Greater Toronto Airports Authority
Annual Information Form
For the Year Ended December 31, 2014

March 11, 2015

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1 Caution Regarding Forward-Looking Information

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

Words such as "believe," "expect," "plan," "intend," "estimate," "anticipate" and similar expressions, as well as future or conditional verbs such as "will," "should," "would" and "could," often identify forward-looking information. Specific forward-looking information in this AIF includes, among others, statements regarding the following: the GTAA's strategic framework and its vision and mission statements; growth in domestic, transborder and international passenger traffic; the GTAA meeting growing demand for air travel through making optimum use of existing facilities before investing in new capital infrastructure, and how this will be achieved; the GTAA's rate setting methodology and its relationship to financial and corporate sustainability and debt levels and service costs; the purchase and cancellation of outstanding debt in the near term; expected net interest savings as a result of the GTAA's bond buy-back program; the intention to use $142.1 million of the AIF Reserve Fund to repay a portion of the $350 million Series 2005-1 Medium Term Note due on June 1, 2015; funding capital expenditures from operating cash flows over the next five years; the expansion of the international to domestic baggage connection process in 2015; the extension of the air service incentive program in 2015; maintaining the GTAA's 2015 aeronautical fees at 2013 levels; demand for air travel in the Greater Toronto Area ("GTA") and passenger projections; growth in activity at Toronto Pearson International Airport ("Toronto Pearson" or the "Airport"); the coming into force of new requirements relating to aviation safety and security; the commencement of service of the Union Pearson Express train; public pronouncements of various third-party agencies, experts and analysts with respect to the global, national, provincial and local economies; the acquisition and subsequent transfer of the remaining parcel of Boeing lands to the federal government; future terminal, airside, groundside and other capital developments at the Airport including the timing, cost and completion dates of these developments; the commencement of operations of facilities currently under construction at the Airport; the effect of the apron and check-in fees in increasing efficiency in the use of Airport facilities and reducing air carrier and GTAA costs; the Long Term Aeronautical Fees Agreement entered into with Air Canada; the outcome of certain applications relating to payments-in-lieu of development charges; the commencement of the implementation of recommendations from the stormwater-flood study in 2015; and the achievement of a 20 per cent reduction below a 2006 baseline in the GTAA's release of greenhouse gases by 2020.

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

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

The forward-looking information contained in this AIF 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.

2 Corporate Structure

The GTAA was incorporated on March 3, 1993, as a corporation without share capital under Part II of the *Canada Corporations Act*. Effective February 27, 2014, the GTAA was continued under the *Canada Not-for-profit Corporations Act*, the successor legislation to Part II of the *Canada Corporations Act*. The head office of the GTAA is located at 3111 Convair Drive, Mississauga, Ontario, L5P 1B2.

As a Canadian Airport Authority, the GTAA was incorporated in accordance with the terms of the Public Accountability Principles pursuant to the National Airports Policy of the Government of Canada. The Public Accountability Principles are reflected in the GTAA's By-Law and in the Ground Lease (as defined in the next section) and describe certain requirements including appointing and nominating directors to the Board of Directors, holding public meetings, publishing certain documents and adopting certain corporate policies.

3 General Development of the Business

The GTAA is authorized to develop, manage and operate airports within the south-central Ontario region, including the Greater Toronto Area, on a commercial basis, to set fees for the use of such airports and to develop and improve the airport facilities. In accordance with this mandate, the GTAA manages and operates Toronto Pearson International Airport ("Toronto Pearson" or the "Airport"). The GTAA is also permitted to conduct other activities within its mandate. Except for Terminal 3 which was purchased by the GTAA in 1997, the assets, operations and undertakings of Toronto Pearson, as they existed in December 1996, were transferred to the GTAA pursuant to a ground lease (the "Ground Lease") dated December 2, 1996, with Her Majesty the Queen in Right of Canada, as represented by the Minister of Transport. Before the transfer, the Airport was operated by Transport Canada, a department of the Government of Canada. The Ground Lease has an initial term of 60 years expiring on December 1, 2056, with an option for the GTAA to extend the term for an additional 20-year period to December 1, 2076. The Ground Lease includes all Airport lands, buildings and structures, as well as certain roads and bridges providing access to the Airport, but excludes any assets owned by NAV CANADA, the operator of Canada's civil air navigation system.

3.1 20-Year Strategic Framework

During 2013, the GTAA developed its 20-year strategic framework. This strategic framework is used as the basis for developing the GTAA's five-year business plans and annual business plans and budgets.

The 20-year strategic framework seeks to position the Airport to meet the travel demands of the south-central Ontario region in a sustainable manner, and is guided by three overarching principles: financial sustainability, customer experience and operational excellence. The overarching principles are intended to create a balanced approach to the GTAA's strategic business decisions. Through this strategic framework, the GTAA will meet the growing demand for air travel by making optimum use of existing facilities before investing in new capital infrastructure. This will be achieved by improving passenger, baggage and aircraft processes and flow; delivering excellent customer service; enhancing passenger amenities such as new restaurants and stores; and creating a welcoming passenger experience.

During 2014, the GTAA refined its 20-year strategic framework by introducing new vision and mission statements and developing and integrating an ancillary framework that will inform and guide its long term corporate strategy. The GTAA also developed corporate sustainability and people strategic frameworks which are directly linked elements of the overall 20-year strategic framework.

Vision Statement: The new vision statement of the GTAA is "The Best Airport in the World: Making a Difference and Connecting the World". The vision statement describes the GTAA's aspiration over the next 20 years to make Toronto Pearson the best airport in the world for air passengers and other airport users by offering exceptional service that will make a difference in each journey. The statement also incorporates the GTAA's commitment to the community and the difference that the GTAA and the Airport make in terms of economic impact and the impact on the community that the Airport serves. The GTAA and its airline partners are growing the connectivity of Toronto Pearson through direct service air links to more cities in all regions of the world.

Mission Statement: The core purpose of the GTAA and those who work at Toronto Pearson is to address the needs of all passengers who travel through the Airport. As a result, the GTAA's mission statement is now expressed as: "Passengers Are Our Passion."

Strategic Goals: The realization of the GTAA's strategic framework is expressed through a set of actionable goals, outlined as follows:

(i) **Safety:** Protect the safety and security of employees, passengers and business partners;

(ii) **People:** Foster an engaged and high performing workforce that enables the achievement of the GTAA's Vision and Mission;

(iii) **Passenger and Customer Service:** Provide a superior experience that makes travel easy and pleasurable and makes Toronto Pearson the airport of choice for travellers;

(iv) **Financial Sustainability:** Generate sufficient returns to be able to support investment in infrastructure needed to accommodate growth, customer service initiatives, and debt reduction;

(v) **Aviation Growth:** Support the travel needs of customers, business partners, the region, the province, and Canada and increase connectivity; and

(vi) **Corporate Responsibility:** Preserve the environment and cultivate a thriving community.

The above elements of the strategy are intended to mutually reinforce all aspects of the strategic framework and provide clear direction of what the GTAA seeks to achieve and how it will be achieved.

In 2014, the GTAA completed the recruitment for five vacant executive positions, which vacancies were created by retirement and management restructuring. The appointment of the five new executive officers support the GTAA's ability to achieve its 20-year strategic framework.

3.2 The GTAA's Focus

The GTAA is focused on three areas: safety, cash management and improving the passenger experience.

3.2.1 Safety

Safety is the top priority of the GTAA. The GTAA has developed a number of safety programs including the Toronto Pearson Safety Program, the Contractor Safety Management Plan and the Terminal and Groundside Safety Program. These programs are intended to educate and promote safe working practices, proactively identify risks and hazards, and reduce injuries among the GTAA's employees and contractors, the 40,000 persons employed at the Airport, and our passengers and visitors.

3.2.2 Cash Management

The GTAA is focused on managing its debt as part of its financial sustainability strategy and its obligation under the Ground Lease to return the Airport to the federal government at the end of the lease term on a debt-free basis. The following describes the key elements of the GTAA's strategy to reduce its debt level and the annual debt service costs, and to reduce the negative carrying cost associated with maintaining certain reserve funds.

1. **Bond Buy-Back Program**

   In 2014, the GTAA purchased and cancelled approximately $399.3 million face value of certain series of its outstanding debt, at a purchase price of $500 million, using accumulated balances in the Notional Principal Fund, Airport Improvement Fee ("AIF") Reserve Fund, and cash. The completion of the 2014 bond buy-back program enabled the GTAA to use its excess liquidity and reduce the negative carrying cost associated with holding cash and certain reserve funds. By purchasing and cancelling certain of its outstanding debt securities, the GTAA reduced its total indebtedness and expects to experience savings in net interest expense in the future. As of the date of this report, the GTAA does not expect to purchase and cancel additional outstanding debt in the near term.

2. **Redeployment of the AIF Reserve Fund**

   The GTAA used $58.5 million of its AIF Reserve Fund to fund a portion of the 2014 bond buy-back program. The redeployment of these funds saved net interest expense on the purchased bonds and eliminated the negative carrying cost of the $58.5 million utilized. The GTAA intends to use the remaining $142.1 million accumulated balance in the AIF Reserve Fund to repay a portion of the $350 million Series 2005-1 Medium Term Note due on June 1, 2015.

3. **Increasing the Credit Facility**

   To replace the contingent liquidity formerly provided by the AIF Reserve Fund, the GTAA increased its bank operating credit facility from $400 million to $600 million in November 2014.

4. **Funding Capital Expenditures from Operating Cash Flows**

   Under the new rate setting methodology implemented in 2013, the GTAA expects to generate aeronautical revenues sufficient not only to fund operating expenses and maintenance and restoration capital expenditures but also, in most years, to fund partial debt repayment and other capital investments. Over the next five years, the GTAA expects to fund its projected capital expenditures through operating cash flows.

5. **Optimizing the Use of Existing Assets**

   The GTAA remains keenly focused on optimizing the use of existing assets before investing in new capital infrastructure. The optimization of existing assets is achieved by increasing passenger, baggage and aircraft flow by deploying new technology, improving processes and implementing projects that increase the processing capacity of the existing facilities.

   This strategy is demonstrated by using the example of the deferral of certain capital projects disclosed in the Annual Information Form for the year ended December 31, 2011. These projects included the design and construction of Pier G of Terminal 1 and its enabling works, the North Deicing Facility, the Sixth Runway and other capital projects (collectively, the "Planned Capital Projects"). During the 2012 to 2014 period, as part of its long-term infrastructure planning process, the GTAA determined that it could defer the large capital expenditures associated with the Planned Capital Projects by optimizing the use of existing assets by taking advantage of new technology and by implementing smaller capital projects to increase the passenger processing capacity within the existing terminal footprint, and increasing the capacity of the deicing and runway systems through improved processes and upgrades.

   Changes in aviation-industry technology also contributed to the optimization of existing assets. Within the terminals, self-service check-in and customs clearance kiosks were introduced to increase passenger processing capacity within the existing check-in and customs areas. New technology also allows passengers to check-in and print boarding passes at home or elsewhere. On the airfield, airlines upgauged some of their aircraft to larger aircraft such as the Boeing 777 and 787 aircraft which carry more passengers but use the same number of movements and gates.

By optimizing the use of its existing assets, during the 2012 to 2014 period, the GTAA deferred approximately $511 million of capital expenditures in respect of the Planned Capital Projects and the associated debt service costs.

As part of its annual capital planning process, the GTAA will determine when certain capital projects will be implemented, either in whole or in phases. Such capital projects will be demand driven or will be implemented to achieve the GTAA's strategic goals.

3.2.3 Improving the Passenger Experience

The GTAA is a passenger-focused organization. During the past two years, the GTAA has implemented a number of initiatives to improve the passenger experience by improving flow, atmosphere and amenities. By enhancing the passenger experience, passengers are more likely to choose Toronto Pearson as their airport of choice, which is especially important to attract connecting passengers. The following describes some of the initiatives intended to provide a more streamlined and faster passenger processing flow, a welcoming atmosphere, and amenities desired by passengers.

1. **Free Wi-Fi and Free Baggage Carts**

   In 2013, the GTAA introduced free Wi-Fi service in the terminals' passenger areas. This initiative is appreciated by passengers as they increasingly travel with laptops, tablets and other mobile electronic devices and are able to download digital content and keep in touch. Part of the funding for the free Wi-Fi service was provided by American Express, a credit card company, through an innovative commercial agreement with the GTAA.

   In 2014, the GTAA purchased 5,000 baggage carts and offered a free baggage cart service to all passengers. Part of the funding for the free baggage cart program was provided by CIBC, a Canadian bank, as part of an exclusive sponsorship arrangement with the GTAA that provides certain benefits to this bank.

2. **Self-Service Passenger Kiosks and Trusted Traveller Programs**

   The GTAA's use of innovative technology has reduced line-ups and wait times and improved customer service in respect of two key passenger processing activities – checking-in and clearing customs.

   (a) Check-in Kiosks: Toronto Pearson has 172 self-service check-in kiosks in Terminals 1 and 3. These kiosks allow passengers to check-in with their airline and print their boarding pass and baggage tags. The GTAA expanded its check-in kiosk capability in 2014 by providing additional baggage tag printers as more air carriers transition their check-in process to self-service kiosks. Currently, 14 air carriers use the GTAA's common use self-service check-in kiosks.

(b) Customs Kiosks: In 2013 and 2014, the GTAA introduced three types of self-service customs clearance kiosks to expedite the flow of passengers through the Airport's customs halls:

(i) Canadian Customs Kiosks – Canadian citizens and permanent residents returning to Canada are able to clear Canadian Customs using one of the 40 Automated Border Clearance ("ABC") kiosks located in the Canadian customs halls of Terminals 1 and 3.

(ii) U.S. Customs Kiosks – Canadian and U.S. citizens departing to the United States are able to use one of two types of self-service kiosks to pre-clear U.S. Customs. Toronto Pearson has 40 Automated Passport Control ("APC") kiosks and 40 Global Entry kiosks to pre-clear U.S. Customs at the U.S. pre-clearance facilities in Terminals 1 and 3.

In 2014, the Nexus and Global Entry Trusted Traveller Programs were expanded at Toronto Pearson. In addition to creating dedicated entrance lanes in the U.S. Customs pre-clearance areas, the GTAA introduced the above-noted 40 Global Entry kiosks, which require passengers to be enrolled and accepted by U.S. Customs and Border Protection in the Global Entry Trusted Traveller Program.

