**

# ENGAGED PEOPLE

GTAA's Zahida Haleem and Valerie Duffey at an employee engagement event.

**Fostering a workplace with highly engaged, innovative and collaborative people is critical to the ongoing success of the GTAA. Guiding this vision is our diverse, committed and capable executive team.**

We are committed to building a "talent pipeline" of front-line workers, managers and leaders who are passionate about working together to grow Pearson into a mega hub airport.

We know our employees take pride in the work they do every day to serve our passengers and customers. It's that pride that has helped to build a strong airport culture. And it's empowering all our team members with the right tools and development opportunities that will help us realize our vision to be "the best airport in the world."

In 2015, we established *Our Connection*, a strategic framework that serves as a cornerstone for achieving our goals and living our values. By focusing on our *Rules of the Runway* – by making safety, customer service, accountability, teamwork and relationships important – we work and win together. At every level of the organization, GTAA employees lead by example to create a high-performance environment where everyone can be part of our success story.

As of December 31, 2016, the GTAA employed 1,513 persons engaged in management, technical, administrative and other operational activities. Included in that number are 152 seasonal employees working in our deicing and airfield maintenance departments. The majority of our employees are unionized, represented by either UNIFOR Local 2002 or the Pearson Airport Professional Firefighters Association (PAPFFA).

The Human Resources and Compensation (HR&C) Committee oversees the GTAA's employment relationship with the President and Chief Executive Officer (CEO), and provides oversight of succession planning, executive compensation, talent and performance management, and enterprise people risks and policies. Advising the Board on these matters, the HR&C Committee makes recommendations in respect of executive compensation and human resources matters.

With a focus on creating sustained talent pipelines and a capable, engaged workforce, the GTAA's Vice President of Human Resources and Corporate Services has full accountability for the GTAA's long-term people and culture strategy.

**"With Toronto Pearson's growth, there's never been a more exciting time to build a career here. We are constantly listening to our employees and find new ways to work together to make the GTAA an Employer of Choice."**

**Valerie Duffey, Vice President, Human Resources and Corporate Services, GTAA**

**66% EMPLOYEE ENGAGEMENT SCORE**

**(56% in 2015).**

## IMPROVING EMPLOYEE ENGAGEMENT

We consider employee engagement to be a critical component of our business strategy. Giving all employees a voice – whether through our annual employee feedback survey or informal town hall and coffee meetings with the CEO – is an important part of engaging everyone in the conversation about our shared future.

“With a 10-point increase in employee engagement in 2016, we believe our vision of becoming ‘the best airport in the world’ is resonating with people right across the GTAA. And if Toronto Pearson is to achieve its potential, we’re going to need talented and engaged employees at all levels,” says Valerie Duffey, Vice President, Human Resources and Corporate Services.

“We feel especially proud of the partnership we have with our labour partners – it’s all about our shared interest in seeing Pearson be successful,” says Duffey. “The GTAA is committed to creating and sustaining a work environment where people can come to work every day and make a difference.”

Cheryl Robinson is the Aviation Council Chair of UNIFOR, Canada’s largest private sector union, representing 10,000 of the airport’s 50,000 employees. She believes that in recent years, the GTAA has done a much better job of listening to its unionized staff, but finding common ground – particularly in areas of contract work and health and safety – is an ongoing process. “Folks are very proud to work at Toronto Pearson,” says Robinson. “Our hope is that the GTAA uses growth as an opportunity to retain workers and continue to offer them decent wages.”

**542,000 JOBS**

**By 2030 it’s estimated that Toronto Pearson will generate and facilitate 542,000 jobs in Ontario.**

## DEVELOPING LEADERS AT ALL LEVELS

In partnership with Ivey School of Business at University of Western Ontario, the GTAA recently launched its Senior Leadership Development Program. The goal is to equip the 75 most senior leaders with the capabilities they need to lead the GTAA towards mega hub status for Toronto Pearson.

The People Management Fundamentals Program is a comprehensive curriculum aimed at increasing the effectiveness of the 250 GTAA middle managers and supervisors. Studies show that employees’ relationships with their managers trump all other experiences, and that an effective workforce is predominantly the product of strong leadership.

