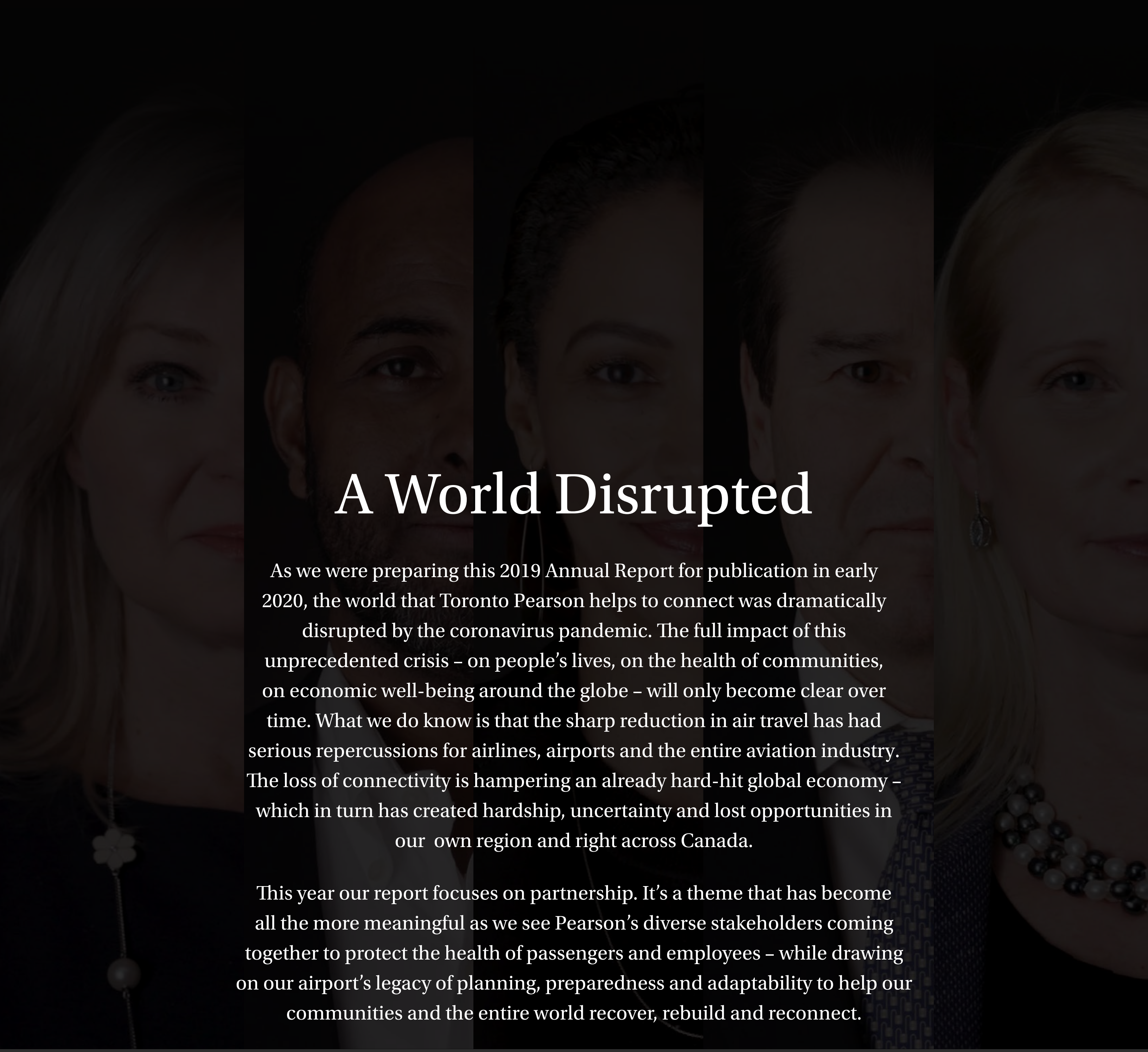

A World Disrupted

As we were preparing this 2019 Annual Report for publication in early 2020, the world that Toronto Pearson helps to connect was dramatically disrupted by the coronavirus pandemic. The full impact of this unprecedented crisis – on people's lives, on the health of communities, on economic well-being around the globe – will only become clear over time. What we do know is that the sharp reduction in air travel has had serious repercussions for airlines, airports and the entire aviation industry. The loss of connectivity is hampering an already hard-hit global economy – which in turn has created hardship, uncertainty and lost opportunities in our own region and right across Canada.

This year our report focuses on partnership. It's a theme that has become all the more meaningful as we see Pearson's diverse stakeholders coming together to protect the health of passengers and employees – while drawing on our airport's legacy of planning, preparedness and adaptability to help our communities and the entire world recover, rebuild and reconnect.

GTAA ANNUAL REPORT 2019

PEARSON PARTNERS

GTAA

Toronto Pearson
International Airport | Aéroport International

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A World Disrupted

As we were preparing this 2019 Annual Report for publication in early 2020, the world that Toronto Pearson helps to connect was dramatically disrupted by the coronavirus pandemic. The scale and duration of the outbreak's impact – on people's lives, on the health of communities, on economic well-being around the globe – will only become fully evident in the months ahead. But it's clear that air travel and the aviation industry have been deeply affected by this unprecedented global crisis.

As the GTAA's Chair and CEO suggest in their introductory messages to this report, our theme of partnership has become all the more meaningful as we see Pearson's diverse stakeholders coming together to protect public health, ensure passenger safety and maintain the operational resilience that will help our communities and the entire world recover, rebuild and reconnect.

GTAA ANNUAL REPORT 2019

PEARSON PARTNERS

Building economic resilience.
Adapting through innovation.
Creating a sustainable future.

These are our commitments for the long term – and they're amplified by the strengths of those who work alongside us.

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Forward-Looking Information

This document contains certain forward-looking information. Please refer to the section titled "Caution Regarding Forward-Looking Information" contained at the end of Management's Discussion and Analysis for a discussion of the risks and uncertainties and the material factors and assumptions related to forward-looking information.

Front cover: Bonnie Crombie, Mohamed Hassan, Deborah Flint, Neil Wilson, Dianne Zimmerman
Back cover: Denis Vinette, Kinga Surma, John Coyne, Steven Tufts

Restoring economic vitality

The severe economic impact of COVID-19 will be felt for some time in Canada and around the world – and Toronto Pearson will play a critical part in accelerating the shift from crisis response to fostering recovery. As a global aviation hub and a continental gateway, we expedite international trade and investment while helping to drive employment and economic growth in the region on our doorstep.

Pearson's role in renewing economic vitality is recognized by the Government of Canada, which moved promptly to provide an essential reduction in 2020 rent payments for Canadian airports. In our ongoing dialogue with federal officials, we're exploring further relief and longer-term stimulus measures that will enable us to better support the national recovery effort. We're also working on initiatives to restore the broader aviation, travel and tourism ecosystem, which supports hundreds of thousands of jobs and contributes billions to Canada's GDP.

In particular, we've stressed the need to invest in transportation infrastructure, including enhanced airport facilities for a post-COVID environment. And we've added our insights to discussions around modernizing Canada's borders with technologies that will make travel safer and boost travellers' confidence as they venture back out into the world.

Get the latest updates on our COVID-19 response.

Partners in economic resilience

Pearson is in the zone

Employers in the vital economic zone around our airport are working together to attract talent, drive growth and explore new opportunities in a global marketplace.

Toronto Pearson is more than Canada's largest and most globally connected airport; we're a growth engine for the regional, provincial and national economies. The connectivity we provide sparks job creation, increases productivity, cements partnerships, facilitates investment and links the critical resources that fuel innovation and long-term growth.

This competitive advantage is especially evident in our own backyard, where the Airport Employment Zone (AEZ) supports more than 300,000 jobs in a wide range of industries, from technology and life sciences to tourism and hospitality. Canada's second-largest employment cluster, the AEZ spans the municipalities of Mississauga, Brampton and Toronto, as well as the Region of Peel – all of which benefit from the direct connections our airport provides to the rest of the country and a large proportion of the global economy.

In recent years, Pearson has handled half of the nation's air cargo. This helps drive business for the many logistics companies in the AEZ, which take advantage of the region's extensive road networks, as well as its continental rail connections via Canada's largest intermodal facility. Last but not least, the AEZ includes several college and university campuses where tens of thousands of students prepare for future careers.

In short, the dynamic commercial and industrial zone around Toronto Pearson is an economic engine for the region, the province and all of Canada. Yet this dynamic area is critically underserved by public transit; most workers commute by car, enduring regular traffic jams (and adding to carbon emissions) on overcrowded roads. To raise concerns about this issue and explore potential solutions, a group of AEZ stakeholders – including businesses, industry associations, labour groups and other organizations – has formed the Airport Employment Zone Coalition, which advocates in particular for improved transit connectivity across the western Greater Toronto Area.

Diverse views, one voice

"The partnership we've put together provides a platform for different groups to speak with one voice," says Terry Mundell, President and CEO of the Greater Toronto Hotel Association, one of the AEZ Coalition's founding members, representing 170 hotels with more than 36,000 guest rooms across the Greater Toronto Area. "The coalition provides an opportunity to bring diverse opinions to the table," Terry explains, "and to have all levels of government – municipal, provincial and federal – right there with us. It's an effective and powerful way to share advice and have an impact on policy."

In addition to supporting a wide array of industries, the AEZ also has one of North America's largest clusters of airport-area hotels – which likewise have limited transit connections. "Hotels are open 24/7," Terry says, "and to be competitive, we have to be able to offer guests and our own staff more efficient transit options. Providing better connectivity and simpler access will make it easier to bring more guests to our hotels, and to attract and retain employees. And it will drive economic growth – for the AEZ, and for all of Canada."

GRI 102-9, 203-1

Sharing the vision

In recent years, major hotel chains have invested significantly in building and redeveloping properties around the AEZ. "Pearson's growth as a global hub has made a dramatic difference to the hotel business, and to tourism generally," Terry says. "It's about vision. You have to be able to look down the road and figure out where the opportunities are, and what the obstacles are, so we can get where we want to go in ways that work for everybody. Fortunately, the GTAA's leadership has that kind of vision, and it's a big part of the reason our coalition came together. Without Pearson's partnership, quite frankly, we wouldn't be doing it."

This collaborative effort brings together diverse industries and sectors, including manufacturing and production, warehousing and logistics, financial and real estate services, technical and professional consulting, and higher education and research. What all AEZ enterprises share in common is the belief that to grow, diversify and stay competitive, we need efficient, convenient connections to the rest of Canada and the world.

GRI 102-9, 203-1

RESPONDING TO COVID-19

Strengthening connections

In addition to collaborating with the Public Health Agency of Canada and the Canada Border Services Agency to protect passengers and airport employees, the GTAA is working with government officials and other key players on the economic recovery ahead – in Southern Ontario and across Canada. Restored connectivity means more people back at work, more goods and services delivered, more deals struck and alliances forged, and ultimately more investment in offices, manufacturing plants, logistics hubs and centres of innovation. To advance these aims, President and CEO Deborah Flint and her leadership team have been consulting and collaborating with their counterparts across the public and private sectors, including:

Government of Canada

- Office of the Prime Minister
- Deputy Prime Minister and Minister of Intergovernmental Affairs
- Ministries of Transport; Finance; Health; Public Safety; Economic Development; Infrastructure and Communities; Innovation, Science and Industry
- Members of Parliament representing the region

Government of Ontario

- Office of the Premier
- Ministries of Transportation; Economic Development, Job Creation and Trade; Heritage, Sport, Tourism and Culture Industries

Municipal governments

- Mayors and councillors in Toronto, Brampton and Mississauga
- Regional chairs in Peel, Halton and Durham

Key stakeholder organizations

- Canadian Chamber of Commerce
- Ontario Chamber of Commerce
- Brampton Board of Trade
- Mississauga Board of Trade
- Toronto Region Board of Trade
- Urban Land Institute Toronto
- Southern Ontario Airport Network (SOAN)
- Aerospace Industries Association of Canada
- Tourism Industry Association of Canada
- Tourism Industry Association of Ontario
- Greater Toronto Hotel Association
- Toronto Airport Workers Council

Who works at Toronto Pearson?

To gain more insights into the tens of thousands of people who help run the nation's largest airport, in 2019 we conducted Canada's first-ever airport workforce survey.

As a global hub serving tens of millions of passengers a year, Toronto Pearson is a critical piece of regional and national infrastructure. Canada's largest airport is also a highly complex business operation that depends on close collaboration among many different companies and organizations. Thousands of dedicated people work around the clock to connect Canada to the world and ensure the smooth, safe, expeditious flow of travellers, aircraft, baggage and cargo.

In 2017, recognizing how Pearson's workforce had grown, we realized that we needed to know more about the people who devote so much time and energy to making our airport great: their diverse backgrounds and skills, their personal goals and challenges, and their ambitions for the future. We therefore agreed with the Toronto Airport Workers Council (TAWC) – a collective of union representatives from across Pearson – to undertake a three-phase approach to studying the issue.

In Phase 1, which spanned 2017–2018, we completed a benchmark review to understand how other multi-employer and multi-union environments manage workforce composition, contracting and labour forums. We identified opportunities to improve the GTAA's own vendor contracts and implemented those changes. Then in 2018–2019, we undertook the first demographic study of a Canadian airport. The results of this comprehensive study were presented in a summary report published in October 2019: *Understanding the Pearson workforce*.

What Pearson employees told us

85% receive employee benefits

63% of part-time workers are women

65% of minimum-wage earners are immigrants

29% of minimum-wage earners have multiple jobs

72% of all workers are unionized

46% were born outside Canada

69% have immigrant parents

80% have some post-secondary education

80% feel the airport is a great place to work

What Pearson employees told us

- The remarkable diversity of Toronto Pearson employees is evident across many points of comparison, including age, gender, education, ethnicity, immigration history and other factors. Not surprisingly, the Pearson workforce reflects our surrounding communities, with their legacy of multicultural diversity.
- The majority of employees view Pearson as a workplace that provides not only a good job today, but opportunities to grow and progress in their careers. While most express a desire to advance from their current positions, they're also clear that they want to continue working at the airport. This is true even for employees – typically young people or newcomers getting a fresh start in Canada – who experience some precarity because they work part-time and/or for minimum wage.
- Despite the general finding that our airport has provided good, stable employment opportunities for thousands of workers, this experience may not be shared equitably by everyone at Pearson. Those who work part time or for minimum wage are more likely to be women, immigrants and juggling multiple jobs (see the sidebar "What Pearson employees told us").
- A significant challenge for many Pearson employees is the commute to work, which averages two hours per day. Most travel by car, even if they live relatively close to the airport, as they don't feel there are any available public transit options.

The workforce survey provides tangible data to reinforce what many Pearson employees express anecdotally: our airport is a dynamic work environment where many employees look forward to rewarding careers. The insights gained from the survey will inform future planning by the GTAA. At the same time, the findings suggest avenues we can explore with employers and unions as we seek more opportunities for growth and development – not only within organizations, but throughout the Toronto Pearson community.

In the months and years ahead, our efforts will centre on returning workers affected by the COVID-19 pandemic back to the workforce, even more prepared and with more confidence than ever about the potential career paths they can pursue.

GRI 102-9, 102-41, 201-3

The survey could not have been completed without the contributions and support of employees and employers across Toronto Pearson, as well as TAWC, Northstar Research Partners and the Peel Halton Workforce Development Group.

"We're pleased with the collaborative approach that Pearson is taking to understanding the demographic profile of the airport's workforce," says TAWC spokesperson Steven Tufts. "And we're looking forward to continuing in that spirit of collaboration as we explore future work based on these results, particularly with regard to addressing precarity and improving transit options for Pearson employees."

I am more Toronto Pearson than ever

In 2019, another 7,000 airport employees signed up to be part of *I am Toronto Pearson*, our grassroots movement devoted to delivering the best possible passenger experience. People in diverse roles with more than 300 employers are ready to guide travellers through our terminals toward the services and amenities they need – or simply to offer a friendly greeting and ask, "How can I help?" The continued growth of *I am Toronto Pearson* reinforces a key insight of our workforce survey: Pearson employees genuinely enjoy working at our airport and are proud to share their enthusiasm with the millions of passengers we're here to serve.

RESPONDING TO COVID-19

Protecting our workforce

When the pandemic hit, we acted quickly to protect passengers and airport workers, implementing heightened health and safety measures with guidance from the Public Health Agency of Canada and other professional bodies.

While the GTAA only has direct responsibility for our own employees, we coordinate with the hundreds of other organizations at Toronto Pearson, each of us adapting protocols to fit our specific work environments and operational roles. Protective measures introduced for GTAA employees include:

- Urgently enabling employees to work from home wherever possible, sustaining them with robust human resources and IT support as they effectively manage intensive airport operations.
- Providing for social distancing in all GTAA and Toronto Pearson workspaces.
- Supplying hand sanitizer, as well as masks, gloves and other personal protective equipment, following recommended public health practices.
- Ensuring that washrooms, lunchrooms and other common areas are rigorously and frequently cleaned.
- Communicating the latest government advisories on quarantine requirements for travellers returning from abroad, and on managing contacts with family or friends who are self-isolating or infected with COVID-19.
- Notifying employees if a colleague becomes infected and tracing workplace contacts to ensure those employees immediately begin self-isolating. (At the time of writing, two GTAA employees have reported testing positive for COVID-19. Contact tracing was completed within hours.)

As the crisis evolved, many Pearson workers found themselves laid off or furloughed, often with no certainty as to when they would be able to return to their jobs. Most have been able to take advantage of financial relief programs offered by the federal and provincial governments – but these were designed only as short-term bridges during an unprecedented situation. Going forward, a top priority for the GTAA and all Pearson employers is to get everyone who was sidelined by the pandemic back to work, once again supporting themselves and the people who depend on them. As we regain momentum, the insights from the workplace study will guide us in helping all airport employees return to stability and achieve their full potential.

GRI 102-9, 102-41, 201-3

Unlocking potential

Through the Propeller Project, the GTAA is partnering with not-for-profits to create new opportunities for the underemployed in our communities.

In the Airport Employment Zone (AEZ) around Toronto Pearson, more than 300,000 people pursue careers and contribute to overall prosperity. Yet when we look closely at our neighbouring communities, we see too many people who aren't able to fully participate in the local economy. Some are unemployed. Many others are underemployed – that is, they can't use all of their skills or work as many hours as they'd like. The reasons why people find themselves excluded vary, but the outcome is the same: they don't enjoy the benefits that come from having a meaningful job, and a thriving regional economy misses out on their talents.

The economic well-being of the communities served by Toronto Pearson – and therefore the sustainability of our airport – depends on a range of factors. But one of the most critical is that local residents be able to leverage the full breadth of their knowledge and skills. We believe that we can help move the needle on underemployment by focusing our community investment program, the Propeller Project, on the right priorities.

In 2019, we put an important building block in place by collaborating with Deloitte on a whitepaper, *Uncovering underemployment: Tapping into the potential of our workforce*. The report explores the causes and impacts of underemployment and recommends a range of practical solutions to address it. Among the findings: those most at risk of being underemployed are women, youth, new Canadians, persons living with disabilities, Indigenous people and members of the LGBTQ+ community. The reasons vary, but chief among them are unrecognized credentials, lack of professional networks, inadequate social safety nets, and conscious or unconscious bias on the part of employers.

In response to these findings, we committed to investing $1 million through the Propeller Project to better define local underemployment in nearby communities, to design new programs addressing the problem – and, most importantly, to help the underemployed tap into their full potential and begin moving forward in their careers. In addition to direct investments, we're working with airport employers and other partners to champion on-the-ground solutions that will make a meaningful difference.

In late 2019, we issued a call to non-profit organizations, private sector entities, educational institutions, researchers and employment-focused associations to propose projects tackling the opportunities identified in the whitepaper for both the airport workforce and our neighbouring communities. Of the 75 proposals received, seven projects were selected in March 2020 based on their alignment with our strategic priorities, workplan, financial feasibility, innovation, partnerships and projected impact. We look forward to collaborating with the partners leading these projects: ACCES Employment, Brands for Canada, Hospitality Workers Training Centre, CivicAction, Centre for Education and Training, Peel Halton Workforce Development Group and Toronto Region Board of Trade.

Some of our current partners

Toronto Pearson's Propeller Project already supports a number of programs that are tackling the complex issue of underemployment.

Job Skills: In 2019, we announced a $115,000 investment over two years to support the Propel Your Career (PYC) initiative run by Job Skills, a local not-for-profit employment service agency. Through three-day boot camps, PYC provides resources, support and motivation to help newly graduated women find meaningful employment in their fields of study.

ACCES Employment: Our new three-year, $150,000 partnership with ACCES Employment connects skilled newcomers to local employers through an expansion of the agency's Speed Mentoring program. At each Speed Mentoring event, job seekers meet one-on-one with established professionals in their sector. The focused, 10-minute interactions create opportunities for mentors and mentees to share, learn and connect.

Windmill Microlending: We support Windmill Microlending (formerly the Immigration Access Fund) in providing access to low-interest loans for skilled immigrant professionals living in communities around the airport. These loans facilitate the accreditation process for newcomers seeking work in the professions they were trained in, as well as for those looking to upgrade their education and skills to establish new careers in Canada. Working with Windmill, we're also engaging with Toronto Pearson employees to determine how many may be interested in applying for support to expand their professional skills and credentials.

Skills for Change: We've committed $50,000 over three years to support the work of this not-for-profit employment services organization. The Employer Innovation Project conducts evidence-based research with employers and newcomers in Peel Region to identify local needs related to hiring, training and retaining employees who are recent immigrants.

GRI 203-2, 404-2

Earning power

We've increased our support for NPower Canada, a not-for-profit that helps unemployed and underemployed youth pursue meaningful careers in the tech sector.

> "The GTAA partners with us in multiple ways. We share a lot of information as we both try to understand current and future needs, then make recommendations about how we can help these young people achieve their full potential – and build stronger communities in the process."
>
> **Julia Blackburn**, President and CEO, NPower Canada

Working closely with employers, NPower Canada equips young people who face social and economic barriers with the technology-focused skills they need to realize their full potential. In 2019, the GTAA – through our community investment program, the Propeller Project – committed $150,000 over three years to support NPower's work in the communities around Toronto Pearson. We asked CEO **Julia Blackburn** to tell us more about the organization's goals and the value of partnership:

Q: Let's start with the big picture. How do you define the problem that NPower Canada is working to solve?

Julia Blackburn: Specifically, we tackle youth unemployment and underemployment. But the larger goal is reducing poverty. Most of the young people we work with come from low-income households. Many live in community housing. And more than 90 per cent are visible minorities, so they often face barriers from racism. Without support in accessing meaningful employment, many of these youth are going to remain in systemic poverty. We're working to change that – through workforce development.

Q: NPower aims not just to create social impact but to help drive the overall economy. How do you differ from other groups working in this area?

A: There are three things that make us unique. The first is our relationship with employers. In direct consultations and through our industry council, employers tell us about the entry-level jobs they're trying to fill today and what skills they're going to be looking for in the future. This allows us to be very agile in our curriculum development. And it means we're preparing students for actual jobs. Not only in IT departments, but at banks, consulting firms – any role that requires tech skills. Accenture, for example, started out by hiring one student for an IT support desk; they've now employed over 70 of our graduates, many in client-facing roles.

The second thing that differentiates us is our comprehensive service for both youth and employers. We equip students with hard and soft skills, and then don't just say, "Okay, good luck." We match them with employers who are looking for those skills. And once graduates are hired, we follow them for five years as they build a career.

The last point is that we take a holistic approach, looking at the whole person. Many of our youth have little or no work experience. About a third are newcomers who have experience and education, but aren't familiar with Canadian workplace culture. So we also work on professional development: how to interview, how to do a résumé and a LinkedIn profile – plus personal skills like financial literacy and maintaining a healthy lifestyle. We give them the full toolkit.

Q: How does working with the GTAA help to further your goals?

A: The GTAA partners with us in multiple ways. First, as a generous contributor to our program, which is wonderful. Then, when we opened our Mississauga training centre, the Pearson community relations team helped us gain a better understanding of the neighbourhoods around the airport. That collaboration continues. We contributed to a GTAA-sponsored report on underemployment. And we share a lot of information as we both try to understand current and future needs, then make recommendations about how we can help these young people achieve their full potential – and build stronger communities in the process.

Q: Who is eligible for the program?

A: Students must be 18 to 29 and face at least one of our defined barriers, which include low-income, newcomer, visible minority, LGBTQ+ community member and other factors. In general, our talent pipeline is very diverse, like the communities we serve. But because women are significantly underrepresented in tech, we work hard to recruit them. At this point over 40 per cent of the youth in our program are women, compared to about 25 per cent for the IT sector. And employers appreciate that we offer diverse candidates with the skills needed for entry-level jobs.

Q: What other expectations do employers have?

A: When we first asked what they were looking for in junior employees, we assumed they'd talk about specific certifications or IT skills. But most employers lead with soft skills: "We want people who are committed, can communicate well and are able to work with a team. We assume they're coming with basic IT skills – and we'll teach them our platform. But they have to be curious, open-minded and willing to learn." Many employers used to hire based on academic pedigree. Now more and more agree that what matters is potential.

Q: And do employers see the value of working together to meet their needs?

A: Yes, they understand that we can't do this in a vacuum. We have partners who help with recruitment, with training. Many employers send teams of volunteers into our classrooms. And because we're a charity, we also need corporate financial support, along with senior leaders to serve on our board. NPower is trying to do something different in youth employment services – to be a bit cutting-edge. And that can't happen without mutually supportive partnerships all around. The GTAA gets that, because we share the same ultimate goal: creating stronger, more prosperous communities. And for NPower, that means making sure everyone has the same opportunity to succeed.

NPower by the numbers

15 weeks of full-time study and development

1,400 graduates since 2015

80% employed or pursuing higher education within six months of graduation

96% of employers say they would hire from NPower Canada again

Regional flight plan

Across Southern Ontario, regional airports and municipal leaders have joined forces to improve connectivity and foster growth in the aviation and aerospace industries.

In June 2019, delegates to the Paris Air Show included members of two Canadian organizations making their first visit to the world's largest aviation and aerospace exhibition: the Southern Ontario Airport Network (SOAN) and the Southern Ontario Municipal Aerospace Council (SOMAC). A team from the GTAA, which works closely with both groups, joined regional airport and municipal leaders as they showcased Southern Ontario's strengths in aviation and aerospace with peers and industry representatives from around the globe. The impetus behind the Paris mission speaks to the future potential of SOAN and SOMAC, as members find new ways to support and learn from one another while working together to pursue opportunities beyond our region.

The idea for an alliance of regional airports was sparked by a 2015 discussion paper by the GTAA on the need for a coordinated response to demand for air travel across Southern Ontario. After two years of collaboration, SOAN was formally launched in 2017, bringing together Toronto Pearson with local airports serving Hamilton, Niagara, Windsor, downtown Toronto (Billy Bishop), London, Kitchener-Waterloo, Lake Simcoe, Oshawa, Peterborough and Kingston. With the addition of Sarnia the following year, the network now comprises 12 commercially significant airports. While all members continue to pursue their own strategies driven by local business factors and community needs, SOAN provides a forum to share information and resources, explore collective opportunities and develop a more cohesive approach to the evolution of air service across the region.

Elevating the discussion

Soon after SOAN was formed, members began meeting with municipal leaders and officials to highlight the benefits of having local governments coordinate efforts to meet long-term demand while also creating new economic opportunities. These conversations helped to inspire the formation of SOMAC, which brings together mayors and regional chairs of communities represented by SOAN, as well as leaders from areas that have airport lands in reserve.

Launched in early 2019 with Mississauga Mayor Bonnie Crombie as its inaugural chair, SOMAC is focused on growing Southern Ontario's aviation and aerospace industries by working to attract new businesses and investment to the region, as well as advocating for policy initiatives that will strengthen the overall sector. Current members include Barrie, Durham Region, Hamilton, London, Mississauga, Niagara Falls, Niagara on the Lake, Niagara Region, Oshawa, Peel Region, Peterborough, Pickering, Sarnia, Simcoe County, Toronto, Waterloo Region and Windsor.

Trading partners

As Toronto Pearson works more closely with other SOAN airports, we're finding opportunities to help our partners while sustainably repurposing assets we no longer require. In 2019, we held our first-ever equipment auction, featuring a trackless tractor that was due to be retired from the GTAA fleet. Three SOAN airports placed bids, and others expressed an interest in taking advantage of future auctions.

In another example of sharing across the network, when our colleagues at Sarnia Chris Hadfield Airport told us they were looking for extra passenger seating for their terminal expansion, we offered them 40 chairs (valued at about $20,000) that Toronto Pearson had identified for paid disposal. The donation saved both airports money and diverted a significant amount of plastic from landfill.

Connecting the Corridor

A conversation with Iain Klugman, CEO of the innovation hub Communitech, on improving connectivity in the Toronto-Waterloo Innovation Corridor

> "I appreciate that the GTAA thinks about Toronto Pearson as far more than a place where planes land and take off. The airport is an economic driver. And the organization behind it must be a steward of the environment, as well as a responsible citizen of this community, this province and this country – with accountabilities and obligations that go well beyond gate-time metrics."
>
> **Iain Klugman**, CEO, Communitech

The regional transit strategy that the GTAA is helping to shape calls for stronger links between the Airport Employment Zone (AEZ) and other economic zones across Southern Ontario, particularly in the regions of Peel, York, Durham and Waterloo. Creating better connections among clusters of business, research and educational activity is crucial for encouraging investment, increasing access to talent and fuelling overall productivity and growth.

Among those advocating for better solutions is Connect the Corridor, an alliance of leading businesses in the Toronto-Waterloo Innovation Corridor. Generating nearly a fifth of Canada's GDP, the Corridor employs more than 200,000 tech workers – a concentration of talent second only to California's Silicon Valley. It's also home to Canada's advanced manufacturing supercluster, as well as 16 post-secondary institutions. But when it comes to transportation networks, this vital economic zone has too many congested roads and offers commuters few efficient transit options.

Connect the Corridor proposes a significant extension of the GO commuter rail network, with frequent, 24/7 service. We spoke to the group's chair, **Iain Klugman** – CEO of Waterloo-based Communitech, one of Canada's top not-for-profit innovation hubs – on the need for greater connectivity and the value of collaboration.

Q: What is the vision driving Connect the Corridor?

Iain Klugman: We see a tremendous opportunity to unleash the economic potential of smaller cities across the province – centres like London, Hamilton, Kingston, Windsor and Kitchener-Waterloo. The inhibitor largely comes down to transportation, the movement of people. Companies in the Waterloo region need to tap into the Toronto talent market. We could be growing a whole host of scale-up companies and turning them into hundred-million or even billion-dollar businesses, but for the lack of access to talent. At the same time, there's tremendous potential to inspire Toronto with the entrepreneurial drive that's so central to who we are as a community.

Q: The Region of Waterloo has earned a global reputation as a centre of innovation. What's been the key to its success?

A: If you look back over the last 200 years, this region has created some of the largest companies in Canada. In distilling, food processing, insurance, auto parts, manufacturing – and more recently, technology. We've been able to do all of these remarkable things because we're ambitious, we're entrepreneurial and we're collaborative. We realize that we're a small community, barely 600,000 people, so we can't compete unless we work together as a team. That's the only way we're going to win – by ganging together to form collaboratives and take on the world.

Q: So the transit solution you propose will leverage the existing GO network?