These ABC, APC and Global Entry self-service customs kiosks and self-service check-in kiosks have enabled the GTAA to add passenger processing capacity within the existing customs and check-in areas, reduce check-in and customs clearance line-ups and wait times and have improved the passenger experience.

3. International to Domestic Baggage Connections

Building on programs announced by the Canada Border Services Agency in 2013, the GTAA implemented in 2014 the first phase of an international to domestic baggage connection process aimed at streamlining the passenger experience and reducing connection times at the Airport. Passengers arriving on select flights from the U.S. no longer collect and re-check their checked baggage at Toronto Pearson and instead see their baggage at their final destination in Canada. The first phase has proved very successful in creating a convenient and faster connection process and will be expanded in 2015 while new facilities are constructed to enable full implementation of this process.

4. New Restaurants and Stores

During 2013 and 2014, 18 new restaurants and 33 new stores were opened in Terminals 1 and 3. The new restaurants offer passengers a choice of international cuisines and a range of price levels, and many feature local celebrity chefs who raise the quality of food and beverages offered at the Airport. OTG ("On-the-

Go") has opened 12 gourmet restaurants in holdroom areas adjacent to departure gates that offer passengers the free use of OTG's 2,600 iPad tablets.

5. **Volunteer Program**

   The GTAA implemented a Volunteer Program in 2014. The uniformed volunteers greet passengers and provide wayfinding assistance. The Volunteer Program provides an opportunity for the community to be local ambassadors and to help create a welcoming atmosphere for our passengers.

6. **Improved Passenger Communications**

   (a) **Mobile App:** In 2014, the GTAA introduced the Toronto Pearson mobile app. The app provides useful information on weather and wayfinding, and provides timely updates on changes to flight information, which is especially important during severe weather events and other irregular operations.

   (b) **Website Updates Page:** In 2014, the GTAA added an Airport Updates Page to its Toronto Pearson website to notify passengers of changes to passenger processes and Airport facilities.

7. **Transportation Alternatives**

   Two new transportation services have been or will be added, to provide passengers with alternative ways to travel to and from the Airport.

   (a) **Uber Black Taxi/Limousine Service:** In 2014, the GTAA permitted Uber Black to pick up passengers departing from the Airport, provided that the service was pre-arranged, and the passengers are picked up at the GTAA's pre-arranged taxi/limousine area.

   (b) **The Union Pearson Express Train:** In early 2015, Metrolinx, the Province of Ontario's regional transportation authority, is expected to complete the construction of the facilities to provide the express rail service connecting Union Station in downtown Toronto to Toronto Pearson via the GO Transit Kitchener rail corridor (the "Union Pearson Express"). The commencement of the operation of the Union Pearson Express is expected to occur in the second quarter of 2015, in time for the TORONTO 2015 Pan American/Parapan American Games.

3.3 Three-Year History

3.3.1 Air Passenger Traffic

Passenger Growth

In 2014, Toronto Pearson experienced its largest annual increase in passenger growth during the past decade. Passenger traffic at the Airport increased in 2014 by 6.8 per cent, from 36.1 million passengers in 2013 to 38.6 million passengers in 2014, representing an annual growth of 2.5 million passengers. In 2014, Toronto Pearson was North America's second fastest growing large hub airport for airports with over 30 million annual passengers. During 2012 and 2013, passenger traffic at the Airport increased by 4.4 per cent and 3.4 per cent, respectively, compared to the prior year.

The following table sets out the annual passenger growth from 2013 to 2014 by sector.

2014 Passenger Growth by Sector (in millions)

	2013	2014	Increase (%)
Domestic	**14.4**	**15.3**	**6.3**
Transborder	**9.8**	**10.5**	**6.8**
International	**11.9**	**12.8**	**7.5**
Total:	**36.1**	**38.6**	**6.8**

Toronto Pearson – An International Airport

International aviation protocol classifies all non-domestic passengers as international passengers. To provide more detail, the GTAA reports international passengers in two categories: transborder passengers (passengers travelling between Canada and the U.S.A.) and international passengers (passengers travelling between Canada and a country other than the U.S.A.).

In 2014, Toronto Pearson offered more non-stop international (including transborder) destinations (144) than any other North American airport, which indicates Toronto Pearson's position as a global hub airport. In 2014, Toronto Pearson was the second largest international airport in North America as measured by the total number of annual international (including transborder) passengers. 60 per cent of the Airport's passengers in 2014 were international (including transborder).

3.3.2 Airline Industry Changes

Consolidation

The airline industry has seen significant consolidation in recent years, particularly in the United States. The consolidated air carriers are more focused on route profitability and higher load factors, and use the Airport's strong network of routes by connecting their passengers through Toronto Pearson.

Rouge and Encore

In 2014, Air Canada added capacity to its leisure airline Rouge, and Westjet added capacity to its regional subsidiary Encore, which offered passengers more travel options and increased competition on certain routes.

Movement to Larger Aircraft

In keeping with world trends, there was a movement to larger aircraft at Toronto Pearson. In 2014, as compared to 2013, the number of aircraft movements increased by only 0.2 per cent, whereas the Maximum Take-Off Weight ("MTOW") of aircraft increased by 5.1 per cent and the number of arrived seats increased by 4.6 per cent.

The movement to larger aircraft at Toronto Pearson can be attributed to airlines increasing the size of their aircraft to meet increasing passenger demand, and the increase in international service, which uses larger longer-range aircraft.

3.3.3 Aeronautical Rates and Charges

To support its goal of aviation growth, the GTAA has reduced or maintained the aeronautical fees that it charges to air carriers for each of the past seven years. The GTAA's 2014 aeronautical rates and charges for passenger aircraft were approximately 30 per cent lower than those charged in 2007 when measured as an average air carrier's cost per enplaned passenger (the amount that air carriers pay to the GTAA expressed as a per passenger rate). The 2014 landing fee for all cargo aircraft is 51 per cent lower than the 2007 fee.

Other than as discussed below with respect to Air Canada, in 2014 the GTAA maintained its aeronautical fees at their 2013 levels, and it intends to continue to maintain those aeronautical fee levels in 2015. Keeping these fees unchanged provides greater price certainty for existing and potential new air carriers. The GTAA retains the right, however, to set its fees as required, and if circumstances should vary from the GTAA's expectations, the GTAA may alter its fees to ensure that its revenues are sufficient to cover its financial obligations.

Beginning in 2013, the GTAA amended its rate setting methodology from a residual rate setting methodology to a user pay methodology where airlines pay for the costs related to the airside and terminal facilities. These costs include operating expenses, maintenance and restoration capital expenditures, and in most years, partial debt repayment and other capital investments. This change in the GTAA's rate setting methodology is one of the strategies implemented by the GTAA to enable it to achieve its goal of financial and corporate sustainability.

For further information regarding aeronautical rates and charges, see *"Aeronautical Revenues."*

Air Service Incentive Programs

In 2012, the GTAA implemented two new air service incentive programs to attract new international air carriers to Toronto Pearson and to reward existing air carriers who increased their international passenger volumes. In 2013, these programs were replaced by a single incentive program which targeted the attraction of new international air carriers to Toronto Pearson. This incentive program recognizes the additional costs for an airline to establish operations at Toronto Pearson and has been extended for 2014 and 2015.

The GTAA entered into an agreement with Air Canada effective January 1, 2014 that provides this air carrier with certain growth incentives. See *"Air Canada Long Term Aeronautical Fees Agreement."*

3.3.4 Other Developments

Winter Operations Review

As a result of the severe weather event experienced in early January 2014, the GTAA's management undertook a comprehensive public review of winter operations at Toronto Pearson. This review resulted in the release of a report in April 2014 entitled "Toronto Pearson January 2014 Operations Disruption: Review and Recommendations," which outlined 12 recommendations focused on improving operations, communications and passenger well-being during irregular operations. The recommendations were evaluated by expert, independent members of a blue ribbon panel who reported directly to an *ad hoc* committee of the GTAA's Board of Directors.

In November 2014, the GTAA issued a news release summarizing the actions taken with respect to the recommendations, including the implementation of an enhanced Winter Weather Operations Approach in cooperation with air carriers, NAV CANADA, and government agencies operating at Toronto Pearson.

The winter operations report and news release can be accessed at www.torontopearson.com.

Government of Canada Indemnity

The indemnity that was provided by the Government of Canada as a result of the terrorist attacks of September 11, 2001 in favour of the Canadian aviation industry, including the GTAA, for any loss in excess of $50 million due to war, hijacking and terrorism has been extended to December 31, 2015, and is renewable at the option of the Minister of Transport.

The Toronto Pearson Global Hub Economic Impact Study

Major international airports facilitate national and international trade and the movement of goods and passengers, which stimulates economic activity. In 2013, the GTAA retained an independent consulting firm to analyze and quantify the economic impact of Toronto Pearson, including the economic impact of global connectivity that is made possible by a hub airport. The consulting firm concluded that, in 2012, Toronto Pearson facilitated 277,000 jobs, or 4.2 per cent of total Ontario employment, and $35.4 billion, or 5.6 per cent of Ontario Gross Domestic Product ("GDP"). By 2030, the consulting firm projects that Toronto Pearson would facilitate 457,000 jobs and $58.6 billion, or 6.6 per cent of Ontario's GDP. As the GTAA implements its 20-year strategy, Torontonians, Ontarians and Canadians will benefit from more direct flights to international destinations, as well as more jobs, trade, direct foreign investment and increased economic activity.

4 Narrative Description of the Business

4.1 Introduction

Toronto Pearson is the largest airport in Canada, the second largest international airport in North America as measured by the total number of annual international and transborder passengers, and the 33rd largest airport in the world as measured by the total number of annual passengers. The Airport occupies approximately 1,897 hectares of land and includes five runways and associated taxiways, and airside, terminal, groundside and support facilities. Toronto Pearson is located approximately 29 kilometres northwest of Toronto's central business district. The Airport is connected to downtown Toronto and the balance of the GTA through an extensive network of expressways, arterial roads and public transit.

4.2 Economic and Demographic Factors

The demand for air transportation services is strongly influenced by global, national and local economic factors, including growth rates and employment levels. When the economy is strong, there is a high level of consumption, business needs to be transacted, goods need to be shipped, employment is high and the propensity to travel increases. When the economy is slow, the drivers supporting air transportation weaken and demand falls. Aircraft manufacturer Boeing estimates that approximately 60 to 80 per cent of air travel growth can be attributed to economic growth. Air travel activity is also influenced by the population size of a region and its attractiveness as a place to visit.

Global

In January 2015, the International Monetary Fund ("IMF") forecasted global economic growth of 3.5 per cent in 2015 and 3.7 per cent in 2016. Although steep declines in energy prices are expected to have a positive effect on the global economy in the medium term, the IMF expects that this will be more than offset by weakening economic prospects in Russia, Europe, China, Japan and oil-exporting countries.

Canada and Ontario

In its January 2015 Monetary Policy Report, the Bank of Canada projected that the Canadian economy will grow by 2.1 per cent and 2.4 per cent in 2015 and 2016, respectively. Also in January 2015, TD Economics, a division of the Toronto Dominion Bank, released its outlook, stating that the 2014 national unemployment rate of 6.9 per cent is expected to decline to 6.8 per cent in 2015 and remain at that level in 2016.

The TD Economics report also forecasts that Ontario's economy will grow by 2.8 per cent and 2.5 per cent in 2015 and 2016, respectively. The report also projects Ontario's unemployment rate at 6.9 per cent in 2015 and 6.8 per cent in 2016.

Greater Toronto Area

The GTA's large population base, well-balanced and diversified economy, and popularity as a business centre and tourist destination combine to provide a strong demand for air travel activity. The GTA is the most populated metropolitan area in Canada, and continues to be an area of choice for business and immigrants. The most recently available data, being the 2011 Statistics Canada National Household Survey, reveals that 46 per cent of the GTA's population was born outside of Canada. The Ontario Ministry of Finance projects that the GTA's total population will increase from 6.4 million persons in 2012, to 7.3 million persons in 2021, and 8.4 million persons in 2031 – a long term increase of more than 100,000 persons per year.

The GTA's diverse economy, highly educated workforce and well-established transportation and communications infrastructure make it one of the leading commercial centres in North America and home to more Canadian corporate headquarters than any other Canadian city. The Conference Board of Canada estimates that the GDP generated within Toronto's Census Metropolitan Area ("Toronto CMA") in 2014 increased by 2.4 per cent over 2013, and is projected to increase by 2.8 per cent in 2015. The Conference Board of Canada also projected that the unemployment rate for Toronto's CMA to be 7.8 per cent in 2015, down from 8.1 per cent in 2014.

4.3 Airport Activity Measures

An airport's activity is measured using the following five primary statistics: air passenger traffic (the number of passengers on arriving and departing aircraft), aircraft movements (the number of aircraft landings and take-offs), Maximum Take-Off Weight (the maximum certified take-off weight of all arriving aircraft), arrived seats (the number of seats on arriving aircraft) and air cargo (the tonnage of air cargo on arriving and departing aircraft).

4.3.1 Air Passenger Traffic

Air passenger traffic measures the number of passengers arriving and departing on scheduled and charter flights at Toronto Pearson. It does not include passengers arriving or departing on flights aboard general aviation aircraft (private and corporate aircraft) and emergency services aircraft.

Air passenger traffic data during the past 10 years is presented in the following table, recorded in three sectors: domestic, transborder and international. Domestic passengers travel within Canada; transborder passengers travel between Canada and the United States; and international passengers travel between Canada and a country other than the United States.

Historical Total Passengers by Traffic Sector (in millions)

Year	Domestic	Transborder	International	Total	Change (%)
2005	12.9	8.8	8.2	29.9	–
2006	13.3	8.9	8.6	30.8	2.9
2007	13.7	8.9	8.8	31.4	2.1
2008	13.8	8.8	9.7	32.3	2.8
2009	12.7	8.1	9.6	30.4	(6.1)
2010	12.7	8.6	10.6	31.9	5.2
2011	13.1	9.0	11.4	33.4	4.7
2012	13.6	9.5	11.8	34.9	4.4
2013	14.4	9.8	11.9	36.1	3.4
2014	15.3	10.5	12.8	38.6	6.8

In 2014, the Airport carried 38.6 million passengers, a 6.8 per cent increase from the 36.1 million passengers carried in 2013. This represented an annual increase of 2.5 million passengers. The growth of passengers from 2013 to 2014 was the largest annual passenger increase over the past decade.