Toronto Pearson’s rapid growth means we cannot just maintain the status quo – we need to build the next generation of leaders. “And we need to have the right talent pipelines – co-op and apprenticeship programs, and the GTAA management trainee programs to bring employees from the unionized ranks into management – to build the workforce we need to fuel our vibrant future as a mega hub airport,” says Valerie Duffey.

# ENVIRONMENTAL RESPONSIBILITY

**We know that Toronto Pearson's operations impact local ecosystems and contribute to climate change. So, it's our desire as a good neighbour to minimize the airport's negative impacts and act as an environmental steward.**

The GTAA is committed to ensuring that all of our operations comply with applicable environmental laws and regulations, with particular sensitivity to public concerns. Through research, testing, responsible planning and collaboration with credible environmental service providers and partners like the Toronto and Region Conservation Authority (TRCA), we are able to strategically identify ways to improve both our environmental footprint and the well-being of communities that afford the airport its social licence to grow.

Thanks to our ongoing dialogue with regional associations and municipalities, the GTAA is actively involved with evaluating, and agile in adapting to, new regulations. Collaboration with forward-thinking peers in our regional eco-zone is critical to making meaningful impacts. That's why the GTAA works with initiatives such as Partners in Project Green to balance our internal priorities and capture new market opportunities. Our role as an environmental steward is non-negotiable.

The oversight of environmental risks and related matters affecting Toronto Pearson has been delegated to the Board's Risk Oversight Committee. Management is responsible for compliance.

The GTAA also has an Environmental Management Program dedicated to identifying environmental risks and priority areas. Through this program, mitigation plans are developed, implemented, monitored and continuously improved. At the same time, the GTAA's Environmental Services division provides reports on risks and mitigation plan monitoring – quarterly to senior management, and semi-annually to the Risk Oversight Committee.

Our Vice President of Airport Planning and Technical Services (APTS) oversees our Environmental Management Program in concert with several groups within the GTAA. Always evolving, the Program is meant to reflect the requirements of the new 2015 ISO 14001 standard and Toronto Pearson's Corporate Responsibility Strategy.

**"Thanks to the GTAA's long-term strategy, we're well positioned to capitalize on the rapidly changing technologies and be recognized as leaders in environmental responsibility."**

**Todd Ernst, Director, Aviation Infrastructure, Energy & Environment, GTAA**

**74% WASTE DIVERSION**

**(71% in 2015).**

**34% REDUCTION IN GHG**

**emissions since 2006.**

## SHEDDING NEW LIGHTS

Energy conservation is one of the many ways that the GTAA demonstrates industry leadership in environmental stewardship. Since 2009, our conservation program has launched 30 different projects resulting in a savings of over 12 million kilowatt-hours per year – enough energy to power 1,400 Ontario homes.

Sustainable and efficient, our long-term conservation strategy supplements our financial goals and challenges our peers to follow suit. Progress has become our benchmark and Toronto Pearson regularly exceeds the Province of Ontario's conservation targets for local businesses.

Some of our most effective initiatives in 2016 focused on replacing lighting systems with energy-efficient LEDs. Projects included converting lighting at Terminal 3, on Ontario Highway 409 and in the tunnel that connects the airport's infield and terminal spaces. In total, our 2016 lighting projects generated savings of over five million kilowatt-hours, or $350,000.

**$10M IN EXPECTED SAVINGS**

**by 2026 thanks to the GTAA's LED projects.**

**"With our planet facing unprecedented change we believe our efforts and leadership in energy conservation will be a catalyst and example to the surrounding businesses to usher in a low carbon future."**

**Carl Rodgers, Manager, Energy Conservation, Enersource**

## IMPROVING AIR QUALITY

The GTAA aims to be an industry leader in air quality and we have engaged in several initiatives and advocacy programs to improve air above and around Toronto Pearson.

Last year, the GTAA conducted a comprehensive assessment on the air quality of the Greater Toronto Area. Our findings revealed that local air quality – driven by transportation-based emissions – will not significantly change until companies and private citizens convert to electric vehicles. This informs our long-term strategy to be champions of public transit and alternative energy.