A: Yes. Right now the GO train service is focused on carrying people into Union Station in the morning and back home at night. But there are actually more commuters coming to Kitchener-Waterloo every day than travel from our region into Toronto. And our members tell us that being able to reach Toronto Pearson more easily via GO service would be almost as valuable as the ability to access Union Station throughout the day. So the short-term answer is to get GO working for us – though at the same time we need to have some bigger, visionary conversations about high-speed rail across Southern Ontario, and also how we're going to meet future air travel needs.

Q: There are many stakeholders in this conversation, including governments, transit providers and advocacy groups. How do you find common ground?

A: There are groups coming at this for different reasons. Some are talking about how excess road traffic is creating a huge economic drag; it's not unleashing the potential of the corridor and communities beyond. Other people are focused on safety, or environmental impacts. But at the end of the day, there's a common commitment around the fact that we're not capitalizing on the opportunities we've got, and unless we do something significant, it's only going to get worse. Especially when both Toronto and the Waterloo region are growing so fast. The good news is that we've got a very practical government that's not waiting for a giant solution but instead is saying, "There are things we can do right away, through various partnerships, to make a difference."

Q: How do you see the GTAA's role in advancing a regional transit strategy?

A: I appreciate that the GTAA thinks about Toronto Pearson as far more than a place where planes land and take off. The airport is an economic driver. And the organization behind it must be a steward of the environment, as well as a responsible citizen of this community, this province and this country – with accountabilities and obligations that go well beyond gate-time metrics.

What's interesting about how the GTAA has led this transit initiative is that there are so many shapes and sizes of organizations coming together. Whether you're a small not-for-profit or a large company, what's important is that each of us brings something to the conversation and contributes to the objective. I can sit in a room with a CEO and a board chair and the Premier of Ontario, and we're all members of the same team. We have a responsibility to work together and try to move the needle on important issues.

Connecting our communities

Our long-term commitment to better integrate Toronto Pearson with regional transit networks is moving forward – thanks to a strong collaborative effort.

In 2019, we continued our efforts to help improve connectivity in the Greater Toronto and Hamilton Area (GTHA) and across the entire region. Working with the Government of Ontario, Metrolinx and other transportation agencies, as well as municipal governments and a range of community stakeholders, we've moved ahead on the complex preparatory work needed to connect local light rail and regional GO train services into Toronto Pearson. And we've helped advance a proposal for ultimately anchoring the integrated ground transportation network with a regional transit centre at the airport, provisionally known as Union Station West.

The formal partnership between the GTAA and Metrolinx dates from April 2018, when we announced a joint program to improve transit access to Toronto Pearson while exploring better ways to connect the Airport Employment Zone (AEZ) and our surrounding communities, as well as light rail and bus networks serving commuters throughout the western GTHA. We invested an initial $38 million toward this collaborative effort, which is also exploring a potential expansion of GO train service along the vital innovation corridor between Toronto and Kitchener-Waterloo. Then in November 2019, we announced that the GTAA would provide a further $40 million to advance technical work on extending the Eglinton Crosstown West light rail line onto the airport property. (Clearly, the economic impact of the COVID-19 pandemic makes it necessary to revisit how quickly investment can proceed in this area; but helping to create a more efficient and sustainable regional transit network remains a strategic priority.)

For the Government of Ontario, our collaboration with Metrolinx supports a broader commitment to improving transit infrastructure across the region. "We welcome the GTAA's multi-million-dollar investment to help connect the Eglinton Crosstown West Subway Extension to Toronto Pearson Airport," said Premier Doug Ford, speaking at the announcement event. "This is another clear example of how our government is strengthening partnerships to build more transit – spurring economic growth and creating jobs throughout the region."

The impacts of connectivity

Coinciding with the November 2019 announcement, the GTAA released a whitepaper – prepared in collaboration with Urban Strategies Inc. – entitled *Union Station West: The second transit hub we need to keep the region moving*. It details the many advantages that an integrated transit centre at Toronto Pearson would deliver to neighbouring communities. Developed through discussions with a wide array of stakeholders – across the AEZ, in other key regional employment zones and at economically significant airports around Southern Ontario – the report explores the various dimensions of connectivity and their potential impact on economic growth. Among its key findings:

- The region's existing "radial" transit system (with spokes radiating from a single hub, Union Station in downtown Toronto) cannot adequately support connections among key economic and employment centres across the GTHA.
- Municipal borders are meaningless for the workers, students and local residents who depend on public transit and currently must deal with unintegrated fares and uncoordinated transfers as they cross multiple jurisdictions.
- People who work in the AEZ need safe, efficient "last-mile" transit solutions that reflect the 24/7 nature of the area's business activities.
- The movement of goods on Southern Ontario roads is bogged down by intense congestion, which leads to lower productivity (at an estimated cost of $6 billion annually), reduced profitability for businesses and higher prices for consumers.
- Coordinated ground connections among Southern Ontario airports would provide more convenient and efficient air travel options.
- Efficient transit connections to and from Toronto Pearson are critical for all regional economic zones.

Moving into the future

At leading global airports like London Heathrow and Amsterdam Schiphol, more than 35 per cent of travellers take advantage of integrated transit and rail connections. At Toronto Pearson, even with the success of the UP Express rail link to the heart of the city, only about 13 per cent of people travelling to and from the airport (largely passengers and Pearson employees) use any form of public transit. Instead, they join other drivers in contending with the worst traffic congestion in North America and some of the longest commuting times in the world. And the situation is only going to get worse, as more than 2.5 million additional residents are expected to move into our region over the next decade.

Maintaining efficient operations at Toronto Pearson – and even more crucially, ensuring optimum productivity in the important economic zone around our airport – depends on the timely, reliable movement of people, both passengers and local workers. Pearson also plays an increasingly important role in expediting cargo to and from every corner of the globe.

This is the real impact of our transit ambition: not simply to improve access to our airport, but to get the entire region moving better. Freer-flowing roads will mean increased economic activity, easier access to jobs, lower carbon emissions and a better quality of life for millions of commuters – along with the many businesspeople, tourists and other visitors who contribute to the vitality of our region.

Constantly improving connectivity is core to Toronto Pearson's purpose as a global hub. We have a responsibility not only to connect Canada to the world, but also to help ensure more efficient, integrated transportation networks throughout the fast-growing region on our doorstep.

Fast-tracking innovation

The GTAA fosters a culture of creative collaboration and problem solving, especially through the use of technology. We're constantly rethinking and adapting the processes by which we manage the flow of people, aircraft, baggage and cargo through Toronto Pearson. This drive to stay innovative, solving problems with speed and agility, has been particularly important in addressing COVID-19.

As our partners began responding to the crisis, we moved quickly to see how we could help. We consulted with our airlines, as well as retailers, restaurants and other vendors operating in our terminals, to understand their needs and discuss relief measures on a case-by-case basis. We quickly modified some facilities to better support carriers: for example, we reconfigured our airfield to offer Air Canada, WestJet and other airlines parking for aircraft.

Most importantly, we adopted new strategies to protect the health of passengers and airport employees. Working with the security and border control agencies, we found ways to safely facilitate check-in, screening, and customs and immigration. And we fast-tracked work in progress on enhanced passport scanning and biometric technologies to reduce unnecessary contacts. In making Toronto Pearson safer today, we're creating a better passenger journey for the future.

Get the latest updates on our COVID-19 response.

Partners in adaptability

Better decisions together

By sharing data and aligning processes with Pearson's key partners, we're finding ways we can all operate more efficiently and deliver a better passenger experience.

As we manage the complexities of airside operations at Toronto Pearson, we're constantly measuring our progress against a fundamental strategic objective: maintaining the safe, consistent flow of passengers, baggage, aircraft and cargo. Over the past two years, we've taken another important step forward. Working alongside a few key partners, we've become the first airport in North America to begin implementing Airport Collaborative Decision Making (A-CDM). By creating links between what were previously standalone systems, we're able to share relevant data in real time and work together to ensure that passengers get on their way more reliably, comfortably and efficiently than ever.

Pearson's evolution to A-CDM began in 2016, through a joint initiative launched with our two principal carriers, Air Canada and WestJet, as well as NAV Canada, which is responsible for air traffic control nationwide. Key providers of other airside services, such as ramp handling and cargo logistics, also joined the process, as did GTAA teams responsible for everything from aircraft deicing to terminal services. Our common goal was clear: find better ways of sharing information and expertise to help Toronto Pearson operate as smoothly as possible while maximizing efficiency. Two areas of special focus were reducing aircraft turnaround times and improving the response to extreme weather events such as winter storms.

A platform for the future

The new A-CDM technology, which we began implementing in 2018, brings together data on all relevant aspects of airside operations, carrier activities and air traffic management in a single platform designed to support safe, effective decision making. Having a common source of up-to-the-minute information makes it easier to respond quickly to changing conditions – and even anticipate them – while better coordinating everyone's actions. When data insights from various sources are overlaid, they can point to solutions that are counterintuitive: for example, the evidence may show that if a departing aircraft waits an extra three minutes before pushing back from the gate, it will actually reach the runway sooner.

While the A-CDM model adopted by many European airports is aimed at optimizing the use of airspace (a regional priority), our approach focuses on improving the efficiency of ground operations as we better coordinate our teams and deploy resources more effectively – while maintaining rigorous safety standards and helping to reduce our collective carbon footprint (see sidebar). We're taking an incremental approach, testing solutions and reviewing results to ensure we achieve the best outcomes for all partners. Moving forward, we'll continue working together to explore the advantages of A-CDM and its potential to improve current ways of working between – and within – our respective organizations.

Sustainable decisions

As we work with our key carriers and other partners to implement Airport Collaborative Decision Making (A-CDM), we're seeing tangible benefits in terms of Toronto Pearson's environmental impact. By better coordinating various aspects of ground operations, we can, for example, shorten aircraft taxi times and eliminate unnecessary idling as aircraft wait to access gates or the deicing facility. This translates into lower fuel consumption and reduced greenhouse gas emissions, helping all partners make tangible progress toward our shared sustainability goals.

RESPONDING TO COVID-19

The growing importance of cargo

Cargo services at Toronto Pearson, which have been steadily expanding in recent years, play a key role in the pandemic response as carriers and logistics companies work tirelessly to deliver personal protective equipment and other critical supplies to health-care workers on the front lines. We expect that cargo will remain crucially important during the economic recovery to come, as globally connected enterprises rethink supply chains and ship more products by air to reach markets faster and avoid potential disruptions.

We've been working with cargo carriers on new solutions to move goods more efficiently. For example, when Air Canada began converting some passenger aircraft to carry more commercial goods, the GTAA's baggage-systems team helped out by providing equipment that can be adapted for loading freight. We're also looking at building an additional, temporary cargo-processing facility to handle the increased traffic more efficiently.

In April 2020, the GTAA and the Ontario Chamber of Commerce convened a roundtable of businesses and organizations that contribute to the air cargo supply chain. In discussions with Victor Fedeli, Minister of Economic Development, Job Creation and Trade for the Province of Ontario, leaders shared insights that will help to coordinate efforts and ensure cargo flows more smoothly through the crucial months ahead – and up the longer curve of economic recovery.

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Don't be early!

A unique collaboration among Pearson, NAV Canada and our major carriers shows how arriving on time, not ahead of schedule, benefits everyone – even passengers.

Our airport operates around the clock, but only a small number of flights land or take off between 12:30 a.m. and 6:30 a.m. We set the limit annually, within a night flights "budget" established by Transport Canada. As a result, many carriers time their first inbound flights of the day to arrive soon after the overnight restriction ends. And some long-haul flights arrive ahead of schedule if they've managed to fly their routes more quickly than calculated in their official flight plans.

As passengers, we all like reaching our destination early. But at a busy hub like Toronto Pearson, it can be a problem. If there's no gate free for an early-arriving flight, or no crew available to service it, the aircraft may have to wait on the ground until it's possible to access the terminal. Or NAV Canada, which manages air traffic control, may put the flight on an airborne hold, asking it to "circle" for some time before landing. This latter option can have a negative impact on residents affected by aircraft noise. And either scenario is frustrating for passengers – and carriers – as the time we need to adjust for an unscheduled arrival understandably feels like a delay. What's more, there's an environmental cost as the extra idling or flying time burns more fuel and increases carbon emissions.

A further complication is that when we reassign gates to early arrivals, we may not have enough available for regularly scheduled flights, which then makes it necessary to reduce inbound traffic to Pearson. And because it's not feasible to redirect long-haul flights (other than in inclement weather), NAV Canada will instead instruct flights originating in nearby cities – Ottawa, for instance – to delay their scheduled departures. Once again, passengers are inconvenienced, connections may be missed and our collective carbon footprint grows as aircraft sit idling at other airports, waiting for word on when Pearson can receive them.

These problems have only intensified over time. But in the past year, we discovered a solution – thanks to an unprecedented collaboration between Toronto Pearson, our principal airlines and NAV Canada.

Benefits arrive on time

The first step was to determine which flights were regularly arriving early, and for that we needed concrete data. A team from the GTAA met representatives from NAV Canada and our two largest airline customers, Air Canada and WestJet (including their subsidiaries). After a series of information exchanges and working sessions, in November 2018 we launched the Toronto Pearson Early Morning Arrivals Trial.

To gain a clearer picture of the pattern of early arrivals – based on hard evidence, rather than anecdotal assumptions – the trial began with a detailed comparison of scheduled arrivals with actual runway times during the first hour after 6:30 a.m. The group then examined the individual trajectories of early flights. What was salient for all parties' planning was not the time an aircraft touched down at Pearson, but when it reached one of five regional coordinating points, called "bedposts," from which air traffic controllers guide flights into their final approach. After calculating the optimum arrival time over a designated bedpost for every inbound flight, the team could provide airline dispatchers with precise targets to insert into flight plans.

The results were immediate and dramatic. On-time arrivals rose by about 20 per cent in the first month; the rate was closer to 30 per cent when the team considered all flights arriving within five minutes of their scheduled times. And while this initial impact inevitably tapered off, average gains continued in the low double digits through most of the nine-month trial. What's more, mproved on-time performance translated into a better passenger experience as ground handling, baggage processing and coordination of connecting flights proceeded more smoothly and efficiently. Delays caused by early arrivals virtually disappeared, both at Pearson and at regional airports served by our hub. And then there were the sustainability benefits: eliminating airborne holds reduced noise over nearby communities; and flying at the speeds required for on-time arrivals saved significant amounts of fuel while shrinking airlines' carbon footprint.

Best plan, best served

The Early Morning Arrivals Trial was so successful that it was soon extended further into the morning and broadened to engage more carriers. Now discussions are underway to apply the same strategy in managing other aspects of Pearson's traffic flow – for instance, the high volume of long-haul European flights arriving during the afternoon, especially in summer. At the same time, the critical data-sharing component is migrating from a spreadsheet accessed by all parties as needed to the real-time digital tools that support our Airport Collaborative Decision Making (A-CDM) program.

The key to this success story is a new level of collaboration within the traditional aviation triad of airport, airlines and air traffic control. Together, we're better meeting the needs of all stakeholders ¬– starting with passengers – by evolving our arrivals model from "First come, first served" to the far more efficient "Best plan, best served."

Reinventing retail

Innovation is not just about new processes and technologies. We're reimagining every aspect of the passenger experience at Toronto Pearson – including shopping.

Offering everything from whiskey and lipstick to umbrellas and memory sticks, Pearson's many retailers contribute significantly to commercial (non-aeronautical) revenues, which over the past decade have been growing at a higher rate than total revenues. By offering a wide range of high-quality retail options, we attract more travellers who spend more in our terminals, growing net income – which we then reinvest (as a not-for-profit corporation) into further improving the passenger experience and our services to air carriers, while reinforcing our commitment to safety, security, sustainability and community building.

Keeping retail fresh and interesting requires constant innovation – not only in product selection and merchandising, but in how we work with retailers to create the best possible shopping experience. Traditionally, airports' commercial agreements with stores, restaurants and other concessions followed a landlord-tenant model. The more revenues generated by a tenant, the more an airport landlord would earn from rent and a percentage of sales.

This simple approach yielded positive outcomes on both sides: higher store profits translated into higher rents. But it didn't reflect the complex changes sweeping through retail. Customers have become increasingly focused on service quality, relevant product assortment, store design – the whole shopping experience. And to fulfill those expectations, retailers have to gain more insights than ever about who is shopping in their stores, and why.

Recognizing these shifting trends, our Customer and Terminal Services team began looking at how we could collaborate more effectively with Pearson's retailers to achieve common goals. Many of these conversations were transformative. To take one example: working with Dufry, which operates our duty-free stores, the GTAA's retail team looked at data showing that some traveller segments representing a relatively small proportion of passenger traffic may actually account for a much higher percentage of duty-free sales. We were missing out on a proven opportunity with these shoppers by not offering more luxury fashion items.

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Based on these and other insights, we significantly expanded our duty-free shops in both terminals, adding fashion and jewelry boutiques, as well as an expanded array of perfumes, cosmetics, and wine and spirits. Equally important, we worked closely with Dufry on everything from store design to optimizing customer flow.

Underpinning this and many similar collaborations is a fundamental rethinking of how we structure commercial agreements with retailers, as we put passengers' preferences and expectations front and centre. The result is a more enjoyable airport experience, with a measurable impact on the bottom line. We no longer see retailers simply as tenants working to maximize sales and yield steady returns for Toronto Pearson. We both invest in ways to better serve retailers' most valuable customers – and we both benefit from the higher revenues that result.

Pearson's management team has led the airport industry in forging senior-level relationships with some of the world's best-known brands. Those efforts have paid off as we've achieved steady growth in sales and revenues. Through whatever challenges lie ahead, we'll continue investing in more retail options, as well as dining and other amenities, because we know that commercial revenue growth is an essential component of Toronto Pearson's future financial sustainability.

2019 Airport Service Quality award

For the third consecutive year, Toronto Pearson was ranked #1 in North America in the 2019 Airport Service Quality (ASQ) satisfaction survey conducted by Airports Council International. Our ASQ score of 4.48, the highest among all hubs serving over 40 million passengers annually, is a concrete measure of the commitment to passenger service reflected in our first-ever workforce survey and in the continued growth of the *I am Toronto Pearson* movement.

The big screen

Pearson is one of North America's top airports for efficient security screening. We're working with CATSA to get even better – and keep our passengers safe.

In 2019, about 20.8 million departing passengers went through security screening at Toronto Pearson, an increase of one per cent over the previous year (proportionate to overall growth in passenger traffic). The steady flow of passengers is facilitated by our close working relationship with the Canadian Air Transport Security Agency (CATSA), which has strengthened in recent years.

In 2017, we introduced an enhanced screening process called CATSA Plus in the U.S. departures area of Terminal 1. Integrating technologies to automate boarding pass validation, the new system also allows multiple passengers to load and advance their inspection bins at the same time. And it applies human-centred design in providing, for example, more space at the end of the process for passengers to retrieve and organize their belongings without feeling rushed.

CATSA Plus was implemented in Terminal 3 at the beginning of 2018, then phased into Terminal 1's domestic and international areas through the rest of that year into early 2019. With more than twice the throughput of earlier solutions, our improved screening lines now rank among the most efficient in North America. During the past year, just over 95 per cent of passengers experienced an average screening time of less than 15 minutes; this was an improvement of nearly three percentage points compared to 2018.

These performance improvements, welcomed by passengers and airlines alike, show the value of partnership. The GTAA continues to help expand and enhance security facilities, and our security and IT experts work with their CATSA counterparts on everything from trusted U.S. traveller screening to the latest facial recognition and biometrics technologies. At the same time, we're working with Transport Canada and the aviation industry to advance discussions on the future of Canada's airport security screening authority.

GRI 102-9

Reimagining baggage

As we help millions of passengers move quickly and smoothly through our airport, we also need to ensure their bags are always where they need them to be.

As we worked to further improve baggage flow during the past year – as part of a long-term continuous improvement initiative called Baggage 2025 – we once again coordinated efforts among a diverse group of players: Air Canada, WestJet, Delta and American Airlines, which manage their own baggage handling; four independent companies that provide contract baggage services to other airlines; and our own GTAA teams from Aviation Services, Technical Services and IT. We also collaborated closely with the government agencies responsible for security, customs and border control: the Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (USCBP).

This highly collaborative effort continues to produce significant gains in speed, accuracy and reliability – as evidenced by these metrics of progress from 2019:

- 30% reduction in baggage-related issues
- 40% fewer baggage complaints from inbound passengers
- 97% less IT downtime on baggage processing systems

As we work closely with all of our partners and particularly our two major Canadian carriers, Air Canada and WestJet, we're constantly prototyping and testing solutions, redefining responsibilities, developing best practices and planning together to meet future needs – all to keep a simple promise: "Every bag with every passenger."

Igniting innovation

In working to achieve our vision for Toronto Pearson, we foster a culture of collaborative innovation, equipping leaders to champion creative thinking.

Improve and innovate is a key objective of the GTAA's leadership development and training programs. To that end, for the past three years we've partnered with The Ivey Academy of Western University to deliver a customized senior leadership development program. By the end of 2019, four cohorts of up to 25 leaders each had completed the nine-day program. It starts with an initial half-day devoted to design thinking, a widely used innovation methodology; learning sessions are facilitated by specially trained members of our own human resources team. Participants are then assigned to cross-functional project teams and tasked with applying their newly acquired skills and tools to solve real GTAA problems.

Several of these innovation projects have been put into action at Toronto Pearson, helping to improve apron safety, enhance passenger experience, reduce paper consumption and increase collaboration among regional airports, to name just a few of the positive outcomes.

While each of these projects is significant in its own right, equally important is our commitment to developing executives who are capable of, and comfortable with, leading innovation. The example they set is vital for fostering the cultural change needed to drive our business forward.

We want to thank the Academy…

The Pearson Aviation Academy, our innovative partnership with Seneca College, is gaining momentum – and generating interest in the industry. Formally launched at the beginning of 2019, the program provides consistency in airport operations training and makes it easier for people across the GTAA to move up the ladder in their current areas or join other operations groups. The three-tier program progressively builds the knowledge, function-specific skills, and broader communications and leadership skills needed to run an airport effectively.

By year-end, 76 managers from our four operations groups had completed the first curriculum level; demand is so high that we've had to hire a full-time instructor. We've already begun designing and piloting customized curriculum for the next level, targeting priority groups. We'll continue developing and testing the full curriculum with Seneca through 2024 as various groups complete each level. The initiative has also attracted interest from human resources leaders at several other Canadian airports, who gathered at the GTAA in late 2019 to discuss the success of the Academy and how they might get involved.

In 2019, the GTAA allocated the equivalent of one per cent of net income to our Innovation Fund for collaborative research projects, proof-of-concept pilots and testing of new systems and processes. This represented a planned investment of just over $1.3 million.

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How technology creates value

We've been adding digital systems and tools in every area of Pearson's operations. Now our focus is on getting them all talking to each other and working in concert.

Day and night at Toronto Pearson, we track a vast amount of data to keep aircraft, passengers and baggage moving as safely and smoothly as possible. The volume and diversity of information crisscrossing our airport every second is staggering: flight activity to, from and around our airport; the efficiency of check-in and security processes; allocation of gates, along with the teams and equipment to support them; the various steps involved in aircraft servicing, catering and baggage handling; even the maintenance schedules for our escalators and moving walkways. And with each new advance in technology, both the scope and the granularity of data only grow.

The challenge for Toronto Pearson, as for any complex enterprise, is how to harness this wealth of information, distill the most relevant data points into a comprehensive overview and then derive the insights we need to manage our operations safely, efficiently and cost-effectively.

Building the foundation

For the past five years, tthe GTAA's information technology team has been putting the building blocks in place to better integrate data and systems across our airport. Each component is designed to maximize business value and free up operating revenue that we can then invest in further innovation. Here's a brief review of what we've built so far (see diagram), moving from the base layer upward:

- *Network and infrastructure:* We've re-engineered our systems architecture and underlying technologies to support Pearson's rapidly expanding data needs. The result is a much more robust network – 40 times faster, with greater redundancy to ensure stable, reliable service. Major interruptions fell by 85 per cent between 2016 and 2019.
- *Enterprise data management:* This layer facilitates how data is organized and delivered to users in more cohesive and helpful ways. Our managers can now access real-time information on all aspects of airport operations, from the movement of passengers, baggage and aircraft to parking demand and retail/dining revenues.
- *Resource management system (RMS):* This set of tools enables smooth, up-to-the-minute monitoring and optimization of resources across our facilities, whether we're assigning flights to gates, check-in counters to airlines or baggage to aircraft.
- *Airport Collaborative Decision Making (A-CDM):* As detailed elsewhere in this report, we're collaborating with NAV Canada, our major carriers and other partners on a platform that integrates data on airside operations, aircraft activities and air traffic management to support safe, effective decision making – which translates into greater efficiency and superior passenger service.
- *Asset Management System (AMS):* Pearson's day-to-day operations depend on a wide array of technology-based tools and services. For example, it takes nearly 2,000 pieces of equipment just to enable airline check-ins. The AMS provides real-time information on the status of every asset, from aircraft bridges to washroom hand dryers, and integrates a system for remote reporting of maintenance needs (see sidebar).

All of these components support a broader umbrella layer that sums up our future goals in a single phrase: Total Airport Management. Armed with unprecedented capabilities in oversight and control, we're now able to map out our technology strategy for the next five years and beyond. We're also better prepared for sudden changes in the operating environment – including a spike in the number of users working remotely, as we've seen during the COVID-19 pandemic.

The innovation ecosystem

Toronto Pearson's 2020–2024 IT Roadmap envisions the implementation of various innovative technologies that we're now well positioned to leverage more effectively. From using predictive analytics to enhance the passenger experience, to streamlining business processes with artificial intelligence, to monitoring equipment movements via the internet of things, we're looking at every imaginable way to boost service quality and efficiency while upholding the highest standards of safety – and delivering greater value in all areas of the organization.

This innovative journey requires ongoing investment in our own capabilities, whether we're exploring the use of blockchain technology for baggage tracking or using robotic process automation to simplify routine vendor transactions. But the other crucial ingredient for our future success is partnership.

Airport Collaborative Decision Making, for example, depends on close coordination among the GTAA, NAV Canada, airlines and other key players. Similarly, investigating the potential of biometric screening means having the GTAA's technology team collaborate with the experts at our security and border protection agencies. We must be able to connect complex systems and securely share data among all key partners to achieve our common goals.

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At the same time, realizing the full value of innovation means freeing up our technology resources by shifting some day-to-day processes to external providers. Our recent, multi-year agreement with Wipro, one of the world's largest IT services firms, is based on a new model of partnership: unlike traditional providers that simply bill for services consumed, Wipro is rewarded for helping us achieve specific targets as we grow business value. Our two organizations have a stake in each other's success, cemented by our shared values around sustainability and social responsibility.

The power of technology partnerships extends to other airports as well. We've collaborated with Aéroports de Montréal, for instance, on purchasing check-in kiosks, and we're exploring other opportunities to share services or coordinate our efforts in areas such as safety and security. On a broader scale, we've committed to helping establish a Joint Innovation Forum for Canadian airports as part of a larger innovation ecosystem that includes business partners, governments and communities.

As with all other dimensions of Toronto Pearson, the impact of our investment in innovation is amplified by the number of partners working alongside us to make change happen.

Fixing problems on the move

In the past, if Pearson employees spotted a maintenance issue – say, a check-in kiosk that wasn't working properly – they'd have to call a central help desk, where support staff would open a repair ticket and dispatch someone to fix the problem. Now it's a simple matter of pointing your smartphone at the source of the issue, checking a couple of boxes and moving on.

Across the airport, we've outfitted thousands of pieces of equipment with tags that use near-field communication (NFC) to transmit data via any mobile device. There's no app required; you simply scan the tag (which also has a QR code for phones that aren't NFC-enabled) and all relevant information – equipment type, location, maintenance history and more – is instantly relayed to a system that generates an automated service ticket.

The help desk used to receive more than 6,000 service alerts per month. When the new system was deployed in 2019 – with awareness initially just via word of mouth – call volumes dropped by half in the first month. That trend continued through the rest of the year, yielding an estimated 250,000 minutes of saved time for airport and airlines staff.

GRI 102-9

Balancing responsibilities

We consider environmental, social and governance factors in every aspect of the GTAA's business activities and decision-making. Applying that lens will be all the more relevant going forward, as the impact of the COVID-19 pandemic obliges us to carefully balance public health and safety, operational efficiency and social responsibility.

Recovery will take time, particularly in the travel and tourism sector. We're already working with our partners on every dimension of the challenge, keeping pace with evolving regulatory and economic measures. We're also exploring new processes and technologies to ensure a secure, health-sensitive airport experience, bolstering passengers' confidence as they resume travelling. These efforts require adaptability grounded in resilience – which speaks to the heart of Toronto Pearson's purpose as a vital part of Canada's infrastructure, built for endurance and longevity.

Our strategies are designed to keep our airport nimble and responsive while upholding the highest standards of safety and risk management. Moving forward, we're committed to supporting our carriers as they rebuild capacity and reconnect to the world. The recovery of air travel globally will be mirrored by the return of jobs, growth and prosperity to the local and national economies. At the same time, we'll continue seeking opportunities to do more – in our own operations and in collaborations with our partners and communities – to address the urgent challenge of climate change. As Toronto Pearson evolves to serve a dramatically changed world, our strategies must pass the test of sustainability.

Get the latest updates on our COVID-19 response.

Partners in sustainability

Keeping it safe

Maintaining safety and security are top priorities for Toronto Pearson employers and employees as we work together toward our shared vision of zero workplace injuries.

Toronto Pearson is constantly innovating and sharing best practices aimed at keeping both passengers and employees safe. And we differ from most airports in including the safety results for all workers – not just those on the GTAA payroll – in our regular reporting. Each year, the Toronto Pearson Safety Index (TPSI) tracks lost-time injury performance reported to the GTAA by some 80 employers. While we continue to closely monitor safety data for our own employees, TPSI is the measure that matters the most to all of us at Toronto Pearson, because we want everyone who works here to go home safely at the end of each shift. What's more, TPSI provides added motivation for multiple employers to collaborate on safety improvements.

Safety forums and summits have become commonplace across the Pearson community, as we bring together leaders with health and safety professionals to discuss current challenges and brainstorm solutions. The Toronto Pearson Safety Leadership Forum, comprising leaders of the airport's 16 largest employers, began meeting quarterly in 2019; these discussions have led to more coordinated and effective safety communications on issues of interest to all airport employees.

Our first-ever Workers' Council meeting was held in January 2019, with representatives from each of Toronto Pearson's unions in attendance. At this inaugural session, each group outlined its primary safety interests. The top three: safe driving on airfields; improving safety communications; and the need for education on topics such as winter operations, emergency preparedness and obtaining an airside vehicle operator's permit. The GTAA, together with our unions, is committed to addressing these topics throughout the year.

In response to all of this helpful feedback, the GTAA's safety and communications teams led a design-thinking exercise to come up with innovative solutions for improving existing communications practices. The result was a rollout of new safety signage and materials across the airport, with strong and consistent messaging on the critical role that safety plays in all of our jobs.

Data-driven injury prevention

For years, we've been collecting injury data from employers in the Toronto Pearson Safety Index (TPSI), which helps us identify trends and target efforts to keep our airport safe. Reporting was traditionally completed via email or an online survey app. In 2019, we launched a new injury reporting platform, Trendz, which creates "heat maps" pinpointing areas where injuries occur more frequently. The easy-to-use maps even identify incidents by the type of injury and body part affected. Using this data, we'll be able to enhance our safe work practices and develop more targeted accident prevention programs.