During the past 10 years, total passenger traffic at the Airport increased from 29.9 million passengers in 2005 to 38.6 million passengers in 2014. This growth of 8.7 million passengers, or 29 per cent, occurred at a compounded annual growth rate of 2.6 per cent. During this period, the Airport's domestic and transborder traffic each increased by 19 per cent, and international traffic increased by 56 per cent.

Domestic

The number of domestic passengers at the Airport increased by 6.3 per cent, from 14.4 million passengers in 2013 to 15.3 million passengers in 2014. Domestic growth was driven by continued economic growth in Western Canada and increased airline competition on Eastern Canadian routes which reduced average airfares which stimulated higher passenger demand. In 2014, the Airport's domestic sector represented 40 per cent of total passengers. The domestic carriers that serve the Airport collectively offer non-stop scheduled and charter passenger service to 30 Canadian destinations.

Transborder

The number of transborder passengers at the Airport increased by 6.8 per cent, from 9.8 million passengers in 2013 to 10.5 million passengers in 2014. One of the primary reasons for this increase was the increased use by air carriers of Toronto Pearson as a hub airport to connect their transborder passengers to domestic and international destinations. This development also contributed to strong growth in the domestic sector. Transborder passengers accounted for 27 per cent of total passengers at the Airport in 2014.

Transborder originating and connecting traffic is facilitated by the provision of U.S. federal inspection pre-clearance facilities at Toronto Pearson. This service allows passengers travelling from the Airport to U.S. destinations to pre-clear U.S. Customs and Border Protection prior to leaving Toronto rather than doing so at the destination airport in the U.S. The availability of this service at Toronto Pearson allows airlines to fly not only from Toronto Pearson to U.S. international airports, but also to U.S. domestic airports that do not have customs and immigration services, such as Ronald Reagan Washington National Airport in Washington, D.C.

The air travel market between Canada and the United States is larger than any other air travel market between the United States and another country, with approximately 26.2 million passengers travelling between the two countries in 2014. Toronto serves seven of the top 10 transborder city pairs, including Toronto–New York, the largest transborder city pair between Canada and the United States. More passengers entered the U.S. from Toronto Pearson than any other airport in the world in 2014, except Heathrow Airport in London, England.

International

The number of international passengers at the Airport increased by 7.5 per cent, from 11.9 million passengers in 2013 to 12.8 million passengers in 2014. Approximately half of the international passenger growth in 2014 resulted from the recent introduction of new or expanded services to Dublin, Istanbul, Riyadh, Munich, Cairo and Tokyo (Haneda). 2014 also saw increased capacity on existing routes and the opening of new routes to Manchester, Milan, Prague, Rio de Janeiro, Panama City and other international markets. There was an increase in passenger demand on well-established routes to Western Europe and the Caribbean caused by an increased airline focus on leisure markets. International traffic represented 33 per cent of total passengers at the Airport in 2014.

The international routes having the highest passenger volumes are London, Frankfurt, Paris, Amsterdam and Hong Kong, with a significant number of passengers flying to southern holiday destinations in Mexico, the Dominican Republic, Trinidad/Tobago, the Bahamas, Costa Rica and Cuba.

The majority of passenger growth at Toronto Pearson over the past 10 years has been in international air travel due to the strong demand for international service. As a global hub airport, Toronto Pearson has a robust network offering direct flights to 144 international and U.S. cities and 30 Canadian cities. This gives Toronto Pearson the critical mass that attracts local and connecting passengers necessary to support new or expanded international routes.

Scheduled and Charter Airlines

Air service at the Airport is provided by both scheduled and charter carriers. In 2014, 93 per cent of total passengers were transported on regularly scheduled flights and 7 per cent were transported on charter flights.

Origin and Destination Passengers and Connecting Passengers

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 an airport, while a connecting passenger changes aircraft at an airport en route to their final destination. Approximately 69.9 per cent of Toronto Pearson's total passenger traffic in 2014 were origin and destination passengers. The remaining 30.1 per cent of passengers were connecting passengers.

Toronto Pearson as a Connecting or Hub Airport

Toronto Pearson provides the opportunity for passengers to connect from one flight to another. Passengers may connect to flights:

- within Canada (for example, Halifax to Toronto to Edmonton);
- between Canadian and U.S. destinations (for example, Winnipeg to Toronto to Orlando);
- between Canadian and international destinations (for example, Regina to Toronto to Paris);
- between the United States and international destinations (for example, Boston to Toronto to Beijing); or
- between international destinations (for example, Tokyo to Toronto to Mexico City).

To enhance its effectiveness as a global hub airport, the GTAA implemented the following initiatives to make the connection process at Toronto Pearson more convenient and faster. The international and transborder areas of Terminal 1 have been designated by the Canada Border Services Agency and U.S. Customs and Border Protection as an In-Transit Pre-Clearance facility that permits more expedient and simpler international-to-transborder connections at the Airport. In 2014, the GTAA introduced the International to Domestic Baggage Connections process so that arriving U.S. passengers, and eventually arriving international passengers, are not required to collect and re-check their baggage at Toronto Pearson while connecting to a domestic flight. See "*Improving the Passenger Experience*." In 2011, the GTAA reduced the Airport Improvement Fee for connecting passengers from $8.00 to $4.00.

The Canadian population is geographically concentrated near the Canada–U.S. border. As a result, domestic traffic flows are predominantly in an east-west direction within this long geographic band. Due to the high number of destinations and frequency of flights to and from Toronto Pearson along this east-west corridor, it is convenient for domestic passengers to connect through Toronto Pearson to their final destination if there is no direct flight available between their domestic destinations, or if there is a direct flight but insufficient capacity on or frequency of that flight.

Connecting traffic is beneficial in helping airlines build a critical mass of passengers, thus enabling an airline to use larger aircraft, increase the frequency on existing routes or introduce new routes. Connecting traffic also increases aeronautical revenue, non-aeronautical revenue and Airport Improvement Fee revenue, thereby helping to minimize costs for origin and destination passengers.

The GTAA has determined that over the past eight years, the percentage of Airport passengers that are connecting passengers has been increasing at the rate of approximately one per cent per year, from 23.1 per cent or 6.9 million connecting passengers in 2007, to 30.1 per cent or 11.6 million connecting passengers in 2014.

4.3.2 Aircraft Movements

An aircraft movement is either a landing or a take-off of an aircraft. Total aircraft movements during the past 10 years is presented in the following table.

Historical Aircraft Operations by Type of Activity (in thousands)

Year	Scheduled and Charter Airlines	General Aviation/Other	Total	Change (%)
2005	354.7	48.8	403.5	–
2006	364.7	45.3	410.0	1.6
2007	376.7	45.3	422.0	2.9
2008	386.0	41.7	427.7	1.3
2009	371.0	34.6	405.6	(5.2)
2010	381.4	35.5	416.9	2.8
2011	388.4	36.9	425.3	2.0
2012	396.8	36.6	433.4	1.9
2013	395.0	37.1	432.1	(0.3)
2014	397.7	35.1	432.8	0.2

During the past 10 years, total aircraft movements increased from 403,520 movements in 2005 to 432,800 movements in 2014. This growth of 29,280 movements, or 7.3 per cent, occurred at a compounded annual growth rate of 0.7 per cent.

4.3.3 Maximum Take-Off Weight

Maximum Take-off Weight ("MTOW") is the maximum weight of an arriving aircraft, as certified by the aircraft manufacturer. Landing fees are calculated as an amount per metric tonne of an aircraft's MTOW. This chart sets out the annual total MTOW of all aircraft arriving at Toronto Pearson for each traffic sector.

Historical Total Arrived Maximum Take-Off Weight by Traffic Sector (in millions of metric tonnes)

Year	Domestic	Transborder	International	Total	Change (%)
2005	4.9	3.9	4.0	12.8	–
2006	5.1	3.8	4.1	13.0	1.5
2007	5.2	3.8	4.3	13.3	2.1
2008	5.2	3.7	4.7	13.6	2.0
2009	4.7	3.4	4.7	12.9	(5.2)
2010	4.7	3.6	5.0	13.2	2.9
2011	4.7	3.7	5.5	13.9	4.9
2012	4.8	3.8	5.5	14.1	1.8
2013	5.0	3.8	5.5	14.4	1.6
2014	5.3	3.9	5.9	15.1	5.1

During the past 10 years, total arrived MTOW at the Airport increased from 12.8 million metric tonnes in 2005 to 15.1 million metric tonnes in 2014. This growth of 2.3 million metric tonnes, or 17 per cent, occurred at a compounded annual growth rate of 1.6 per cent.

4.3.4 Arrived Seats

Arrived seats measures, by traffic sector, the total number of seats on aircraft arriving at Toronto Pearson on scheduled and charter flights. It does not include the number of seats on general aviation aircraft (private and corporate aircraft) or emergency service aircraft arriving at the Airport. The GTAA charges a fee to the airlines for the use of a terminal, known as a General Terminal Charge, which is calculated as an amount per seat multiplied by the number of seats on an arriving aircraft.

Historical Total Arrived Seats by Traffic Sector (in millions)

Year	Domestic	Transborder	International	Total	Change (%)
2005	8.4	6.4	5.0	19.9	–
2006	8.7	6.2	5.2	20.1	1.0
2007	8.9	6.2	5.4	20.5	2.3
2008	9.0	6.2	5.9	21.0	2.4
2009	8.4	5.7	5.8	19.9	(5.3)
2010	8.3	6.0	6.3	20.6	3.6
2011	8.6	6.2	6.8	21.6	4.6
2012	8.9	6.6	7.0	22.3	3.5
2013	9.1	6.6	6.9	22.6	1.3
2014	9.6	6.6	7.5	23.7	4.6

During the past 10 years, total arrived seats on scheduled and charter flights at the Airport increased from 19.9 million seats in 2005 to 23.7 million seats in 2014. This growth of 3.8 million seats, or 19.1 per cent, occurred at a compounded annual growth rate of 1.8 per cent.

4.3.5 Air Cargo

Air cargo data during the past 10 years is presented in the following table.

Historical Air Cargo Tonnage by Traffic Sector (in metric tonnes)

Year	Domestic	Transborder	International	Total	Change (%)
2005	110.0	180.1	142.4	432.5	–
2006	123.0	112.6	203.8	439.5	1.6
2007	104.6	185.8	151.4	441.8	0.5
2008	140.0	93.5	212.0	445.5	0.8
2009	100.5	38.6	253.8	392.9	(11.8)
2010	117.5	34.4	295.3	447.3	13.8
2011	97.3	24.6	296.8	418.7	(6.4)
2012	100.6	25.5	291.0	417.0	(0.4)
2013	138.6	68.2	204.5	411.3	(1.4)
2014	105.6	34.2	308.8	448.6	9.1

Air cargo is carried by passenger aircraft, which carry cargo in the aircraft's belly hold, and by dedicated all-cargo freighter aircraft.

As it is not mandatory for air carriers to report air cargo tonnage information to the GTAA, air carriers report this information on a voluntary basis. Accordingly, the reported tonnage is not an accurate description of actual tonnage and the comparison of tonnage from year to year is not a reliable indicator of trends.

The GTAA has observed that there has been a general decline in domestic and transborder air cargo tonnage due to the diversion of goods shipped by rail and truck. The increase in international air cargo tonnage in 2014 as compared to 2013 can be attributed to the increase in international passenger service capacity which provided increased cargo carrying capacity.

The percentage of international air cargo carried in the belly hold of passenger aircraft, as compared to international air cargo carried aboard all-cargo freighter aircraft, has increased from 64 per cent in 2007 to 71 per cent in 2014. Belly hold cargo is beneficial to international air carriers because it generates non-passenger revenue that supports the development and expansion of international passenger service to Toronto Pearson.

4.4 Air Passenger Service

In 2014, 57 airlines provided air passenger service at the Airport, including scheduled, charter and codeshare airlines. A codeshare is a business arrangement where two or more airlines share the same flight and a seat can be purchased on one airline but is actually operated by another airline.

Toronto Pearson provides direct flights to 30 Canadian cities and 144 international/transborder cities.

The following major U.S. carriers provide service at the Airport: American Airlines, Delta Air Lines and United Airlines. Regional carriers affiliated with major U.S. airlines provide service from Toronto Pearson to major and secondary northeastern U.S. markets.

Toronto Pearson serves as Canada's largest entry and departure point for international air service. In addition to the international air service provided by the Airport's largest carrier, Air Canada, 53 scheduled, charter and codeshare airlines provided international service at the Airport in 2014. These international scheduled air carriers, such as British Airways, Air France–KLM and Cathay Pacific, link Toronto Pearson to their respective overseas hub airports. The high number of international airlines serving the Airport provides direct global access to Greater Toronto Area travellers and provides convenient opportunities for passengers to connect through Toronto Pearson to worldwide destinations.

There are no U.S.-based low-cost carriers operating at Toronto Pearson. These low-cost carriers, such as Spirit, Allegiant, JetBlue Airways and Southwest Airlines, operate at U.S. border cities, including Buffalo and Niagara Falls, New York, and attract some passengers from the Toronto Pearson catchment area. See *"Other Airports."*

4.4.1 Share of Airline Activity

In 2014, the most significant air carrier and largest source of aeronautical revenue at the Airport was Air Canada, including its leisure airline Rouge and Air Canada's regional affiliates, which collectively accounted for slightly more than half of the market share of total passengers carried at the Airport. Air Canada's regional affiliates operating at the Airport as "Air Canada Express," pursuant to capacity purchase agreements, are Air Georgian, Jazz and Sky Regional. Effective January 1, 2014, the GTAA and Air Canada implemented a new commercial agreement to further develop Toronto Pearson as a global hub airport. See *"Air Canada Long Term Aeronautical Fees Agreement."*

The next most significant air carrier in terms of market share in 2014 was WestJet. The remaining passenger market share was distributed among all other airlines serving the Airport.