Based on the findings of the environmental assessment, the GTAA formed a community panel comprised of technical members from the municipalities of Halton, Peel and Toronto. We believe in regional collaboration and standardization, and hope that this panel will serve as a foundation for a future Golden Horseshoe air quality monitoring network.


## ELECTRIC VEHICLE CHARGERS

In 2016, the GTAA began the installation of four electric vehicle chargers in conjunction with the Toronto and Region Conservation Authority (TRCA). Chargers can be found in highly accessible areas including the terminal parking lots, Toronto Pearson's administration building and the Cell Phone Lot by the LINK Train station.

These chargers provide capacity to both the airport community and commuters on the 400-series highways, which make up the busiest intersection in Canada.

## 32 ELECTRIC VEHICLE CHARGERS

**Toronto Pearson will soon have 32 electric vehicle chargers on site.**

## ACHIEVING ZERO WASTE

The GTAA takes waste diversion seriously. Many of our practices in this area have required innovative thinking. We are continually working with internal and external stakeholders to improve our performance and focus our efforts. Like the Province of Ontario, we want a zero-waste future – one founded on a circular economy that pushes recycling, composting and sustainable business models.

One of the GTAA's foremost areas requiring improvement is communications related to recycling. Currently, our terminal system allows passengers to dispose of waste and recyclables in the same bin with the materials to be sorted later. "There is a perception among our employees that the airport does not recycle," says Penny Thompson, Manager, Environmental Sustainability at Air Canada. "Toronto Pearson is our base of operations, so we have a continued interest to work with the GTAA on sustainability messaging." New bins and improved passenger and customer communications are two options we are exploring to resolve this issue.

In 2016, significant progress was made with upstream waste in Toronto Pearson's Food and Beverage Group. With composting available across the airport, the GTAA is asking purveyors to supply only biodegradable food containers to their customers. Restaurants have also begun sending oil waste to local farms to be used as feed.

We continue to evolve our waste diversion practices, seeking counsel from our not-for-profit allies Partners in Project Green and the Recycling Council of Ontario, and others. To be a global sustainability leader, we understand that we must make ongoing improvements to gain respect and support from our peers.

**"We're working to be aligned as policy evolves around international waste regulations. Our stakeholders have made it clear that it is an environmental priority and they need our support."**

**Derek Gray, Manager, Environmental Services, GTAA**

# SOCIAL RESPONSIBILITY

**While the GTAA provides direct and indirect jobs and opportunities to the people of the Greater Toronto Area, we have a broader mandate to support initiatives that reflect the priorities and ever-expanding cultural diversity of our region.**

Toronto Pearson's growth means greater cultural and economic opportunities for our neighbouring communities. This also presents challenges. Noise and other impacts result from the airport's operations and activities, and we must engage with the citizens affected by these issues.

A dialogue of respect is of utmost importance, and we are dedicated to engaging residents, civic organizations and other stakeholders through several initiatives. Town hall meetings, community investments and collaboration with organizations like the Community Environment and Noise Advisory Committee (CENAC) provide invaluable feedback to help us plan for the future. Our neighbourhood is 3.3 million strong, and we use every opportunity to critically evaluate options and continue to earn our social licence to grow.

The Propeller Project is our recently renamed community investment initiative and represents a more coordinated effort from the GTAA to empower our neighbours by financially supporting local projects. Whether through volunteering or financial donations, the GTAA wants to better understand how it can make significant, long-term impacts in local communities.

Led by our Vice President of Stakeholder Relations and Communications, the GTAA's Stakeholder Engagement Program is always informed by our new Corporate Responsibility Strategy. The program calls for significant collaboration within the GTAA and the airport community.

**29,499 PEOPLE**

**participating in programs sponsored by the Propeller Project – a 226% increase over 2015's 9,037.**

**$493,380 COMMUNITY INVESTMENT**

**from the Propeller Project – a 160% increase over 2015's $189,500.**

**53,135 NOISE COMPLAINTS**

**from 880 callers (24,530 noise complaints from 877 callers in 2015).**

**"The GTAA could not operate without the help and goodwill of our neighbours. They inspire us every day to fulfill our responsibility as corporate citizens."**

**Robyn Connelly, Director, Community Relations, GTAA**

$40,000 DONATED

**The GTAA donated $40,000 to the Nai Children's Choir in 2016.**

## SINGING FOR SYRIA

Created in 2016 after the arrival of Syrian refugees to Canada, the Nai Children's Choir has become one of the GTAA's most cherished initiatives. Conceived by Toronto charity CultureLink, the choir embraces an arts-focused approach to youth empowerment.