GRI 300-103

RESPONDING TO COVID-19

Keeping Pearson healthy and safe

As the scope and intensity of the pandemic became evident, our first priority was to ensure the health and well-being of passengers and airport employees while consulting all of our partners and keeping the broader public informed. Companies and organizations across Pearson, guided by Transport Canada, the Public Health Agency of Canada (PHAC) and the Canada Border Services Agency (CBSA), came together to implement health protocols, reinforce safety measures and manage the largest repatriation of Canadians in our country's history.

In addition to communicating public health and regulatory updates affecting travellers, airport employees and other stakeholders – via Toronto Pearson's website, social media and news media channels – we moved quickly to implement and advocate for a wide range of protective measures, including:

- Additional hand sanitizer stations at key terminal access points and other high-contact areas.
- Enhanced disinfection of all terminal washrooms.
- Frequent disinfecting of passenger-processing kiosks, escalators, moving sidewalks, handrails, baggage cart handles and other hard surfaces.
- Expanded cleaning staff hours.
- Signage and announcements reminding passengers to maintain physical distancing in the baggage hall and other busy areas of our terminals.
- Staging and spacing of queues for the U.S. customs hall to avoid crowding.
- Holding some arriving flights on the tarmac or at the gate for a short period to manage the flow of passengers.
- Supporting the many additional PHAC nurses and CBSA personnel in our terminals as they respond to COVID-19 issues.

Reducing our carbon footprint

The GTAA has been active in industry and regional efforts to address climate change since tabling our Greenhouse Gas Management Policy in 2010. That work is intensifying.

Ten years ago, we committed to a 20 per cent reduction in greenhouse gas emissions (from a 2006 baseline) by 2020. As of the 2019 year-end, we'd well exceeded that target, having shrunk our carbon footprint by nearly half. We're proud of this initial progress by the Toronto Pearson community – in part due to the elimination of coal-fired generating plants in Ontario. But when every day brings further evidence of the drastic effects of climate change, there can be no doubt about the need to maintain momentum.

In our latest sustainability planning, we're determining how we can help fulfill the commitment embraced by governments, communities, businesses and organizations around the globe to significantly reduce carbon emissions. The following stories show the scope and impact of our efforts to date:

Level 3 carbon rating

Toronto Pearson participates in the Airport Carbon Accreditation (ACA) program, which provides a common framework for active carbon management at airports around the world. We first achieved Level 3 certification in 2016 and have maintained our standing ever since. Certification at this level requires that we measure the carbon footprint of our operations, set and achieve reduction targets, and engage third parties in our efforts. To date, only two airports in North America have moved from Level 3 to the highest tier: 3+ or carbon neutrality.

As the global focus shifts to net zero carbon emissions – which, unlike carbon neutrality, does not allow for offsetting through the purchase of carbon credits – the ACA program is also evolving. The GTAA is part of an ACA working group developing new initiatives, such as a potential Level 4 certification requiring deeper reductions in direct emissions from airport facilities.

Toronto Pearson is also one of a handful of North American hubs participating in a regular Airports Council International forum focused on setting reduced emissions targets for airports.

GRI 102-12, 102-13, 300-103

Emissions reduction

Since we embarked on our climate change journey more than a decade ago, capital projects aimed at reducing energy use and associated carbon emissions have been a consistent part of Toronto Pearson's annual plans. The biggest gains continue to come through two initiatives: switching from fluorescent lighting to energy-efficient LEDs in our buildings; and upgrading the airport's heating, ventilation and air conditioning (HVAC) systems so they operate more efficiently. Lighting and HVAC projects implemented in Terminals 1 and 3 during 2019 will save over 4.1 million kWh annually.

The electrification of our vehicle fleet is also helping to reduce emissions. There are currently 32 electric vehicle charging stations around Toronto Pearson, all of them available free of charge to airport employees and the general public. These complement a more extensive network of 137 charging stations (and another 22 nearing completion) that are used by electric baggage tugs and other service vehicles in our airside operations. Since the public chargers were installed, utilization has risen from 169 unique users in April 2017 to about 800 by year-end 2019.

We introduced two electric shuttle buses for passengers in 2019 and expect to add three more as existing gas vehicles are retired. Thanks to a $491,000 grant from Natural Resources Canada, we're also testing an innovative fast-charging hub for these buses. The project will identify strategies and potential barriers in electric bus adoption, providing a model for airports across the country.

> "Investing in electric vehicles is a practical and effective way for Canada to reduce pollution, fight climate change and make sure we have clean air. Canadians want to be part of the solution to fight climate change by travelling more efficiently."
>
> **The Hon. Catherine McKenna**, then Minister of Environment and Climate Change, announcing the federal government's support for electric vehicle charging stations at Toronto Pearson on July 29, 2019

Total annual CO_2e emissions (tonnes)

Intensity CO_2e (kilograms per passenger)

* The total stated in our 2018 Annual Report was an estimate; exact figures were not available at the time of publication. The figure has been restated here to reflect actual 2018 CO_2e emissions.

** CO_2e emissions in 2019 were significantly lower than in previous years due to planned downtime at Toronto Pearson's Cogeneration Facility. We do not expect that similar reductions will be sustainable once the facility returns to normal operating capacity.

United for climate action

Combatting the negative impacts of climate change requires action on many fronts. Wherever we can, we involve employees, business partners, local municipalities and community members in our efforts. For example, to encourage more people who work at Toronto Pearson to take public transit, we're funding an innovative GO Transit fare pilot. Employees who choose GO buses and/or trains for their daily work commute as an alternative to driving can save 50 per cent off the regular fare.

In 2018, we celebrated the 10th anniversary of Partners in Project Green by planting enough native trees and shrubs in local communities to offset the GTAA's annual paper consumption – and thereby help mitigate climate change. The campaign was such a success that we decided to do it again in 2019. Not only does tree planting serve an important environmental purpose, it's also a great way to engage with our employees and neighbours. We hosted two tree planting events in the spring for GTAA employees and their families, and two more in the fall for local schools. In total, more than 400 volunteers planted 830 trees and shrubs, helping to offset our total paper usage of more than 2.18 million sheets in the previous year.

GRI 102-12, 102-13, 300-103

Protecting our planet

As we evolve our future sustainability planning to address the growing urgency of climate change, here are a few highlights of our ongoing environmental efforts.

Since the GTAA began managing and operating Toronto Pearson in 1996, one of the cornerstones of our mission has been a commitment to minimizing and mitigating our environmental impact. A condition of our ground lease from the federal government was that we have an environmental management plan in place. We therefore implemented an environmental management system (EMS), which was certified to the global ISO 14000 standard in 1999. The EMS remains one of the seven core management systems that underpin our operations, supported by annual evaluations of environmental impacts and risks.

In recent years, Toronto Pearson has played a leadership role within the aviation sector in recognizing the need to take action in the face of climate change. We've brought renewed focus to determining what more we can do, as a vital transportation hub and an engine of the regional and national economies, to harness the efforts of our stakeholders in the search for solutions.

The GTAA management team is developing a comprehensive sustainability plan, built on the foundation of our EMS and related initiatives of the past decade. Bringing a sharper environmental focus to our overall corporate strategy, it sets out a broad range of actions by which we'll address the potential impacts of aviation activities at Toronto Pearson.

The following are just a few of the sustainability initiatives that we pursued in 2019, within the GTAA and in partnership with others:

Managing waste

With millions of passengers travelling to, from and through our airport each year, managing waste effectively is both a critical objective and a complex process at Toronto Pearson. Strict regulations govern certain aspects of that process, but in addition to meeting the requirements of compliance, we want to reduce, reuse or recycle wherever we can.

We achieved a 72 per cent waste diversion rate in 2019, up from 45 per cent in 2008. This excludes waste from inbound aircraft, which is considered to be international in origin and, following federal regulations, must be incinerated to prevent the potential spread of disease and other threats to Canadian plants, wildlife and agribusiness.

GRI 102-12, 102-13, 300-103

During the past year, with permission from the Canadian Food Inspection Agency, we ran a domestic waste recycling trial with Air Canada. On flights operating domestically into Toronto Pearson, Air Canada staff separated aircraft cabin waste at source and our employees then collected and managed the separate streams, placing recyclables into designated compacters. The trial was successful, and with federal approval the process can become more widely used.

We've also conducted a pilot at Terminal 1 in which compost bins were placed in public areas so that passengers could divert their organic waste. Kitchens across our terminals already compost organic waste. To the extent that post-pandemic health protocols permit, we'd like to make the practice more readily available to travellers as well.

Meanwhile, within the GTAA's offices, employees have rallied around two waste management initiatives:

- PaperCut is a program for reducing office paper consumption, mainly by changing users' printing behaviours. The program tracks individual printing levels and produces reports showing the associated environmental impact, with the aim of discouraging unnecessary paper use. To help offset the total amount of paper used by the GTAA each year, we plant trees in nearby communities.
- In a partnership with Diabetes Canada, we've installed donation bins where employees can drop off gently used clothing and cloth items. Ninety-five per cent of these donations are recycled, reused or repurposed. By year-end 2019, the program had diverted nearly 4,500 kilograms from landfill.

72% waste diversion rate in 2019

Environmental quality

Maintaining environmental quality for the people and wildlife living near our airport is as important to us as it is to local communities. The GTAA's Environmental Policy sets a high standard of leadership in this regard: rather than simply fulfill our compliance obligations, we want to significantly advance the sustainability goals of our airport, and of the entire region.

Our environmental management system (EMS), now certified to ISO 14001:2015, focuses on climate change, waste, air quality, stormwater quality, ecology and wildlife. A key requirement under the EMS is to continually improve our management processes and technologies.

Recent upgrades to the permanent air quality monitoring system at Toronto Pearson, plus the addition of two mobile units, has enhanced real-time testing and will ultimately enable us to make more data available to our partners and the general public.

We've also invested $4 million to refurbish the airport's largest stormwater facility. Much of the rain that falls on runways, cargo areas and aprons is captured and diverted to one of 13 stormwater retention ponds, or directly to four stormwater facilities, where any trash is removed and water quality is tested. Keeping this water onsite before releasing it slowly into local watersheds also helps to reduce flood risks during heavy storms, protecting neighbourhoods south of Toronto Pearson. To give us more precise data on water flow, in the past year we installed new meters on waterways in and around the airport.

During winter, many outbound flights are directed to Toronto Pearson's central deicing facility, one of the largest of its kind in the world. Spraying glycol-based fluids onto aircraft prevents ice from distorting the flow of air over their wings during takeoff. The spent fluids are collected and, for the most part, recycled onsite for use in secondary markets. To prepare for the expected future impacts of climate change – specifically, more frequent and intense winter storms that will necessitate additional deicing – in 2019 we expanded the tanks that hold glycol run-off. Going forward, we want to ensure that we're equipped to store and recycle as much deicing fluid as possible.

13 million litres

The total volume of deicing and anti-icing fluid collected for recycling at Pearson's Glycol Processing Facility after being sprayed on aircraft during the winter months of 2019.

Wildlife trafficking

Illegal trafficking threatens many of the world's wildlife species. And because airports play a major role in facilitating cargo shipments, we may be unknowingly facilitating criminal activity. That's why we're working collaboratively across the aviation sector to tackle the issue. In 2019, Toronto Pearson signed the Buckingham Palace Declaration of the United for Wildlife Transport Taskforce. This historic agreement sets out concrete steps to close the routes exploited by traffickers as they attempt to smuggle wildlife and related products from rare and vulnerable ecosystems. We're committed to taking action against this illegal and unsustainable trade through education and training, and by raising awareness among our passengers, employees and business partners.

414 kg of honey

That's how much Toronto Pearson's honeybee apiary harvested from its 24 hives in 2019. Our YYbeeZ program, which operates along a trail near the Etobicoke stormwater facility, helps support food security and sustainable agriculture in areas near our airport.

Partners driving change

In 2008, the GTAA joined with the Toronto and Region Conservation Authority to found Partners in Project Green. The goal of this grassroots alliance was to develop and promote collaboration on sustainability among the thousands of enterprises located in 12,000 hectares of industrial and commercial land around Toronto Pearson – which we named the Pearson Eco-Business Zone.

Partners in Project Green brings together like-minded organizations to discuss sustainability issues, share ideas and successes, and collaborate on green initiatives that create tangible value. Members devote time and resources to programs they find meaningful in four key areas: waste management; energy performance and low-carbon transportation; water stewardship; and communications and engagement.

In 2019, Partners in Project Green completed a comprehensive strategy refresh aimed at fostering continuous improvement, increased flexibility and accountability, and broader membership engagement. The new strategic outlook is more closely aligned with the goals and strategies of the GTAA, the Toronto and Region Conservation Authority, and municipal government partners.

Key priorities highlighted in the resulting report include:

- Conduct relevant research to support local municipalities and the business community.
- Increase the collective focus on sustainability impact and performance.
- Accelerate innovation through collaboration and by engaging additional stakeholders.
- Improve fiscal sustainability by diversifying funding sources and exploring new business models.

Partners in Project Green aspires to provide an internationally recognized model for how a community of leaders can come together to advance environmental action and economic prosperity. The alliance's co-chair – alongside Todd Ernst of the GTAA – is John Coyne, Vice-President, External Affairs and Sustainability at Unilever Canada, who offers this perspective:

"One of the great advantages of being engaged with Toronto Pearson and Partners in Project Green is the ability to begin the dialogue towards a circular economy. And one of the central features of that is reduction and elimination of waste – from our businesses, from our communities, from society at large – ending this linear economy that we have had for all of our lives, and beginning the journey towards circularity."

GRI 102-12, 102-13, 300-103

Listening to our community

Toronto Pearson has always depended on the support of neighbouring communities, whose goals, expectations and dreams for the future have shaped our evolution into a leading global hub. We know that the best way to meet the diverse needs of community members is to engage with them regularly and thoughtfully, so we understand what's most important to them and can collaborate on solutions.

Our community engagement efforts take many forms, as detailed in the Sustainability Approach and Performance section of this annual report. We conduct regular public opinion and key influencer surveys to better understand attitudes toward Toronto Pearson and gain insights that inform our programs.

In 2019, we introduced a new public learning program to strengthen our connections with area residents and share information on how our airport operates. Close to 400 people attended our 10 open houses across the Greater Toronto Area, expanding their knowledge of runways, flight paths and how planes fly, as well as discussing sustainability-related topics such as noise management, environmental programs, Toronto Pearson's economic impact and our vision for integrated regional transit.

Noise management forums

Even as aircraft grow increasingly quieter, thanks to continuing advances in modern engineering, all major global airports run specialized noise management programs to offset and reduce the impact of their routine operations. Toronto Pearson's 2018–2022 Noise Management Action Plan serves as our roadmap in this area, setting out a range of ambitious programs based on the 10 fundamental commitments we've made to nearby communities.

For more than 20 years, the Community Environment and Noise Advisory Committee (CENAC) provided regular opportunities for local residents and elected representatives to discuss and ask questions about aircraft noise and other environmental issues. In early 2019, as part of the Action Plan, we introduced a new platform: the Noise Management Forums, which offer a more inclusive and productive approach to encouraging open conversations with our neighbours, stakeholders and partners.

The Noise Management Forums are a suite of briefings, discussion tables and working groups designed to help us work smarter with our communities and collaborate better with industry partners. By the end of the forums' inaugural year, there was broad consensus that they have transformed how we work with our neighbours to build mutual understanding and drive impact.

GRI 300-103

The new platform includes:

- The *Noise Accountability Board (NAB)* – an industry working group that helps set the strategic direction of noise management at Pearson. Members include representatives from the GTAA, NAV Canada, airlines, Transport Canada, provincial government bodies, and regional and municipal planning departments.
- The *Neighbourhood Table* – a forum where the NAB can connect with a range of stakeholders, including residents' and ratepayers' associations, and community groups with deep knowledge of or interest in airport operations. We held three of these sleeves-up sessions in 2019, each attracting about 30 people. In addition, Neighbourhood Table sub-committees provide valuable input as we develop regular noise reports (slated for launch in 2020), along with an interactive web portal offering personalized information about airport operations and impacts.
- *Pearson Public Meetings* – where the broader community can learn more about airport operations and what we're doing to manage noise impacts, and where they can also offer their feedback to our industry partners.
- *Political briefings* – providing representatives from all levels of government with the details they need on how we're managing noise and working with our communities.

Information and background materials from these various events are posted on our Noise Management website and made available to all interested parties.

Six ideas to reduce noise

The Six Ideas: A Quieter Operations Roadmap is a joint initiative between the GTAA and NAV Canada exploring mitigation options to help reduce noise impacts in our neighbouring communities. Ideas 1 through 4, led by NAV Canada, focused on how aircraft approach and depart our airport. Ideas 5 and 6, led by the GTAA, are examining how runways are used by aircraft flying into and out of Toronto Pearson.

Quieter Fleet Incentive Program

Toronto Pearson has implemented a program offering incentives to airlines that retrofit the engines of the Airbus A320 family of aircraft, which are known to produce a high-pitched whining sound on approach. Having advised airlines of our plans in 2017, we conducted an audit in 2019 to find out how far along they were in retrofitting or replacing the A320 aircraft in their fleets. The findings were encouraging; we believe that retrofitted aircraft will account for 90 per cent of A320 flights at Toronto Pearson by 2022. Starting in 2020, we'll be monitoring airlines' retrofit progress on a quarterly basis and sharing the results through our Noise Management Forums.

In 2019, we ran a 16-week trial of the Summer Weekend Runway Alternation Program, which was designed to vary noise impacts by rotating runway usage during periods when fewer aircraft are arriving and departing. The feedback we received during and after the trial indicated a lack of community support for the program. Of the survey respondents who expressed a point of view, 64 per cent either had a negative experience or said they didn't notice any difference. As a result, we've decided against pursuing the program and instead are planning a one-year trial of an updated preferential runway system for nighttime flights.

Embracing our diversity

Our landmark workforce survey confirmed that Pearson's 50,000-strong employee base reflects the diversity of communities surrounding our airport.

About 46 per cent of Pearson's workforce was born outside Canada, and 69 per cent have parents who immigrated from elsewhere. This is just one dimension of the multifaceted diversity that enriches our workplace culture. As many studies have shown, workplace diversity helps to drive innovation and business growth – which is why we collaborate with other employers across the airport to create a place where every employee feels included, safe and valued.

The GTAA's commitment to diversity and inclusion is embedded in our talent, workplace and community practices. We've also implemented a five-year strategy to target specific opportunities for improvement. These include increasing the representation of women and visible minorities in leadership, fostering a more inclusive work environment and working with local community groups to build more diverse talent pipelines.

In support of this strategy, a new employee resource group was launched in 2019: the Women's Alliance@YYZ is committed to advancing women in the GTAA workplace by attracting and developing talent, cultivating mentorships and supporting professional growth. The group's inaugural event, attended by our CEO and executive team members, was designed to encourage open dialogue on topics such as unconscious bias, the imposter syndrome, women in non-traditional roles and why gender diversity matters.

We also apply a crucial diversity and inclusion lens in selecting partners for the Propeller Project, to ensure that the underemployment programs we invest in are representative of Toronto Pearson's surrounding communities. For example, the youth who develop their tech skills with NPower Canada span the spectrum of ethnic diversity and include a greater proportion of women than are currently employed in the sector. Similarly, the Ogaden Somali Community Association of Ontario (see video) not only helps East African immigrants enter the job market but also provides a broad range of culturally sensitive services, from translation and interpretation support to counselling for women on breast cancer awareness and escaping domestic violence.

For more on diversity and inclusion, please see Sustainability Approach and Performance.

Making Pearson accessible to all

While airlines provide wheelchair and mobility assistance, our new Passenger Care Team is even more focused on ensuring accessibility and serving passengers with reduced mobility – and on helping to create a smooth, enjoyable airport experience. Adapting best practices from around the world, our strategy includes co-developing travel solutions and programming with advocacy groups such as the Canadian National Institute for the Blind, the Canadian Council of the Blind, the Canadian Hearing Society and Autism Ontario. Among the programs launched in 2019:

- Using the Aira assistive technology app, passengers who are blind or low-vision can connect to human agents for navigational help at Toronto Pearson. The app enables them to choose their own paths through our airport.
- Partnering with Air Canada, Jake's House and Autism Ontario, we welcomed 120 children with autism and their families on a simulated airport/flight experience to help them prepare for future travel.
- 15 teams from the St. John Ambulance Therapy Dog Program greet travellers and help alleviate anxiety in those who aren't at ease flying.
- Working with the not-for-profit Changing Places, we've added assisted changing rooms in both terminals for people with severe mobility restrictions.

GRI 300-103

Sustainability approach and performance

Sustainability approach

Toronto Pearson is more than an airport – it's a vital economic engine, a critical piece of regional and national infrastructure, and a hub for connecting people to family, friends, opportunities and adventures across Canada and around the globe.

We have a mandate – and a deep sense of responsibility – to ensure that our airport continues to support the growth and dynamism of our region, province and country decades into the future. Sustainability is at the heart of our corporate strategy and our long-term growth plans.

As a leading global hub, Toronto Pearson is committed to helping create quality jobs, drive sustainable development and open doors to economic opportunity. Our airport facilitates the export of goods and services from every Canadian province and territory – and welcomes skilled workers, investors, entrepreneurs, tourists and international students to this country. Just as importantly, we work with our stakeholders to strengthen neighbouring communities and the entire region by championing integrated transit solutions, along with programs that build social and economic well-being.

We recognize that an airport's impacts are not all positive. We have programs to address issues like aircraft noise and road congestion, which can affect the quality of life of our neighbours. We also strive to minimize impacts on local air and water quality, ecology and wildlife.

Climate change is a global threat that requires bold and concerted action, both to reduce carbon emissions and to prepare for expected future effects. At the GTAA, we've long recognized the need to do our part and are committed to further reducing carbon emissions at Toronto Pearson.

Given the prominence of sustainability in our thinking, the GTAA publishes an integrated annual report, which we believe provides the most complete view of our priorities and performance, as well as the greatest insight into our long-term strategy.

GRI 102-42, 200-103, 300-103, 400-103

Reporting on our performance

The following overview introduces our management approach to key environmental, social and sustainability governance topics, and provides links to relevant discussions in other sections of the online annual report. This information is also available in our downloadable Sustainability Management Approach and GRI Index.

Our reporting is in accordance with the GRI Standards: Core option (self-declared) and includes the Airport Operators Sector Disclosure, which the GTAA helped to develop in 2011. The priority topics covered in the GRI Content Index were identified through a strategic planning exercise initiated in 2019, which included separate activities for senior leaders, managers and all employees, as well as external research and benchmarking. This work helped us determine our priorities for the next five years and where our airport aims to be by 2025.

Our priority topics and focus areas for 2019 were as follows:

Corporate responsibility

Focusing on community investment, noise management and environmental stewardship

Passenger and customer experience

Focusing on passenger flow and experience as well as relationships with airline partners

Safety

Focusing on safety and security across the entire Toronto Pearson workplace

People

Focusing on the career growth of GTAA employees and the larger Toronto Pearson workforce

Aviation growth

Focusing on international services, ground transportation and cargo

We continue to use an internal verification program to review Toronto Pearson's performance data – including, but not limited to, assessing how data was captured, collected, reviewed and reported. We have evaluated a sample of information related to the performance indicators to confirm that a documented process and adequate controls are in place. This ensures our ability to present consistent and accurate data. The GTAA does not currently have a policy or mandate with respect to external assurance of our non-financial reporting.

GRI 102-46

Sustainable development goals

The United Nations Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people are able to enjoy peace and prosperity. In 2019, we were honoured to tell the story of our work to create a more sustainable future in a short documentary film made in collaboration with the United Nations.

We have identified six SDGs and related targets that align with the GTAA's strategic priorities and where we believe we can make our greatest impact. The table below shows the correlation, along with examples of what we're doing. Throughout this report, we've included SDG symbols on relevant pages.

SDG	Relevant Targets	Select Contributions
Corporate Responsibility		
SDG 3 Good Health and Well-Being	**3.9** By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. Note: this target is also applicable in terms of noise pollution.	Every five years, we commit to a noise management action plan, which is based on international best practices and public input, and explores ways to evolve and improve the way we manage noise. See *Listening to our community* on page 26.
SDG 8 Decent Work and Economic Growth	**8.4** Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead. **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. **8.6** By 2020, substantially reduce the proportion of youth not in employment, education or training. **8.9** By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.	In 2019, we collaborated with Deloitte on a whitepaper, *Uncovering underemployment: Tapping into the potential of our workforce*. The report explores the causes and impacts of underemployment and recommends a range of practical solutions to address it. See *Unlocking potential* on page 6.
SDG 9 Industry, Innovation, and Infrastructure	**9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	We invested $4 million to refurbish the airport's largest stormwater facility and expanded the storage tanks that hold glycol run-off at our central deicing facility. The run-off is collected and, for the most part, recycled onsite for use in secondary markets. See *Protecting our planet* on page 24.
SDG 10 Reduced Inequalities	**10.1** By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average. **10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	The Propeller Project, our community investment program, announced a $1 million commitment to better define local underemployment, design new programs to attack it and help the underemployed in communities surrounding the airport to climb the career ladder. We plan to make direct investments and work with airport employers and other partners to champion on-the-ground solutions that make a meaningful difference. See *Unlocking potential* on page 6.

GRI 102-12, 201-2

SDG	Relevant Targets	Select Contributions
Corporate Responsibility		
SDG 13 Climate Action	**13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. **13.2** Integrate climate change measures into national policies, strategies and planning.	Our comprehensive sustainability plan, currently in development, sets out a broad range of actions by which we'll address the potential impacts of aviation activities at Toronto Pearson – all framed by the global commitment to reduce carbon emissions. See *Reducing our carbon footprint* on page 22.
SDG 17 Partnership for the Goals	**17.16** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries. **17.17** Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	We promote sustainable business practices among local businesses through Partners in Project Green, an initiative co-founded by the GTAA and the Toronto and Region Conservation Authority in 2017. See *Partners driving change* on page 25.
Passenger and Customer Service		
SDG 9 Industry, Innovation, and Infrastructure	**9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	The GTAA is working with the Government of Ontario, Metrolinx, other transportation agencies, municipal governments and a range of community stakeholders to better integrate Toronto Pearson with regional transit networks and improve connectivity across the entire region. See *Connecting our communities* on page 10.
SDG 17 Partnership for the Goals	**17.17** Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	
People		
SDG 8 Decent Work and Economic Growth	**8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. **8.6** By 2020, substantially reduce the proportion of youth not in employment, education or training. **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	We conducted the first-ever multi-employer workforce survey at a Canadian airport to provide a baseline to understand more about the airport's complex work environment, including who the workers are and how they get to their jobs. The learnings will inform future planning and programming to meet the airport's transit and workforce needs. See *Who works at Toronto Pearson?* on page 4.
SDG 9 Industry, Innovation, and Infrastructure	**9.2** Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.	
SDG 8 Decent Work and Economic Growth	**8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	

GRI 102-12, 201-2

SDG	Relevant Targets	Select Contributions
Aviation Growth		
SDG 9 Industry, Innovation, and Infrastructure	**9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. **9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	In 2019, the GTAA allocated the equivalent of one per cent of net income to our Innovation Fund for collaborative research projects, proof-of-concept pilots and testing of new systems and processes. See *Igniting innovation* on page 17.
SDG 17 Partnership for the Goals	**17.11** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020. **17.17** Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	

Our priorities

Our priority topics and focus areas were identified through a strategic planning initiative, which included separate activities for senior leaders, managers and all employees, as well as external research and benchmarking.

Here you'll find our management approach to each of our priority topics, links to relevant discussions elsewhere in our annual report and select performance indicators:

- Corporate responsibility
- Safety
- People
- Passenger and customer experience
- Aviation growth

Corporate responsibility

Toronto Pearson is Canada's front door, an important economic enabler for our region, and a neighbour to the communities that surround us. We thrive and grow together with these communities – and we have a responsibility to connect with them, to address their issues and concerns, and to help out.

Community investment and engagement

- Our Community Investment Program Policy establishes the framework for our signature program – the Propeller Project – which focuses on helping underemployed people pursue more fulfilling careers and contribute to overall economic vitality. Key commitments under the program are to give back to neighbourhoods directly and indirectly impacted by Toronto Pearson operations, invest one per cent of the GTAA's net income annually in community-building initiatives, and foster growth and prosperity in our regions, communities and among local residents. See *Unlocking potential* on page 6.
- Community engagement takes many forms as discussed in *Listening to our community* on page 26, and outlined in our Stakeholder Engagement section. Our approach includes:
    - Community event sponsorships that align with our corporate vision and mission, increase brand recognition, and enable us to engage with attendees and build relationships in neighbouring communities.
    - Partnerships with organizations that are doing meaningful work in the areas of underemployment and career development, environmental sustainability, community vitality, community-building activities, accessibility enhancements or education.
    - One-on-one opportunities to engage in conversations about noise, environment, transit and more.

GRI 102-12, 201-2, 102-15, 102-29, 102-31, 102-46, 102-47, 200-103, 300-103, 400-103, 413-1

- Pop-up booths that enable us to build relationships with local organizations and elected officials while meeting our neighbours in hubs such as libraries and community centres.

$1 million allocated to funding for local not-for-profit organizations in Toronto, Mississauga and Brampton in 2019

Noise management

- As part of regular business at the airport, we have a noise management program that guides how we work with our partners to manage noise impacts on a daily basis. The program, based on the International Civil Aviation Organization's Balanced Approach to Aircraft Noise Management Policy, includes land use planning, operation restrictions (such as limiting the number of flights at night), noise abatement procedures for planes and preferential runway systems.
- Our Noise Management Office monitors noise and noise abatement procedures, and receives, analyzes and responds to public complaints. The Office periodically publishes advisories to notify residents of airfield construction, airport activities, and engagement opportunities that could have an impact on normal airport traffic operations and aircraft noise. Noise complaints can be registered through our website or by phone.
- We also have noise monitoring terminals strategically located near the airport to gather objective data and assess noise levels in neighbouring communities.
- Every five years, we commit to a noise management action plan, which is based on international best practices and public input, and explores ways to evolve and improve the way we manage noise. Our 2018–2022 Noise Management Action Plan includes a range of ambitious programs, which are based on 10 commitments we've made to our communities. As part of the current Action Plan, we've introduced Noise Management Forums, a series of briefings, tables and working groups that help us work smarter with our communities and collaborate better with industry.
- To learn more about our evolving noise management approach and 2019 performance. See *Listening to our community* on page 26.

4 meetings of the Noise Accountability Board – an industry working group that helps set Pearson's noise management strategy – held in 2019

Environmental stewardship

- Our Environmental Policy sets out the key elements of our environmental strategy. In addition to complying with all applicable standards and regulations, we maintain an ISO 14001:2015 certified environmental management system (EMS), which helps us set performance targets and pursue continuous improvement. Our reporting practices align with the ISO 14064 standard and the internationally recognized Airport Carbon Accreditation program (in which the GTAA has achieved Level 3 certification).
- The EMS focuses on three areas: climate change mitigation and adaptation, waste management and maintaining healthy ecosystems. To learn more about our evolving approaches to each of these areas, see *Reducing our carbon footprint* on page 22 and *Protecting our planet* on page 24.
- We promote sustainable business practices among local businesses through Partners in Project Green, an initiative co-founded by the GTAA and the Toronto and Region Conservation Authority in 2017. See *Partners driving change* on page 25.

61% reduction in carbon emissions since 2006

Safety

Safety and security are our top priorities – central to every decision we make. We developed the Pearson Safety Program as part of our commitment to the safety and security of our employees, and all passengers and guests who visit Toronto.