4.5 Other Airports

The Ground Lease provides that Transport Canada will not permit the construction and operation of a Major International Airport within 75 kilometres of the Airport during the term of the Ground Lease or any renewal thereof, provided the GTAA is meeting the demand requirements for aviation services at Toronto Pearson. A Major International Airport, as defined in the Ground Lease, means an airport serving large population centres that links Canada from coast to coast and internationally, and that is used by air carriers as the point of origin and destination for international and interprovincial passenger and cargo air service in Canada.

The closest airports to Toronto Pearson that provide scheduled commercial jet service are John C. Munro Hamilton International Airport ("Hamilton Airport"), Region of Waterloo International Airport ("Waterloo Airport"), London International Airport ("London Airport"), and Buffalo Niagara International Airport ("Buffalo Airport"). Hamilton Airport, located 78 kilometres from Toronto Pearson, reported 318,195 passengers in 2014, compared to 335,123 passengers reported in 2013. Waterloo Airport, located 83 kilometres from Toronto Pearson, reported 145,508 passengers in 2014, compared to 138,733 passengers reported in 2013. London Airport, located 169 kilometres from Toronto Pearson, reported 476,616 passengers in 2014, compared to 448,751 passengers reported in 2013.

Buffalo Airport, located in New York State, is 167 kilometres from Toronto Pearson, and reported 4,750,643 passengers in 2014, compared to 5,134,925 passengers reported in 2013. While Buffalo Airport primarily serves the western New York State market, the presence of low-cost carriers such as JetBlue Airways and Southwest Airlines at this airport has historically resulted in some passengers from the Toronto

Pearson catchment area using Buffalo Airport due to lower fares and lower government taxes and airline surcharges. Limited scheduled commercial jet service is offered at Niagara Falls International Airport located in New York State, primarily to U.S. sunspot destinations by two U.S. low-cost carriers, Allegiant and Spirit. In 2014, this airport reported 207,597 passengers, compared to 191,683 passengers reported in 2013.

Billy Bishop Toronto City Airport ("Toronto City Centre Airport") is located just offshore of downtown Toronto, and provides scheduled passenger turboprop and general aviation services. Porter Airlines provides domestic and transborder scheduled services, and Air Canada provides service to Montreal, operated by Sky Regional Airlines, at this airport. Toronto City Centre Airport reported 2,431,862 passengers in 2014, compared to 2,297,080 passengers reported in 2013.

While the Toronto City Centre Airport and each of the airports in Buffalo, Waterloo, and Hamilton attract some passengers from the Toronto Pearson catchment area, they are limited in the type and volume of aviation services they can offer due to their facilities and operations. The GTAA views the activity at these airports as part of a wider regional air transportation system that is complementary to the service offered at Toronto Pearson.

4.6 Airport Facilities

The Airport includes the airside, terminal and groundside facilities described below. Airside means the portion of the Airport that is used as an airfield and related aprons, taxiways and runways; groundside means that portion of the Airport other than the airside, and includes the terminal buildings.

4.6.1 Airside Facilities

Toronto Pearson is designated and capable of handling the world's largest commercial aircraft including the Airbus A380. The Airport has five runways. All five runways have sufficient length, width and pavement strength to handle all commercial passenger aircraft types used on international flights, although certain aircraft carrying heavier loads may be required to use the longer runways. Full instrument landing systems are available that allow the Airport to remain open during most weather conditions. A network of parallel taxiways, aircraft hold pads and deicing areas supports the runway system.

Due to wind conditions, the Airport has three parallel runways in the east-west direction and two parallel runways in the north-south direction. Multiple parallel runway operations increase an airport's aircraft movement capacity compared to an airport with a single runway or intersecting runways. The east-west runways offer a higher aircraft movement capacity than the north-south runways and are used more frequently because of the prevailing wind conditions. The two parallel north-south runways mitigate the adverse impact on Airport capacity due to high crosswind conditions, which tend to be limited to less than five per cent of the time, and occur primarily in the winter season.

Toronto Pearson has a total of 233 aircraft parking positions at various facilities. There are 149 active aircraft parking positions and 31 inactive aircraft parking positions available for aircraft parking and gating at the GTAA's terminals and facilities. There are also 53 aircraft parking positions available within airline tenants' leased premises.

4.6.2 Terminal Facilities

The Airport has two commercial passenger terminals: Terminal 1 and Terminal 3. Each terminal provides international, transborder, domestic and cargo services.

Terminal 1

Terminal 1 serves Air Canada; its Star Alliance partners, such as Austrian, Avianca, Copa, Ethiopian, Eva, LOT Polish, Lufthansa, Turkish and United Airlines; as well as Etihad, Emirates, Sunwing and others. Twenty-six scheduled, charter and codeshare airlines are served by this terminal.

Terminal 1 has 50 bridged gates, 22 commuter aircraft parking positions, 11 remote (hardstand) aircraft parking positions and approximately 339,000 square metres of total floor area.

In 2014, the total passenger throughput of Terminal 1 was approximately 25.7 million passengers, representing approximately 67 per cent of the Airport's total passengers. Approximately 42 per cent of the activity in the terminal was domestic, 28 per cent was transborder and 30 per cent was international.

Terminal 3

Terminal 3 serves WestJet and Air Transat; U.S. carriers, such as Delta Air Lines and American Airlines; as well as British Airways, Air France–KLM, Cathay Pacific and other international airlines who are not members of the Star Alliance. Thirty-one scheduled, charter and codeshare airlines are served by this terminal.

Terminal 3 currently has 30 bridged gates and seven commuter aircraft parking positions, and has a total floor area of approximately 178,000 square metres. Terminal 3 will add five bridged gates and four commuter aircraft parking positions when Pier A (formerly known as the Terminal 3 Satellite Facility) becomes operational in 2015.

In 2014, total passenger throughput in Terminal 3 was approximately 12.9 million passengers, representing approximately 33 per cent of the Airport's total passengers. Approximately 34 per cent of the terminal's activity was domestic while 26 per cent and 40 per cent of the terminal's activity was transborder and international, respectively.

4.6.3 Groundside and Support Facilities

Groundside and support facilities include facilities for car parking, car rental, air cargo, general aviation, fixed base operations, hotels, and aviation fuel farms.

Parking Facilities

The GTAA provides approximately 22,000 parking spaces at the Airport in its four parking facilities: the Terminal 1 Parking Garage, the Terminal 3 Parking Garage, the Value Park Garage, and the Value Park Lot. In addition, there are several off-Airport parking lot operators who shuttle passengers to the Airport terminals who have commercial permits from the GTAA.

Car Rental Companies

Nationally-recognized car rental companies operate at the Airport. Other car rental companies operate at off-Airport locations that require permits from the GTAA to shuttle passengers.

Air Cargo Facilities

Approximately 50 hectares of Airport land are dedicated for air cargo use in three locations: the Vista Cargo Area, the FedEx Cargo Facility and the Cargo West Area. The Cargo West Area is located in the infield area of the Airport and consists of three buildings: Cargo Building 1 is leased to Air Canada; Cargo Building 2 is a multi-tenant building, and Cargo Building 3 houses Canada Customs, customs brokers and cargo handlers.

General Aviation and Fixed Base Operator Facilities

The Airport provides two areas (the infield and Derry Road) where general aviation, fixed base operators and other non-scheduled operators are based.

Hotels

There are two hotels on the Airport: the 480-room Sheraton Gateway Hotel which is a full-service hotel linked to Terminal 3, and the 151-room ALT Hotel, which is a select-service hotel located adjacent to the Viscount LINK Train Station.

Fuel Farm and Other Facilities

The Airport is supplied by two aviation fuel tank farms: one is located to the east of Terminal 1 and the second is a rail car and fuel storage tank farm facility located north of Derry Road. They are owned and operated by an airline consortium known as Pearson International Fuel Facilities Corporation.

Other aviation-related facilities located at the Airport include aircraft maintenance hangars, inflight catering kitchens, ground vehicle maintenance garages, flight simulator facilities, vehicle fuelling stations and various administrative offices.

4.6.4 Land Acquisitions

In July 2001, the GTAA and Boeing Canada Operations Ltd. ("Boeing") signed an agreement under which the GTAA agreed to purchase from Boeing, in stages, 45.7 hectares of land adjoining the Airport for $30 million. These lands, which are located at the southwest corner of Airport and Derry Roads, will be used by the GTAA for future Airport development.

Boeing completed an environmental remediation of the soil in respect of 43.6 hectares and these lands were transferred to Transport Canada in three parcels in May 2006, August 2010 and March 2013, and added to the Airport lands leased by the GTAA under the Ground Lease. There remain approximately 2.1 hectares of land to be purchased from Boeing at an estimated cost of $2 million. The remaining land will be transferred by Boeing to Transport Canada and added to the Ground Lease lands at a future date to be determined by Boeing.

4.7 Airport Capital Programs

The GTAA typically undertakes capital projects to meet one of the following key objectives: (i) to comply with regulatory requirements (e.g., safety, security or environmental); (ii) to expand the capacity of the Airport; (iii) to improve, restore or replace existing assets; or (iv) to modify existing infrastructure to reduce costs, increase revenues or improve customer experience.

As part of the 20-year strategic framework adopted by the GTAA in 2013, the GTAA will continue to meet the growing demand for air travel through making optimum use of existing facilities prior to investing in new capital infrastructure.

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

Expenditures related to these capital programs are expected to be funded primarily through cash flows generated from operations.

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

4.7.1 Terminal 1 Improvement Project

The Terminal 1 improvement project addresses a regulatory requirement that relocates passenger security screening in advance of United States customs and immigration processing. This project is scheduled to be completed during the second quarter of 2016.

As at December 31, 2014, the GTAA has expended $1.3 million on this Terminal 1 improvement project.

4.7.2 Terminal 3 Improvement Projects

The Terminal 3 improvement projects include the following:

(a) Restoration of Pier A (formerly known as the Terminal 3 Satellite Facility). The restoration of Pier A will upgrade this facility to an operational condition and will add five bridged gates and four commuter aircraft parking positions to Terminal 3. This project is scheduled to be completed in the summer of 2015.

(b) Relocation of passenger security screening in advance of United States customs and immigration processing. This project addresses a new regulatory requirement and is scheduled to be completed at the end of 2015.

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

(c) Energy efficiency improvements, including LED lighting upgrades, installation of daylight sensors, modifications to mechanical and lighting control systems and replacement of HVAC equipment to high efficiency standards.

(d) Retail improvements including the provision of new post-security retail space for duty-free, food and beverage, specialty retail and newsstands, with an atrium allowing natural light into the space to enhance passenger experience.

(e) Modifications to the check-in and security screening layout. This will include expanded passenger security screening checkpoints serving domestic and international passengers.

As at December 31, 2014, the GTAA has expended $38.7 million on the Terminal 3 improvement projects.

4.7.3 Maintenance and Restoration Capital Program

The GTAA undertakes an ongoing program to improve, restore or replace certain capital assets. During 2014, the GTAA expended $93.8 million on capital restoration projects to upgrade, refurbish or replace existing facilities.

4.8 Airport Revenues

The GTAA derives its revenues from three sources: aeronautical revenues, non-aeronautical revenues and Airport Improvement Fees.

Historically, the GTAA's rates and charges were calculated using a residual rate setting methodology whereby rates were calculated to break even on a modified cash basis by generating revenue at least equal to the GTAA's net costs (excluding the amortization of property and equipment), plus reserve and debt service requirements (including notional principal amounts) in any given year. Beginning in 2012, capital costs relating to the maintenance and restoration of existing facilities were funded through operating cash flows and included in the calculation of rates and charges.

Beginning in 2013, the GTAA transitioned from the residual rate setting methodology described above, to a user pay methodology where airlines pay for the costs related to the airside and terminal facilities. These costs include operating expenses, maintenance and restoration capital expenditures, and in most years, partial debt repayment and other capital investments. This change in the GTAA's rate setting methodology is one of the strategies implemented by the GTAA to enable it to achieve its goal of financial and corporate sustainability.

Additional information relating to the GTAA's revenues is included in its Financial Statements and Notes and its Management's Discussion and Analysis. See *"Additional Information."*

4.8.1 Aeronautical Revenues

The GTAA's aeronautical revenues are composed of landing fees, general terminal charges and apron fees charged to air carriers who use the aviation facilities provided by the GTAA.

Landing Fees

The landing fee component of the aeronautical rates and charges is calculated as the aggregate of certain costs allocated to the airside, including, but not limited to, the airside portions of ground rent, payments-in-lieu of taxes, payments-in-lieu of development charges, operating and maintenance costs and certain debt service costs. The landing fee is established using projected aviation activity as a certain amount per metric tonne of the certified MTOW of an aircraft, as shown on its certificate of airworthiness, and is levied on each landing by an aircraft.

In 2012, the GTAA undertook an extensive cost reallocation exercise to better match certain costs between the airside and the groundside for the purpose of determining 2013 aeronautical fees. The result was a decrease in the costs allocated to the airside and an increase in the costs allocated to the groundside. As a result, effective January 1, 2013, there was a decrease in the landing fee and an increase in the general terminal charge when compared to the rates in effect in 2012.

General Terminal Charge

The general terminal charge recovers certain costs for the use of the terminal buildings. A general terminal charge is levied on each arrival of an aircraft at a terminal building and is calculated on the number of seats on the arrived aircraft. General terminal charges are levied to recover the projected operating expenses of the groundside and certain capital expenditures allocated to the groundside. General terminal charges do not include the groundside costs recovered under the apron fee, or the operating costs of air carriers' leased premises, and retail and concession space. General terminal charges for non-domestic arrivals are set at 125 per cent of general terminal charges for domestic arrivals due to the additional costs of the customs, immigration and inspection facilities relating to non-domestic arrivals. These facilities are not paid for by the federal government.

Apron Fee

The apron fee recovers the costs associated with the apron and the aircraft gates and bridges, and is designed to encourage efficient use of apron and gate assets by the air carriers.

4.8.2 Non-Aeronautical Revenues

Non-aeronautical revenues are based on commercial rates and include revenues from check-in fees for the use of check-in counters and kiosks; premises rent and licence fees derived from duty-free, car rental, specialty retail, advertising, sponsorship, newsstands and food and beverage concessions; and fees for ground transportation services, such as parking, bus transportation and taxis and limousines. The GTAA also charges rent to tenants who occupy non-terminal space at the Airport. This includes rental revenue earned from long term land leases for cargo buildings, flight kitchens and aircraft hangars. Space within the terminal buildings is also leased to air carriers and other tenants for offices, operational support space and passenger lounges.