Every week through song, children aged six to 13 gather to celebrate their Syrian heritage and learn about their new home. "We had no idea the choir would be such a success," says Robyn Connelly, Director, Community Relations at the GTAA. "These kids have brought so much joy to our organization."

The roots of the GTAA's relationship with CultureLink can be traced back to late 2015 when the organization began offering free English lessons for Syrian adults. With many of these newcomers living in temporary homes across the city, the GTAA and its passengers and customers raised $150,000 to pay for their use of public transit. As a means of providing entertainment and supervision to the newcomers' children, CultureLink created the Nai Children's Choir.

The children regularly perform for the public, singing songs about peace and multiculturalism for Toronto's diverse community. In December 2016, the group even travelled to Ottawa to perform for Prime Minister Trudeau on Parliament Hill.

"Music has a magical healing power," says Fei Tang, social innovator and founder of the choir. "It does wonders to build confidence and teach these kids about teamwork and discipline."

The GTAA is now the choir's lead corporate sponsor. We hope to be a lasting partner and provide CultureLink with the necessary resources and connections to ensure the choir thrives for many years. "I'm very grateful that the GTAA has been with us since the beginning," says Tang. "They've been our foundation."

## UNPRECEDENTED COMMUNITY INVESTMENT

The GTAA strives to have a positive impact by investing in sustainability and community building initiatives through our charitable program, the Propeller Project. We understand that our vision of becoming "the best airport in the world" is inextricably linked to the long-term growth of both the local community and the country at large. So, in 2016, with the goal of creating lasting economic opportunity, our Board of Directors increased yearly community investment from $40,000 to $800,000.

A strategic review of the last five years was undertaken to determine where our investment could have the greatest impact. Job creation and skills development kept coming up. "As the second-largest employment zone in Canada, we need to be accountable to the community by whose grace we're currently growing," says Robyn Connelly, Director, Community Relations. "Many surrounding neighbourhoods are some of the most underserved in the country. We can't focus on giving economic benefit solely to Bay Street."

This new brand of uplifting internal and external stakeholders for the long term is our social priority. More than ever, we are engaging the public, seeking consultation, and eliminating the boundaries – physical and economic – between the airport and the region.

160% INCREASE

**in investment caused a 226% increase in impact from 2015.**

## NOISE MANAGEMENT

Noise management is an ongoing challenge for the GTAA, one that has made us rethink our strategies and increase public engagement. Although aircraft noise affects a relatively small group of Ontarians, we believe that these people deserve to be heard – and we're listening.

Growth at Toronto Pearson could mean more aircraft movements. This also means increased cultural, employment and economic opportunities for our surrounding communities. If we are to achieve mutually beneficial growth with our neighbours, compromise concerning noise management will be required from all parties.

There are tough realities surrounding noise management. Given the steady increase of air travel, noise is a matter of mitigation, not elimination. Thanks to the increasing demand from the domestic and foreign markets, Toronto Pearson's growth is inevitable. We also know that people experience noise subjectively. What may be loud to some may seem inconsequential to others. Moreover, noise management is not simply a matter of shifting flight paths – less noise for one neighbourhood means more noise for another. These challenges remain; the GTAA is currently pursuing several progressive noise management strategies for 2017.

Managing our noise output will require great innovation. In June 2015, the GTAA announced a three-phase Noise Mitigation Initiatives Engagement Plan with NAV Canada to study ideas that have the potential to reduce the noise impact of Toronto Pearson's operations on surrounding neighbourhoods. The Noise Mitigation Initiatives Engagement Plan consists of three phases for consulting with the community and implementing new noise mitigation measures. These phases include Stakeholder Roundtables, Technical Study and Public Consultation and Input Gathering. The findings of these studies may result in shifts in our approach to air management and we are considering all options.

In addition to the above noise mitigation initiatives, the GTAA has a Community Environment and Noise Advisory Committee (CENAC), a strong community voice, comprised of elected representatives and residents from the Cities of Brampton, Mississauga and Toronto.