- While all companies operating at the airport are responsible for the safety of their own employees, we work together to achieve our shared vision of zero injuries to everyone who travels through or works at Toronto Pearson.
- Our Safety Policy sets out guiding principles. The Pearson Safety Program comprises seven safety systems that include policies, programs and training relevant to the various aspects of airport operations: aviation safety; security; terminal and groundside safety; environment; technical and construction; occupational health and safety; and emergency management. Construction-related contractors must have a Certificate of Recognition (COR) as confirmation that their health and safety program meets provincial standards and has been evaluated by a certified auditor.

GRI 102-15, 102-29, 102-31, 102-46, 102-47, 200-103, 300-103, 400-103, 413-1

- All airports in Canada are required to have a security awareness program that educates employees about their roles and responsibilities in airport security. At Toronto Pearson, employees complete both the national and site-specific modules of the Canadian Airport Security Awareness Program. This training is mandatory for everyone who needs access to restricted areas and for any airport employee who has been away from work for more than a year.
- Across our airport community, we try to bolster our safety and security culture through a constant focus on communications and risk identification. We also conduct an annual safety climate survey and use the findings to improve safety-related programs. Contests are run to encourage high employee participation in the survey, which in 2019 received 1,062 online submissions.
- Safety performance is tracked through the Toronto Pearson Safety Index, which measures employee lost-time injuries per million passengers.
- To learn more about our evolving safety management approach and 2019 performance, see *Keeping it safe* on page 21.

7% decrease in injuries from 2018 to 2019, as measured by lost-time injuries per million passengers

People

Our airport is a dynamic place to work and there's a deep sense of pride among our employees in the difference we make for passengers, for our community and for our country. We strive to create a workplace where people are engaged and their careers can take flight, so that collectively and individually we achieve our goals and fulfill our potential.

- Most GTAA employees work in management, technical, administrative and other operational roles, while some are seasonal employees hired for deicing and airfield maintenance. The majority are unionized, represented by either Unifor Local 2002 or the Pearson Airport Professional Fire Fighters Association.
- To achieve our goals, we need to attract, develop, engage and reward a high-performing workforce. Our people strategy focuses on five areas:
  - Plan and attract the right talent for now and for the future.
  - Develop and build individual potential and sustainable talent pipelines.
  - Lead and engage to inspire individual and collective success.
  - Align and reward to leverage talent and deliver business results.
  - Equip and support GTAA colleagues with the right tools and expertise.
- A strong commitment to diversity and inclusion is embedded in our talent, workplace and community practices. We've also implemented a five-year strategy to target specific opportunities for improvement, such as increasing the representation of women and visible minorities in leadership, fostering a more inclusive work environment, and building more diverse talent pipelines by working with local community groups. See *Embracing our diversity* on page 27.
- We conduct an annual feedback survey to measure employee engagement and identify ways to improve our employees' work experience.
- To learn more about our management approach, see *Who works at Toronto Pearson* on page 4 and *Igniting innovation* on page 17.

76% employee engagement score in 2019, compared to 74% in 2018

GRI 102-15, 102-29, 102-31, 102-46, 102-47, 200-103, 300-103, 400-103, 413-1

Passenger and customer experience

Toronto Pearson aspires to be the best airport in the world. We know that the most successful global hubs have moved beyond simply providing the basics of good infrastructure, safety and security, and efficient processes. The best provide exceptional passenger experiences that make them airports of choice.

- Keeping people, baggage, cargo and aircraft moving as quickly and smoothly as possible is essential for achieving consistently superior passenger experiences. We strive to improve the flow of passengers in our terminals by constantly enhancing systems and processes to reduce passenger wait times, including at screening points, border inspection areas and baggage claim areas. See *Don't be early* on page 14 and *The big screen* on page 16.
- We work together with all of our partners in airport operations toward common goals. This includes collaborating with airlines on everything from the development of new routes, to improved baggage systems, to support for connecting passengers. Our major airline partners also advise on the various facilities enhancements and new service offerings by which we strive to deliver a better passenger experience. See *Better decisions together* on page 13.
- In addition to meeting high service standards for cleanliness, disinfection, lighting, space and wait times, we enrich passengers' experience at Toronto Pearson by creating a safe and welcoming environment and continually expanding and enhancing our retail, dining and other services. See *Reinventing retail* on page 15.

#1 in North America in the Airport Service Quality satisfaction survey conducted by Airports Council International

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Aviation growth

Toronto Pearson is Canada's largest airport by several measures, most notably passenger traffic. The volume of air travellers may fluctuate with changing global conditions – the coronavirus pandemic of 2020 is a dramatic example. But over the long term we expect that passenger volumes will continue to grow, driven by demand from our region and the rest of Canada, as well as the rising number of international passengers who see Pearson as an ideal North American gateway. Supporting this growth requires significant planning and investment. And it can only be sustained through constant collaboration with a diverse array of partners and stakeholders, including all levels of government.

- Toronto Pearson is well on the way to joining the top tier of international airports, providing direct connectivity to nearly 80 per cent of the global economy. We're currently ranked fifth in the world for international connectivity, and we continue to extend our reach.
- We've partnered with 11 economically significant regional airports to form the Southern Ontario Airport Network (SOAN), whose members work together to accommodate our region's growing air service needs and act as a catalyst for local and regional investment, business expansion and job creation. See *Regional flight plan* on page 8.
- The connections we provide to support the flow of people, services and capital are equally crucial in moving cargo. As carriers have added more efficient wide-body aircraft to their fleets, cargo capacity has grown to match rising demand. At the same time, competitive rates mean that more exporters are seeing the value of shipping by air. The loading centre at Toronto Pearson is one of the biggest and busiest in Canada, and we continue to improve our capabilities and processes. See *Reimagining baggage* on page 17.

GRI 102-15, 102-29, 102-31, 102-46, 102-47, 200-103, 300-103, 400-103, 413-1

Stakeholder engagement

Passengers

We served 50.5 million passengers in 2019, a two per cent increase over 2018.

How We Engage	Select Highlights and Initiatives
• Passenger surveys • Airport Service Quality (ASQ) passenger satisfaction survey • Customer and passenger feedback kiosks • Web portal for passengers, visitors and the community (torontopearson.com) • Social media channels (e.g., Twitter, Facebook, LinkedIn, Instagram)	• For the third consecutive year, Toronto Pearson was ranked #1 in North America in the ASQ satisfaction survey conducted by Airports Council International. The ASQ survey assesses passengers' satisfaction on the day of travel in areas such as check-in, security, food and beverage, and more. • Consulted with the Canadian National Institute for the Blind, the Canadian Council of the Blind, the Canadian Hearing Society and Autism Ontario to create a passenger accessibility strategy for the airport. • Conducted extensive user research during development of the new torontopearson.com website to find out what passengers and other stakeholders want and need on our website.

GTAA employees

GTAA directly employed 1,830 people as of December 31, 2019. Our employees work in management, technical, administrative and other operational roles, or are seasonal employees hired for deicing and airfield maintenance.

How We Engage	Select Highlights and Initiatives
• Annual employee feedback survey • All-employee town hall meetings • Directors' Forum • Managers' Meetings • Anonymous complaints and whistle-blowing • Updates on corporate intranet • Yammer social networking platform • Evening of Excellence employee recognition event	• Achieved a 76 per cent employee engagement score, up from 74 per cent in 2018. • Facilitated *That's How We Fly* conversations across the organization about showing respect in our workplace. • Launched our first employee resource group, Women's Alliance@YYZ. The inaugural event was attended by our CEO and executive team members, and designed to encourage open dialogue on topics like why gender diversity matters and unconscious bias. • Launched a new safety brand within the airport, presenting a common look and feel across all seven safety systems.

GRI 102-12, 102-13, 102-15, 102-21, 102-29, 102-40, 102-42, 102-43, 102-44, 413-1

Airport employees

Nearly 50,000 people are directly employed at Toronto Pearson. The GTAA and other airport employers share a commitment to provide high-quality customer service and to operate in ways that make safety a top priority while considering the needs of passengers and peers.

How We Engage	Select Highlights and Initiatives
• Airport Council of Employee Communicators • Toronto Pearson Safety Program events and activities • Annual safety climate survey • Employee updates on the Toronto Pearson website • *Inside Pearson* electronic newsletter • Digital screen network • Cross-functional airport working groups • Airport employee tours (airside and terminal) • *I am Toronto Pearson* movement and workshops	• Organized two safety summits, in which participants learned about Pearson safety programs and spent time brainstorming how to improve safety communications at the airport. • Opened our Take Your Kids to Work Day to all Toronto Pearson employees. Employees were invited to bring their grade 9 children to work, where they were introduced to a variety of roles, participated in experiential learning, met pilots and toured the terminals.

Airport service providers

Airport service providers include ground transportation service, airlines, aviation services and tenant enterprises. We work together to manage customer-service needs and issues, and day-to-day operational requirements.

How We Engage	Select Highlights and Initiatives
• Airline Consultative Committee • Airline Consultative Committee – Technical Subcommittee • Commercial Affairs Subcommittee • Passenger Operations Subcommittee • Airside Operations Subcommittee • Irregular Operations Subcommittee • Safety summits • Toronto Airport Workers Council	• In collaboration with the Toronto Airport Workers Council, undertook Canada's first-ever airport workforce survey to better understand airport employees and build a base for future work and collaboration with employers, unions and other stakeholders. See *Who works at Toronto Pearson* on page 4. • Began meeting quarterly with the Toronto Pearson Leadership Safety Forum to discuss safety trends, share best practices, and maintain our collective focus on safety. • Conducted two tenant safety evaluations, which are aimed at identifying gaps in their safety processes and jointly developing corrective action plans.

GRI 102-12, 102-13, 102-15, 102-21, 102-29, 102-40, 102-42, 102-43, 102-44, 413-1

Regional communities

Toronto Pearson is surrounded by three of Canada's largest municipalities: Brampton, Mississauga and Toronto. Each of these municipalities is made up of unique and distinct neighbourhoods.

How We Engage	Select Highlights and Initiatives
• General community engagement line and email • Noise complaints line at WebTrak • Topic-specific phone surveys • Public opinion and key influencer research • Noise Management Forums • Community Relations section of the Toronto Pearson website • *Checking In* monthly email newsletter • Welcome Team volunteer program • Events, town halls and meetings (in the community and at Toronto Pearson) • Community tours • Educational talks • Corporate giving – Propeller Project • Partners in Project Green (PPG) • Social media channels	• Organized 10 open houses across the Greater Toronto Area attended by about 400 residents, where we provided basic information on runways, flight paths and how planes fly, and on sustainability topics like noise management, environmental programs, economic impact, and our regional transit vision. • Introduced the new Toronto Pearson Noise Management Forums. See *Listening to our community* on page 26. • Ran a 16-week trial of a Summer Weekend Runway Alternation Program. Feedback gathered during and after the trial indicated a lack of community support for the program, which resulted in our deciding against it. • Toronto Pearson Street Team met with nearly 6,000 neighbours at 65 community events, where they answered questions and shared airport trivia. • Through the Toronto Pearson Volunteer Program, 340 community volunteers collectively devoted nearly 52,000 hours to greeting and helping more than 1.4 million passengers. Welcome Team members included 45 local high school students who joined as part of a newly launched Junior Ambassador program, which enables students to earn their required community involvement credits by volunteering at the airport. • Consulted with 30 community stakeholders during the development of the *Uncovering underemployment* whitepaper, a joint initiative of Deloitte and the GTAA. See *Unlocking potential* on page 6. • Partnered with 17 local, non-profit organizations through the Propeller Project, providing over $750,000 in financial support. • Issued a call for proposals, backed by a $1 million funding commitment, for projects addressing the challenge of underemployment.

GRI 102-12, 102-13, 102-15, 102-21, 102-29, 102-40, 102-42, 102-43, 102-44, 413-1

Facilitation agencies

GTAA works closely with the Canadian Airport Transport Security Authority (CATSA), Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (USCBP) to share information, address security and facilitation issues, and coordinate long-term operations and facility planning.

How We Engage	Select Highlights and Initiatives
• Meetings with local leadership of each of CATSA, CBSA and USCBP	• The GTAA meets daily with CATSA, CBSA and USCBP to discuss and coordinate operational issues. • The GTAA also meets with each agency to plan and promote longer-term projects and initiatives to support changing aviation needs; use of new technologies and processes; and resource requirements so that the customer experience at Toronto Pearson is safe, efficient and up to world-class standards. • With each agency, the GTAA has a collaborative and constructive working relationship, which has resulted in significant investments and improvements to their operations.

Governments and regulators

We actively engage with municipal, provincial and federal levels of government, and with federal and international regulators and agencies (e.g., International Air Transport Association, NAV Canada) on a range of environmental, social and economic issues that affect the GTAA and the broader air transportation industry.

How We Engage	Select Highlights and Initiatives
• One-on-one and community meetings	• Signed a historic agreement with the City of Mississauga that will create opportunities to better align Toronto Pearson's development and Mississauga's overall planning objectives. • Launched the Southern Ontario Municipal Aerospace Council (SOMAC) for mayors and regional chairs, aimed at coordinating local accessible aviation capacity and attracting and coordinating investment in the aerospace industry for the Southern Ontario region. • Held five stakeholder roundtable events across the Greater Golden Horseshoe to discuss how the planned regional transit centre at the airport could deliver better regional connectivity. Participants included municipal administrators and planning, transportation and economic development leaders; representatives from the Southern Ontario Airport Network (SOAN); representatives from post-secondary schools; senior staff from transit agencies; stakeholders from regional employers; and other private sector representatives, including from the goods movement industry. • Conducted our bi-annual key influencer survey of 80 politicians, political staff, senior officials, regulators and other stakeholders to find out how they view Toronto Pearson on attributes such as economic impact, safety, passenger service and corporate citizenship.

GRI 102-12, 102-13, 102-15, 102-21, 102-29, 102-40, 102-42, 102-43, 102-44, 413-1

Media

The media plays an important role in providing public updates on Toronto Pearson operations – including delays and cancellations – and in communicating broader airport initiatives.

How We Engage	Select Highlights and Initiatives
• Interviews • Social media • News releases • Media statements	• Severe weather affecting flight schedules. • Busy travel periods, including March break and summer and winter holidays. • Quarterly passenger traffic and financial information.

Aviation 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).

How We Engage	Select Highlights and Initiatives
• Industry association meetings, conferences and working groups	• Continued to grow and raise awareness of the Southern Ontario Airport Network (SOAN), which is aimed at developing a more integrated air transportation network. A SOAN delegation, including Toronto Pearson, attended the Paris Air Show to meet with industry and government leaders, global aerospace players and business stakeholders. • Reaffirmed our Level 3 certification in ACI's Airport Carbon Accreditation Program, and participated in ACI climate-related working groups.

Performance scorecard

Goals and Performance Metrics	2017	2018	2019	Projected
Aviation Growth				
Passenger traffic (millions)	47	49.5	50.49	51 (2018)
Aircraft movements (thousands)	465	472	453	510 (year 2020)
Cargo volume (tonnes)	534,500	560,000	516,000	Continue to increase cargo volume
New international cities (net increase)	11	10	6	Continue to increase new international destinations
Passenger and Customer Service				
Airport Service Quality (ASQ)	4.31 First among North American and European airports (>40MM passengers)	4.45 First among North American and European airports (>40MM passengers)	4.48 First among North American and European airports (>40MM passengers)	Continue to be first among North American and European airports (in the same size category) for ASQ
Customer complaints per million passengers*	74	109	109	Continue to improve the passenger and customer experience
Customer compliments per million passengers*	11	15	14	Continue to improve the passenger and customer experience

GRI 102-12, 102-13, 102-15, 102-21, 102-29, 102-35, 102-40, 102-42, 102-43, 102-44, 201-1, 413-1

Goals and Performance Metrics	2017	2018	2019	Projected
Engaged People				
Employee engagement (Aon Hewitt)	69%	74%	76%	Top quartile among Canadian employers
Direct jobs	51,000	51,000	51,000	By 2030, it's estimated that Toronto Pearson could generate and facilitate 136,000 jobs in Ontario.
Diversity	*Diversity (% employees)* Women: 28.4% Aboriginal peoples: 0.9% Persons with disabilities: 0.7% Visible minorities: 20.7%	*Diversity (% employees)* Women: 32.4% Aboriginal peoples: 2.2% Persons with disabilities: 5.1% Visible minorities: 33.9%	The Diversity survey results will not be available until April 2020.	The GTAA views diversity as one of our most competitive advantages; it ensures our ability to meet the demands of a challenging marketplace. At the GTAA, we strive to create a workplace that reflects the diversity of the community we serve. To us, it is critical to ensure fair employment practices and treatment of our employees across our organization.
Average salary	*Women* Managers: $114,932 Non-managers: $74,798 *Men* Managers: $130,522 Non-managers: $83,456	*Women* Managers: $121,538 Non-managers: $72,778 *Men* Managers: $130,739 Non-managers: $82,638	*Women* Managers: $122,833 Non-managers: $77,540 *Men* Managers: $134,634 Non-managers: $83,839	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 or background of an employee.
Safety				
Toronto Pearson Safety Index (lost-time injuries per million enplaned and deplaned passengers)	6.5% reduction from 2016	7.8% increase in injuries from 2017	4% reduction in injuries from 2018	Vision of zero lost-time injuries
Corporate Responsibility – Environmental				
Stormwater	Refer to GRI Index	Refer to GRI Index	Refer to GRI Index	https://torontopearson.com/Stormwater_Management/#
Ambient air quality	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.	Refer to GRI Index	Refer to GRI Index	Develop and implement an action plan associated with the Air Quality and Human Health Risk Assessment
Solid waste	71% diversion	71% diversion	71% diversion	Develop a roadmap for GTAA to achieve zero waste

GRI 102-35, 201-1

Goals and Performance Metrics	2017	2018	2019	Projected
GHG emissions and climate change	In 2017, the GTAA increased its use of electric vehicles and installed charging stations for electric fleet vehicles and for employees in the parking lots.	Refer to GRI Index	Refer to GRI Index	80 per cent reduction by 2050
Energy conservation (MWh)	5,000 MWh	4,114 MWh	10,262 MWh	$10M in expected savings by 2026 from the GTAA's LED projects
Natural gas (GJ) Gasoline (litres) Diesel (litres)	Refer to GRI Index	Refer to GRI Index	Refer to GRI Index	Continue to implement the energy conservation and efficiency initiatives identified in the Energy Master Plan to reduce consumption
Sustainable transportation	Over 200 employees registered for the Green Commuter Rebate Program	Over 250 employees registered for the Green Commuter Rebate Program	Over 250 employees registered for the Green Commuter Rebate Program	Continue to increase participation in the Green Commuter Rebate Program
Corporate Responsibility – Social				
Noise	168,676 complaints from 2,399 callers	119,613 noise complaints from 1,471 individuals	115,471 complaints from 1,218 individuals	2018–2022 Noise Management Action Plan
Community Investment Impact (Propeller Project participants)	Committed nearly $800,000 in support of 24 community projects – including Scientists in School, CivicAction, ACCES Employment and others – which benefited more than 67,000 residents.	Invested over $1 million in community projects through partnerships with 24 organizations within Toronto, Mississauga and Brampton.	Participated in 18 active partnerships with non-profit charitable organizations working across our local communities (Brampton, Etobicoke and Mississauga) and distributed to these organizations: $727,500.00 in funds.	Continue to support community investment opportunities

GRI 102-35, 201-1

Message from the Board Chair

The Power of Partnerships

I am writing this annual message to stakeholders – my first since becoming Chair of the GTAA's Board of Directors – in a context that none of us could have foreseen at the end of 2019. It's not possible at this point to fully assess the impact of the coronavirus pandemic on countries, communities and individual lives. But one thing is certain: in an interconnected world, a major global airport like Toronto Pearson is touched by all aspects of this unprecedented social and economic disruption. And we'll have a key role to play in the recovery that follows, both within the aviation industry and in support of the regional, national and global economies.

Throughout this crisis, as we've consulted constantly with stakeholders and kept the public informed, our first priority has been the health and well-being of passengers, Toronto Pearson employees and the GTAA's many business partners. While it will take time to gauge the pandemic's long-term consequences, what we're seeing on a daily basis is an extraordinary level of collaboration as members of the Pearson community work together to implement public health protocols, reinforce safety and security, and manage the logistics around the largest repatriation of Canadians in our country's history. The responsibilities that come with being Canada's gateway to the world have never been more evident.

A coordinated effort

I've spent most of my career in the engineering and architectural sector, planning and developing major infrastructure projects across the country and around the globe. When I joined the GTAA Board in 2018, I was immediately struck by the sheer complexity of operations at Toronto Pearson. It takes innumerable systems and processes, all seamlessly integrated, to support tens of millions of passengers a year as they travel to, from and between nearly 200 destinations worldwide. Even more importantly, it requires the coordinated efforts of the 50,000 people who work at our airport. Toronto Pearson employees, with their diverse skills and experience, confer and collaborate around the clock, often in challenging environments, to ensure safe, consistent, reliable service and the best possible passenger experience. Partnerships, as this year's annual report theme suggests, are critical to our airport's success.

Some 400 companies, agencies and organizations work together at Toronto Pearson to connect Canada with the world and welcome travellers to our country's doorstep. Equally vital are the partnerships we forge externally: with government and community leaders in our region and nationwide; with Metrolinx and other agencies responsible for ground transportation networks; with business leaders who value our airport's role as a driver of job creation and economic growth; and with national and global organizations devoted to advancing secure, efficient and sustainable air travel.

Investing in sustainability

In reviewing these various collaborative initiatives over the past year, the Board has identified two key priorities that will define our strategic agenda going forward.

The first is sustainability. Canadians, like people around the world, are increasingly concerned about the impacts of air travel on climate change. As a recognized leader in the aviation sector, Toronto Pearson is actively exploring what more we can do to meet this worldwide challenge, both in our own operations and through our ability to encourage partners and support nearby communities. To guide and focus these efforts, the Board has asked the GTAA executive team to build on the existing environmental management system and prepare a comprehensive sustainability plan that will complement our overall corporate strategy. The plan will map out how we can help fulfill the global commitment to significantly reduce our collective carbon footprint.

We consider environmental, social and governance factors in every aspect of the GTAA's business activities and longer-term decision-making. This annual report highlights some of the key partnerships we've forged to put that commitment into action. As Toronto Pearson continues evolving to meet growing demand, our strategy must be sustainable.

GRI 102-14, 102-15, 201-2

The value of innovation

Another priority for the next year and beyond is our continuing investment in innovation. Like all forward-looking enterprises, the GTAA works to foster a culture of creative collaboration and problem solving – through our use of technology, and by constantly adapting and rethinking the many interrelated processes by which we manage the flow of passengers, airside and groundside, as well as the flow of aircraft, cargo and baggage.

Many of our innovation efforts at Toronto Pearson are ultimately focused on the passenger journey, whether outbound, inbound or transferring between connecting flights. We're constantly seeking new ways, working with government agencies where appropriate, to expedite check-in, security screening, and customs and immigration while ensuring travellers enjoy a stress-free experience. Here again, the key to success is collaboration with air carriers and our security and border control agencies as we investigate everything from improved passport scanning systems to biometric technologies.

As cargo becomes an even more significant component of Pearson's operations, we're also working with our partners and stakeholders to implement innovative logistics solutions that will help ensure the efficient, effective movement of goods both on the airport property and in the wider transportation network. Above all, we're constantly examining and, where appropriate, adopting proven strategies to improve safety for all of our passengers and workers.

Whether developing original solutions or adapting proven models from the world's top-ranked airports, Toronto Pearson's various teams of experts share a common goal: helping people move efficiently and comfortably and safely through our terminals. For our airline customers, that positive airport experience translates into greater passenger satisfaction and increased loyalty. As for travellers, the faster they're able to get through check-in and screening, the more time they have to relax and enjoy Pearson's dining, shopping and other world-class amenities. This in turn generates higher commercial revenues, which we invest in further enhancing and developing our facilities, sustaining the virtuous circle of continuous improvement.

Transition in leadership

Pursuing our innovation and sustainability goals requires close collaboration among many stakeholders within the GTAA and across the wider Toronto Pearson community. The pace, breadth and impact of our collective efforts reflect both the power of our vision and the exemplary leadership of our executive team, led by President and CEO Howard Eng from 2012 until earlier this year.

Over the past eight years, we've seen a steady increase in passenger traffic, and Toronto Pearson is now ranked fifth in the world for international connectivity. We're indebted to Howard and his team for guiding us through this period of dramatic growth. They've elevated our airport to the top of the global rankings for service quality while setting new standards for operational excellence. At the same time, they've extended the GTAA's vision of connectivity into the surrounding region, leading the way in championing an integrated transit hub at Pearson and helping to establish the Southern Ontario Airport Network. Howard's record of success has earned him the trust and respect of our diverse stakeholders and the admiration of his industry peers worldwide.

Last year, Howard announced his intention to retire in 2020. The Board quickly appointed an ad hoc committee to begin conducting a worldwide search for a successor. During the yearlong process, we identified and met with dozens of internal and external candidates who represented the best and brightest among global airport leaders. And in November 2019, we were pleased to announce a meeting of minds with someone whose credentials, experience and impressive track record matched the high standards our Board had established for the CEO position.

As of February 2020, the new President and CEO of the Greater Toronto Airports Authority is Deborah Flint, an internationally recognized airport executive who has worked in the aviation and transportation industry for nearly 25 years, most recently as the CEO of Los Angeles World Airports. In leading LAX – the world's fourth-busiest airport, serving more than 87.5 million passengers in 2018 – Deborah has overseen a multi-billion-dollar modernization program that represents the largest public works project in the history of Los Angeles. She knows firsthand what's required to guide a major airport through a period of significant

GRI 102-14, 102-15

growth and transformation. She has a wealth of experience in addressing all of the other key priorities of a major global hub, including maintaining safety, fostering sustainability, integrating regional transit and delivering the highest-quality passenger experience. Equally important, Deborah appreciates the vital need to build effective, respectful partnerships with government, business and communities. And she's also a Canadian, so we're very happy to welcome her home!

In short, we believe Deborah has the talent, expertise and depth of experience to lead Toronto Pearson forward into the next phase of our transformative journey.

A foundation for the future

On behalf of the Board, I'd also like to express our gratitude to my predecessor as Chair, David Wilson, who completed his term in May 2019. During his four years in the role, David helped to evolve and strengthen the Board, attracting more diverse members with a broader range of expertise. He also leveraged his deep understanding of corporate governance to help build a solid foundation for the future.

The Board welcomed two new members in 2019. Marc Neeb recently retired as Chief Human Resources Officer with Magna International, North America's largest auto parts manufacturer; earlier in his career, he gained a wealth of experience in municipal administration. Eric Plesman heads up the North American real estate operations of Oxford Properties; a member of the firm's global investment committee, he also has broad international experience with a major investment bank. The skills and experience that Marc and Eric bring to the Board are already proving invaluable as we develop and oversee the GTAA's long-term strategy.

Putting that strategy into action is the job of 1,800 committed GTAA employees and their tens of thousands of colleagues across Toronto Pearson. We also depend on the support of our large community of stakeholders, who value the local economic benefits of global connectivity. Their needs, goals and dreams for the future have shaped our evolution into a globally significant airport.

Together, we will do what's needed to restore full connectivity in a post-pandemic world. As we renew our commitment to keep passengers healthy and safe, we'll work with the global aviation community to reinforce and elevate the highest protective standards, ensuring travellers' confidence as they resume flying. At the same time, we'll support our airlines and other partners as we all adjust our expectations and day-to-day practices to the new normal. And we'll continue improving and enhancing one of the world's great airports – innovative, sustainable and driven by the power of partnerships.

Doug Allingham
Chair

GRI 102-14, 102-15

Message from the President and CEO

The Next Chapter

As this annual report is being finalized, the world faces a dramatic and unprecedented challenge. The coronavirus pandemic has already had a severe impact not only on public health, but on the social and economic well-being of people everywhere. At this point there's still a great deal of uncertainty over the long-term consequences of the current crisis. But it's already clear that the sharp reduction in air travel – with significant consequences for airlines, the broader aviation sector and our interconnected global economy – will be felt for some time. And as flight restrictions are ultimately lifted, we know that travellers will be looking for reassurance that the highest possible standards are in place to protect their health and safety. Our airport will be among the leaders in that global initiative.

Although the GTAA's annual review of operations focuses largely on the previous fiscal year, it's also an opportunity to consider recent achievements in light of what comes next for Toronto Pearson as we pursue our long-term strategy. We've therefore reviewed the report's contents through the lens of recent events to ensure we provide the most helpful information for assessing our airport's resilience, adaptability and sustainability.

In preparing this first message to stakeholders since my appointment as CEO, I was struck by how a theme developed over months – Pearson Partners – has become, in the present context, more apt than ever. The partnerships showcased in this report, and in the video messages that accompany it, are representative of the many powerful collaborations that have transformed Toronto Pearson into one of the world's leading airports. Those partnerships will be more important than ever as we navigate through the immediate challenges posed by COVID-19 and continue meeting the long-term connectivity needs of our region, all of Canada and the world.

The benchmarks of progress

Pearson's standing among major global hubs was reinforced during the past year, as passenger traffic exceeded the 50-million mark. It's one more measure of the growing role our airport plays in connecting people, products, services and entire communities to a world of opportunity.

That said, our growth moderated somewhat in 2019, increasing by 2 per cent compared to an annual average rate of 6 per cent from 2012 through 2018. This underlines a key point about our future trajectory: Pearson grows not to fulfill some ambitious planning target, but in response to the changing needs of the regional, national and global economies. Even before the risk of a coronavirus outbreak began to emerge in late 2019, there was a great deal of uncertainty in the overall economic outlook, largely as the result of unpredictable trade discussions and wider geopolitical tensions. A number of challenges affected the aviation industry in particular, notably currency fluctuations and volatile oil prices. And the worldwide grounding of the Boeing 737 MAX aircraft over safety concerns had an impact on traffic volumes.

It's important, though, to place these moderating factors in perspective. Even as Toronto Pearson served nearly a million more passengers, we also deepened our engagement with all travellers by expanding and enhancing our retail, dining and other services to enrich their airport experience. As a result, commercial revenues – from non-aeronautical sources such as restaurants and shops, parking, ground transportation and rent paid by airlines for check-in counters and kiosks – grew to a record $555.5 million.

GRI 102-14, 102-15

Continued strong returns from our investment in the passenger experience help to ensure the financial sustainability of our airport. And they show the material impact of our efforts to constantly improve service levels: For the third consecutive year, Toronto Pearson was ranked #1 in North America in the Airport Service Quality (ASQ) satisfaction survey conducted by Airports Council International. Our ASQ score of 4.48 is the highest not only on this continent, but among all hubs serving more than 40 million passengers annually in Europe, Africa, Australia, Latin America and the Caribbean.

These financial and reputational benchmarks are a great source of pride for everyone who works at Toronto Pearson. And they point to the power of partnerships in driving our success.

Partnering with our carriers

The GTAA's most significant business partnerships are with the airlines that fly in and out of Toronto Pearson, Air Canada and WestJet foremost among them. Both in our long-term agreements and in day-to-day operations, we're aligned with our carriers on how we can best serve the rapidly changing air travel market. We collaborate on everything from the development of new routes to improved baggage systems. We also align our efforts in support of connecting passengers, who increasingly see Pearson as the most efficient gateway between North America – where we're ranked #2 for international connectivity – and cities around the world. Our major airline partners also advise on the various facilities enhancements and new service offerings by which we strive to deliver a better passenger experience.