4.8.3 Airport Improvement Fee

The GTAA charges passengers an Airport Improvement Fee ("AIF") of $25 for originating passengers and $4 for connecting passengers

The AIF charged by the eight largest airports in Canada are as follows:

Airport	AIF
Calgary International Airport	$30
Edmonton International Airport	$30
Halifax Stanfield International Airport	$25
Montreal—Pierre Elliott Trudeau International Airport	$25
Ottawa Macdonald-Cartier International Airport	$23
Toronto Pearson International Airport	$25/$4 (1)
Vancouver International Airport	$20/$5 (2)
Winnipeg James Armstrong Richardson International Airport	$25

(1) $25 AIF for originating passengers and $4 AIF for connecting passengers.
(2) $20 AIF for travel outside BC/Yukon and $5 AIF for travel within BC/Yukon.

Effective January 1, 2011, the GTAA entered into a 10-year Airport Improvement Fee Agreement with the air carriers operating at the Airport in replacement of a 2001 Airport Improvement Fee Agreement. The agreement provides for the collection of the AIF by the air carriers at the time a ticket is sold to a passenger. Under the agreement, the GTAA is committed to use the AIF revenues primarily for capital programs, including associated debt service (interest and principal). Historically, the GTAA has used AIF revenues to fund debt service. Since the beginning of 2012, however, the GTAA has used a portion of the AIF revenues to directly fund capital projects and the balance has been used to fund debt service.

The Airport Improvement Fee Agreement provides for a consultation on capital projects with an estimated value in excess of $50 million. During the consultation process, the GTAA and the air carriers operating at the Airport, via a special committee, discuss the technical merits of any proposed capital project in excess of $50 million to ensure that it meets the needs of both the GTAA and the air carrier community. Should there be disagreement as to the necessity of the project, the agreement calls for a moratorium of up to one year to explore further options. Other than through this consultation and moratorium process, the air carriers do not have the right to delay, cancel or modify any capital project proposed by the GTAA.

4.8.4 Air Canada Long Term Aeronautical Fees Agreement

On October 17, 2013, the GTAA entered into a Long Term Aeronautical Fees Agreement with Air Canada (the "AC LTA") with an effective date of January 1, 2014. Pursuant to the AC LTA, Air Canada will pay a fixed amount (subject to certain adjustments as permitted under the AC LTA) to the GTAA in lieu of the GTAA's standard aeronautical charges (normally composed of landing fees, general terminal charges and apron fees). The key terms of the AC LTA are summarized below.

Scope

The AC LTA covers the aircraft movements of Air Canada, its wholly owned subsidiaries, third-party air carriers with whom Air Canada has or enters into capacity purchase agreements and other arrangements as may be mutually agreed to be included in the scope of the AC LTA ("Air Canada Family Members").

Term

The AC LTA became effective on January 1, 2014, and covers an initial five-year term expiring December 31, 2018. The term will be extended automatically for a further five years expiring December 31, 2023, provided that (i) Air Canada Family Members collectively meet an agreed increased passenger volume threshold during the 2018 calendar year, and (ii) the AC LTA has not otherwise been terminated prior to the expiry of the initial term. The GTAA may, at its option, elect to extend the initial term for the further five-year period notwithstanding that the applicable passenger volume threshold may not have been met.

Fees

The AC LTA provides for the payment by Air Canada of a fixed annual aeronautical base fee, plus applicable sales or other commodity taxes, during the term (including any extended term). The fixed annual aeronautical base fee covers costs that would otherwise be recovered by the GTAA from the Air Canada Family Members through the imposition of landing fees, general terminal charges and apron fees. In 2014, the annual aeronautical base fee was fixed at approximately $270 million. In subsequent years, including any extension of the initial five-year term, the prior year's fee will escalate by approximately one per cent annually.

The fixed annual aeronautical base fee may be increased or decreased in certain circumstances, including if the GTAA elects to adjust any one or more of its then-current published aeronautical charges payable by the remainder of the air carrier community at the Airport for any reason, including (without limitation) adjustments to address:

(i) unbudgeted or unanticipated increases or decreases in the GTAA's revenues (other than reductions pursuant to the payment of rebates under the AC LTA), costs or capital expenditures;

(ii) increases or decreases in the GTAA's costs arising from changes in or restructuring of the manner of provision of certain services at the Airport which are currently paid by the remainder of the air carrier community operating at the Airport directly to third-party service providers as third-party service fees; or

(iii) other adjustments which the GTAA determines will be necessary in order to manage the level of the GTAA's indebtedness in accordance with its requirements and objectives.

In the above circumstances, the GTAA will determine the amount of additional or reduced funds that it requires to raise through its aeronautical charges. Air Canada's fixed annual aeronautical base fee would then be adjusted by its proportionate share of the additional or reduced funds accordingly based on Air Canada's share of 2013 aviation traffic. The proportionate share percentage remains unchanged throughout the term of the AC LTA.

Airport Improvement Fee

The GTAA expressly retains its right to increase or decrease the Airport Improvement Fee in its sole discretion, at any time during the term of the AC LTA.

Rebates

For each calendar year of the term, the AC LTA establishes certain passenger traffic thresholds for the Air Canada Family Members collectively. Provided that the Air Canada Family Members achieve the cumulative passenger threshold in a given year, Air Canada will receive a rebate based on the additional revenues generated by the incremental passenger growth at the Airport in excess of the threshold.

Non-Exclusivity

The GTAA is neither prevented nor restricted from entering into other aeronautical rate agreements with other air carriers operating or proposing to operate at the Airport on the same or on different terms, or from offering and implementing incentive programs regarding aeronautical charges.

Reservation of GTAA Operational Rights

The GTAA retains all rights to operate the Airport in the manner it deems appropriate, both with respect to its development decisions and with respect to the operational procedures and plans concerning its facilities. The AC LTA expressly provides that Air Canada has no interest in any gates, counters, terminals or other

GTAA facilities and that the GTAA is not obliged to provide or construct any infrastructure or improvements or implement any particular operating procedures.

Events of Default and/or Termination

The AC LTA provides for certain customary events of default and rights of termination, and expressly provides for additional rights of termination in certain circumstances, including the following:

(i) Air Canada may terminate the AC LTA without liability of either party if, at the end of a calendar year, the fixed annual aeronautical base fee for that year (net of any permissible adjustments and rebate earned by Air Canada) is greater than the amounts that would have been paid by the Air Canada Family Members collectively if they had been paying the GTAA on the basis of its then-current published tariffs in respect of aeronautical charges;

(ii) Air Canada may terminate the AC LTA without liability of either party if the GTAA fails to deliver by December 31, 2015, certain related facility improvements for common use assets or its written plan for doing so, provided that such termination right must be exercised so as to terminate the AC LTA prior to or on December 31, 2016;

(iii) the GTAA may terminate the AC LTA effective on or after December 31, 2019, if the Air Canada Family Members fail to achieve agreed three-year rolling average passenger volume thresholds, beginning with the 2017–2019 period; and

(iv) if the GTAA's Ground Lease is terminated for any reason and the AC LTA is not assigned to the federal government, the AC LTA is terminated as of the date of termination of the Ground Lease.

Service Level Standards

In 2014, the GTAA and Air Canada developed certain specified service level standards which the parties have identified as being important to customer service and to the development of the Airport as a global hub airport. The standards were developed with the long term goal of achieving top quartile performance as compared to mutually agreed comparator groups of airlines and airports. The service level standards will be measured and improvement plans will be developed, with remedies to promote improved service performance.

4.9 Airport Expenses

The operating expenses of the GTAA include ground rent payments made to the federal government under the Ground Lease; goods and services expenditures; salaries, wages and benefits; payments-in-lieu of real property taxes; payments-in-lieu of development charges; interest and financing costs; and amortization of property and equipment, investment property and intangible assets. Additional information relating to the GTAA's expenses is included in its Financial Statements and Notes and its Management's Discussion and Analysis. See *"Additional Information."*

4.9.1 Ground Rent

Payments under the Ground Lease are made by the GTAA to Transport Canada in accordance with the rent formula contained in the Ground Lease. See *"Ground Lease Rent."*

4.9.2 Goods and Services

Goods and services expenditures are those costs associated with the operation and maintenance of the Airport's facilities, including utilities, security, supplies and services, repairs and maintenance, engineering and professional services, insurance premiums, machinery and equipment.

4.9.3 Salaries, Wages and Benefits

The GTAA pays salaries and wages and provides benefits to its unionized and non-unionized employees, including pension plans and medical and life insurance benefits.

4.9.4 Payments-in-Lieu of Real Property Taxes

The GTAA is exempt from the payment of real property taxes pursuant to the *Assessment Act* (Ontario). The GTAA makes annual payments-in-lieu of property taxes ("PILT") in accordance with regulations issued pursuant to the *Assessment Act* (Ontario). The amount paid is based upon a rate per passenger. These payments are made to the City of Mississauga and the City of Toronto.

In addition to this obligation to make annual PILT payments, the GTAA is required under its Ground Lease to reimburse Transport Canada amounts paid by the federal government to municipal taxing authorities to compensate them for property taxes they are unable to collect from the GTAA's tenants.

4.9.5 Payments in Lieu of Development Charges

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

With respect to development undertaken by the GTAA at the Airport between 1996 and 2004, PWGSC paid PILDC in the amount of $0.8 million to the City of Mississauga and $4.1 million to Peel Region. As required under the Ground Lease, the GTAA reimbursed Transport Canada for such amounts. The City of Mississauga filed an application to increase the amount of the PILDC paid to it by PWGSC to

$26.6 million, but in 2012 reduced the amount claimed to $4.6 million. The outcome of this application is not determinable at this time.

The City of Mississauga also submitted to PWGSC an application for PILDC in respect of Airport development occurring after 2004. This second application will be reviewed by PWGSC once the first application has been settled. The outcome of this second application is not determinable at this time. If the City of Mississauga is successful in these applications, the GTAA would be required to pay to Transport Canada the amount of PILDC paid to the City of Mississauga by PWGSC.

4.9.6 Interest and Financing Costs

Interest and financing costs include interest and related service charges paid on the GTAA's revolving bank credit facilities and interest on outstanding revenue bonds and medium term notes. In 2014, the GTAA implemented a bond buy-back program to reduce its outstanding indebtedness and annual debt service costs. See *"Cash Management."*

4.9.7 Amortization

Amortization expense reflects the amortization of property and equipment, such as runways, terminals, buildings, roadways and other improvements, and investment property and intangible assets.

4.10 Ground Lease

The following is a brief summary of the principal provisions of the Ground Lease. For full particulars of the GTAA's rights and obligations under the Ground Lease, a copy may be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, or the GTAA's website at www.torontopearson.com, or may be inspected at the head office of the GTAA during normal business hours upon written request to the Vice President, Stakeholder Relations and Communications, Greater Toronto Airports Authority, P.O. Box 6031, 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2. Certain capitalized terms used in this summary and described herein are defined in the Ground Lease.

The Ground Lease governs the economic and operating relationship between the GTAA as tenant and Transport Canada as landlord for the term of the lease. The term of the Ground Lease is 60 years, expiring on December 1, 2056. The GTAA has an option to extend the term for a further 20 years to December 1, 2076. The Ground Lease is a net lease pursuant to which the GTAA is responsible for essentially all costs of operating the Airport, save for the costs of providing border control and inspection, immigration and related services that are the responsibility of the federal government, or the United States government, as appropriate, and save for certain components of the passenger and baggage screening costs that are the responsibility of the Canadian Air Transport Security Authority ("CATSA"). The GTAA is also obliged to construct, at the GTAA's expense, offices and facilities for use by government inspection and law enforcement agencies, and provide such premises free of charge. These rent-free premises, together with the rent-free premises leased to U.S. Customs and Border Protection, comprised approximately 20 per cent of the leasable area of Terminals 1 and 3, and, in 2014, represented a foregone annual rental revenue of approximately $15.8 million. Although NAV CANADA is responsible for the provision and cost of air traffic control at the Airport, the GTAA has undertaken the responsibility for the provision and cost of apron control, which is a service and cost assumed by NAV CANADA at other Canadian airports.

4.10.1 Ground Lease Rent

Ground rent is calculated as a percentage of annual Airport Revenue (which term is defined in the Ground Lease) using the following formula:

- 0 per cent of the first $5 million of Airport Revenue;
- 1 per cent of the next $5 million of Airport Revenue;
- 5 per cent of the next $15 million of Airport Revenue;
- 8 per cent of the next $75 million of Airport Revenue;
- 10 per cent of the next $150 million of Airport Revenue; and
- 12 per cent of any Airport Revenue in excess of $250 million.

Airport Revenue, as defined under the Ground Lease, is best described as revenue as such term is understood under Canadian generally accepted accounting principles for publicly accountable enterprises, subject to a number of specific revenue inclusions and exclusions.

In 2012, 2013 and 2014, the GTAA paid ground rent of $129.7 million, $127.9 million and $131.9 million, respectively (excluding the deferred ground rent referred to below).

Deferred Ground Rent

In July 2003, the Minister of Transport announced a ground rent deferral program in recognition of the difficulties facing the Canadian aviation industry and, in particular, the impact of Sudden Acute Respiratory Syndrome ("SARS"). The program reduced the GTAA's ground rent payments by approximately $41.6 million over the 24-month period commencing July 1, 2003. For a 10-year period beginning in 2006 and ending in 2015, the ground rent payments by the GTAA have been, and will continue to be, increased by approximately $4.2 million each year as payment of the deferred ground rent.

4.10.2 Other Provisions

There are other provisions in the Ground Lease that impose certain obligations on the GTAA, such as noise management, insurance, indemnities, environmental matters, and requirements to maintain the Airport in a first-class condition, expand the Airport facilities to meet demand, and return the Airport facilities at the end of the lease term to the federal government free of encumbrances.

In addition, the GTAA has a right of first refusal that provides that if the federal government receives a bona fide and acceptable offer from any person (other than a provincial or municipal government) to purchase the whole or any part of its reversionary interest in the Airport or its right, title and interest in the Ground Lease, then the GTAA is entitled to purchase such interest at the same price and upon the same terms as such offer. If the federal government receives a matching offer from the GTAA, the federal government must either accept the GTAA's offer or reject both offers.