**"The GTAA is sensitive to the concerns of all those affected by aircraft noise. We're in the process of asking a lot of difficult questions to better serve the community."**

**Hillary Marshall, Vice President, Stakeholder Relations and Communications, GTAA**

## WELCOMING INTERNATIONAL STUDENTS

Since 2012, Toronto Pearson has been host to the International Students Airport Welcome Program in partnership with the City of Toronto and many of Ontario's top universities and colleges. Through a network of welcome booths located in our terminals, schools greet newly arrived students, offering them free airport pickups and important information.

The program is especially important for our partners at Seneca College, home to over 3,000 newcomers. Many of these students frequently travel to and from Toronto Pearson and are looking for careers with the GTAA. International students are major cultural and economic contributors to Canada; welcoming the world's top young talent is a great privilege.

Over the last four years, the GTAA has hired 60 Seneca graduates. We also participate in a yearly airport co-op program that gives the college's students real-life experience in our workforce. "Many of the people who work at Toronto Pearson are foreign born," says Jos Nolle, Dean, Seneca International. "The GTAA's commitment to diversity plays an important role in integrating our newcomer students into society."

**"Newly arriving students are often nervous when they arrive in Canada. For many of them, it's the first time outside of their home country and they're not yet comfortable with their English. That's why it's important for airport staff to be friendly and cordial. I think Toronto Pearson excels in that area."**

**Jos Nolle, Dean, Seneca International**

# SUSTAINABILITY PERFORMANCE SCORECARD

| Goals and Performance Metrics | 2015 | 2016 | Projected |
|---|---|---|---|
| **Aviation Growth** | | | |
| Passenger traffic (millions) | 41 | 44.3 | 47 (year 2017) |
| Aircraft movements (thousands) | 444 | 456.4 | 510 (year 2020) |
| Cargo volume (tonnes) | 433,900 | 472,300 | 590,000 (year 2020) |
| Capital investment ($ thousands) | $298,500 | $242,000 | Terminal Master Plan Options + Ground Transportation Centre concept development |
| Regional Airport and Ground Transportation Strategy development | Released "Toronto Pearson: Growth, Connectivity, Capacity" report on regional airport planning | An engagement and rollout strategy to further enable and support the Regional Airports and Ground Transportation Strategy<br>Regional Transit Centre concept developed | Preferred long-term strategic direction and options identified with regional airport stakeholders, plus medium-term plan for aviation cooperation in southern Ontario region |
| New international services | 9 | 10 | Continued increase in new international destinations |
| **Passenger and Customer Service** | | | |
| Airport Service Quality score and ranking (>40M class size) – overall passenger satisfaction with airport | 4.16<br>(rank: 12th) | 4.25<br>(second in North America and 13th in the world) | Top 10 of world airports (in the same size category) for ASQ (2022) |
| Customer complaints per million passengers | 61.6 | 52.7 total complaints | Improve ASQ score |
| Customer compliments per million passengers | 10.1 | 9.4 total compliments | Improve ASQ score |
| **People** | | | |
| Employee engagement (Aon Hewitt survey) | 56% | 66% | Top quartile performance by 2019 |
| Direct jobs: | | | |
| Airport employees | 44,000 | 49,000 | |
| GTAA employees | 1,360 | 1,450 | |
| | | 332,000 jobs facilitated by Toronto Pearson in 2016 | 542,000 jobs facilitated by Toronto Pearson by 2030 |
| Average salary ($): | | | The GTAA embraces its obligations under federal employment equity and human-rights legislation; hiring practices are determined based on the individual, irrespective of the gender and background of employees |
| Women – managers | $109,717 | $113,000 | |
| Women – non-managers | $68,764 | $69,000 | |
| Men – managers | $116,464 | $120,000 | |
| Men – non-managers | $75,096 | $78,000 | |
| Diversity (% employees): | | | The GTAA embraces its obligations under federal employment equity and human-rights legislation; hiring practices are determined based on the individual, irrespective of the gender and background of employees |
| Women | 26.8% | 27.2% | |
| Aboriginal peoples | 0.9% | 0.8% | |
| Persons with disabilities | 0.9% | 0.7% | |
| Visible minorities | 19.3% | 19.7% | |
| **Safety** | | | |
| Toronto Pearson Safety Index (lost-time injuries per million enplaned and deplaned passengers) | 29.6% reduction from 2014 | 7.78% reduction from 2015 | Zero lost-time injuries vision |