Behind the scenes, Air Canada and WestJet have joined the GTAA, NAV Canada and other stakeholders as we explore the potential of Airport Collaborative Decision Making (A-CDM). By sharing real-time data to better integrate operational systems and processes, we can enable smoother, more efficient travel through our airport. As detailed in this report, we're already seeing the positive impact of collaborative initiatives like the early morning arrivals trial, which has helped carriers provide better service while reducing fuel consumption and carbon emissions. Indeed, many of Pearson's sustainability efforts start with our carrier partnerships, whether we're working together to reduce inefficient idling and taxi times, or targeting more specific goals, as in our program with Air Canada to retrofit A320 aircraft for quieter performance.

Realizing our collective potential

Advancing sustainability is also a key objective of our integrated transit strategy for Toronto Pearson, which we're moving forward by partnering with the Government of Canada, the Government of Ontario, municipal governments, Metrolinx, other transportation agencies and diverse stakeholder groups. We view improved transit not simply as a way to provide better access to our airport, but as the key to unclogging the region's roads and reducing greenhouse gas emissions. At the same time, a better transit network will boost the social and economic dimensions of sustainability, creating opportunities in surrounding communities – particularly the Airport Employment Zone, Canada's second largest employment cluster, which is home to more than 300,000 jobs.

In 2019, we also took a closer look at employment opportunities *within* Toronto Pearson by conducting the first comprehensive workforce study ever undertaken by a Canadian airport. The findings offer new insights into the 50,000 people employed at our airport, beginning with their sheer diversity in terms of age, gender, education, ethnicity and other factors. Pearson employees shared their frustrations, especially over the need for better transit options. But they also expressed great optimism about a work environment they see as stable, stimulating and rich with opportunities. Our job now, building on this feedback, is to take a more considered approach to helping all employees realize their full potential as we leverage the remarkable partnerships we've built with our unions and the nearly 400 employers that work together at Toronto Pearson.

Connecting people to opportunity

Many respondents to our workforce study are underemployed – that is, their education or skill levels exceed what is required in their current jobs. Some are younger workers, eager for a chance to prove what they can do; others are newcomers whose credentials and past experience aren't immediately recognized by Canadian employers. As we now look for ways to better deploy the wealth of talent at Toronto Pearson, it's part of a broader commitment to helping underemployed people in nearby communities. To that end, in 2019 we once again directed 1 per cent of the GTAA's annual net revenue to our community investment program, the Propeller Project. As of year-end, we'd committed $1 million in funding to not-for-profit organizations in Toronto, Mississauga and Brampton that focus on helping underemployed people pursue more fulfilling careers and contribute to overall economic vitality.

This is what a strategic hub like Pearson does. We're here not only to connect our region to the world, but to create deeper connections within the region that help build prosperity, resilience and sustainable growth – because you need to invest in both dimensions, global and local, to realize the full value of connectivity.

GRI 102-14, 102-15

Sustaining the vision

In closing, I'd like to express my appreciation to the GTAA's Chair, Doug Allingham, and to all of the Board members who've provided such valuable insights, guidance and support as I've taken on the role of CEO. It's a privilege to be asked to lead this remarkable organization, and I look forward to the Board's continued support and strategic counsel going forward.

I would also like to thank my predecessor, Howard Eng, whose eight-year legacy of achievements has created a solid foundation for the future. I'm grateful for the advice and wisdom that Howard has shared throughout the transition, and I know that our achievements going forward will build on all that he has done to elevate Toronto Pearson on the world stage. My thanks as well to the leaders on our executive team, who bring a wealth of talent and experience to delivering on Toronto Pearson's strategic priorities.

As for the people who put those priorities into action – thank you to the 1,800 direct employees of the GTAA, and to the broader community of nearly 50,000 Pearson employees whose skill, energy and commitment are what make this one of the world's top-ranked airports. And lastly, my heartfelt thanks, on behalf of everyone at Toronto Pearson, to the diverse stakeholders – community members, businesspeople, leaders of not-for-profits, representatives of all levels of government – who are helping us pursue a bold vision for Canada's largest airport, guided by our shared values and a common purpose.

In this spirit of partnership, we'll address the immediate challenges of a global pandemic while staying focused on our region's – and the world's – longer-term connectivity needs. I look forward to doing great things together as we create the next chapter in Toronto Pearson's story.

Deborah Flint
President and Chief Executive Officer

GRI 102-14, 102-15

Board of Directors

DOUG ALLINGHAM
Chair of the Board
Community Member

Doug Allingham is a civil engineer with 40 years of experience encompassing both the public and private sectors. The former executive vice-president of AECOM Canada Ltd., his background in transportation engineering includes transit planning, urban design, traffic engineering, environmental assessment, master planning, airport planning and transportation economics. He has served as president of the Canadian Institute of Transportation Engineers, chair of the board for the University of Ontario Institute of Technology, trustee and chair of the board of Lakeridge Health and has served on the boards of Durham College and the Durham Abilities Centre. In 2012, Mr. Allingham was awarded the Queen Elizabeth II Diamond Jubilee medal for service to the community.

JEFF P. FEGAN
Community Member

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).

PETER GREGG
Municipal Member (Halton Region)

Peter Gregg is the president and CEO of the Independent Electricity System Operator ("IESO"), the corporation responsible for operating the electricity market and directing the operation of the bulk electrical system in the province of Ontario. He was previously president and CEO of Enersource Corporation (now Alectra Utilities) where he led the merger of Enersource with Powerstream and Horizon Utilities, and the purchase of Hydro One Brampton. Mr. Gregg has an MBA from the Ivey School of Business at the University of Western Ontario and received his ICD.D designation from the Institute of Corporate Directors.

KATHLEEN L. KELLER-HOBSON
Nominated by the Federal Government

Kathleen Keller-Hobson is a corporate director and is currently lead director and chair of the Nominating and Governance Committee of CCL Industries Inc. (TSX: CCL), and a member of the board of directors of Premium Brands Holdings Corporation (TSX: PBH), both publicly traded companies. Prior to January 2015, Ms. Keller-Hobson was a business lawyer with 35 years of experience advising businesses and boards of directors on mergers and acquisitions, corporate finance and corporate governance. She holds her ICD.D from the Institute of Corporate Directors.

ROGER R. MAHABIR
Named Community Member (Nominated by the Toronto Region Board of Trade)

Roger Mahabir is chairman and CEO of Tracker Networks Inc., and president and CEO of Technology Innovations Inc. Previously, Mr. Mahabir was founder, chairman and chief executive of Assurent Secure Technologies which he sold to TELUS in 2006. Mr. Mahabir is recognized as a leading technology innovator. He has been inducted into the Canadian Information Productivity Hall of Fame, his achievements have been archived by the Smithsonian, and he has served as chief information officer in several Fortune 500 organizations, including RBC Capital Markets (Royal Bank of Canada). Mr. Mahabir is an experienced director and advisor of companies in Canada, the United States and Europe.

HAZEL McCALLION
Nominated by the Federal Government

Hazel McCallion is the chief elder officer of Revera Inc., chancellor of Sheridan College, and special advisor to the University of Toronto, Mississauga campus. Ms. McCallion was one of the longest serving mayors in Canada, having served as mayor of the City of Mississauga for 36 years. Ms. McCallion was appointed a member of the Order of Canada in 2005 and was awarded an honorary Doctor of Laws degree from the University of Toronto in 2010.

GRI 102-22, 102-27

MICHELE McKENZIE
Municipal Member (Region of Peel)

Michele McKenzie is a corporate director and founder of McKenzie Business Strategies, an advisory practice focused on economic development, strategy, marketing and tourism, and is the former president and CEO of the Canadian Tourism Commission (CTC/Destination Canada), a federal Crown Corporation. She is also a director of the Trans Canada Trail and the Christian Children's Fund of Canada. In 2018, Ms. McKenzie was appointed to the inaugural board of Invest in Canada, the new federal agency supporting business expansion into Canada. She has been recognized as one of "Canada's Most Powerful Women – Top 100" by WXN and was named Hotelier Magazine's one of the "10 Most Influential Leaders in Canada's Hospitality Industry." Ms. McKenzie is a graduate of Dalhousie University and holds an honorary degree from Humber College.

MARC NEEB
Community Member

Marc Neeb recently retired as the chief human resources officer at Magna International Inc. His past professional experience includes the Town of Aurora, City of Brampton and the City of Mississauga. Mr. Neeb holds degrees and diplomas from the University of Western Ontario, Seneca College and the University of Toronto. He has served on the boards of Southlake Regional Health Centre, Aurora Mayor's Charity Golf Classic, Community Safety Village of York Region and was the governor of the Royal Lifesaving Society.

TERRIE O'LEARY
Appointed by the Province of Ontario

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, Ms. O'Leary 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 advisor to Finance Minister Paul Martin.

ERIC PLESMAN
Community Member

Eric Plesman is executive vice-president, North America at Oxford Properties. He is responsible for Oxford's North American Investments (equity and debt) and Development activity across all asset classes (office, industrial, retail, multi-family and hotel), as well as Oxford's North American Retail and Industrial businesses. Mr. Plesman's past experience includes roles in Investment Banking and Real Estate Private Equity at Morgan Stanley (London, UK, New York and Toronto) and as a consultant at Arthur Andersen (Amsterdam). Mr. Plesman holds a BA from the University of Western Ontario and an HBA in Business Administration from the Ivey Business School at the University of Western Ontario. He serves on the NAIOP GTA board of directors and is co-chair of the Government Relations Committee.

MICHELLE SAMSON-DOEL
Municipal Member (Region of York)

Michelle Samson-Doel is lead director of Boralex Inc. (BLX) and serves on the board of Lallemand Inc., a global private company. She is a chartered professional accountant and the former executive chair of Multi-Marques that led the consolidation of the bakery industry in Quebec. She has also served on the boards of the Ontario Lottery and Gaming Corporation (OLG) and many private companies and not-for-profit organizations.

MARK F. SCHWAB
Community Member

Mark Schwab is a highly experienced airline industry executive, having recently served as chief executive officer of Star Alliance, a complex alliance of 27 airline members. He has a deep background in the airline industry, having served in international leadership roles with major carriers such as United Airlines, US Airways, American Airlines and Pan Am.

JOHAN VAN 'T HOF
Nominated by the Region of Durham

Johan van 't Hof is president and CEO of Tonbridge Corporation, a Toronto-based merchant bank and financial advisory firm, and a lecturer at the University of Toronto, the University of Waterloo and the School of Accountancy for the Institute of Chartered Accountants of Ontario. Mr. van 't Hof has several years of experience in project finance, infrastructure financing and public–private partnership transactions and has been a director of 10 entities, both inter-listed public companies and several private, as well as multi-million dollar not-for-profit organizations and charities. Mr. van 't Hof received his MBA from the Rotman School of Business at the University of Toronto and is a chartered accountant and a CPA in Ontario.

DAVID WILSON
Municipal Member (City of Toronto)

David Wilson is the former chair and CEO of the Ontario Securities Commission, and is now retired following an extensive career in Canada's financial services industry. Prior to his appointment to the Ontario Securities Commission, Mr. Wilson was vice-chair of the Bank of Nova Scotia and chair and chief executive officer of Scotia Capital.

GRI 102-22, 102-27

Executive Team

DEBORAH FLINT
President and Chief Executive Officer
Effective February 2020.

HOWARD ENG
Officer
Served as President and Chief Executive Officer until the end of his term, February 2020.

MARTIN BOYER
Vice President and
Chief Information Officer

CRAIG BRADBROOK
Vice President, Aviation Services

IAN L.T. CLARKE
Chief Financial Officer

SCOTT COLLIER
Vice President, Customer and
Terminal Services

KATHERINE (KATH) HAMMOND
Vice President, General Counsel,
Corporate Safety and Security

MARY MADIGAN-LEE
Vice President, Human Resources and
Corporate Services
Resigned as of April 2020.

HILLARY MARSHALL
Vice President, Stakeholder Relations and
Communications

PATRICK NEVILLE
Vice President, Airport Development and
Technical Services

KIM STANGEBY
Vice President and Chief Strategy Officer

Corporate Governance

The Board of Directors (the "Board") is representative of the diversity 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 was continued under the Canada Not-for-profit Corporations Act. The GTAA is a reporting issuer under Canadian securities legislation. As a corporation without share capital, the GTAA has Members rather than shareholders or other equity holders. The process for nominating and selecting Members is based on the GTAA's By-Law.

The GTAA's Members are also its Directors. The GTAA's Board of Directors is comprised of 15 Directors elected by the GTAA's Members. Directors serve terms of up to three years and are eligible to be re-elected by the Members to serve for a maximum of nine years.

Seven Directors are elected by the Members on a cyclical basis from candidates who are identified and assessed through a search process. The search process includes engaging the Named Community Nominators which include the Law Society of Ontario, 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.

Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto.

Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario.

The nominees may be the incumbent Member if that Member is eligible to serve for another term.

The Board assesses candidates put forward by the relevant nominators to determine whether the candidates possess the skills, experience and abilities required by the Board.

All of the Directors on the GTAA's Board are independent, as that term is defined in 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.

The Board is responsible for the overall stewardship of the GTAA, including overseeing the Corporation's governance, strategic direction, and supervising Management, which is responsible for the day-to-day conduct of the business and affairs of the Corporation.

The Board's written mandate is contained in the Terms of Reference of the Board, included in the GTAA's Annual Information Form, which may be accessed at www.sedar.com.

GRI 102-31

In 2019, there were four standing committees of the Board: the Audit Committee; the Governance and Stakeholder Relations Committee; the Human Resources and Compensation Committee; and the Planning and Commercial Development Committee. In addition to the standing Board committees, the Board established an Ad Hoc CEO Search Committee in September 2018 to facilitate the search to identify and recommend candidates for the position of President and CEO of the GTAA. The mandates of the Committees of the Board are summarized below:

Audit Committee

The Audit Committee is mandated by the Board to undertake delegated work on the Board's behalf and to gain reasonable assurance regarding the integrity of the financial reporting, accounting, auditing and internal controls as well as to fulfill relevant legal obligations of an Audit Committee of a reporting issuer. In so doing, the Committee oversees and monitors the integrity of the GTAA's financial statements and financial reporting processes, including overseeing the work of the GTAA's external auditor, 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 effectiveness of risk management for audit-related, financial and such other risks assigned by the Board of Directors and provides oversight of the GTAA's pension fund and plans. 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 overseeing the effective governance of the GTAA and making recommendations to the Board and its Committees on measures to enhance effectiveness. The Committee also oversees the GTAA's stakeholder relations and communications strategy for building brand and social licence, including oversight of the GTAA's relationships and strategic communications program with stakeholders, and overseeing the GTAA's Community Investment Program.

The Committee is also responsible for overseeing the Board Member nomination process; maintaining a skills matrix to identify desired skills, experience and other attributes; recruiting, interviewing and assessing candidates to the Board, and recommending the issuance of Memberships to candidates; Board succession planning; the orientation program for new Directors; overseeing Director continuing education; assessing the effectiveness of the Board and the Committees of the Board; and overseeing adherence to corporate governance requirements.

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, oversight of strategic human resources matters, including executive compensation, succession- planning, development, talent management, performance oversight and recruitment, compensation matters relating to the President and Chief Executive Officer and officers, and matters relating to enterprise-wide human resources risks, policies, and relevant matters.

Planning and Commercial Development Committee

The Planning and Commercial Development Committee's mandate includes overseeing the Corporation's 2017–2037 Master Plan and Land Use Plan, ensuring that the Corporation has an appropriate, up-to-date and approved Long-Term Infrastructure Plan, oversight of commercial development of the Airport, planning and development activities including real estate development, ensuring utilization of infrastructure and facilities to meet the needs of the GTAA's passengers and stakeholders, including air carriers and cargo shippers, and ensuring that the Corporation has in place the systems necessary to undertake such matters.

The Committee is also responsible for reviewing and making recommendations with respect to capital projects in excess of the CEO's delegated authority, overseeing the effective implementation of material capital projects, and providing feedback to Management on strategic capital projects.

AD Hoc CEO Search Committee

Established in 2018 and disbanded in 2019, this Committee undertook delegated work on the Board's behalf to facilitate the search to identify and recommend candidates for the position of the President and CEO of the GTAA.

GRI 102-31, 102-35, 102-36

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2019

Dated March 26, 2020

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, 2019 and should be read in conjunction with the Consolidated Financial Statements of the GTAA for the years ended December 31, 2019 and 2018, and the Annual Information Form for the year ended December 31, 2019. 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 Consolidated Financial Statements referred to above, is available on SEDAR at www.sedar.com. The GTAA's Consolidated Financial Statements and MD&A are also available on its website at www.torontopearson.com.

Corporate Profile

The GTAA is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*. The GTAA currently manages and operates Toronto – Lester B. 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 an initial term of 60 years expiring in 2056, 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. The GTAA's wholly-owned subsidiary, Malton Gateway Inc. ("MGI"), a holding company, was incorporated in April 2017 and holds the shares of Airway Centre Inc. ("ACI") which was also incorporated in April 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation or maintenance of the Airport. The properties acquired by ACI do not form part of the premises leased to the GTAA by the Federal Government under the Ground Lease.

Select Financial and Operational Highlights

($ millions)	2019	2018	Change $	Change[1] %	2017
Total Revenues	**1,521.3**	1,471.7	49.6	3.4	1,387.7
Total operating expenses (excluding Amortization)	**795.4**	751.1	44.3	5.9	683.8
EBITDA[2], [3]	**725.9**	720.6	5.3	0.7	703.9
EBITDA margin[2], [3]	**47.7%**	49.0%		(1.3)pp	50.7%
EBIT[4]	**435.1**	443.6	(8.5)	(1.9)	439.2
Net Income	**139.8**	113.7	26.1	23.0	112.2
Adjusted Net Income[5]	**139.8**	139.8	–	–	112.2
See "Results of Operations" for details					
See Net Operating Results for reconciliation from net income to EBITDA					
Free Cash Flow[6] ($ millions)	**(0.2)**	(124.6)	124.4	99.8	(175.7)
MTI Rate Covenant[7]					
Operating covenant (minimum requirement of 100%)	**137.1%**	135.9%		1.2pp	137.6%
Debt service covenant (minimum requirement of 125%)	**150.4%**	148.5%		1.9pp	144.9%
See "Liquidity and Capital Resources" section for details					
Passenger Activity (millions)					
Domestic	**18.1**	17.8	0.3	1.4	17.5
International	**32.4**	31.7	0.7	2.4	29.6
Total	**50.5**	49.5	1.0	2.0	47.1
Flight Activity					
Aircraft movements (thousands)	**452.8**	472.7	(19.9)	(4.2)	465.4
MTOW[8] (million tonnes)	**38.4**	37.4	1.0	2.5	36.3
Seats (millions)	**60.0**	59.3	0.7	1.0	57.0
Load factor (%)	**84.3%**	83.4%		0.9pp	82.6%
See "Operating Activity" section for details					

At December 31	2019	2018	Change $	Change %	2017
Total Debt ($ millions)	**6,411.7**	6,370.3	41.4	0.6	6,311.8
Net Debt[9]	**5,965.3**	5,959.1	6.2	0.1	5,844.6
Key Credit Metrics ($)					
Total Debt/Enplaned Passenger[10]	**254**	258	(4)	(1.6)	268
Net Debt[9]/Enplaned Passenger[10]	**236**	241	(5)	(2.1)	248

(1) "% Change" is based on detailed actual numbers (not rounded as presented); pp = percentage points.

(2) EBITDA, a non-GAAP financial measure, is earnings before interest and financing costs and amortization. Refer to section "Non-GAAP Financial Measures".

(3) Refer to "Results of Operations – Net Operating Results" section for EBITDA and EBITDA margin narrative details.

(4) EBIT is earnings before interest and financing costs, net. Refer to "Results of Operations – Net Operating Results" section for narrative details.

(5) Adjusted net income, a non-GAAP financial measure, is defined as net income before the early retirement of debt charge, remaining unamortized bond premiums and loss on cash flow hedge. Refer to section "Non-GAAP Financial Measures".

(6) Free cash flow, a non-GAAP financial measure, is cash generated from operations, less cash interest and financing costs less capital expenditures. Refer to section "Non-GAAP Financial Measures". See "Liquidity and Capital Resources" section for narrative details and the free cash flow calculation.

(7) The GTAA's Master Trust Indenture ("MTI") contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant).

(8) MTOW is aircraft maximum take-off weight as specified by the aircraft manufacturers.

(9) Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

(10) Enplaned passengers are defined as equal to half of total passengers and is based on prior 12 months activity.

GRI 102-45, 200-103, 201-1

Business Strategy

The Toronto Pearson International Airport: Master Plan: 2017 – 2037 (“Master Plan”) presents a rigorous assessment of the expected Airport traffic demand over the next 20 years and describes the land areas, operations and facilities to support the continued growth of the Airport underpinning the dynamism of the region, province and country. The Master Plan contemplates that under the “most likely” scenario, Toronto Pearson could be serving an estimated 85 million passengers and 950,000 tonnes of cargo by 2037.

The GTAA has, over the last two years, articulated a vision for Toronto Pearson aspiring to become a mega hub from a global hub, growing its number of international passengers and striving to provide direct air service to 80 per cent or more of the global economy – creating additional jobs, fuelling exports and attracting foreign investment.

Air travel activity at Toronto Pearson has risen significantly over the last five years as major air carriers continue to expand and use Toronto Pearson as a strategic hub in their networks. The passenger growth experienced over the past few years has resulted in the need to further invest in the Airport’s physical infrastructure. The GTAA has commenced design development for a new concourse and processor expansion at Terminal 1, and for further redevelopment and expansion at Terminal 3, in consultation with the air carriers and other stakeholders. The GTAA is upgrading and expanding its capacity at the Pier G facility in Terminal 1 to accommodate narrow body aircraft operations. In addition, the GTAA has also commenced a replacement of the baggage systems and preliminary design on a potential passenger terminal processor and integrated Regional Transit Centre (“RTC”).

The GTAA will continue to make investments in existing and new facilities at the Airport relating to operational and passenger processing improvements, repairs and maintenance, and initiatives that generate additional commercial revenues, as well as investments needed to meet regulatory requirements.

As a worldwide connector of people and businesses, and a driver of economic prosperity in the region, the GTAA views enhanced access to effective transit at the Airport as a priority. Currently, one million car trips a day are taken into and out of the Airport employment zone, and driving times to Toronto Pearson are expected to rise by an average of 30 per cent over the next two decades. The GTAA has a vision to build an RTC to better move people to, from and around the Airport, making it easier to travel, connecting people with jobs, facilitating tourism, enabling business and facilitating the movement of goods. The GTAA will continue to advance the planning of the facility and looks to all levels of government to partner on the study of connecting various local transit lines to harness the benefits of a major transit hub for the West Greater Toronto and Hamilton Area.

The GTAA’s sustained positive financial results have allowed the Corporation to balance its approach to achieving its strategic goals. The Corporation has increased its operational 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 delivering consistent net income and reducing debt per enplaned passenger. The GTAA has not raised aeronautical fees since 2007. Aeronautical fees have been held constant or lowered for 12 consecutive years, resulting in a reduction in the average air carriers’ cost per enplaned passenger.

While the GTAA continues to utilize operating cash flows to fund capital investments, the GTAA accesses the capital markets, as required, to refinance maturing debt and fund the redevelopment of existing assets as well as new major capital programs and acquisitions. The GTAA’s approach of matching Airport capacity to demand has allowed the GTAA to continue to meet the developing air travel needs of the south-central Ontario region in a sustainable, cost-effective manner.

The GTAA remains focused on optimizing the utilization of its facilities, growing commercial revenues by offering products and services which passengers value, and working with air carriers to expand capacity on existing routes, attract new air service and routes, and plan for expected growth in passenger volumes.

In late December 2019 and early 2020, a novel coronavirus (“COVID-19”) was confirmed in multiple countries throughout the world and declared on March 11, 2020 as a pandemic by the World Health Organization. The outbreak and resulting economic contraction has had, and is expected to continue to have, a negative impact on demand for air travel globally. Toronto Pearson has experienced significant declines in passengers and flight activity during February and March of 2020, as compared to the same period in 2019. This is due to flight and route cancellations, fleet groundings, travel advisories and restrictions and the economic contraction occasioned by the outbreak. The reduced activity is having a significant negative impact on the GTAA’s business and results of operations, including aeronautical and commercial revenues and airport improvement fees. Apart from the impact of this pandemic on our revenues and operations, there may also be disruptions, including to supply chains and third party service providers, and potential disruptions to our workforce. The pandemic may also impact the cost of capital in the future which may arise from disrupted credit markets, and possible

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credit ratings watch or downgrade of our debt. We expect that many of our stakeholders and counterparties may experience financial distress which may precipitate requests to the GTAA for contractual relief or result in temporary or permanent shutdown of their operations, which could adversely impact our revenues or operations.

Given the rapidly evolving situation, Management continues to analyze the extent of the financial impact, which could be material, depending on the duration of the outbreak. While the full duration and scope of the recent COVID-19 pandemic is not yet known, Management does not believe, however, that the outbreak will have a long-term impact on the financial sustainability of the Airport given its available liquidity. In addition, the Company is also reviewing potential reductions to operating and capital expenditures.

Management is working diligently to ensure the GTAA is supporting its key partners and taking steps to help protect the safety of airport workers and passengers. Additionally, the GTAA and the Canadian Airport Council are actively engaging with governments at all levels to discuss financial support and the essential role Toronto Pearson plays in Canada's supply chain.

Highlights

Milestone 50 million passengers reached in 2019 – During 2019, approximately 50.5 million passengers travelled through Toronto Pearson, an all-time high for passengers, including approximately 32.4 million international passengers. During 2019, passenger traffic grew by 2.0 per cent compared to the same period in 2018. Toronto Pearson is the second-largest international passenger airport in North America as measured by the total number of annual international passengers.

Toronto Pearson recognized for improvements in Passenger Service – For the year ended 2019, Toronto Pearson was recognized by Airports Council International as the Best Large Airport in North America for airports that serve greater than 40 million passengers annually. Additionally, Toronto Pearson was recognized as a 4-star airport by Skytrax for efficiency of airport processes, terminal comfort and cleanliness, quality and availability of amenities and services, including retail and restaurant offerings. The recognition by Airports Council International and Skytrax are a result of Toronto Pearson's investments over the past several years to enhance the passenger experience and flows at the Airport.

Douglas Allingham elected Chair of the GTAA's Board of Directors – On May 7, 2019, the GTAA's Board of Directors elected Mr. Allingham as the new Chair of the Board of Directors for a two-year term. Mr. Allingham was previously the CEO of AECOM, an international engineering firm with global operations.

GTAA-Unifor Collective Agreement Renewal – In July 2019, the GTAA and Unifor Local 2002 ratified and approved a renewal collective agreement covering the four-year period to July 31, 2023. Unifor Local 2002 represents approximately 1,260 of the GTAA's employees employed in technical, administrative and general labour activities.

Issuance of 2019 Series Medium-Term Notes ("MTNs") – On April 3, 2019, the GTAA issued $500.0 million Series 2019-1 MTNs due April 3, 2029 at a coupon rate of 2.73 per cent. On October 17, 2019, the GTAA issued $900.0 million Series 2019-2 MTNs due October 17, 2039 at a coupon rate of 2.75 per cent ("October offering"). Concurrent with the October offering, the GTAA redeemed the $300.0 million Series 2016-1 MTNs due February 16, 2021. Refer to the "Liquidity and Capital Resources" section.

GTAA entered into a Municipal Authority Agreement with the City of Mississauga – In December 2019, the GTAA entered into a Municipal Authority Agreement with the City of Mississauga covering several areas of mutual interest for the City of Mississauga and the GTAA.

Toronto Pearson appoints Deborah Flint as new President and Chief Executive Officer ("CEO") – On November 27, 2019, the GTAA announced the appointment of Canadian-born Deborah Flint as President and CEO of the GTAA. Ms. Flint has commenced her new role in February 2020 following more than four years as CEO of Los Angeles World Airports and 24 years serving in executive roles in the aviation industry.

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Operating Activity

The GTAA's key activity drivers, which have a direct impact on its financial results, are passenger levels and flight activity, including aircraft movements, size and seats.

Passenger Activity

Passenger traffic at the Airport increased in 2019 by 2.0 per cent, from 49.5 million passengers in 2018 to 50.5 million passengers in 2019, representing an annual growth of 1.0 million passengers.

Total passenger traffic at the Airport is categorized into one of two sectors: domestic (passengers travelling within Canada) and international (passengers travelling to and from destinations outside Canada). During 2019, the strongest growth was in the international sector, followed by the domestic sector, recording increases in passenger traffic of 2.4 per cent and 1.4 per cent, respectively, when compared to the same period in 2018.

The following table summarizes passenger activity by sector for 2019, 2018 and 2017:

Passenger Activity[1]

(in millions)	**2019**	2018	Change $	Change[2] %	2017
Domestic	**18.1**	17.8	0.3	1.4	17.5
International	**32.4**	31.7	0.7	2.4	29.6
Total	**50.5**	49.5	1.0	2.0	47.1
(in millions)					
Origin and destination	**35.2**	35.0	0.2	0.9	33.2
Connecting	**15.3**	14.5	0.8	4.9	13.9
Total	**50.5**	49.5	1.0	2.0	47.1
Origin and destination	**69.6%**	70.8%		(1.2)pp	70.4%
Connecting	**30.4%**	29.2%		1.2pp	29.6%
Total	**100.0%**	100.0%			

(1) Passenger estimates may vary from actuals.

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

Toronto Pearson's passenger growth in 2019 was due to upgauging of average aircraft size on existing frequencies and the addition of new routes by new and existing air carriers. Upgauging includes increasing the seat capacity per aircraft by either upgrading to larger aircraft or reconfiguring and increasing seats in existing aircraft. Canadian and foreign air carriers' strategy to move more traffic through Toronto Pearson, and the strong origin and destination market in the Greater Toronto Area, have contributed to Toronto Pearson's increased passenger activity.

Passenger activity and flight activity at Toronto Pearson, however, have been negatively impacted in 2019 by the on-going grounding of the 737 MAX as well as economic and geopolitical challenges. On March 13, 2019, Transport Canada issued a safety notice closing Canadian airspace to the 737 MAX until further notice, followed by the Federal Aviation Administration which issued a temporary grounding order for the 737 MAX. The grounding had a negative impact on the number of passengers who would ordinarily fly with Air Canada, WestJet and Sunwing Airlines as these carriers utilize the 737 MAX in their fleet operating at Toronto Pearson. Recently, Air Canada has indicated that the expected return to service of the 737 MAX will gradually commence late in the third quarter of 2020. At December 31, 2019, Air Canada had 24 – 737 MAX in their operating fleet while WestJet had 13. The other carriers operating at the Airport were not materially impacted by the grounding as these other carriers have fewer 737 MAX operating out of Toronto Pearson. The impact from the grounding of the 737 MAX will continue until restrictions on its use for commercial purposes are lifted.

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, reflecting the economic health of a region, while a connecting passenger changes aircraft at that same airport en route to a final destination, symbolizing the strength of a hub. In 2019, total origin and destination traffic increased by 0.2 million passengers, while the total number of connecting passengers increased by 0.8 million from 2018. Connecting traffic increased due to Air Canada reporting higher connecting passengers in 2019 over the same period of 2018. In 2019, 69.6 per cent of Toronto Pearson's total passengers were origin and destination passengers, while the remaining 30.4 per cent were connecting passengers, compared to 70.8 per cent origin and destination passengers and 29.2 per cent connecting passengers in 2018.