4.11 Environmental Matters

The GTAA is committed to ensuring that activities undertaken at the Airport are carried out in an environmentally responsible manner, in compliance with applicable environmental laws and regulations, with appropriate management practices and with sensitivity to community and public concerns.

4.11.1 Environmental Risk Oversight and Management

The GTAA's Board of Directors has delegated to its Environment, Safety, Security and Stakeholder Relations ("ESSSR") Committee the responsibility for the oversight of environmental risks and related matters affecting the Airport. This committee monitors management's development and implementation of environmental policies, practices and activities including its Environmental Management Program. Management is responsible for ensuring that such policies and practices are effective and meet or exceed legislative and regulatory requirements and best practices. The ESSSR Committee and the Board review regular management reports relating to environmental risks, opportunities and matters.

Environmental Policy and ISO Certification

In 1999, the GTAA obtained ISO 14001 certification for its Environmental Management Program, the first airport in North America to earn this distinction. The GTAA has achieved recertification annually since 1999. Through the process of annual ISO certification renewals and regular internal audits, the GTAA's Environmental Management Program is being continuously improved.

As a requirement of the ISO 14001 certification, the GTAA developed and implemented an Environmental Policy for the Airport that is reviewed annually. The purpose of the GTAA's Environmental Policy is to reduce and control the risks of environmental contamination, and to promote continuous improvement and regulatory compliance.

The air carriers, concessionaires and other commercial businesses that operate at the Airport are required to comply with environmental laws and regulations and with the environmental requirements contained in their leases or agreements with the GTAA, including compliance with the GTAA's Environmental Policy. Through its Environmental Services division, the GTAA conducts scheduled inspections of tenants', operators' and contractors' premises and operations to ensure compliance with environmental laws and contractual obligations, to identify potential environmental hazards and to make recommendations for the safe storage, handling and disposal of hazardous substances.

4.11.2 Environmental Risk

The GTAA adopted an Enterprise Risk Management ("ERM") program to provide a disciplined approach for identifying, assessing, treating and managing risk. Using the ERM and the Environmental Management Program, environmental risks at the Airport are identified and ranked by severity and likelihood. Mitigation plans are then developed, implemented, monitored and continuously improved. The GTAA's Environmental Services division provides quarterly reports on environmental risks and mitigation plan monitoring to senior management, the ESSSR Committee and/or the Board.

Spills of Hazardous Substances

The principal environmental risks at the Airport are spills of jet fuel, glycol-based deicing fluid and other hazardous substances. Virtually all of these substances are used, owned or handled by, or are within the care and control of, third parties operating at the Airport. The storage, use and transportation of hazardous substances are the responsibility of the owners of the hazardous substances and those having care and control of such substances. These parties are required to comply with the GTAA's Environmental Management Program and applicable environmental laws and regulations.

4.11.3 Trends and Uncertainties – Climate Change

The trend toward global warming is expected to result in a change in climate that may manifest itself in more severe weather events and changes to climatic averages. As part of its preparedness for more severe weather events and changing climatic averages, in 2014 the GTAA updated its stormwater-flood study to determine what improvements or changes to its operational practices could be considered to prevent Airport flooding during severe storms. The GTAA will begin implementing the study's recommendations in 2015. In addition, as part of its continuous improvement processes, the GTAA conducts a comprehensive review after each severe weather event to enhance its preparedness for future severe weather events. The review of the severe winter weather event experienced in early January 2014 is described in *"Winter Operations Review."*

To manage the release of greenhouse gases, which are related to global climate change, the GTAA implemented its Greenhouse Gas Management Policy in 2009. This policy requires the GTAA, by 2020, to reduce its greenhouse gas emissions (including those from purchased electricity) by 20 per cent below a 2006 baseline. During 2014, the GTAA continued to focus on energy use reduction, and projects that have been completed include substituting Light Emitting Diodes ("LEDs") for inefficient incandescent and fluorescent lighting, and improving ventilation. The GTAA's greenhouse gas emissions reduction program is a voluntary program that is consistent with the GTAA's goal of achieving long-term sustainability.

4.11.4 Other Environmental Matters

Other environmental matters include the Noise Management Program, environmental protection and the Partners in Project Green initiative.

Noise Management Program

The Ground Lease requires the GTAA to maintain a Noise Management Program. The GTAA's Noise Management Program includes preferential runways, prescribed approach and departure flight procedures, and restrictions on the hours that certain types of aircraft may use the Airport. The GTAA maintains a Community Environment and Noise Advisory Committee composed of local residents, elected officials, representatives of the aviation industry and the GTAA. This committee meets regularly to discuss and review issues and complaints relating to noise and other environmental impacts of Airport operations. In addition, the GTAA has worked with the neighbouring municipalities to create an Airport Operating Area ("AOA") surrounding the Airport. The AOA, which is based on noise contours, delineates an area within which land uses that are incompatible with Airport operations, including residential development and schools, are actively opposed by the GTAA. The AOA has been incorporated into the official plans of the cities of Toronto, Mississauga and Brampton, and the Region of Peel.

Environmental Protection

The two principal environmental protection programs implemented by the GTAA are its stormwater management master plan and the glycol recovery program.

The GTAA developed and implemented a stormwater management master plan for the Airport and constructed stormwater control facilities and related infrastructure to prevent stormwater run-off from runways and Airport lands from exceeding stormwater quality and quantity guidelines. The GTAA has updated its stormwater-flood study. See *"Trends and Uncertainties–Climate Change."*

The second principal environmental protection measure implemented by the GTAA is the glycol recovery program. Aircraft are deiced at the Central Deicing Facility located in the infield area. Aircraft are also deiced at the Hangar Deicing Facility located near Air Canada's aircraft hangars, which facility became operational in January 2015. The glycol recovery program includes a series of catch basins or trench drains and underground tanks to collect glycol-based deicing fluid after it has been sprayed on aircraft. The captured deicing fluid is treated at off-Airport locations. The operational purpose of the glycol recovery program is to ensure that the use of glycol-based deicing fluid does not exceed environmental guidelines.

Partners in Project Green

The GTAA's commitment to environmental responsibility extends beyond the boundaries of the Airport. Together with the Toronto and Region Conservation Authority, the GTAA initiated Partners in Project Green to develop and promote environmentally sustainable initiatives among the 12,500 companies located in the Pearson Eco-Business Zone, an area comprising over 12,000 hectares of industrial and commercial land surrounding the Airport.

4.12 Human Resources

As at December 31, 2014, the GTAA employed 1,246 persons who were engaged in management, technical, administrative and general labour activities. This number includes seasonal employees who were employed in general labour activities. Approximately 77 per cent of the GTAA's employees are unionized, represented by either Unifor (the successor union to the Canadian Auto Workers) Local 2002, or the Pearson Airport Professional Firefighters Association ("PAPFFA").

In August 2013, the GTAA and Unifor agreed upon the terms of a new collective agreement that was ratified by the Unifor membership. The term of the collective agreement expires on July 31, 2016.

The term of the collective agreement between the GTAA and PAPFFA expired on December 31, 2014, and the parties are in contract negotiations to finalize a renewal collective agreement.

5 Risks

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

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

The GTAA, its operations and its financial results are subject to certain risks. At present, these risks include, without limitation, the risks set out below. Other risks are detailed from time to time in the GTAA's publicly filed disclosure documents, including its Management's Discussion and Analysis. See *"Additional Information."*

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

5.1 Financial Risk

As of December 31, 2014, the GTAA had outstanding debt securities, including accrued interest and net of unamortized discounts and premiums, of approximately $6.7 billion. Depending on the timing of cash flows and actual operating activity levels, the GTAA may need to continue to access the capital markets to refinance maturing debt, finance future capital projects and fund reserve funds. There are always risks when raising funds in the capital markets, including risks related to fluctuating interest rates and the availability of funds at any point in time. External factors, such as economic conditions, government policies, catastrophic events and the state of the financial markets, may have an impact on the GTAA's ability to access the capital markets.

As of the date of this report, the GTAA maintains a revolving operating facility in an amount of $600 million. This facility forms part of the GTAA's contingent liquidity program and may be drawn upon to fund capital projects or operating expenses as required, and provides flexibility on the timing for accessing the capital markets.

5.2 Strategic Development Risk

In 2013 and 2014, the GTAA developed and refined its 20-year strategic framework which identifies the strategic priorities that support its ability to meet the growing demand for air travel. Since these forward-looking plans are not able to anticipate all possible factors, there is a risk of developing strategies that may not enable the GTAA to achieve its corporate goals. The GTAA periodically conducts a comprehensive review of its strategic plans to incorporate any emerging factors that may influence business objectives.

5.3 Operational Risk

Infrastructure

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

Commercial Relationships

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

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

Security

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

Major Event

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

Reputation

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

5.4 Industry Risk

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

5.5 Laws and Regulations Risk

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

5.6 People Risk

It is through an engaged and high performing workforce that the GTAA will achieve its strategic goals. A failure by the GTAA to attract, develop and retain the right talent throughout the GTAA, while fostering a high-performance culture, may have an impact on the GTAA's ability to realize its strategic goals. During the past two years, there have been six executive level departures as a result of retirement and management restructuring. During 2013 and 2014, the appointment of these executive positions was completed.

6 Description of Capital Structure

The GTAA was incorporated on March 3, 1993, under Part II of the *Canada Corporations Act* as a corporation without share capital. Effective February 27, 2014, the GTAA was continued under the *Canada Not-for-profit Corporations Act*, the successor legislation to Part II of the *Canada Corporations Act*.

To finance the acquisition of Terminal 3 and Airport capital programs, the GTAA entered into a Master Trust Indenture (the "Indenture") dated December 2, 1997, with the Trust Company of the Bank of Montreal, which has been succeeded by BNY Trust Company of Canada as trustee (the "Trustee"). The Indenture established a financing framework referred to as the Capital Markets Platform. This ongoing program is capable of accommodating a variety of corporate debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities, commercial paper, medium term notes, and interest rate and currency swaps.

The GTAA has issued an aggregate face value amount of $12.3 billion in debt securities pursuant to the Indenture, as supplemented, of which approximately $6.7 billion, including accrued interest and net of unamortized discounts and premiums, remained outstanding as at December 31, 2014. As at the same date, the GTAA held approximately $9.0 million in cash and cash equivalents and $804.9 million in total reserve funds. For information on the GTAA's debt management strategies, see *"Cash Management."*

On February 10, 2014, the GTAA filed a short-form base shelf prospectus (the "Prospectus") that permits the GTAA to issue up to $1.5 billion in medium term notes ("Notes") over a 25-month period ending in March 2016.

For full particulars of the GTAA's obligations and the rights of the bondholders under the Indenture, reference should be made to the Indenture, as supplemented from time to time, available through SEDAR at www.sedar.com or upon written request to the Vice President, Stakeholder Relations and Communications, Greater Toronto Airports Authority, P.O. Box 6031, 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2. The material terms of the Indenture are also summarized in the Prospectus, which is also available through SEDAR.

6.1 Ratings

Standard & Poor's Rating Service ("S&P"), DBRS Limited ("DBRS") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "A," "A" and "A1," respectively, to the GTAA's Notes.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment in accordance with the terms of the obligation. The rating agencies classify debt instruments into rating categories ranging from a high of "AAA" ("Aaa" in the case of Moody's) to a low of "D" ("C" in the case of Moody's).

The "A" rating assigned to the Notes by S&P indicates that the Notes rank in S&P's third-highest rating category. S&P has 10 rating categories, which range from "AAA" to "D". The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within these rating categories. According to information made publicly available by S&P, under the S&P rating system, a long term obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A" rating assigned to the Notes by DBRS is the third-highest rating of DBRS' 10 rating categories, which range from "AAA" to "D." The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. According to information made publicly available by DBRS, under the DBRS rating system, long term obligations rated "A" are considered to be of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than "AA." The obligations may be vulnerable to future events, but qualifying negative factors are considered manageable.

The "A1" rating assigned to the Notes by Moody's indicates that the Notes rank at the higher end of Moody's third-highest rating category. Moody's has nine rating categories, ranging from "Aaa" to "C," and uses "1," "2" and "3" designations for each rating category from "Aa" through "Caa" to indicate the relative standing of the obligation within a particular rating category. According to information made publicly available by Moody's, under the Moody's rating system, long term obligations rated "A" are judged to be upper-medium grade and are subject to low credit risk.

The credit ratings assigned to the Notes are not recommendations to buy, sell or hold such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. The credit ratings assigned to the Notes may not reflect the potential impact of all risks on the value of the Notes. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised, suspended or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

6.2 Trustee

BNY Trust Company of Canada is the Trustee under the Indenture. Registers for the registration and transfer of the GTAA's debt securities are kept at the principal office of the Trustee in the City of Toronto.

7 Corporate Governance

7.1 Members/Directors

As a corporation without share capital, the GTAA has members rather than shareholders. The members of the GTAA are also its directors. The following description of the Board of Directors (the "Board") and the process for nominating and selecting members is based on the GTAA's By-law and the Public Accountability Principles. See *"Corporate Structure."*

The GTAA has 15 members who also serve as its directors on the Board and on the committees of the Board. The directors are elected by the members. Members serve a term of three years and are eligible to be reappointed, subject to a maximum limit of three terms or nine years. In the past, some members were appointed for a term of less than three years, in order to more evenly schedule their term expiry dates.

The Government of Canada and the Province of Ontario are entitled to appoint two members and one member, respectively. Five members are appointed by the Board who have been nominated by the Municipal Nominators. The GTAA's Municipal Nominators are the regional municipalities of York, Halton, Peel and Durham and the City of Toronto. The Municipal Nominators are each entitled to provide, on a rotating basis, the names of up to three candidates. The Board appoints one of each of these candidates as a member. Seven members are appointed by the Board on a cyclical basis from a pool of candidates identified in a search process, provided that at least five of these appointments are candidates who either reside in, or are employed within, south central Ontario. The search process includes contacting the Named Community Nominators to identify suitably qualified candidates. The GTAA's Named Community Nominators are The Board of Trade of the City of Brampton, The Board of Trade of the City of Mississauga, The Toronto Region Board of Trade, The Law Society of Upper Canada, Professional Engineers Ontario and the Institute of Chartered Accountants of Ontario.