| Goals and Performance Metrics | 2015 | 2016 | Projected |
|---|---|---|---|
| **Corporate Responsibility – Environmental** | | | |
| Stormwater | Refer to GRI Supplement | Refer to GRI Supplement | N/A |
| Ambient air quality | 2015 Air Quality and Human Health Risk Assessment Study results released | The results from the modelling indicated that the air quality in the study area is dominated by the regional emissions, in particular those associated with transportation in the study area | Develop and implement an action plan associated with the Air Quality and Human Health Risk Assessment Study |
| Solid waste | 71% diversion for buildings serviced by Compass, a supplier to the GTAA | 74% diversion | Develop a road map for the GTAA to achieve zero waste (2017) |
| GHG emissions and climate change | Airport Carbon Accreditation Program – Level 2 | Airport Carbon Accreditation Program – Level 3 | Develop GHG policy 2.0 |
| Electricity consumption (MWh) | 287,341<br>For a complete list of 2015 energy conservation projects, refer to the GRI Supplement | 296,309<br>T1 Parking Garage: 150w MH – LED bulb replacement pilot<br>4,000 LED lamps replacement<br>CDF wallpacks<br>T1 Gate Sign LED replacement<br>Control Tower RGB lights | Implement the energy conservation and efficiency initiatives identified in the 2015–2019 Energy Master Plan to reduce consumption<br>Terminal 3 redevelopment – implement strategies focused on overall energy reduction in the T3 Enhancement Project |
| Natural gas (GJ)<br>Gasoline (litres)<br>Diesel (litres) | 1,773,797<br>87,106<br>1,246,494<br>Conducted a feasibility study for compressed natural gas utilization on fleet vehicles | 412,886<br>447,415<br>1,449,330 | Exploring options to reduce fuel usage by encouraging employees to use the Employee Shuttle Pilot Program |
| Sustainable transportation | Smart Commute survey administered<br>20% of GTAA employees used a sustainable form of transportation as their primary mode to/from work | Introduced Green Commuter Rebate Program: $50/month rebate for GTAA employees taking a green mode of transportation to/from work | Increase the number of employees using a sustainable form of transportation as their primary mode to/from work to 25% |
| **Corporate Responsibility – Social** | | | |
| Noise | 24,530 complaints<br>877 callers | 53,135 complaints<br>880 callers | Review and discuss feasibility of preliminary ideas from stakeholder roundtables to mitigate impacts due to flight paths and aircraft noise |
| Community investment impact (Propeller Project) | 9,037 participants<br>$189,500 project funding | 29,499 participants<br>$493,380 project funding | Support community investment opportunities and get great neighbourhood building initiatives off the ground |
| Ground transportation | Employee Shuttle Pilot Program to transport employees to and from the terminal – reduce single-use vehicle travel<br>Released a white paper: “Toronto Pearson: Growth, Connectivity, Capacity” | Regional Transit Centre concept developed | Release “Pearson Connects: A Multi-modal Hub to Prosperity” – a report examining the economic, social and environmental benefits of a multi-modal travel hub |

# 2016 CORPORATE INFORMATION

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Vice President, Human Resources and Corporate Services

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President and Chief Executive Officer

**SELMA M. LUSSENBURG**
Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary

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Vice President, Stakeholder Relations and Communications

**PATRICK NEVILLE**
Vice President, Airport Planning and Technical Services

**JILL SHARLAND**
Vice President and Chief Financial Officer*

## Annual Public Meeting

The GTAA's Annual Public Meeting will be held on Thursday, May 4, 2017, at 12:30 p.m. at the Sheraton Toronto Airport Hotel & Conference Centre.

## Public Information

Requests for general information should be directed to:
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## Principal Legal Counsel

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* Ian L.T. Clarke assumed the role of Chief Financial Officer as of April 10, 2017.