Flight Activity

As a global hub airport, Toronto Pearson has 63 air carriers providing flights to 173 International and 34 Canadian cities (non-stop flights to 168 International and 34 Canadian cities). The GTAA estimates that countries comprising approximately 70 per cent of the global economy are accessible from Toronto Pearson by regularly scheduled, non-stop air service.

Flight activity is measured by aircraft movements, defined as a landing or takeoff of an aircraft. Each aircraft has a maximum take-off weight ("MTOW"), as specified by the aircraft manufacturers, and total number of seats. MTOW and seats are used to calculate the majority of posted air carrier charges for each aircraft landing. The load factor, the 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 table summarizes aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor for 2019, 2018 and 2017.

Flight Activity[1]

(in thousands)	**2019**	2018	Change $	Change[2] %	2017
Aircraft movement[3]	**452.8**	472.7	(19.9)	(4.2)	465.4
Passenger aircraft movements	**414.9**	435.3	(20.4)	(4.7)	427.8
Cargo (tonnes)	**513.2**	560.1	(46.9)	(8.4)	535.7
(in millions)					
MTOW (tonnes)	**38.4**	37.4	1.0	2.5	36.3
Seats	**60.0**	59.3	0.7	1.0	57.0
Seats per passenger aircraft movement	**144.5**	136.3	8.2	6.0	133.3
Load factor	**84.3%**	83.4%		0.9pp	82.6%

(1) Flight activity measures above reflect both arriving and departing.

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

(3) Aircraft movements include both passenger and non-passenger aircraft movements.

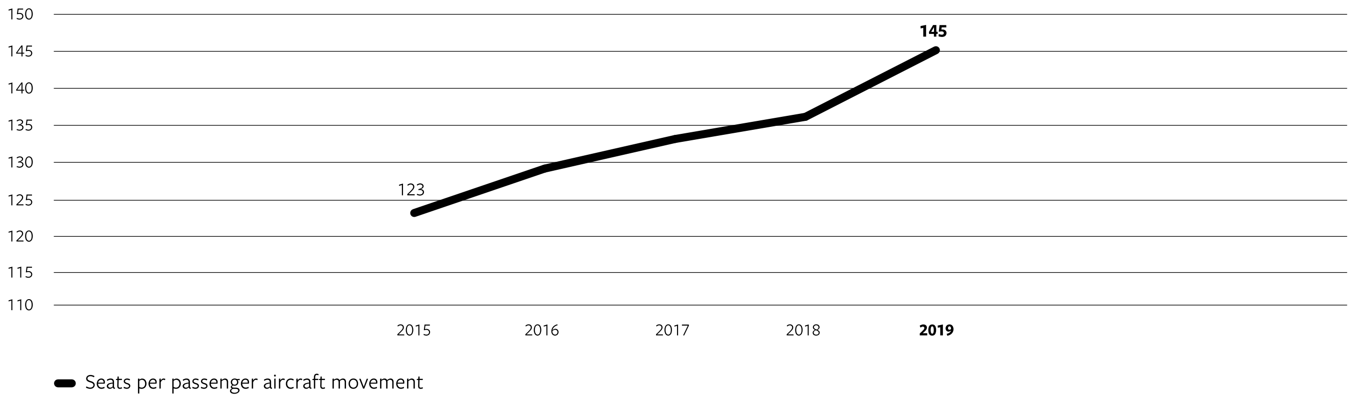
Passenger aircraft movements declined 4.7 per cent in 2019 as compared to 2018 due to the 737 MAX grounding and the change in (fleet mix where airlines are using larger planes more frequently and smaller planes less often. Aircraft movements, which include both passengers and non-passengers, decreased 4.2 per cent in 2019 as compared to 2018.

During 2019, MTOW was 38.4 million tonnes, an increase of 2.5 per cent as compared to 2018. This change reflects the continued shift in the airline industry whereby air carriers are utilizing larger aircraft in their respective fleet. Cargo tonnage transported decreased from 560,060 metric tonnes in 2018 to 513,200 metric tonnes in 2019, a decrease of 8.4 per cent, mainly due to trade tensions that resulted in reduced trade with China.

Seats increased during 2019 by 1.0 per cent to 60.0 million as compared to 59.3 million seats in 2018. The number of seats per passenger aircraft movement during 2019 was 144.5, an increase of 8.2 seats or 6.0 per cent when compared to 136.3 seats per passenger aircraft movement from 2018. This increase is due in part to a larger fleet mix and continued growth in passenger demand. Load factors increased 0.9 percentage points from 83.4 per cent in 2018 to 84.3 per cent in 2019.

As the chart below illustrates, the number of seats per movement has been increasing over the last five years.

Seats per Movement
(seats)



During 2019, WOW Air, Fly Jamaica Airways and Jet Airways ceased operations. In contrast, Air Italy commenced services at Toronto Pearson during the second quarter of 2019 and Air India launched its new non-stop route from Toronto Pearson to Delhi's Indira Gandhi International Airport on September 27, 2019. On February 11, 2020, Air Italy ceased operations as it went into liquidation.

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. Under the GTAA's financial model, funds generated at the Airport are used for Airport operations, ancillary aviation-related activities, construction, acquisitions, repairs and maintenance, and debt service (interest and repayment of principal).

Rate-Setting and Rate Agreements

In 2019, the GTAA advised that it would not change its aeronautical rates and charges to air carriers operating at the Airport in 2020. The GTAA has the right, however, to set aeronautical rates and charges as required and, if circumstances should vary from the GTAA's expectations, the GTAA may alter its rates and charges. In practice, the GTAA establishes aeronautical rates and charges on an annual basis and historically has notified the airlines in September of such changes.

In 2014, the GTAA and Air Canada entered into a long-term commercial agreement which further supports Toronto Pearson's mega hub strategy. The non-exclusive agreement covered an initial five-year term and was automatically extended for a further five years until the end of 2023 as certain conditions were met. The agreement 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. When 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, 2019 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 covered an initial four-year term, and has been automatically extended for an additional four years until the end of 2023 as certain conditions were met.

The GTAA also has Airport Improvement Fee ("AIF") agreements with each air carrier that takes off from and lands at Toronto Pearson whereby air carriers undertake to collect AIF from each of their enplaned passengers on the GTAA's behalf. AIF has been held constant or lowered for the past 10 years.

Revenues

Revenues are derived from aeronautical rates and charges (which include landing fees, general terminal charges and apron fees), AIF and commercial revenues (which include car parking, ground transportation, concessions, rentals, counter fees, check-in fees, deicing facility fees and other sources). Rentals include activities for both the GTAA and ACI.

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 charged on a per-enplaned passenger basis. A significant portion of commercial revenues is correlated with passenger activity.

The following table summarizes the GTAA's consolidated revenues for the years ended December 31, 2019, 2018 and 2017.

Revenues

($ millions)	**2019**	2018	Change $	Change[1] %	2017
Landing fees	**324.0**	318.5	5.5	1.7	312.2
General terminal charges	**193.7**	191.3	2.4	1.3	188.8
Aeronautical Revenues	**517.7**	509.8	7.9	1.5	501.0
Concessions & rentals	**315.2**	277.5	37.7	13.6	241.4
Car parking & ground transportation	**203.3**	191.8	11.5	6.0	177.7
Other	**37.0**	32.6	4.4	13.6	31.5
Commercial Revenues	**555.5**	501.9	53.6	6.1	450.6
Airport Improvement Fees	**448.1**	460.0	(11.9)	(2.6)	436.1
Total Revenues	**1,521.3**	1,471.7	49.6	3.4	1,387.7

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

Aeronautical revenues increased 1.5 per cent to $517.7 million during 2019, when compared to 2018, due to higher MTOW and seats in 2019 over 2018.

The GTAA also generates commercial revenues from concessions and rental properties, car parking and ground transportation and other sources. The GTAA has a long-term objective to increase the proportion of total revenues that are generated through commercial revenue streams at the Airport. In recent years, commercial revenues have been the fastest growing component of the GTAA's revenues. When combined with the 2008 and 2013 aeronautical rate reductions, the commercial revenues' proportion of total revenues has increased from approximately 25 per cent to 37 per cent over the period of 2008 to 2019.

Consolidated concession and rental revenues increased by 13.6 per cent to $315.2 million during 2019 when compared to 2018. This increase was mainly due to the continued expansion of the GTAA's corporate partnerships designed to enhance the passenger experience, increased advertising, sponsorship and retail tenant revenues as a result of long-term strategic partnerships, and to the revenues related to additional investment properties acquired in the fall of 2018. In 2019, the GTAA's revenues from its retail tenants, advertising and sponsorship partners (concession revenues) at the Airport increased 15.8 per cent to $167.0 million from $144.2 million in 2018. Rental revenues increased 11.2 per cent to $148.2 million in 2019 from $133.3 million in 2018 primarily due to the acquisition by ACI of commercial buildings, which generated additional rental revenues, and to increased rental rates and higher activity at the Airport. Excluding ACI revenues (a non-GAAP financial measure), rental revenues increased by 9.2 per cent to $117.5 million during 2019 when compared to 2018.

During 2019, retail store sales per enplaned passenger at Toronto Pearson were $22.01 versus $21.66 in 2018, a $0.35 or 1.6 per cent increase. Retail store sales are the gross sales generated by the GTAA's retail tenants. These tenants, under their leasehold agreements with the GTAA, pay a percentage of gross sales to the GTAA as rent. Retail stores include retail, restaurant and beverage establishments.

Car parking and ground transportation revenues increased 6.0 per cent to $203.3 million during 2019 when compared to 2018. The roll out of an 18-month pilot program to allow transportation network companies, such as Uber and Lyft, to operate at Toronto Pearson contributed towards this increase alongside a combination of rate increases, enhanced marketing and business development initiatives in parking and ground transportation. Parking volumes have decreased slightly during 2019 over 2018 and there is a trend towards a greater proportion of passengers using alternative ground transportation options.

Other revenues, which are comprised of deicing, fire and emergency services training and other miscellaneous revenues, increased 13.6 per cent to $37.0 million during 2019, when compared to 2018. Deicing revenues have increased 9.1 per cent or $2.6 million during 2019 to $31.2 million, compared to 2018, due to higher deicing costs in 2019 and the growth in flight activities.

AIF revenue decreased 2.6 per cent to $448.1 million during 2019 compared to 2018. This decrease was due to higher growth of connecting passengers than origin and destination passengers, and Air Canada reporting higher connecting passengers in 2019. The AIF fee for origin and destination passengers is $25 versus $4 for connecting passengers.

Total aeronautical, commercial and AIF revenue growth was negatively impacted in 2019 by the 737 MAX grounding in March 2019.

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 consolidated expenses for the years ended December 31, 2019, 2018 and 2017.

Expenses

($ millions)	**2019**	2018	Change $	Change[1] %	2017
Ground rent	**170.8**	165.2	5.6	3.4	156.9
PILT[2]	**38.4**	36.6	1.8	5.0	36.3
Total ground rent and PILT	**209.2**	201.8	7.4	3.7	193.2
Goods and services	**384.9**	357.4	27.5	7.7	314.9
Salaries, wages and benefits	**201.3**	191.9	9.4	4.9	175.7
Total Operating Expenses before Amortization	**795.4**	751.1	44.3	5.9	683.8
Amortization of property and equipment, investment property and intangible assets	**290.8**	277.0	13.8	5.0	264.7
Total Operating Expenses	**1,086.2**	1,028.1	58.1	5.6	948.5
Interest expense on debt instruments and other financing costs, net of interest income	**295.3**	298.5	(3.2)	(1.1)	327.0
Early retirement of debt charge	**–**	28.7	(28.7)	(100.0)	–
Loss on cash flow hedge	**–**	2.7	(2.7)	(100.0)	–
Total Expenses	**1,381.5**	1,358.0	23.5	1.7	1,275.5

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

(2) Payments-in-lieu of real property taxes.

Ground rent payments to the federal government are calculated as a percentage of Airport Revenues, as defined in the Ground Lease, at a rate of 12 per cent of Airport Revenues in excess of $250 million. Ground rent expense increased by 3.4 per cent to $170.8 million during 2019, when compared to 2018, due to an increase in Airport Revenues.

The GTAA is exempt from the payment of real property taxes under the Assessment Act (Ontario), and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year and is subject to a maximum annual increase under the Assessment Act. The PILT expenditure increased 5.0 per cent to $38.4 million during 2019, when compared to 2018. ACI pays municipal real property taxes in the ordinary course of business, as the investment properties acquired by ACI are not used directly for Airport operations.

Ground rent and PILT together comprised approximately 19.3 per cent of the GTAA's operating expenses, and 15.1 per cent of total expenses in 2019.

Expenditures for goods and services increased 7.7 per cent or $27.5 million to $384.9 million during 2019, when compared to 2018. The GTAA incurred higher expenditures due to increased snow removal costs of $11.2 million as a result of harsher winter weather conditions in 2019, information technology costs of $6.6 million, costs related to the additional ACI properties acquired in the fall of 2018 of $3.9 million, building repairs and maintenance costs of $2.6 million, and the increased spend on investments to support improved passenger and baggage flow of $3.4 million. These items were partially offset by a decrease in utility costs of $3.6 million. For the year-ended December 31, 2019, total spend to support improved passenger and baggage flow was approximately $79.3 million.

Salaries, wages and benefits increased 4.9 per cent or $9.4 million to $201.3 million during 2019, when compared to 2018. The increase was due to increased salaries, wages, additional busing/baggage/deicing and airfield maintenance staff, and expenditures in connection with enhanced passenger and baggage flow partially offset by severance payouts in 2018.

Amortization of property and equipment, investment property and intangible assets increased 5.0 per cent to $290.8 million during 2019, when compared to 2018. This increase was due to additions to the depreciable asset base.

A significant portion of the GTAA's operating expenses includes goods and services, salaries and amortization in support of the activities provided by government agencies at the Airport. The GTAA's operating costs to support government agencies during 2019 of $35.3 million decreased $0.9 million or 2.4 per cent, when compared to 2018. These included direct and indirect investments to Canadian Air Transport Security Authority ("CATSA"), U.S. Customs and Border Protection ("USCBP") and Canada Border Services Agency ("CBSA") to enhance the security and border services they provide. During 2019, according to CATSA published data, CATSA screened 19.8 million departing passengers at Toronto Pearson, an increase of approximately 210,539 or 1.1 per cent over 2018. Of these screened passengers, 95.2 per cent waited less than 15 minutes to be screened compared to the CATSA funding standard service level target across Canada of 85.0 per cent in less than 15 minutes.

Interest expense and other financing costs, net of interest income, decreased by 1.1 per cent to $295.3 million during 2019 when compared to 2018. The decrease was due to higher capitalized interest from the larger spend on long-term capital projects and higher interest income earned on the reserves as a result of higher-yielding returns. This was partially offset by higher fixed-rate interest costs due to the issuance of Series 2019-1 and 2019-2 MTNs, and an increase in short-term debt interest costs due to higher interest rates in 2019 over 2018.

Net Operating Results

The following table summarizes the GTAA's consolidated net operating results for the years ended December 31, 2019, 2018 and 2017.

($ millions)	**2019**	2018	Change $	Change[1] %	2017
Net Income	**139.8**	113.7	26.1	23.0	112.2
Add: Early retirement of debt charge	**–**	28.7	(28.7)	(100.0)	–
Loss on cash flow hedge	**–**	2.7	(2.7)	(100.0)	–
Less: Unamortized bond premium	**–**	(5.3)	5.3	(100.0)	–
Adjusted Net Income[2]	**139.8**	139.8	–	–	112.2
Add: Interest and financing costs, net	**295.3**	298.5	(3.2)	(1.1)	327.0
Unamortized bond premium	**–**	5.3	(5.3)	(100.0)	–
EBIT	**435.1**	443.6	(8.5)	(1.9)	439.2
Add: Amortization[3]	**290.8**	277.0	13.8	5.0	264.7
EBITDA[2]	**725.9**	720.6	5.3	0.7	703.9
EBITDA Margin	**47.7%**	49.0%		(1.3) pp	50.7%

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

(2) Adjusted Net Income and EBITDA are non-GAAP financial measures.

(3) Amortization means amortization of property and equipment, investment property and intangible assets.

The GTAA's net income increased 23.0 per cent to $139.8 million during 2019, when compared to 2018. This increase was primarily due to the lower interest and financing costs and the 2018 early retirement of debt charge from Series 2009-1 MTNs. Refer to the "Liquidity and Capital Resources" section for details. Excluding the one-time interest and financing items, 2019 adjusted net income was flat when compared to 2018 at $139.8 million. The higher snow removal costs in 2019 have impacted the strong operating performance. Adjusted Net Income is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Earnings before interest and financing costs and amortization ("EBITDA") increased 0.7 per cent to $725.9 million during 2019, when compared to 2018. The EBITDA margin decreased by 1.3 percentage points to 47.7 per cent during 2019, when compared to 2018. The decrease in EBITDA margin was primarily a result of continued investment to maintain customer service, connection and flow initiatives, and the higher snow removal costs in 2019. 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 consolidated quarterly financial information for the quarters ended March 31, 2018 through December 31, 2019, is set out in the following table.

								Quarter Ended
				2019				2018
($ millions)[1]	**Dec**	**Sep**	**Jun**	**Mar**	Dec	Sep	Jun	Mar
Revenues	**385**	**403**	**371**	**362**	367	397	359	349
Operating expenses (excluding amortization)[2]	**210**	**189**	**188**	**207**	200	180	179	192
Amortization[2]	**74**	**73**	**73**	**71**	73	68	68	68
Earnings before interest and financing costs, net	**101**	**141**	**110**	**84**	94	149	112	89
Interest and financing costs, net	**77**	**73**	**73**	**73**	74	75	75	74
Early retirement of debt charge	**–**	**–**	**–**	**–**	–	–	–	29
(Gain) Loss on cash flow hedge	**–**	**–**	**–**	**–**	–	–	–	3
Net income (loss)	**24**	**68**	**37**	**11**	20	74	37	(17)

(1) Rounding may result in the figures differing from the results reported in the condensed consolidated 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

The GTAA continues to meet the growing demand for air travel by optimizing the use of the existing facilities at Toronto Pearson and investing in the Airport's physical infrastructure. The GTAA focuses on capital programs and projects which improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience. Expenditures related to these capital projects are funded primarily through cash flows generated from operations, with the remaining balance funded by proceeds from debt issuances.

The GTAA's most significant current and projected capital projects, progress-to-date and capital funds expended are as follows:

Terminal 1 Pier G Expansion – The GTAA is upgrading and expanding its capacity at the Pier G facility in Terminal 1 to accommodate narrow body aircraft operations in response to increased passenger traffic at the Airport. This project will increase the planned narrow body aircraft parking positions to 10, further expand the associated apron, increase the retail services for passengers travelling to and from the United States and improve passenger flow and circulation. The building expansion was opened in 2017 and the work associated with a new apron and the associated boarding bridges was completed in October 2019.

The Pier G expansion also includes planning and design to create additional hold room space, more efficient and secure passenger flows, improve passenger experience by creating additional retail and lounge space, gate flexibility and a faster connection process by creating a full arrivals corridor and contact stands. From the inception of the Pier G commuter facility upgrade and expansion to December 31, 2019, the GTAA has expended $108.0 million. During 2019, the GTAA expended $37.8 million.

Baggage-Handling Improvements – The Baggage-Handling Improvements program has been undertaken in Terminal 1 and Terminal 3 to add baggage handling capacity, and improve system reliability and dependability, to meet current as well as future anticipated baggage processing requirements. The current project commenced in the fourth quarter of 2018 and is expected to be completed in 2022. The program includes several design-build work packages that are intended to enhance the way the Airport operates and to enhance the passenger experience. From the inception of the Baggage Handling Improvements to December 31, 2019, the GTAA has expended $117.0 million. During 2019, the GTAA expended $94.2 million.

GRI 203-1, 203-2

Terminal 1 Redevelopment and Expansion ("T1REP") Project One – The T1REP Project One consists of design and construction of the mezzanine area above the existing arrivals baggage hall and relocates the USCBP facilities and In-transit Pre-clearance ("ITPC") facilities for origin and destination and connecting passengers. In addition, a new CATSA pre-board security facility will be provided for passengers traveling to the United States and support associated flow within the building. The facility is expected to increase capacity by an estimated 30 per cent and simplify passenger flow. From the inception of T1REP Project One to December 31, 2019, the GTAA has expended $22.6 million. During 2019, the GTAA expended $10.8 million.

Terminal 1 Concourse F Sectorization – The Terminal 1 Concourse F Sectorization will increase passenger processing capacity, reduce connection times and increase gate capacity and flexibility for narrow and wide body aircraft. The capacity increases will be achieved by expanding CATSA and CBSA facilities and flows on level three for passengers, more direct connections to gates for passengers and re-sectorization of Terminal 1 to provide access to large aircraft for international gates and gate modifications to allow larger aircraft. From the inception of the Terminal 1 Concourse F Sectorization to December 31, 2019, the GTAA has expended $42.6 million. During 2019, the GTAA expended $29.5 million.

Due to the recent COVID-19 pandemic and its impact on global air traffic, third-party suppliers, contractors and service providers, some of these projects and other capital expenditures may be postponed or, at Management's discretion, deferred.

Future Capital Projects

The GTAA is undertaking designs, studies, and planning with respect to the following potential capital projects:

T1REP Future Projects – The plans and preliminary designs for future T1REP projects are being undertaken to create new gates to support future increases in U.S. travel activity and to enhance further the GTAA's mega hub strategy.

Terminal 3 Redevelopment and Expansion ("T3REP") – Future Projects – The T3REP Future Projects program is intended to renovate and upgrade the parts of the Terminal that were not part of the original Terminal 3 Improvement Projects. The preliminary planning and design of these projects commenced in late 2018 and will focus on projects to meet passenger growth. From the inception of the T3REP Future Projects to December 31, 2019, the GTAA has expended $9.4 million. During 2019, the GTAA expended $8.0 million.

Regional Transit Centre – The RTC is intended to be a regional ground transportation hub facilitating a much-needed improved connection between the area surrounding Toronto Pearson and the rest of the Greater Toronto and Hamilton Area. The preliminary design development commenced in 2018. From the inception of the RTC to December 31, 2019, the GTAA has expended $7.1 million. During 2019, the GTAA expended $0.3 million.

The GTAA has engaged HOK, a leader in sustainable, high-performance projects, to initiate potential designs for the RTC at Toronto Pearson. In addition, the GTAA and Metrolinx are working together to study potential connections for the Kitchener rail corridor and possibly other potential transit connections to Toronto Pearson's proposed RTC, linking the Airport to key urban centres in Southern Ontario. The joint study will include, but is not limited to, a preliminary design, environmental assessment, feasibility study and detailed cost analysis for a number of transportation options.

On December 4, 2019, the GTAA announced a financial investment to facilitate moving forward with the technical study work necessary to extend the Eglinton Crosstown West from Renforth to the Airport. The GTAA is continuing to advocate for improved transit that connects to Toronto Pearson and the Airport Employment Zone as well as the creation of the RTC, also known as Union Station West. The GTAA will commit approximately $40 million to facilitate the study of bringing important transit connections to Toronto Pearson and build a regional transit network, anchored by the proposed RTC. The GTAA is already investing $38 million in work currently underway, and this additional announcement will bring the total investment to a potential $78 million.

GRI 203-1, 203-2

Assets and Liabilities

Total consolidated assets, liabilities and deficit and accumulated other comprehensive loss as at December 31, 2019, 2018 and 2017, are set out in the following table.

($ millions)	2019	2018	Change 2019–2018	2017
Total assets	**6,583.4**	6,437.6	145.8	6,186.2
Total liabilities	**6,806.9**	6,811.1	(4.2)	6,651.5
Deficit and accumulated other comprehensive loss	**(223.5)**	(373.5)	150.0	(465.3)

At December 31, 2019, when compared to December 31, 2018, the GTAA's total assets had increased by $145.8 million mainly due to a $92.8 million increase in property and equipment, $27.5 million increase in restricted funds, $7.7 million increase in cash and $7.7 million increase in post-employment benefit asset. The GTAA's total liabilities decreased by $4.2 million due to a $45.3 million decrease in accounts payable and accrued liabilities partially offset by $41.4 million increase in borrowings.

The deficit and accumulated other comprehensive loss of $223.5 million at December 31, 2019, as reported on the consolidated statements of financial position, has reduced due to the growth in passenger and flight activities and the results from operations over the past several years.

Restricted Funds

($ millions)	2019	2018	Change 2019–2018	2017
Debt Service Fund	**68.8**	60.6	8.2	72.7
Debt Service Reserve Funds	**347.4**	328.1	19.3	382.3
Total MTI Restricted Funds	**416.2**	388.7	27.5	455.0

As shown in the table above, total restricted funds increased from $388.7 million in 2018 to $416.2 million in 2019 due to the GTAA's issuance of the Series 2019-1 and 2019-2 MTNs, partially offset by the early bond redemption of Series 2016-1 MTNs. The restricted funds which are cash-funded have been 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 MTI, 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 MTI, no funds are currently required to be deposited into the Debt Service Coverage Fund to meet the debt service covenant. The Operating and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund are funded with letters of credit.

Liquidity and Capital Resources

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

($ millions)	**2019**	2018	Change	2017
Cash flows from operating activities	**729.1**	730.6	(1.5)	724.5
Capital expenditures[1] – property and equipment	**(421.9)**	(319.4)	(102.5)	(279.4)
Capital expenditures[1] – investment property	**(6.6)**	(178.4)	171.8	(286.5)
Interest paid and other financing costs, net[2]	**(300.8)**	(314.0)	13.2	(334.3)
Early retirement of debt charge	**–**	(28.7)	28.7	–
Payment on termination of cash flow hedge	**–**	(14.7)	14.7	–
Free Cash Flow[3]	**(0.2)**	(124.6)	124.4	(175.7)
(Increase) Decrease in restricted funds	**(27.5)**	66.2	(93.7)	22.0
Borrowings (Repayments), net	**35.4**	68.7	(33.3)	92.0
Net Cash Inflow	**7.7**	10.3	(2.6)	(61.6)
MTI Rate Covenant[4]				
Operating covenant (minimum requirement of 100%)	**137.1%**	135.9%	1.2pp	137.6%
Debt service covenant (minimum requirement of 125%)	**150.4%**	148.5%	1.9pp	144.9%

As at December 31 ($ millions)	**2019**	2018	Change	2017
Total Debt	**6,411.7**	6,370.3	41.4	6,311.8
Cash	**30.2**	22.5	7.7	12.2
Restricted funds	**416.2**	388.7	27.5	455.0
Net Debt[5]	**5,965.3**	5,959.1	6.2	5,844.6
Key Credit Metrics ($)				
Total Debt/Enplaned Passenger[6]	**254**	258	(1.6)%	268
Net Debt[5]/Enplaned Passenger[6]	**236**	241	(2.1)%	248

(1) Capital expenditures – property and equipment are acquisition and construction of property and equipment and intangible assets; Capital expenditures – investment property are acquisitions and construction of investment property. Both are per the Consolidated Statements of Cash Flows in the Consolidated Financial Statements as at December 31, 2019.

(2) Interest and financing costs excludes non-cash items and reflects the cash payment activities of the Corporation net of interest income, therefore, it is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures".

(3) Free cash flow, a non-GAAP financial measure, is defined as cash flow from operating activities per the Consolidated Statement of Cash Flows less interest and financing costs paid, net of interest income, less capital expenditures (property and equipment, and investment property). Refer to section "Non-GAAP Financial Measures".

(4) The MTI contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant).

(5) Net Debt, a non-GAAP financial measure, is gross debt less cash and restricted funds. Refer to section "Non-GAAP Financial Measures".

(6) Enplaned passengers are defined as equal to half of total passengers and is based on the prior 12 months activity.

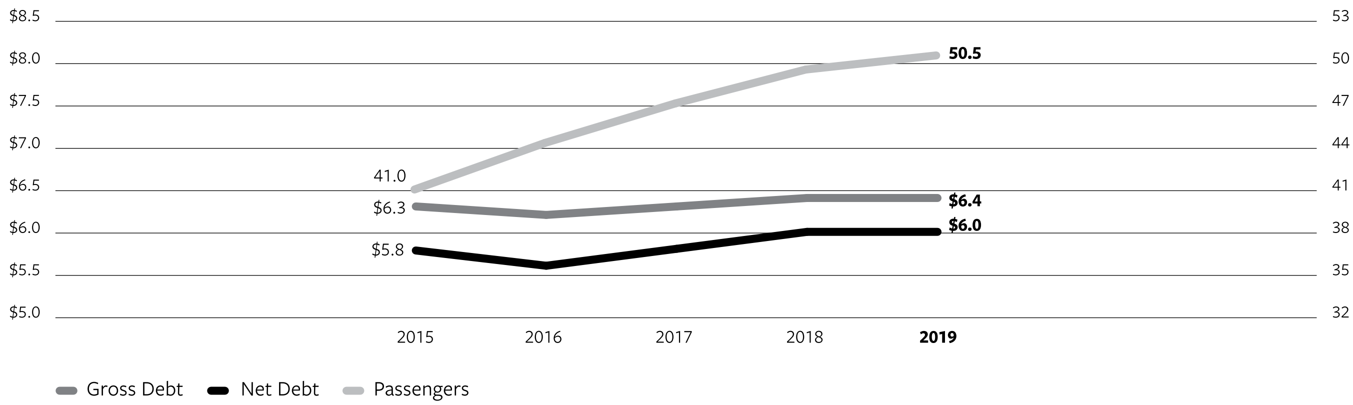
Cash flows from operations decreased by $1.5 million to $729.1 million during 2019, when compared to 2018. The free cash flow deficit reduced by $124.4 million during 2019, when compared to 2018, due to lower property acquisitions and interest expense in 2019, and the early retirement of debt charge and the termination of cash flow hedges in 2018, partially offset by the higher capital expenditures of property and equipment in 2019. Free cash flow is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

Net Debt increased by $6.2 million to $6.0 billion as at December 31, 2019 when compared to December 31, 2018. Net Debt is a non-GAAP financial measure. Refer to section "Non-GAAP Financial Measures" of this MD&A for additional information.

The following chart tracks the GTAA's increase of gross debt over the last five years from $6.3 billion in 2015 to $6.4 billion in 2019 and an increase in net debt from $5.8 billion in 2015 to $6.0 billion in 2019.

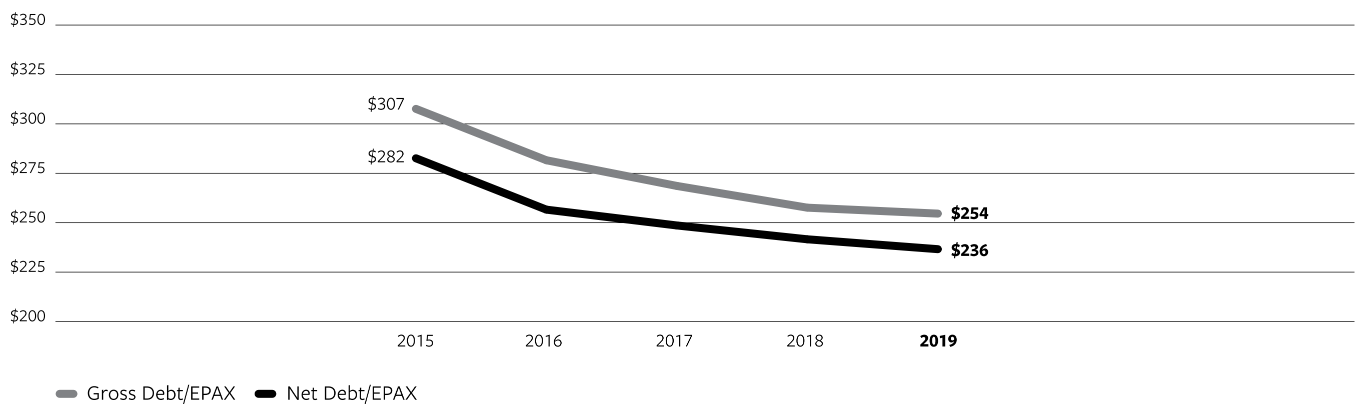
Outstanding Debt (billions)

Passengers (millions)



The GTAA's total debt per enplaned passenger, one of the airport industry's key financial metrics, declined from $307 in 2015 to $254 in 2019, and net debt per enplaned passenger declined from $282 in 2015 to $236 in 2019. The GTAA's debt per enplaned passenger has been on a downward trajectory 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.