As the GTAA's members are also its directors, reference in this Annual Information Form to directors is a reference to the GTAA's members serving as directors.

The following table sets forth the name, residence, year of commencement as a director, expiry of current term of service, principal occupation and Board committee membership of each of the directors of the GTAA as of the date of this report:

Directors' Information

Name and Residence	Director Since	Term Expiry[1]	Principal Occupation
W. Douglas Armstrong[3,4] Ontario, Canada	2007	2016	Principal, Armstrong Associates (consulting firm)
Ian L.T. Clarke[2, 6] Ontario, Canada	2012	2018	Chief Financial Officer Maple Leaf Sports and Entertainment Ltd. (sports and entertainment firm)
Paul W. Currie[2, 3, 6] Ontario, Canada	2010	2016	President, Currie Strategic Capital Inc. (investment and consulting firm)
Jeffrey P. Fegan[5, 6] Texas, USA	2014	2017	CEO, Jefffegan.com LLC (aviation consulting firm)
Shaun C. Francis[3, 5] Ontario, Canada	2007	2016	Executive Chair, Medcan Health Management Inc. (health management services firm)
Stephen J. Griggs[3, 4] Ontario, Canada	2010	2018	CEO, Smoothwater Capital Corporation (private investment company)
Brian P. Herner[2, 3] Ontario, Canada	2009	2015	Corporate Director
Vijay J. Kanwar [7] Ontario, Canada	2006	2015	President and CFO, KMH Cardiology and Diagnostic Centres Inc. (nuclear cardiology services firm)
Roger Mahabir[2, 6] Ontario, Canada	2013	2016	President and CEO, Technology Innovations Inc. Chairman and CEO, Tracker Networks Inc. (information technology companies)
Kathy Milsom[4, 6] Ontario, Canada	2013	2016	Corporate Director
Terrance F. Nord[4, 6] Ontario, Canada	2009	2018	President, Terry Nord Consulting Corporation (aviation consulting firm)
Poonam Puri[2 ,5] Ontario, Canada	2008	2017	Professor of Law Osgoode Hall Law School
Michelle Samson-Doel[4, 5] Ontario, Canada	2014	2017	President and Chair, Samson-Doel Group Limited (investment holding company)
Danielle M. Waters[3, 5] Ontario, Canada	2010	2017	Managing Director–Canada, BCD Travel (corporate travel management company)
W. David Wilson[2, 5] Ontario, Canada	2011	2017	President, WDW Capital Inc. (investment holding company)

1. Terms expire at the annual public meeting in the year indicated.
2. Member of Audit Committee.
3. Member of Corporate Governance and Nominating Committee.

4. Member of Environment, Safety, Security and Stakeholder Relations Committee.
5. Member of Human Resources and Compensation Committee.
6. Member of Planning and Commercial Development Committee.
7. Board Chair and Ex-officio member of all above committees.

All of the directors of the GTAA have been engaged for more than five years in their current principal occupations, except as set out below:

Jeff Fegan was CEO of Dallas/Fort Worth International Airport from December 1994 to September 2013.

Stephen Griggs was Chairman and Partner of Investeco Capital Corp., an investment company, from 2007 to June 2011; Executive Director of the Canadian Coalition for Good Governance, a shareholder interest group, from 2008 to June 2011; President and CEO of OPSEU Pension Trust, OPSEU's pension plan administrator, from June 2011 to April 2012; and CEO of Underwood Capital Partners Inc., from April 2012 to March 2013.

Brian Herner was Senior Corporate Advisor of BIOREM Technologies Inc., an air filtration supplier, from April 2007 to January 2014.

Kathy Milsom was President and Chief Executive Officer of the Technical Standards and Safety Authority, a safety standards organization, from December 2004 to September 2012. Ms. Milsom also serves as the Chair of the Standards Council of Canada.

Danielle Waters was Principal of Waters Edge Consulting, a loyalty travel consulting firm, from June 2009 to May 2010.

David Wilson was Chair and CEO of the Ontario Securities Commission, a securities regulator, from November 2005 to October 2010.

7.1.1 Board of Directors

All of the directors of the GTAA's Board are independent, as that term is defined in applicable securities legislation. The Board holds regular meetings which management attends, and at each Board meeting, management is excused from a portion of the meeting and the directors meet *in camera*. The Board also conducts an annual retreat to consider Board governance and strategic matters. The Chair of the Board is Vijay Kanwar, whose term expires on May 6, 2015.

The following table identifies the directors who are currently also a director of any other reporting issuer (or equivalent) in Canada or a foreign jurisdiction, and the name of such other issuer.

Director	Name of Other Issuer
Stephen Griggs	Genesis Land Development Corp. Equity Financial Holdings Inc.
Brian Herner	Biorem Inc.
Michelle Samson-Doel	Boralex Inc.

Board Mandate

The Board is responsible for the stewardship of the GTAA and the supervision of management of the business and affairs of the GTAA. The Board's accountabilities include the adoption of a strategic plan and the oversight of the principal risks of the GTAA's business. In connection with this risk oversight responsibility, the GTAA has developed and implemented an Enterprise Risk Management program that provides a disciplined approach for identifying, assessing, treating and managing risks, and the linking of risks to strategy and opportunity. The text of the Board's written mandate is contained in the Terms of Reference of the GTAA's Board of Directors, which is attached as Appendix "A".

Board Committees

The Board has five standing committees:

- Corporate Governance and Nominating Committee;
- Audit Committee;
- Human Resources and Compensation Committee;
- Planning and Commercial Development Committee; and
- Environment, Safety, Security and Stakeholder Relations Committee.

In addition to its standing committees, in 2014, the Board struck an *ad hoc* committee in respect of the Winter Operations Review, whose mandate was completed in April 2014 with the release of the report "Toronto Pearson January 2014 Operations Disruption: Review and Recommendations."

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is composed entirely of independent directors. This committee's responsibilities with respect to the nomination, orientation and continuing education of directors are described under *"Members/Directors," "Nomination of Members"* and *"Orientation and Continuing Education*." In addition, the Corporate Governance and Nominating Committee is responsible for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles. As of the date of this report, the members of the Corporate Governance and Nominating Committee are Stephen Griggs (Chair), Douglas Armstrong, Paul Currie, Shaun Francis, Brian Herner and Danielle Waters.

One of the responsibilities of the Corporate Governance and Nominating Committee is to conduct annually an evaluation of, and make recommendations regarding, the effectiveness of the Board as a whole, the Chair of the Board, the Chair of each committee, the committees of the Board and the contribution of each individual director. In making such assessments, the Corporate Governance and Nominating Committee considers, as applicable, the annual performance evaluation prepared by each Board committee, the roles and responsibilities of the Board, the Charter of each Board committee, and with respect to each director, the knowledge, skills, competencies and experience he or she is expected to possess. Each committee of the Board is also responsible for conducting an evaluation of the performance of the committee and the Chair of the committee.

To assist the Board in enhancing its effectiveness, in 2013 the Board retained an independent corporate governance consulting firm to develop and implement an annual assessment program for the Board, its committees and its directors. The consulting firm's methodology includes observing Board and committee meetings, administering a director peer assessment questionnaire, conducting initial and follow-up interviews with individual directors and providing recommendations for enhancing corporate governance. In 2014, a Board evaluation report was prepared by the consulting firm for the Board's consideration.

Audit Committee

Audit Committee Charter – The Board has delegated certain powers to its Audit Committee, which is currently composed of six independent directors. The Audit Committee Charter, which is attached as Appendix "B", defines the responsibilities of the Audit Committee. The GTAA maintains a separate internal audit function led by the Director, Internal Audit, who reports directly and independently to the Audit Committee.

Composition of the Audit Committee – The current members of the Audit Committee are Brian Herner (Chair), Ian Clarke, Paul Currie, Roger Mahabir, Poonam Puri and David Wilson. Each of the members of the Audit Committee is "financially literate" and "independent", as those terms are defined in applicable securities laws.

The following describes the relevant education and experience of each of the current members of the Audit Committee that provide them with:

1. an understanding of the accounting principles used by the GTAA to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the GTAA's financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

Brian Herner (Chair) – Mr. Herner was the Senior Corporate Advisor, founder and past President and CEO of BIOREM Technologies Inc., a supplier of biofilters for air pollution control. Prior to founding BIOREM, he was President of General Chemical

Canada, a chemical manufacturing business, Vice President of Zenon Pure Water Systems and General Manager and European Business Director of Calgon Canada. Mr. Herner has financial experience as President of General Chemical, and as a member of its Pension Fund Management Board. In addition, Mr. Herner has financing experience as President of General Chemical, which secured working capital debt financing, and as the founder of BIOREM Technologies, raising initial venture capital financing and taking the company through a public listing on the Toronto Stock Exchange.

Ian Clarke – Mr. Clarke is the Chief Financial Officer of Maple Leaf Sports and Entertainment Ltd. ("MLSE"), the owner of the Toronto Maple Leafs hockey franchise and other sports and entertainment businesses. Prior to 2004, he held other finance positions including Controller, Maple Leaf Gardens Limited, and Vice President, Finance and Administration at MLSE. Mr. Clarke has extensive experience in financial and accounting matters, including being an Audit Manager for KPMG where he conducted the financial audits of private and public corporations, and in his current position as a key senior executive responsible for all areas of finance, administration, information technology and consumer products. Mr. Clarke is a Chartered Accountant who received his Chartered Accountant ("CA") designation in 1987, and his Fellow of Chartered Accountants ("FCA") designation in 2011.

Paul Currie – Mr. Currie is the President of Currie Strategic Capital Inc., a strategic investment and consulting firm. He held the position of Executive Vice President, Corporate Development and Strategy at Electronic Data Systems ("EDS"), where he was responsible for the development and implementation of EDS' global strategy, all mergers, acquisition and divestiture activities and EDS' Global Financial Products business. He also served as Chief Executive Officer of Symcor Inc., a financial transactions and business process outsourcing service provider. Prior to these positions, Mr. Currie held the position of Executive Vice President, Corporate Development and Strategy at Newcourt. He also served as the initial Chief Executive Officer for the Privatization Secretariat of the Government of Ontario, the entity responsible for the privatization of Highway 407 and other entities. Mr. Currie is a former partner of Coopers & Lybrand, where he was responsible for corporate finance assignments and audit engagements for publicly and privately traded entities.

Roger Mahabir – Mr. Mahabir is the President and Chief Executive Officer of Technology Innovations Inc. and Chairman and Chief Executive Officer of Tracker Networks Inc., information technology software services and consulting firms. He is the founder and former Chairman and Chief Executive of Assurent Secure Technologies ("Assurent"), a provider of software security products and services. In these senior executive and owner capacities, Mr. Mahabir's responsibilities included the oversight of the preparation of the financial statements of these companies. He was responsible for the financial and business terms of the sale of Assurent to TELUS Corporation. He also served as a Managing Director of RBC Capital Markets and

RBC Dominion Securities and as a member of the Audit Committee of the Board of Governors of the University of Waterloo. Mr. Mahabir has served as a director of other private and public companies in Canada and the United States.

Poonam Puri – Ms. Puri is a Professor of Law at Osgoode Hall Law School and has previously served as Associate Dean of the school and as a member of its Priorities and Finance Committee, where her responsibilities included the review of the law school's financial statements and budgets. Ms. Puri serves on the Board of Governors of Mount Sinai Hospital and is a member of its Resources and Planning Committee, where she reviews the hospital's financial performance and financial statements, and identifies and manages operational risk and short and long term capital allocation within the hospital. She also serves on the Board of Directors of Women's College Hospital and was a member of its Quality Assurance Committee, which includes the responsibility of reviewing the hospital's financial statements and budgets and capital expenditure strategies and the financial performance and accountability of various operating segments of the hospital. As a scholar, her research has focused largely on corporate governance, securities regulation and audit and accounting standards.

David Wilson – Mr. Wilson served as the Chair and Chief Executive Officer of the Ontario Securities Commission between 2005 and 2010 after a 37-year career in the financial services industry, where he was involved in various banking activities while employed at the Toronto Dominion Bank, Dominion Securities Corporation and the Bank of Nova Scotia. He held a number of senior management positions at the Bank of Nova Scotia, including Vice Chair of Scotiabank and Chair and CEO of Scotia Capital, the wholesale banking division of the bank. He has served as a director of many commercial and non-commercial enterprises, including Rogers Communications Inc. and the Investment Dealers Association of Canada, and is currently a member of the Board of Trustees of the Centre for Addiction and Mental Health, and a director of The Economical Insurance Group. Mr. Wilson earned his Bachelor of Commerce (Honours) degree from the University of Toronto and his Master of Business Administration degree from York University.

Other Board Committees

In addition to the Corporate Governance and Nominating Committee and the Audit Committee, the Board has three other standing committees: the Environment, Safety, Security and Stakeholder Relations Committee, the Human Resources and Compensation Committee, and the Planning and Commercial Development Committee. The Board has developed written Charters for each of these committees. The members of these committees are noted in *"Directors' Information"*. A brief summary of each of the committee's responsibilities follows:

1. **Environment, Safety, Security and Stakeholder Relations Committee** – This committee's mandate includes providing oversight of matters relating to the environment, safety, security, Airport operations, emergency preparedness,

corporate social responsibility practices and reporting, and the GTAA's relationships with governments, the community, the travelling public, Airport visitors, airlines, Airport service providers and other stakeholders.

2. **Human Resources and Compensation Committee** – This committee's mandate includes overseeing matters relating to the GTAA's employment relationship with the CEO and the CEO's direct reports, and human resources and executive compensation governance and strategy including executive compensation, succession, planning and talent development, performance oversight and enterprise-wide human resources risks, policies and relevant matters. This committee is composed entirely of independent directors. See *"Role of the Human Resources and Compensation Committee"* for additional disclosure regarding the committee's role and responsibilities.

3. **Planning and Commercial Development Committee** – This committee's mandate includes overseeing matters relating to the commercial development of the Airport, the GTAA's business and marketing strategy, the planning, development and utilization of infrastructure and facilities, and the GTAA's Long Term Infrastructure Plan, including the Airport Land Use Plan and the management systems necessary to undertake such matters.