## WE WELCOME YOUR FEEDBACK.

If you have any questions or comments regarding this report, or suggestions for topics you'd like to see covered in future reports, please write to us at the address opposite ("Attention: Stakeholder Relations and Communications") or send an email to Publication@GTAA.com.

Thank you for your interest.

The Greater Toronto Airports Authority (GTAA) was incorporated in 1993 and manages Toronto Pearson International Airport under terms set out in our December 1996 lease with the Canadian federal government.

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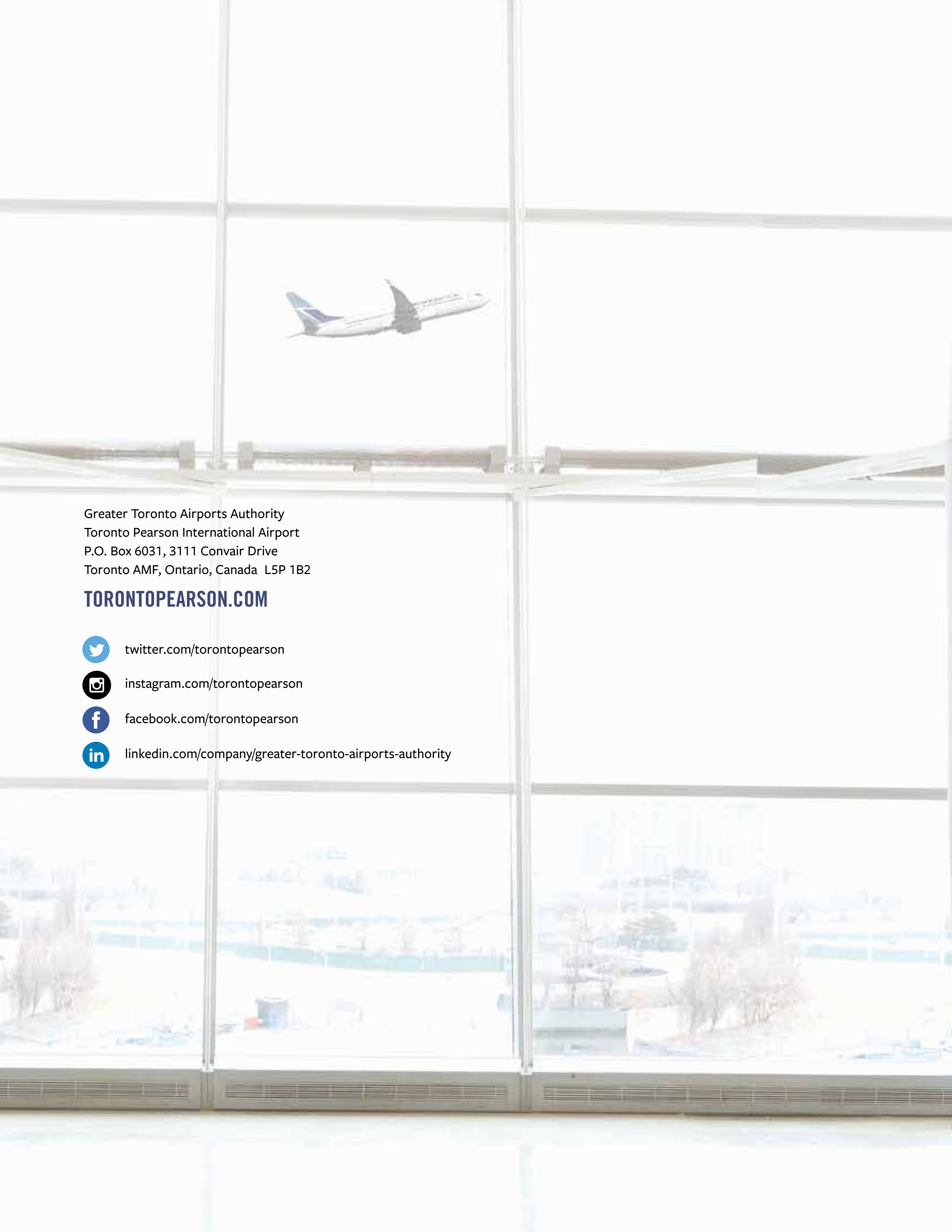


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