Debt Per Enplaned Passenger



The GTAA's approach to rate-setting and the generation of commercial revenues, together with the GTAA's liquidity and interest rate risk management practices, enables it to manage its debt levels and debt service costs. In the past, the GTAA has 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 the 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 gradually and thereby reduce the GTAA's annual net interest expense.

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

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 during 2020. There may, however, be events outside of the control of the GTAA that could have a negative impact on its liquidity. Refer to the "Risk Factors" section.

On April 3, 2019, the GTAA issued $500.0 million Series 2019-1 MTNs due April 3, 2029 at a coupon rate of 2.73 per cent for net proceeds of $497.9 million. The net proceeds partially reduced outstanding Commercial Paper ("CP").

On September 25, 2019, the GTAA exercised its right to redeem all $300.0 million of the outstanding Series 2016-1 MTNs on October 25, 2019 (the "redemption date"). The Series 2016-1 MTNs had an original maturity date of February 21, 2021. To refinance the redemption of the Series 2016-1 MTNs, the GTAA issued on October 17, 2019 $900.0 million Series 2019-2 MTNs due October 17, 2039 at a coupon rate of 2.75 per cent for net proceeds of $894.3 million. The remaining proceeds of this issuance were used to partially pay down outstanding CP.

The GTAA's long-term 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. The GTAA's CP obligations have been assigned a credit rating of "R-1 (low)" and an issuer rating of "A (high)" by DBRS. Ratings are intended to provide investors with an independent view of credit quality. These ratings 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, 2019 contains more detailed information about the GTAA's credit ratings.

Liquidity and Credit Facilities

($ millions)			**As at December 31, 2019**			As at December 31, 2018
Source	Currency	Expiry	**Size**	**Drawn/CP Backstop**	**Available**	Available
Cash	CAD				**30.2**	22.5
Credit facilities:						
1) Revolving Operating Facility[1]	CAD	May 22, 2022	**1,400.0**	**–**	**1,400.0**	1,400.0
Commercial paper backstop[1]				**60.0**	**(60.0)**	(1,098.8)
Available for general use					**1,340.0**	301.2
2) Letter of Credit Facility	CAD	May 22, 2022	**150.0**	**109.2**	**40.8**	50.8
			1,550.0	**169.2**	**1,380.8**	352.0
Total net liquidity (including cash)					**1,411.0**	374.5
3) Hedge Facility[2]	CAD	Per contract	**150.0**	**–**	**150.0**	150.0
Total credit facilities and cash			**1,700.0**	**169.2**	**1,561.0**	524.5

(1) At December 31, 2019, $60.0 million of the revolving operating facility fully backstopped the $60.0 million of outstanding CP.

(2) The hedge facility is a non-cash facility and allows the Corporation to enter into derivative transactions. Any amounts reported represent 'mark-to-market' losses on outstanding contracts.

The GTAA maintains the credit facilities set out in the above table. These facilities rank pari passu with all other debt. The revolving operating credit facility and the letter of credit facility can be extended annually for one additional year with lenders' consent. The $1.4 billion revolving operating credit facility is used to fund capital projects or operating expenses, as required, backstop the CP program and provide flexibility on the timing for accessing the capital markets. As part of the GTAA's CP program, any CP outstanding at any given time is fully backstopped by the revolving operating credit facility. As at December 31, 2019, $60.0 million of CP was outstanding, no amounts were utilized from the revolving operating credit facility, $109.2 million of the $150.0 million letter of credit facility was utilized, and no amounts were secured on the $150.0 million hedge facility.

As at December 31, 2019, the GTAA had a working capital deficiency of $310.0 million, as computed by subtracting current liabilities from current assets. This consisted mainly of interest accruals on long-term debt, regular accruals and the $60.0 million of outstanding CP. Working capital is a financial metric that measures the short-term liquidity for those assets that can readily be converted into cash to satisfy both short-term liabilities and near-term operating costs and capital expenditures. As at December 31, 2019, the GTAA had $1.3 billion available for general corporate purposes and $60.0 million available that backstopped the outstanding CP under its revolving operating credit facility. Management believes that the available credit under the revolving operating credit facility, its cash flows from operations, and the GTAA's ability to access the capital markets provide sufficient liquidity for the GTAA to meet its financial obligations and other current liabilities as they come due.

The following table analyzes the GTAA's short- and long-term contractual obligations in nominal dollars as at December 31, 2019 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. The debt obligations include both principal and interest cash flows.

Contractual Obligations

($ millions)	Total	Less than 1 year	1 year to 3 years	4 year to 5 years	Thereafter
Accounts payable and accrued liabilities	287.9	287.9	–	–	–
Purchase obligations[1]	1,285.1	642.6	418.7	153.0	70.8
Commercial paper	60.0	60.0	–	–	–
Long-term debt principal	6,326.2	19.4	430.7	48.4	5,827.7
Interest payable on long-term debt	4,506.2	318.1	632.3	603.0	2,952.8
	12,465.4	1,328.0	1,481.7	804.4	8,851.3

(1) Purchase obligations include commitments for goods and services contracts as at December 31, 2019 the GTAA entered into that are required to operate the Corporation in the ordinary course of business over the next few years. It also includes capital and property commitments of approximately $297.7 million.

Accounts payable, accrued liabilities and purchase obligations are expected to be funded through operations, while the commercial paper and 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, 2019 of approximately $297.7 million, as compared to $327.8 million at December 31, 2018. The GTAA expects to fund these commitments primarily through its cash flow from operations, and where necessary through further issuances of debt.

A measure of the GTAA's ability to service its indebtedness is its ability to comply with certain covenants in the MTI. The MTI contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant) such that: i) Revenues in each Fiscal Year are sufficient to make all required debt service payments and deposits in funds and reserve funds, and all other payments required to be made by the GTAA in the ordinary course of its consolidated business; and ii) Net Revenues, together with any Transfer from the General Fund in each Fiscal Year, equal at least 125 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the MTI). The GTAA sets its rates and charges, fees, and rentals so that these two covenants under the MTI are met. Both covenant tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets. In 2019, the GTAA's operating covenant ratio was 137.1 per cent, which is above the minimum requirement of 100 per cent and the debt service covenant ratio was 150.4 per cent, which is above the minimum requirement of 125 per cent, both under the MTI.

Non-GAAP Financial Measures

Throughout this MD&A, there are references to the following performance measures which in management's view are valuable in assessing the economic performance of the GTAA. While these financial measures are not defined by IFRS, and they are referred to as non-GAAP measures which 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.

Adjusted Net Income

Adjusted Net Income is defined as net income before the early retirement of debt charge, the remaining unamortized bond premium, and the loss on the cash flow hedge.

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. This is used to evaluate the GTAA's performance without having to factor in financing and accounting decisions.

Free Cash Flow

Free Cash Flow ("FCF") is cash flow from operating activities per the consolidated statements of cash flows less capital expenditures (property and equipment, and investment property) and interest and financing costs paid, net of interest income (excluding non-cash items). FCF is used to assess funds available for debt reduction or future investments within Toronto Pearson.

Net Debt

Net Debt is defined as gross debt less cash and restricted funds.

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 Consolidated Financial Statements as at December 31, 2019 and 2018. These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, MGI and ACI. All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

The GTAA has adopted the following new and/or revised standards effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

a) 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 replaced IAS 17, Leases. The objective of the standard 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. The accounting for lessors did not significantly change. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has applied the definition of a lease in IFRS 16 to all contracts outstanding at the date of transition using the modified retrospective method, where the comparative period is not restated. The GTAA has assessed the impact of the new standard on the Ground Lease. There is no impact on the consolidated financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue, and therefore, the expense will continue to be recognized in the consolidated statements of operations and comprehensive income on an accrual basis. The GTAA has also evaluated the impact of this standard with respect to other leases and embedded leases and has concluded that there are no material other leases or embedded leases that require recognition on adoption of this standard. The GTAA has evaluated the impact of this standard with respect to the sublease of land under the Ground Lease and has concluded that there are no material subleases that require recognition on adoption of this standard.

b) Amendments to IAS 19, *Employee Benefits*:

This standard was amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements or curtailments. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

c) Amendments to IAS 23, *Borrowing Costs*:

These amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments were applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

d) Amendments to IFRS 9, *Financial Instruments*:

This standard was amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at Fair Value through Profit or Loss ("FVPL"). Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest, but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. These amendments to IFRS 9 also clarify how to account for the modification of a financial liability. Most such modifications will result in immediate recognition of a gain or loss. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

Accounting Standards Issued but not yet Applied

a) Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*:

These standards were amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments will not have a significant impact on the consolidated financial statements.

b) Amendments to IFRS 3, *Business Combinations*:

This standard was amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments will not have a significant impact on the consolidated financial statements.

Related Party Transactions

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. Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto. Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario.

As a result of the ability of the Government of Canada to nominate Members, this government and its respective government-related entities are considered related parties for accounting purposes only.

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

The GTAA's related parties also includes Key Management personnel. Key Management includes the CEO, the CFO and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. At December 31, 2019, the GTAA had normal course transactions with key management personnel in the ordinary course of their employment with the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of management. In this respect, the GTAA had normal course transactions with the Board of Directors with respect to compensation paid in connection with their role as a director.

GRI 102-35, 102-36

Internal Controls and Procedures

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its President and Chief Executive Officer ("CEO"), its Chief Financial Officer ("CFO") and its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

The Corporation has filed certifications as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, signed by the Corporation's CEO and CFO, that report on the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

The Corporation's Audit Committee reviewed this MD&A and the audited consolidated financial statements, and the Corporation's Board of Directors approved these documents prior to their release.

Management's Report on Disclosure Controls and Procedures

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at December 31, 2019, that such disclosure controls and procedures were effective.

Management's Report on Internal Controls over Financial Reporting

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions ("COSO") in Internal Control – Integrated Framework (2013). Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2019, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Committee.

No changes were made in internal controls over financial reporting during the year ended December 31, 2019 that have materially affected or, are reasonably likely to materially affect the Corporation'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.

Risk Factors

The GTAA, its operations, and its financial results are subject to certain risks. The GTAA's Board of Directors is accountable for the oversight of the key enterprise risks of the GTAA's business and is responsible for determining 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 business and external risks to be managed and aligned with the GTAA's strategic goals.

Please see the Corporation's most recent Annual Information Form available on www.sedar.com for a discussion of risk factors that could materially affect the GTAA's business, operating results, and financial condition. The risk factors described in the Annual Information Form are not the only risks and uncertainties that the Corporation faces. Additional risks and uncertainties not presently known to the GTAA or that the GTAA considers immaterial may also materially and adversely affect its business operations.

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.

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: expected growth in passenger volumes; additional investment in the Airport including with respect to capital projects and physical infrastructure; the GTAA’s business strategy and highlights; expected growth in domestic and international passenger traffic and cargo; future growth in Airport demand or activity; the GTAA’s capital borrowing requirements and program and its ability to access the capital markets; the GTAA’s ability to comply with covenant ratios; 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; revenues, cash flows, working capital and liquidity including the GTAA’s ability to mitigate any working capital deficiency and no funding shortfalls in 2020; reductions in average air carrier’s cost per enplaned passenger; the mega hub strategy; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; budgets and expenditures relating to capital programs and the funding of such programs; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport including the new concourse and processor expansion, passenger terminal processor, and the Regional Transit Centre; 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 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 air transportation industry risks; the cost of enhancing aviation security will not overly burden air carriers, passengers, shippers or the GTAA; no significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; 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, but are not limited to: continuing volatility in current and future economic activity including shocks to the macroeconomic environment (changes in fuel prices, inflation, currencies, employment and spending); reduced levels of aviation activity; outbreaks or the threat of outbreaks, viruses or other contagions or diseases including COVID-19 and related travel advisories; air carrier instability or disruptions to air carrier fleet capacity; wars, riots or political action; labour disruptions; disruptions caused by extreme weather, natural disasters or other events which impact air industry networks; geopolitical unrest; acts of terrorism or cyber-security threats; disruptions to information technology infrastructure; the loss of key personnel; capital market conditions; currency fluctuations; changes in laws or regulations including rate regulation; adverse amendments to the Ground Lease; the use of telecommunications and ground transportation as alternatives to air travel; loss of commercial revenues; the availability and cost of jet fuel; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental factors and climate change; the availability of aviation liability and other insurance; the timing of recovery of receipt of insurance proceeds; construction risk; legal proceedings and litigation; and other risks detailed from time to time in the GTAA’s publicly filed disclosure documents and, in particular, those identified in the Annual Information Form available at www.sedar.com.

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.

Deborah Flint
President and Chief Executive Officer

Ian Clarke
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors of Greater Toronto Airports Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Greater Toronto Airports Authority and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of operations and comprehensive income for the years then ended;
- the consolidated statements of changes in deficit and accumulated other comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 26, 2020

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	2019	2018
	$	$
Assets		
Current assets		
Cash	**30,249**	22,530
Restricted funds (Note 6)	**68,827**	60,608
Accounts receivable (Note 7)	**86,741**	87,211
Prepaids	**6,379**	4,987
Inventory	**12,416**	11,215
	204,612	186,551
Non-current assets		
Restricted funds (Note 6)	**347,374**	328,128
Intangibles and other assets (Note 8)	**95,570**	85,185
Property and equipment (Note 9)	**5,402,076**	5,309,278
Investment property (Note 10)	**473,328**	475,701
Post-employment benefit asset (Note 13)	**60,433**	52,711
	6,583,393	6,437,554
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 18)	**287,949**	333,254
Security deposits and deferred revenue	**84,792**	84,836
Long-term debt and commercial paper (Note 11)	**141,826**	1,173,246
	514,567	1,591,336
Non-current liabilities		
Deferred credit (Note 8)	**13,396**	15,598
Post-employment benefit liabilities (Note 13)	**9,096**	7,121
Long-term debt (Note 11)	**6,269,861**	5,197,009
	6,806,920	6,811,064
Deficit and Accumulated Other Comprehensive Loss	**(223,527)**	(373,510)
	6,583,393	6,437,554

Commitments and Contingent Liabilities (Note 15)

Subsequent Event (Note 21)

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

Signed on Behalf of the Board

Doug Allingham
Chair

Signed on Behalf of the Board

Roger Mahabir
Director

Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31 (in thousands of Canadian dollars)	**2019**	2018
	$	$
Revenues (Note 17)		
Landing fees	**323,944**	318,533
General terminal charges	**193,653**	191,261
Airport Improvement Fees	**448,082**	459,964
Car parking and ground transportation	**203,316**	191,800
Concessions	**167,001**	144,276
Rentals	**148,243**	133,309
Other	**37,017**	32,585
	1,521,256	1,471,728
Operating Expenses		
Ground rent (Notes 1 and 12)	**170,803**	165,249
Goods and services (Note 19)	**384,867**	357,394
Salaries, wages and benefits	**201,275**	191,915
Payments-in-lieu of real property taxes	**38,382**	36,554
Amortization of property and equipment (Note 9)	**277,350**	268,548
Amortization of intangibles (Note 8)	**4,454**	1,226
Amortization of investment property (Note 10)	**9,017**	7,200
	1,086,148	1,028,086
Earnings before interest and financing costs, net	**435,108**	443,642
Interest income	**11,858**	8,021
Interest expense on debt instruments and other financing costs	**(307,147)**	(306,576)
Early retirement of debt charge	**–**	(28,698)
Loss on cash flow hedge	**–**	(2,686)
Interest and financing costs, net (Note 11)	**(295,289)**	(329,939)
Net Income	**139,819**	113,703
Items that may be reclassified subsequently to Net Income:		
Amortization of terminated hedges and interest rate swap	**4,030**	2,454
Loss on cash flow hedge	**–**	(12,047)
Items that may not be reclassified subsequently to Net Income:		
Pension remeasurements (Note 13)	**6,134**	(12,314)
Other Comprehensive Income (Loss)	**10,164**	(21,907)
Total Comprehensive Income	**149,983**	91,796

Related party transactions (Note 14)

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

Consolidated Statements of Changes in Deficit and Accumulated Other Comprehensive Loss

Year Ended December 31, 2019 (in thousands of Canadian dollars)	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
	$	**$**	**$**
Balance, January 1, 2019	**(349,190)**	**(24,320)**	**(373,510)**
Net Income	**139,819**	**–**	**139,819**
Amortization of terminated hedges and interest rate swap	**–**	**4,030**	**4,030**
Pension remeasurements	**6,134**	**–**	**6,134**
Total Comprehensive Income for the year	**145,953**	**4,030**	**149,983**
Balance, December 31, 2019	**(203,237)**	**(20,290)**	**(223,527)**

Year Ended December 31, 2018 (in thousands of Canadian dollars)	Deficit	Accumulated Other Comprehensive Loss	Total
	$	$	$
Balance, January 1, 2018	(450,579)	(14,727)	(465,306)
Net Income	113,703	–	113,703
Amortization of terminated hedges and interest rate swap	–	2,454	2,454
Loss on cash flow hedge	–	(12,047)	(12,047)
Pension remeasurements	(12,314)	–	(12,314)
Total Comprehensive Income (Loss) for the year	101,389	(9,593)	91,796
Balance, December 31, 2018	(349,190)	(24,320)	(373,510)

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

Consolidated Statements of Cash Flows

Years Ended December 31 (in thousands of Canadian dollars)	**2019**	2018
	$	$
Cash Flows from (used in) Operating Activities		
Net Income	**139,819**	113,703
Adjustments for:		
Amortization of property and equipment	**277,350**	268,548
Amortization of investment property	**9,017**	7,200
Amortization of intangibles and other assets	**9,550**	6,322
Net loss on disposal of property and equipment and intangible assets	**490**	355
Post-employment benefit plans	**387**	(121)
Interest and financing costs, net	**295,289**	329,939
Amortization of deferred credit	**(2,202)**	(2,202)
Changes in working capital:		
Accounts receivable	**470**	(17,861)
Prepaids	**(1,392)**	782
Inventory	**(1,201)**	(1,918)
Accounts payable and accrued liabilities	**1,605**	20,621
Security deposits and deferred revenue	**(43)**	5,224
	729,139	730,592
Cash Flows from (used in) Investing Activities		
Acquisition and construction of property and equipment and intangible assets	**(421,864)**	(319,399)
Acquisition and construction of investment property	**(6,644)**	(178,352)
Proceeds on disposal of property and equipment	**116**	66
(Increase) decrease in restricted funds	**(27,465)**	66,237
	(455,857)	(431,448)
Cash Flows from (used in) Financing Activities		
Issuance of medium-term notes, net of issuance costs	**1,389,965**	496,267
Repayment of medium-term notes and long-term debt	**(318,258)**	(1,000,052)
Repayment on credit facility	**–**	(25,000)
(Repayment) issuance of commercial paper	**(1,036,493)**	597,424
Interest paid and other financing costs, net	**(300,777)**	(314,009)
Payment of early retirement of debt charge	**–**	(28,698)
Payment on termination of cash flow hedge	**–**	(14,733)
	(265,563)	(288,801)
Net Cash Inflow	**7,719**	10,343
Cash, beginning of year	**22,530**	12,187
Cash, end of year	**30,249**	22,530

As at December 31, 2019, cash consisted of cash of $31.0 million (December 31, 2018 – $23.7 million) less outstanding cheques of $0.8 million (December 31, 2018 – $1.2 million).

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

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Unless otherwise stated, all amounts are in thousands of Canadian dollars)

1. General Information

The Greater Toronto Airports Authority ("GTAA") is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*.

The GTAA is authorized to 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 currently manages and operates Toronto – Lester B. Pearson International Airport (the "Airport") under a ground lease with the federal government, which was executed in December 1996 (the "Ground Lease").

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

Airport Subject to Ground Lease

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, licences 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.

The Ground Lease sets out that if the GTAA were to purchase or enter into an agreement to purchase any land adjacent to or in the vicinity of the Airport for the purposes of managing, operating or maintaining the Airport, the GTAA shall transfer title of such land to the Landlord and that such land shall become part of the Ground Lease.

Properties owned by the GTAA's wholly-owned subsidiaries are not used for the purposes of managing, operating or maintaining the Airport and therefore do not form part of the Ground Lease.

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.

The Ground Lease has an initial term of 60 years expiring in 2056, with one renewal term of 20 years.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), 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 consolidated financial statements were approved by the Board of Directors on March 26, 2020.

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 consolidated financial statements, are disclosed in Note 5, Critical Accounting Judgements and Key Source of Estimation Uncertainty.

3. Significant Accounting Policies

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

Basis of Measurement

The consolidated 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 which are measured at fair value.

Principles of Consolidation

These consolidated financial statements include the accounts of the GTAA consolidated with those of its wholly-owned and controlled subsidiaries, Malton Gateway Inc. and Airway Centre Inc. Malton Gateway Inc. was incorporated in April 2017 and holds the shares of Airway Centre Inc. Airway Centre Inc. was also incorporated in April 2017 to acquire and manage commercial properties that are unrelated to the direct management, operation and maintenance of the Airport.

All inter-company transactions, balances, revenues and expenses have been eliminated on consolidation.

Segment Reporting

The GTAA consists of two operating segments; however, the second operating segment does not meet the quantitative thresholds to be considered a reportable segment as defined by IFRS 8, *Operating Segments*.

Foreign Currency Translation

The consolidated 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 consolidated statements of operations and comprehensive income.

Cash

Cash includes 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 determined as being 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.

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

(i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:

  (a) the financial asset is held in order to collect contractual cash flows; and

  (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Fair value through other comprehensive income: A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

  (a) the financial asset is held to collect contractual cash flows and selling financial assets; and

  (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

(iii) Fair value through profit or loss ("FVPL"): A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, 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 discounts/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 consolidated statements of financial position.

At initial recognition, the GTAA measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of the financial assets carried at FVPL are expensed in profit and loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest. Subsequent measurement of financial instruments depends on the GTAA's business model for managing the asset and the cash flow characteristics of the asset.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

As at December 31, 2019, the GTAA had no derivative instruments outstanding that have been designated as a hedge. However, certain gains and losses relating to settled hedging instruments are being amortized to the consolidated statements of operations and comprehensive income over the term to maturity of the previously hedged item (see Note 16, Financial Instruments).

Impairment of Financial Assets

The GTAA recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. For amounts receivable, the GTAA applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected credit losses, the GTAA has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the customer and the economic environment. The GTAA considers a financial asset in default when contractual payment is over 90 days past due. However, in certain cases, the GTAA may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

Property and equipment, intangibles and other assets and investment property 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

GTAA as a Lessee

The GTAA assesses whether a contract is or contains a lease at the inception of a contract. The GTAA recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments (including in-substance fixed payments) that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the GTAA uses its incremental borrowing rate which is the rate that the GTAA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset.

Variable rents that do not depend on an index or rate such as the Ground Lease payments are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as ground rent in the consolidated statements of operations and comprehensive income (see Note 12, Leases).

Lease payments relating to short-term leases or leases of low-value assets 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.

GTAA as a Lessor

Lease income from operating leases where the GTAA is the lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statements of financial position based on their nature.

In arrangements where the GTAA sub-leases an asset to a third party, the GTAA classifies the sub-lease as a finance lease if it transfers a significant portion of the risks and rewards of ownership of the right-of-use asset to the lessee. For finance sub-leases, the GTAA derecognizes the right-of-use asset relating to the head lease, and recognizes a receivable at an amount equal to the net investment in the sub-lease. The GTAA does not have any finance leases as a lessor.

Intangibles and Other Assets

As required under the terms of the Ground Lease, in certain instances, the title of 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 consolidated 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 consolidated 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 consolidated statements of operations and comprehensive income over the period of their expected useful lives, which range from three to 10 years.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and borrowing costs.

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 one to 60 years
Bridges and approach systems ("Terminal and Airside assets")	Straight-line over five to 40 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 two 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 consolidated 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 consolidated statements of operations and comprehensive income in the period in which they are incurred.

Investment Property

Investment property is property held for capital appreciation and/or to earn rental income. Property is stated at historical cost less accumulated amortization and any recognized impairment loss, with the exception of land, which is recorded at cost less any accumulated impairment loss.

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 three to 50 years.

The fair value of all investment property is estimated annually. In the year of acquisition, it is assumed that the cost approximates fair value.

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 consolidated 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.

Payments-in-lieu of Real Property Taxes

The GTAA is exempt from the payment of real property taxes under the *Assessment Act (Ontario)*, and instead makes payments-in-lieu of real property taxes ("PILT") to each of the cities of Mississauga and Toronto, as prescribed by regulation. The annual PILT is based on actual passenger volumes in a prior year and is subject to a maximum annual increase under the *Assessment Act*. The properties held by Airway Centre Inc. are not subject to PILT, and Airway Centre Inc. and its tenants pay municipal real property taxes in the ordinary course.

Revenue Recognition

The GTAA recognizes revenue when it transfers control over a product or service to a customer and revenue is measured at the transaction price agreed under the contract. The GTAA does not currently have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

Landing fees and general terminal charges, net of adjustments, and car parking revenues are recognized as Airport facilities are utilized. Airport Improvement Fees ("AIF") are recognized 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 consolidated statements of financial position is the present value of the defined benefit obligation as at the consolidated 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 consolidated 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 consolidated 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. Provisions are included in accounts payable and accrued liabilities.

Deferred Financing Costs

Deferred financing costs (except for line of credit fees that are recognized in the period in which they occur) 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/or revised standards effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

a) 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 replaced IAS 17, *Leases*. The objective of the standard 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. The accounting for lessors did not significantly change. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The GTAA has applied the definition of a lease in IFRS 16 to all contracts outstanding at the date of transition using the modified retrospective method, where the comparative period is not restated. The GTAA has assessed the impact of the new standard on the Ground Lease. There is no impact on the consolidated financial statements with respect to accounting for the Ground Lease under the new standard as lease payments are contingent based on Airport Revenue, and therefore, the expense will continue to be recognized in the consolidated statements of operations and comprehensive income on an accrual basis. The GTAA has also evaluated the impact of this standard with respect to other leases and embedded leases and has concluded that there are no material other leases or embedded leases that require recognition on adoption of this standard. The GTAA has evaluated the impact of this standard with respect to the sublease of land under the Ground Lease and has concluded that there are no material subleases that require recognition on adoption of this standard.

b) Amendments to IAS 19, *Employee Benefits*:

This standard was amended to modify the guidance in connection with defined benefit plans and accounting for plan amendments, settlements or curtailments. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

c) Amendments to IAS 23, *Borrowing Costs*:

These amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments were applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

d) Amendments to IFRS 9, *Financial Instruments*:

This standard was amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at FVPL. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest, but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. These amendments to IFRS 9 also clarify how to account for the modification of a financial liability. Most such modifications will result in immediate recognition of a gain or loss. The amendments were effective for annual periods beginning on or after January 1, 2019. The adoption of these amendments did not have an impact on the consolidated financial statements.

Accounting Standards Issued but not yet Applied

a) Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*:

These standards were amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments will not have a significant impact on the consolidated financial statements.

b) Amendments to IFRS 3, *Business Combinations*:

This standard was amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments will not have a significant impact on the consolidated financial statements.

5. Critical Accounting Judgements and Key Source 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 consolidated financial statements.

Property and Equipment, Intangibles, Other Assets and Investment Property

Critical judgements are utilized in determining when an item of property and equipment, intangibles, other assets and investment property are available for use as intended by management as well as in determining amortization rates and useful lives of these assets and whether impairments are necessary.

Critical judgement is exercised in determining whether an acquisition of investment property or group of investment properties should be accounted for as an asset acquisition or a business combination.

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.

Leases

In some cases, the GTAA sub-leases land held under the Ground Lease to third parties. Management uses its judgement in determining whether the sub-lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Key Source of Estimation Uncertainty

The following is a key assumption concerning the future, and key source of estimation uncertainty at the end of the reporting period, which has 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 13, Post-employment Benefit Obligations.

Airport Improvement Fees

AIF is recognized when departing passengers board the aircraft, using information from air carriers obtained after the boarding has occurred. Therefore, management estimates AIF using information obtained from air carriers, if available, as well as its knowledge of the market, economic conditions and historical experience.

6. Restricted Funds

Restricted funds consist of certain funds, the use of which is directed by the Master Trust Indenture ("MTI") dated December 2, 1997, as supplemented or amended from time to time, 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	**2019**	2018
	$	$
Debt Service Fund		
Principal	**8,121**	7,629
Interest	**60,706**	52,979
	68,827	60,608
Debt Service Reserve Funds		
Revenue Bonds		
Series 1997-3 due December 3, 2027	**36,912**	36,943
Series 1999-1 due July 30, 2029	**40,171**	40,204
Medium-Term Notes		
Series 2000-1 due June 12, 2030	**38,967**	38,649
Series 2001-1 due June 4, 2031	**35,821**	35,139
Series 2002-3 due October 15, 2032	**38,249**	38,742
Series 2004-1 due February 2, 2034	**38,869**	38,912
Series 2010-1 due June 7, 2040	**22,887**	22,598
Series 2011-1 due February 25, 2041	**32,114**	31,944
Series 2011-2 due December 2, 2041	**18,398**	18,178
Series 2012-1 due September 21, 2022	**12,376**	12,146
Series 2016-1 due February 16, 2021	**–**	2,293
Series 2018-1 due June 1, 2037	**8,336**	8,181
Series 2019-1 due April 3, 2029	**6,949**	–
Series 2019-2 due October 17, 2039	**12,435**	–
Security for Bank Indebtedness		
Series 1997–C Pledged Bond	**4,890**	4,199
	347,374	328,128
	416,201	388,736
Less: Current portion	**(68,827)**	(60,608)
	347,374	328,128

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

	2019	2018
	$	$
Cash	**28,027**	69,098
Guaranteed Investment Certificates	**388,174**	319,638
	416,201	388,736

Trust Funds

The GTAA is required to establish and maintain with the Trustee the Trust Funds in accordance with the terms of the MTI (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper). 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 MTI.

(a) 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 2019, the principal requirements of the Debt Service Fund were funded through cash flows from operations. The fund balance as of December 31, 2019 was $8.1 million (December 31, 2018 – $7.6 million).

During 2019, principal of $18.3 million (December 31, 2018 – $27.6 million) was paid from the Principal Account of the Debt Service Fund, and $18.8 million was deposited and/or allocated to the fund by the GTAA for the principal of the Series 1999-1 and MTNs (December 31, 2018 – $21.1 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, 2019 was $60.7 million (December 31, 2018 – $53.0 million).

(b) 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 MTI.

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 $1.9 billion pledged bond (Series 1997-C) securing the credit facilities (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper).

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 MTI. 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, 2019, this fund was secured by a letter of credit of $103.0 million (December 31, 2018 – $93.0 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 MTI. The Renewal and Replacement Reserve Fund is also secured by a letter of credit of $3.0 million (December 31, 2018 – $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 MTI.

7. Accounts Receivable

As at December 31	**2019**	2018
	$	$
Trade accounts receivable	**78,418**	76,639
Less: Allowance for doubtful accounts	**(765)**	(589)
Trade accounts receivable, net	**77,653**	76,050
Other receivables	**9,088**	11,161
Total accounts receivable	**86,741**	87,211

Included in trade accounts receivable and other receivables is $10.9 million due from Canadian Air Transportation Security Authority (December 31, 2018 – $19.2 million) which is a related party. No provision has been made against these receivables.

8. Intangibles And Other Assets

			December 31, 2019
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Land acquisition costs	**50,763**	**(11,338)**	**39,425**
Computer software	**43,867**	**(12,232)**	**31,635**
Clean Energy Supply Contract ("CES Contract")	**44,655**	**(20,145)**	**24,510**
	139,285	**(43,715)**	**95,570**

			December 31, 2018
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land acquisition costs	50,763	(10,270)	40,493
Computer software	23,931	(7,778)	16,153
Clean Energy Supply Contract ("CES Contract")	44,655	(16,116)	28,539
	119,349	(34,164)	85,185

The aggregate amortization expense with respect to land acquisition costs for 2019 was $1.1 million (2018 – $1.1 million) and is included in ground rent expense in the consolidated 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, 2019	**40,493**	**16,153**	**56,646**
Additions	**–**	**19,936**	**19,936**
Amortization expense	**(1,068)**	**(4,454)**	**(5,522)**
Balance, December 31, 2019	**39,425**	**31,635**	**71,060**
Balance, January 1, 2018	41,560	4,081	45,641
Additions	–	13,298	13,298
Amortization expense	(1,067)	(1,226)	(2,293)
Balance, December 31, 2018	40,493	16,153	56,646

On February 1, 2006, the GTAA entered into the CES Contract with Independent Electricity System Operator ("IESO") (formerly, the Ontario Power Authority), 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 $44.7 million, 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 2019 was $4.0 million (2018 – $4.0 million) and is included in the goods and services expense in the consolidated 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, 2019 was $13.4 million (December 31, 2018 – $15.6 million). During 2019, the reduction of the unamortized liability of $2.2 million (December 31, 2018 – $2.2 million) was recorded as a reduction to goods and services expense in the consolidated statements of operations and comprehensive income.

9. Property And Equipment

Property and equipment are composed of:

	Terminal and Airside Assets	**Baggage Handling Systems**	**Improvements to Leased Land**	**Runways and Taxiways**	**Airport Operating Assets**	**Assets Under Construction**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cost							
Balance, beginning of year	**6,558,848**	**396,807**	**9,480**	**537,798**	**753,877**	**387,545**	**8,644,355**
Additions	**273**	**–**	**–**	**–**	**–**	**370,481**	**370,754**
Disposals	**(485)**	**–**	**–**	**–**	**(6,824)**	**–**	**(7,309)**
Transfers	**149,363**	**7,307**	**–**	**4,381**	**58,351**	**(219,402)**	**–**
Balance, end of year	**6,707,999**	**404,114**	**9,480**	**542,179**	**805,404**	**538,624**	**9,007,800**
Accumulated amortization							
Balance, beginning of year	**2,490,796**	**200,022**	**3,484**	**212,826**	**427,949**	**–**	**3,335,077**
Amortization expense	**183,600**	**15,339**	**158**	**19,725**	**58,528**	**–**	**277,350**
Disposals	**(200)**	**–**	**–**	**–**	**(6,503)**	**–**	**(6,703)**
Transfers	**(119)**	**–**	**–**	**–**	**119**	**–**	**–**
Balance, end of year	**2,674,077**	**215,361**	**3,642**	**232,551**	**480,093**	**–**	**3,605,724**
Net book value, end of year	**4,033,922**	**188,753**	**5,838**	**309,628**	**325,311**	**538,624**	**5,402,076**

	Terminal and Airside Assets	Baggage Handling Systems	Improvements to Leased Land	Runways and Taxiways	Airport Operating Assets	Assets Under Construction	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	6,465,969	375,159	9,480	519,113	703,057	183,364	8,256,142
Additions	460	–	–	–	–	390,023	390,483
Disposals	(378)	–	–	–	(1,892)	–	(2,270)
Transfers	92,797	21,648	–	18,685	52,712	(185,842)	–
Balance, end of year	6,558,848	396,807	9,480	537,798	753,877	387,545	8,644,355
Accumulated amortization							
Balance, beginning of year	2,313,999	185,674	3,326	193,726	371,654	–	3,068,379
Amortization expense	176,546	14,348	158	19,100	58,396	–	268,548
Disposals	–	–	–	–	(1,850)	–	(1,850)
Transfers	251	–	–	–	(251)	–	–
Balance, end of year	2,490,796	200,022	3,484	212,826	427,949	–	3,335,077
Net book value, end of year	4,068,052	196,785	5,996	324,972	325,928	387,545	5,309,278

As at December 31, 2019, $538.6 million (December 31, 2018 – $387.5 million) of property and equipment was under construction and not yet subject to amortization. Included in this amount is $15.5 million (December 31, 2018 – $6.5 million) of capitalized interest. During the year, borrowing costs were capitalized at the rate of 4.9 per cent, which represents the weighted-average rate of the GTAA's general borrowings (2018 – 5.0 per cent).

10. Investment Property

As at December 31	**2019**	2018
	$	$
Cost		
Balance, beginning of year	**493,320**	314,968
Additions	**6,644**	178,352
Balance, end of year	**499,964**	493,320
Accumulated amortization		
Balance, beginning of year	**17,619**	10,419
Amortization expense	**9,017**	7,200
Balance, end of year	**26,636**	17,619
Net book value, end of year	**473,328**	475,701

Investment property consists of a flight simulator facility and commercial properties (land and buildings) owned by the GTAA and its controlled subsidiaries. These properties are leased to third parties.

There were no commercial property acquisitions by Airway Centre Inc. in the year (December 31, 2018 – $178.4 million). Office space and building improvements during the year were $6.6 million. These commercial properties are subject to municipal real property taxes.

The total fair value of all commercial properties, based on an independent valuation, was $500.3 million as at December 31, 2019 (December 31, 2018 – $486.6 million). The fair values are within Level 3 of the fair value hierarchy.

For the year ended December 31, 2019, the commercial properties generated $31.4 million (December 31, 2018 – $26.2 million) in rental revenue and incurred $23.7 million (December 31, 2018 – $18.0 million) in direct operating expenses.

11. Credit Facilities, Long-Term Debt and Commercial Paper

As at December 31, long-term debt and commercial paper ("CP"), net of unamortized discounts and premiums and accrued interest, consisted of:

Series	Coupon Rate	Maturity Date	Principal Amount	**2019**	2018
Revenue Bonds			$	**$**	$
1997-3	6.45%	December 3, 2027	321,500	**320,466**	320,239
1999-1	6.45%	July 30, 2029	261,661	**267,450**	286,009
Medium-Term Notes					
2000-1	7.05%	June 12, 2030	526,550	**527,244**	527,195
2001-1	7.10%	June 4, 2031	492,150	**491,348**	491,189
2002-3	6.98%	October 15, 2032	468,960	**475,452**	475,464
2004-1	6.47%	February 2, 2034	567,428	**577,674**	577,503
2010-1	5.63%	June 7, 2040	400,000	**398,893**	398,845
2011-1	5.30%	February 25, 2041	600,000	**607,537**	607,476
2011-2	4.53%	December 2, 2041	400,000	**398,653**	398,595
2012-1	3.04%	September 21, 2022	388,000	**390,552**	390,321
2016-1	1.51%	February 16, 2021	300,000	**–**	300,922
2018-1	3.26%	June 1, 2037	500,000	**497,838**	497,704
2019-1	2.73%	April 3, 2029	500,000	**500,536**	–
2019-2	2.75%	October 17, 2039	900,000	**898,066**	–
			6,626,249	**6,351,709**	5,271,462
Commercial paper			60,000	**59,978**	1,098,793
				6,411,687	6,370,255
Less: Current portion (including accrued interest)				**(141,826)**	(1,173,246)
				6,269,861	5,197,009

As at December 31, 2019, accrued interest included in the current portion of the long-term debt was $62.4 million (December 31, 2018 – $56.2 million).

On April 3, 2019, the GTAA issued $500.0 million Series 2019-1 MTNs due April 3, 2029 at a coupon rate of 2.73 per cent for net proceeds of $497.9 million. The net proceeds partially reduced the outstanding balance of CP.

On September 25, 2019, the GTAA exercised its right to redeem all $300.0 million of the outstanding Series 2016-1 MTNs on October 25, 2019 (the "redemption date"). The Series 2016-1 MTNs had an original maturity date of February 21, 2021. To refinance the redemption of the Series 2016-1 MTNs, the GTAA issued on October 17, 2019 $900.0 million Series 2019-2 MTNs due October 17, 2039 at a coupon rate of 2.75 per cent for net proceeds of $894.3 million. The remaining proceeds of this issuance were used to partially pay down outstanding CP.

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

	2019	2018
	$	$
Interest income	**11,858**	8,021
Interest expense on debt instruments	**(315,298)**	(307,999)
Capitalized interest	**15,737**	7,708
Early retirement of debt charge	**–**	(28,698)
Loss on cash flow hedge	**–**	(2,686)
Amortization of terminated hedges and interest rate swap	**(4,030)**	(2,454)
Other financing fees	**(3,556)**	(3,831)
	(307,147)	(337,960)
Interest and financing costs, net	**(295,289)**	(329,939)

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 instalments of principal, payable on July 30 of each year. These payments commenced July 30, 2004 and will 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 consolidated statements of financial position. The fair values are within Level 2 of the fair value hierarchy.

	December 31, 2019		December 31, 2018	
($ millions)	**Book Value**	**Fair Value**	Book Value	Fair Value
	$	**$**	$	$
Long-term debt	**6,351,709**	**7,882,290**	5,271,462	6,438,438

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.

There are no material non-cash changes affecting liabilities from financing activities.

Credit Facilities

As part of its liquidity management program, the GTAA maintains the following credit facilities: a revolving operating credit facility in an amount of $1.4 billion, a letter of credit facility in the amount of $150.0 million and an interest rate and foreign exchange hedging facility in the amount of $150.0 million. These credit facilities are secured by a $1.9 billion pledged bond (Series 1997-C) issued pursuant to the MTI. Indebtedness under the credit facilities ranks pari passu with other indebtedness issued under the MTI. The $1.4 billion revolving operating credit facility matures on May 22, 2022 and the $150.0 million letter of credit facility matures on May 22, 2020. Each of the credit facilities can be extended annually for one additional year with the lender's consent.

As at December 31, 2019, no amounts were utilized on the $1.4 billion revolving operating credit facility (December 31, 2018 – $nil). As at December 31, 2019, $109.2 million was utilized on the $150.0 million letter of credit facility (December 31, 2018 – $99.2 million). As at December 31, 2019, $nil was secured on the $150.0 million interest rate and foreign exchange hedging facility (December 31, 2018 – $nil).

12. Leases

Ground Lease

The GTAA's commitment with respect to annual ground lease is based on a set percentage of the GTAA's revenues (see "Airport Subject to Ground Lease" in Note 1, General Information). Ground rent expense in 2019 was $169.7 million (2018 – $164.2 million) excluding amortization of land acquisition costs (see Note 8, Intangibles and Other Assets).

Other Leases as a Lessor

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

Income from subleasing land in the year was $28.9 million (2018 – $26.0 million).

Variable payments form part of certain lease agreements. Total variable payments recognized in the consolidated statements of operations and comprehensive income for 2019 was $64.6 million (2018 – $62.0 million).

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

($ millions)	2020	2021	2022	2023	2024	Thereafter
	$	$	$	$	$	$
December 31, 2019	**195,245**	**174,898**	**105,974**	**63,729**	**39,951**	**322,555**
December 31, 2018	163,666	146,095	128,604	81,949	52,242	204,655

13. 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 other defined benefit pension plan is a registered pension plan for certain retired senior executives of the GTAA. Both plans do not accept new members.

The GTAA measures its accrued benefit obligations and the fair value of plan assets for both of its defined benefit pension plans 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, 2019, and the next required valuation is as of January 1, 2020.

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 14.6 years.

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b) Risks Associated with the Plans

The nature of these benefits 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 61 per cent in equities, which may outperform corporate bonds in the long term, but may contribute to volatility in valuation 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 any surplus and/or increase any 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 consolidated statements of financial position as at December 31 are determined as follows:

	2019	2018
	$	$
Present value of funded obligation	**(203,065)**	(183,190)
Fair value of plan assets	**263,498**	235,901
Funded status – surplus	**60,433**	52,711
Net defined benefit asset	**60,433**	52,711

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

	2019	2018
	$	$
Accrued benefit obligation		
Balance, beginning of year	**183,190**	186,682
Current service cost	**2,092**	2,503
Interest cost	**6,798**	6,557
Benefits paid	**(7,884)**	(6,758)
Employee contributions	**388**	420
Remeasurements:		
Loss (gain) from changes in financial assumptions	**17,999**	(5,068)
Experience loss (gain)	**482**	(1,146)
Balance, end of year	**203,065**	183,190
Plan assets		
Fair value, beginning of year	**235,901**	250,817
Interest income	**8,807**	8,914
Return on plan assets, excluding amounts included in interest income	**24,693**	(18,602)
Employer contributions	**1,846**	1,378
Employee contributions	**388**	420
Benefits paid	**(7,884)**	(6,758)
Administrative expenses paid from plan assets	**(253)**	(268)
Fair value, end of year	**263,498**	235,901
Funded status – surplus	**60,433**	52,711

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As at December 31, 2019, each of the GTAA's defined benefit pension plans was in a surplus position. One plan was in a surplus position of $59.3 million (2018 – $51.2 million), with an accrued obligation of $186.3 million (2018 – $167.0 million) and a fair value of plan assets of $245.6 million (2018 – $218.2 million). The other plan was in a surplus position of $1.1 million (2018 – $1.5 million), with an accrued obligation of $16.7 million (2018 – $16.2 million) and a fair value of plan assets of $17.8 million (2018 – $17.7 million).

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

	2019	2018
	$	$
Current service cost	**2,092**	2,503
Interest cost	**6,798**	6,557
Interest income	**(8,807)**	(8,914)
Administrative expenses	**342**	342
Defined benefit pension plan expense recognized in net income	**425**	488
Amounts recognized in other comprehensive income (loss):		
Loss (gain) from changes in financial assumptions	**17,999**	(5,068)
Experience loss (gain)	**482**	(1,146)
Return on plan assets	**(24,782)**	18,528
Total remeasurements recognized in accumulated other comprehensive loss	**(6,301)**	12,314

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

	2019	2018
	$	$
Net defined benefit asset, beginning of year	**52,711**	64,135
Defined benefit cost included in net income	**(425)**	(488)
Total remeasurements included in other comprehensive income (loss)	**6,301**	(12,314)
Employer contributions	**1,846**	1,378
Net defined benefit asset, end of year	**60,433**	52,711

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

	2019	2018
	$	$
Active members	**66,009**	59,095
Vested deferreds	**10,129**	6,694
Retirees	**126,927**	117,401
Accrued benefit obligation	**203,065**	183,190

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

	Fair Value of Plan Assets	
Asset Category	**2019**	2018
Equity securities	**61%**	58%
Fixed income	**39%**	42%

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

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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:

	2019	2018
	%	%
Discount rate	**3.09**	3.79
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 post-employment benefit obligation to changes in the weighted-average significant actuarial assumptions as at December 31, 2019 would be as follows:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$	$
Discount rate	1.00%	(24,937)	30,892
Rate of price inflation	1.00%	27,569	(23,401)
Mortality	1 year	7,906	(8,003)

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 consolidated statements of financial position.

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

As at January 1, 2019, the registered defined benefit plan had a funding valuation solvency surplus of $2.1 million. The supplementary defined benefit plan had a solvency deficit of $0.3 million as at January 1, 2019. The GTAA has fully funded this deficit.

Expected contributions, benefit payments and administrative expenses for both defined benefit pension plans for the year ended December 31, 2020 are $1.9 million, $8.2 million and $0.3 million, respectively.

Defined Contribution Pension Plan Expense

The GTAA maintains four pension plans with defined contribution provisions providing pension benefits to employees who commenced working for the GTAA after December 1996 as well as those former Transport Canada employees who elected to transfer their pension credits to the GTAA plan. The net expense for the defined contribution pension plans in 2019 was $5.9 million (2018 – $4.6 million).

The GTAA's contribution to the registered defined contribution pension plans is a maximum of 6.5 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 on the consolidated statements of financial position is the estimated obligation for this plan at December 31, 2019 of $3.3 million (December 31, 2018 – $2.0 million).

Severance Entitlement Plan

The GTAA has a severance entitlement plan for certain employees under the terms of their collective bargaining 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.

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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, 2019, the balance of the accrued benefit obligation was $2.8 million (2018 – $2.4 million), the post-employment benefit expense recognized in net income for the year ended December 31, 2019 was $0.2 million (2018 – $0.2 million) and the pension remeasurements gain recognized in other comprehensive income (loss) was $0.2 million (2018 – $0.05 million).

Other Employee Future Benefits

Certain employees are provided with paid-up life insurance at the time of retirement. At December 31, 2019, the estimated obligation for this payment is $3.0 million (December 31, 2018 – $2.7 million) and is included in post-employment benefit liabilities in the consolidated statements of financial position.

14. Related Party Transactions

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. Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. Five Directors are elected by the Members from candidates nominated by the following municipalities: the regional municipalities of York, Halton, Peel and Durham, and the City of Toronto. Two Directors are elected by the Members from nominees of the Government of Canada and one Director is elected by the Members from a nominee of the Province of Ontario.

As a result of the ability of the Government of Canada to nominate Members, this government and its respective government-related entities are considered related parties for accounting purposes only.

The GTAA has applied the exemption for government-related entities to disclose only significant transactions. See Note 7, Accounts Receivable, for amounts due from Canadian Air Transportation Security Authority.

Compensation of Key Management and Directors

The GTAA's related parties also includes Key Management personnel. Key Management includes the CEO, the CFO and the Vice Presidents who have the authorities and responsibilities for planning, directing and controlling the activities of the GTAA. The GTAA's Board of Directors collectively oversee the management and operation of the Airport. The Board of Directors are, only for the purposes hereof, also considered Key Management, although all are independent of management.

The following table includes compensation to Key Management personnel and members of the Board of Directors for the years ended December 31 included in the consolidated statements of operations and comprehensive income.

	2019	2018
	$	$
Salaries, fees and short-term benefits	**9,283**	8,319
Post-employment benefits	**828**	781
Other long-term benefits	**16**	25
Total (included in salaries, wages and benefits)	**10,127**	9,125

15. 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, 2019 and subsequent to the year-end of approximately $297.7 million, as compared to $327.8 million at December 31, 2018.

Letters of Credit

A number of letters of credit for $109.2 million in total were outstanding as at December 31, 2019 (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper).

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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.

16. Financial Instruments

Fair Value Hierarchy

Fair value measurements recognized in the consolidated 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 consolidated statements of financial position are represented by accounts receivable, accounts payable and accrued liabilities, security deposits, long-term debt and CP. 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 11, Credit Facilities, Long-Term Debt and Commercial Paper.

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.

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 financial 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 MTI. 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 and short-term borrowing as described in Note 11, Credit Facilities, Long-Term Debt and Commercial Paper. As at December 31, 2019, all of the GTAA's MTNs are fixed-rate carried liabilities 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. The borrowings under the CP program and credit facilities will fluctuate in accordance with changes in interest rates.

The GTAA also has exposure to interest rate risk through its short-term investments in restricted funds (see Note 6, Restricted Funds) and other borrowings (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper). As at December 31, 2019, $388.2 million of the GTAA's short-term investment holdings carried various terms to maturity from one to 365 days. 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 that 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 is adjusted annually on March 23, 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. All 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 adequacy. 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 latter customers are performed at the time of the agreement negotiations, renewals 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 or institution holding the funds.

As at December 31	**2019**	2018
	$	$
Cash		
AA	**30,249**	22,530
Restricted funds		
AA	**365,689**	281,336
AA low	**50,512**	107,400
	416,201	388,736

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

The GTAA invests its restricted funds in highly rated investment instruments with low risk profiles according to the guidelines specified in the MTI. The MTI requires that the GTAA invest its restricted funds with financial institutions with investment grade rates of AA or higher. Due to a credit rating upgrade of several Canadian banks in 2018, the GTAA's investment options in its restricted funds were increased to six qualifying banks. The GTAA also has the ability to invest in highly rated government investment instruments.

There is a concentration of service with two air carriers that represent approximately 45.4 per cent (2018 – 47.3 per cent) of total revenue, and 9.1 per cent (2018 – 20.3 per cent) of the accounts receivable balance, excluding prepayments and/or deposits on hand, at December 31, 2019.

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 or any period within one year.

The GTAA maintains credit facilities and a CP program and executes a Capital Markets Platform to meet cash needs as debt maturities occur (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper, and Note 20, Capital Risk Management). The GTAA mitigates risk related to liquidity in the CP program via the credit facilities available under its lines of credit.

The table below analyzes the GTAA's financial liabilities by relevant maturity groupings based on the remaining period at the date of the consolidated 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, 2019
	Less Than 1 Month	**1 Month to 12 Months**	**1 Year to 5 Years**	**Thereafter**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**63,831**	**224,118**	**–**	**–**
Commercial paper	**59,978**	**–**	**–**	**–**
Long-term debt	**8,439**	**329,057**	**2,040,092**	**8,454,823**
	132,248	**553,175**	**2,040,092**	**8,454,823**

				December 31, 2018
	Less Than 1 Month	1 Month to 12 Months	1 Year to 5 Years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities	74,395	258,859	–	–
Commercial paper	599,570	499,223	–	–
Long-term debt	9,027	294,598	2,166,683	6,947,848
	682,992	1,052,680	2,166,683	6,947,848

Additional disclosure about the GTAA's credit facilities and long-term debt can be found in Note 11, Credit Facilities, Long-Term Debt and Commercial Paper, and Note 8, Intangibles and Other Assets.

Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated 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 consolidated 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 which may be subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2019 and 2018, and shows in the "Net Amount" column what the net impact would be on the GTAA's consolidated statements of financial position if all set-off rights were exercised in circumstances described above. As at December 31, 2019, no recognized financial instruments are offset in the consolidated statements of financial position.

			December 31, 2019
	Gross Amount Presented in the Consolidated Statements of Financial Position	**Related Accounts Not Set Off in the Consolidated Statements of Financial Position**	**Net Amount**
	$	**$**	**$**
Financial assets			
Accounts receivable	**86,741**	**(32,289)**	**54,452**
Restricted funds	**416,201**	**(411,311)**	**4,890**
	502,942	**(443,600)**	**59,342**
Financial liabilities			
Security deposits	**(32,289)**	**32,289**	**–**
Long-term debt	**(6,351,709)**	**411,311**	**(5,940,398)**
	(6,383,998)	**443,600**	**(5,940,398)**

			December 31, 2018
	Gross Amount Presented in the Consolidated Statements of Financial Position	Related Accounts Not Set Off in the Consolidated Statements of Financial Position	Net Amount
	$	$	$
Financial assets			
Accounts receivable	87,211	(33,644)	53,567
Restricted funds	388,736	(384,537)	4,199
	475,947	(418,181)	57,766
Financial liabilities			
Security deposits	(33,644)	33,644	–
Long-term debt	(5,271,462)	384,537	(4,886,925)
	(5,305,106)	418,181	(4,886,925)

17. Revenue

During the year, the GTAA recognized $1.3 billion (2018 – $1.2 billion) from contracts with customers and $247.0 million (2018 – $226.2 million) of revenue was recognized under IFRS 16, Leases.

Deferred revenue was $51.2 million as at December 31, 2018, which was fully recognized in the consolidated statement of operations and comprehensive income in 2019. $52.3 million of cash was received during the year that related to performance obligations yet to be satisfied resulting in a deferred revenue balance of $52.3 million as at December 31, 2019.

18. Accounts Payable and Accrued Liabilities

As at December 31	**2019**	2018
	$	$
Trade payables	**58,211**	65,182
Accrued expenses	**219,787**	247,778
Commodity sales tax payable	**3,021**	5,134
Provisions	**1,943**	8,218
Other liabilities	**4,987**	6,942
	287,949	333,254

19. Goods and Services Expense by Nature

Years ended December 31	**2019**	2018
	$	$
Property and equipment maintenance and repairs	**100,619**	94,983
Outsourcing and professional services	**131,717**	127,404
Utilities	**21,165**	21,909
Policing and security	**40,306**	37,942
Snow removal	**36,312**	25,073
AIF administration fee	**17,923**	18,399
Other	**36,825**	31,684
	384,867	357,394

20. Capital Risk Management

The GTAA defines its capital as current and long-term portions of debt, borrowings under the CP program, borrowings, if any, under the GTAA's credit facilities (see Note 11, Credit Facilities, Long-Term Debt and Commercial Paper), cash and restricted funds (see Note 6, Restricted Funds).

The GTAA's objectives when managing capital are to:

a) Maintain a capital structure and an appropriate credit 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 MTI.

The GTAA is a corporation without share capital and, accordingly, is funded through operating revenues, AIF revenue, restricted funds, the debt capital and CP 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.

Capital Markets Platform

The GTAA's ongoing capital requirements, as noted above, are financed through the issuances of debt. The GTAA maintains 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 MTI, which establishes common security and a set of common covenants by the GTAA for the benefit of all its lenders. The security is comprised of: 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, 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 MTI contains a Rate Covenant, consisting of two financial tests (an operating covenant and debt service covenant) such that: (i) Revenues in each Fiscal Year are sufficient to make all required debt service payments and deposits in funds and reserve funds, and all other payments required to be made by the GTAA in the ordinary course of its consolidated business; and (ii) Net Revenues, together with any Transfer from the General Fund in each Fiscal Year, equal at least 125.0 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the MTI). The GTAA sets its rates and charges, fees and rentals so that these two covenants under the MTI are met. Both covenant tests exclude amortization of property and equipment, investment property and intangible assets from expenses. The debt service covenant does, however, include a notional amortization, over a 30-year period of outstanding debt. Inclusion of the notional debt amortization further determines whether net revenues are sufficient to retire debt over 30 years, which is considered appropriate for an infrastructure provider with significant, long-term use assets. The GTAA's operating covenant ratio was 137.1 per cent in 2019, which is above the minimum requirement of 100.0 per cent under the MTI. The GTAA's debt service covenant ratio was 150.4 per cent in 2019, which is above the minimum requirement of 125.0 per cent under the MTI.

21. Subsequent Event

Subsequent to year-end, a novel coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and declared on March 11, 2020 as a pandemic by the World Health Organization. The outbreak and resulting economic contraction has had, and is expected to continue to have, a negative impact on demand for air travel globally. Toronto Pearson has experienced significant declines in passengers and flight activity during February and March of 2020, as compared to the same period in 2019. This is due to flight and route cancellations, fleet groundings, travel advisories and restrictions and the economic contraction occasioned by the outbreak. The reduced activity is having a significant negative impact on the GTAA's business and results of operations, including aeronautical and commercial revenues and airport improvement fees. Given the rapidly evolving situation, Management continues to analyze the extent of the financial impact, which could be material, depending on the duration of the outbreak.

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:

Greater Toronto Airports Authority
Toronto Pearson International Airport
P.O. Box 6031
3111 Convair Drive
Toronto AMF, Ontario, Canada L5P 1B2

or send an email to Publication@GTAA.com.

Thank you for your interest.

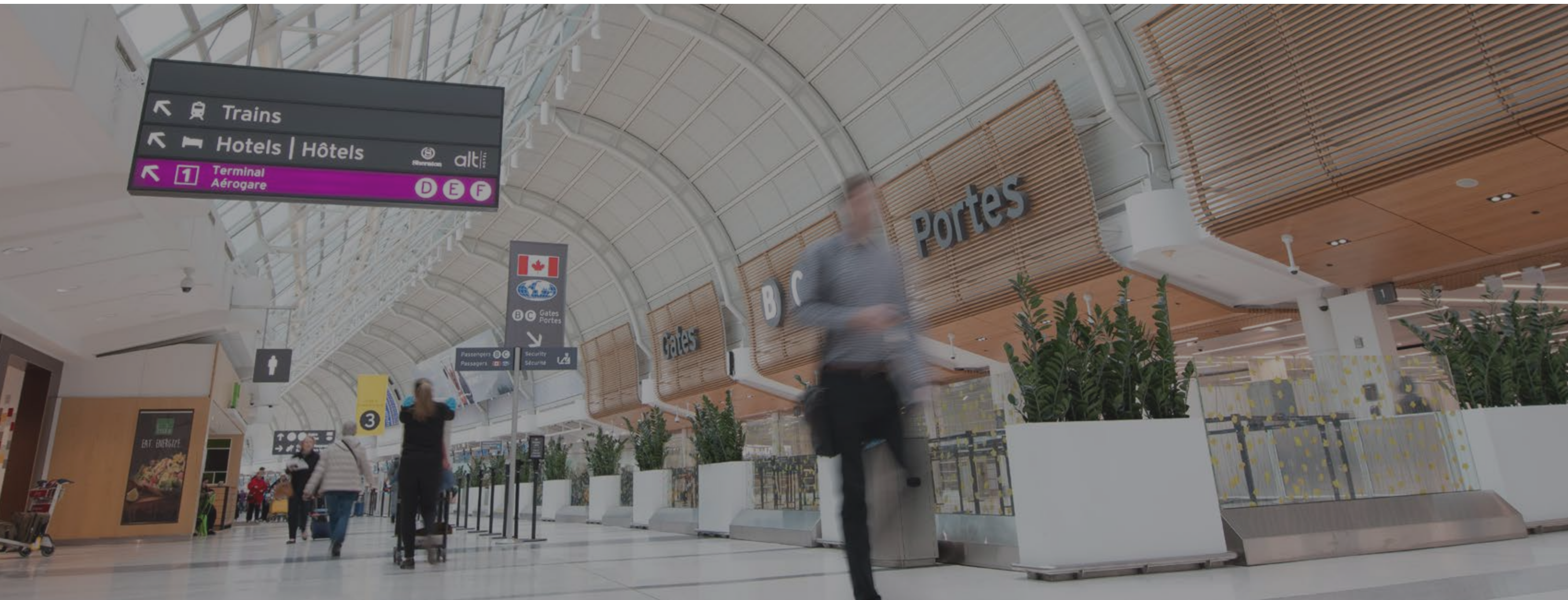
The Greater Toronto Airports Authority (GTAA) was incorporated in 1993 and manages Toronto Pearson International Airport under terms set out in our December 1996 lease with the Canadian federal government.

Download the full GRI Standards Index at **https://www.torontopearson.com/ar2019/_downloads/Sustainability_Management_Approach_and_GRI_Index.pdf**

Writing
Doug Dolan Communications and Lorraine Gilbert

Design and Sustainability Consulting
The Works Design Communications

Contributing Photographers
Lorella Zanetti
Norm Li
Jon Hyatt



Greater Toronto Airports Authority
Toronto Pearson International Airport
P.O. Box 6031, 3111 Convair Drive
Toronto AMF, Ontario, Canada   L5P 1B2

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