Position Descriptions

The Board has adopted a position description for the Chair of the Board setting out his or her responsibilities and duties. The Chair's role and responsibilities include the following: provide leadership to and manage the affairs of the Board, and, together with the CEO, prepare the agenda for Board and member meetings; chair all Board and member meetings; attend Board committee meetings as an *ex-officio* member; require that the Corporate Strategy is prepared by management and presented to the Board; provide advice and counsel to the CEO; and work collectively and individually with members of the Board to maximize their individual performance and the performance of the Board.

The Board has also developed written Charters (formerly known as "Terms of Reference") for each of the committees of the Board that describe the roles and responsibilities for each committee. A written generic position description has been developed that applies to each committee Chair. Written position descriptions of the roles and responsibilities of individual directors have also been developed. The Chair of each committee is responsible for ensuring that the committee fulfills its roles and responsibilities as set out in the committee's Charter. The Board and the CEO have developed a written position description for the CEO that sets out the key roles and responsibilities for that position.

Orientation and Continuing Education

In 2014, the Corporate Governance and Nominating Committee enhanced and expanded the GTAA's New Director Orientation Program. The purpose of this program is to assist new directors in understanding the nature and operation of the

GTAA's business, the role of the Board and its committees, and the contributions new directors are expected to make. The New Director Orientation Program consists of a series of presentations and airport operational tours by management that each new director must attend. The topics addressed in these presentations include, among other topics, the GTAA's governance structure and financial and capital structure; the fiduciary duties and roles and responsibilities of directors; community and stakeholder relations; terminal and Airport operations, and human resources and labour relations.

In recognition of the importance of directors maintaining or enhancing their skills and abilities and their knowledge and understanding of the GTAA's business, the GTAA maintains a formal policy on Director Continuing Education and Professional Development. Pursuant to the policy, directors receive specific tours of the Airport facilities that relate to various operational and development matters. Directors also receive monthly management reports that include information on aviation-related trends and other topics relevant to the Board. The policy also provides opportunities for directors to tour other airports, to attend industry conferences and to participate in educational opportunities to enhance their skills as directors. A budget allocation has been made for educational opportunities for directors.

Ethical Business Conduct

The GTAA has a Code of Business Conduct and Ethics (the "Code"), which has been approved by the Board. The Code complies with applicable securities laws and represents a comprehensive approach to addressing, among other matters, conflicts of interest, and promoting fair, honest and ethical behaviour by all GTAA directors, officers, employees, contracted staff and suppliers. A copy of the Code may be accessed at www.sedar.com.

The Board monitors compliance with the Code. Each year, the Board requires that every director and officer sign an Annual Declaration, confirming that the signatory has read the Code and whether the signatory is in compliance with the Code. Where the signatory is not in compliance with the Code, the declaration states the reasons for the non-compliance. In February 2015, all directors and officers declared that they were in compliance with the Code. In addition, the Board has implemented "CARE" (Confidential Anonymous Reporting for Employees), which permits the anonymous reporting of unethical behaviour by an employee, officer or director.

Nomination of Members

The process by which the GTAA's members are nominated and appointed is discussed in the section entitled *"Members/Directors."* As a corporation without share capital, the GTAA has members rather than shareholders. All of the members of the GTAA are also its directors.

The Corporate Governance and Nominating Committee is responsible for the nominating process. The following are the responsibilities of the Corporate

Governance and Nominating Committee as they relate to the nomination of members:

1. identifying the knowledge, skills and experience requirements for candidates by using a skills matrix in support of achieving a skills-based Board, and communicating these requirements to the nominators;
2. determining if nominees are qualified to be members of the GTAA in accordance with the GTAA's By-law;
3. making recommendations to the Board concerning the appointment of nominees as members of the GTAA; and
4. periodically reviewing the nominating process for members of the GTAA.

Representation of Women in Director and Executive Officer Positions

The GTAA is committed to ensuring that diversity is integrated into all aspects of its hiring policies and practices, including at the Board and executive levels. Diversity includes not only considerations of gender, but also of race, ethnicity, cultural background, age and other attributes.

Directors

The GTAA's Board of Directors currently includes four women, or 27 per cent of the 15-member Board. This compares to three women, or 20 per cent, in 2013; and two women, or 13 per cent, in 2009. The Board is also diverse: seven of its directors, or 47 per cent, are women or members of a visible minority group.

In January 2014, the Board approved a Diversity Policy that applies to its directors, which includes taking gender into consideration. The policy provides that:

1. the GTAA recognizes and embraces the benefits of having a Board which is diverse in its composition;
2. a diverse Board is one which makes good use of different skills, industry and professional experience, and the composition thereof takes into consideration matters such as gender, sexual orientation, cultural background, race, ethnicity, age and other attributes of the directors;
3. when identifying potential directors, the Board's objective is to identify the most qualified and highest functioning candidates with due regard for the benefits of diversity in the Board's composition; and
4. as part of the annual performance evaluation of the effectiveness of the Board and Board committees, the Corporate Governance and Nominating Committee balances the skills, experience, independence and knowledge required, as well as the desirability of Board diversity.

It is the practice of the Board to include diversity - including gender - as one of its criteria when soliciting and considering director candidates. The Corporate

Governance and Nominating Committee provides the governments and community organizations who play a role in appointing or nominating the GTAA's directors with a list of the experience, skills and abilities that the Board requires of its new directors. The Diversity Policy is also provided to the nominators (and any executive search firms retained) to encourage the nomination of diverse candidates.

In 2014, there were five potential director vacancies: three directors were eligible for reappointment, and two positions were required to be filled as the incumbents had served the maximum term of nine years on the Board. After evaluating the three eligible directors' performance and contributions, and the experience, skills and abilities required of the Board, and having due regard to diversity considerations, the Board reappointed the three eligible directors. Two of the reappointed directors are women, namely Ms. Poonam Puri and Ms. Danielle Waters. Two new directors were appointed, one of whom is a woman, namely, Ms. Michelle Samson-Doel.

The Board's Diversity Policy does not establish a target number or percentage of women directors, as the Board believes that it is important to maintain flexibility in balancing the skills, experience and knowledge required of directors, with the desirability of Board diversity, independent of any pre-set target. The Government of Canada's Advisory Council for Promoting Women on Boards issued a report in June 2014 entitled "Good for Business: A Plan to Promote More Women on Canadian Boards." The report, which is based on best board practices, recommends that Canadian boards should aspire to have a 30 per cent female director representation over the 2014–2019 timeframe, with a long term goal of achieving gender balance. As noted above, the GTAA's Board currently includes four women, or 27 per cent of the GTAA's 15-member Board.

See "*Members/Directors*" for a description of the GTAA's term limits for its directors.

Executive Officers

The GTAA has nine executive officers, of whom four, or 44 per cent, are women, including Ms. Nicole Desloges, Vice President, People and Culture; Ms. Selma M. Lussenburg, Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary; Ms. Hillary E. Marshall, Vice President, Stakeholder Relations and Communications; and Ms. Jill Sharland, Vice President and Chief Financial Officer. This compares with three women executive officers, or 33 per cent, in 2013; two women executive officers, or 22 per cent in 2012, and no women executive officers, or zero per cent, in 2008.

The GTAA has an Employment Equity Plan (the "Plan") for all of its employees, including its executive officers that encourages the recruitment of women, persons with disabilities, aboriginal persons and members of visible minority groups. The Plan includes measures to remove employment barriers, and sets timetables and goals to achieve reasonable progress towards a representative workplace.

As part of its process for recruiting executive officers, the GTAA retains executive recruitment firms which are requested to procure a diversity of qualified candidates in terms of gender, cultural background, skills and experience and other attributes. In 2014, the GTAA appointed five new executive officers, two of whom are women, namely, Ms. Hillary E. Marshall, Vice President, Stakeholder Relations and Communications; and Ms. Jill Sharland, Vice President and Chief Financial Officer.

The GTAA does not have a target number or percentage of women executive officers, as it believes that it is important to maintain flexibility in balancing the skills and experience of individual candidates, with the desirability of its goal of ensuring that its executive officers are representative of the community it serves, independent of any pre-set target. As noted above, the percentage of women executive officers has been increasing over time and is currently at 44 per cent.

7.2 Officers

The following are the current officers of the GTAA:

Name and Residence	Position Held
Martin Boyer[1] **Ontario, Canada**	**Vice President and Chief Information Officer**
Craig B.M. Bradbrook[2] **Ontario, Canada**	**Vice President, Aviation Services**
Scott Collier[3] **Ontario, Canada**	**Vice President, Customer and Terminal Services**
Nicole Desloges **Ontario, Canada**	**Vice President, People and Culture**
Howard Eng **Ontario, Canada**	**President and Chief Executive Officer**
Selma M. Lussenburg **Ontario, Canada**	**Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary**
Chad MacLean[4] **Ontario, Canada**	**Treasurer**
Hillary E. Marshall[5] **Ontario, Canada**	**Vice President, Stakeholder Relations and Communications**
Patrick C. Neville **Ontario, Canada**	**Vice President, Airport Planning and Technical Services**
Jill N. Sharland[6] **Ontario, Canada**	**Vice President and Chief Financial Officer**

1. **Martin Boyer** was appointed Vice President and Chief Information Officer effective August 23, 2014.
2. **Craig B.M. Bradbrook** was appointed Vice President, Aviation Services effective October 27, 2014.
3. **Scott Collier** was appointed Vice President, Customer and Terminal Services effective February 24, 2014.
4. **Chad MacLean,** Treasurer, is an officer of the GTAA but is not an executive officer of the GTAA.
5. **Hillary E. Marshall** was appointed Vice President, Stakeholder Relations and Communications effective September 15, 2014.
6. **Jill N. Sharland** was appointed Vice President and Chief Financial Officer effective May 26, 2014. Mr. Jason V. Boyd, Corporate Controller, was the Acting Vice President and Chief Financial Officer after Mr. Brian P. Gabel retired as Vice President and Chief Financial Officer on March 31, 2014 and before Jill N. Sharland commenced her employment.

The following officer of the GTAA has held previous executive or employee positions at the GTAA during the last five years:

- **Patrick C. Neville** was Acting Vice President, Strategic Planning and Airport Development, from January 2012 to September 2012, and Vice President, Facilities, from May 2007 to September 2012.

The following officers of the GTAA have held previous executive or employee positions at other companies during the last five years as follows:

- **Martin Boyer** was the Director Principal, Project Management Office at Desjardins General Insurance from May 2013 to August 2014, and held the following executive positions at Air Canada: Senior Director, Boeing 787 Aircraft Program, from October 2011 to May 2013, and Senior Director, Operating Systems, from February 2009 to October 2011.
- **Craig B.M. Bradbrook** held the following executive positions at Airports Council International: Deputy Director General from January 2012 to October 2014, and Director, Security and Facilitations, from August 2006 to December 2011.
- **Scott Collier** held the following executive positions with Pepsico Beverages Canada: Chief Operating Officer from January 2011 to February 2012, and Area Vice President and General Manager from September 2007 to December 2010.
- **Nicole Desloges** was Vice President, Human Resources, with Transcontinental Inc. from August 2003 to May 2010.
- **Howard Eng** was Executive Director, Airport Operations, of the Hong Kong Airport Authority from January 2001 to March 2012.
- **Selma M. Lussenburg** was Chair and non-executive director of Ontario Capital Growth Corporation from February 2011 to February 2014.
- **Chad MacLean** was Divisional Vice President, Finance, with Sears Canada from July 2011 to February 2013; and Global Head of Finance, Thomson Reuters Market Division, from November 2008 to September 2010.
- **Hillary E. Marshall** held the following executive positions: Vice President and Practice Lead from May 2014 to September 2014, and Vice President, Corporate and Financial Communications, from July 2013 to April 2014 at National Public Relations; Acting Director at Hill & Knowlton from March 2012 to July 2013; and Vice President, Communications, at Direct Energy from September 2008 to February 2012.
- **Jill N. Sharland** held the following executive positions at Rogers Communications Inc.: Vice President, Finance, Wireless, Cable and Rogers Business Solutions, from August 2010 to June 2013, and Vice President, Finance, Wireless Operations, Rogers Wireless, from May 2005 to August 2010.

8 Compensation Discussion and Analysis

The following Compensation Discussion and Analysis outlines and explains the significant elements of compensation awarded to, earned by or paid to (i) the GTAA's President and Chief Executive Officer, (ii) each individual who acted in the capacity of the GTAA's Vice President and Chief Financial Officer during 2014, and (iii) each of the GTAA's three most highly compensated executive officers other than the President and Chief Executive Officer and the Vice President and Chief Financial Officer, who were serving in such capacity on December 31, 2014 (collectively, the "Named Executive Officers").

The GTAA's Named Executive Officers in 2014 were Howard Eng, President and Chief Executive Officer; Brian P. Gabel, Vice President and Chief Financial Officer (from January 1, 2014 to March 31, 2014); Jason V. Boyd, Acting Vice President and Chief Financial Officer (from April 1, 2014 to May 25, 2014); Jill N. Sharland, Vice President and Chief Financial Officer (from May 26, 2014 to December 31, 2014); Patrick C. Neville, Vice President, Airport Planning and Technical Services; Selma M. Lussenburg, Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary; and Nicole Desloges, Vice President, People and Culture.

8.1 Human Resources and Compensation Committee

The Board has delegated the responsibility for the oversight of human resources and compensation matters to its Human Resources and Compensation ("HR&C") Committee.

As of the date of this report, the HR&C Committee is composed of the following directors, each of whom is independent: David Wilson (Chair), Jeff Fegan, Shaun Francis, Poonam Puri, Michelle Samson-Doel and Danielle Waters. The Board Chair, Vijay Kanwar, is an *ex-officio* member of the HR&C Committee. Each of the HR&C Committee members has direct experience in executive compensation matters, including serving as an officer or director of other companies where their duties included the determination or review of appropriate levels and types of employee compensation.

8.2 Role of the Human Resources and Compensation Committee

The HR&C Committee oversees matters related to the GTAA's employment relationship with the President and Chief Executive Officer ("CEO"); the CEO's direct reports; and human resources and executive compensation governance and strategy, including executive compensation, succession, planning and talent development, performance oversight and enterprise-wide human resources risks, policies and relevant matters. The HR&C Committee reports to the Board on these matters and makes recommendations to the Board in respect of the approval of certain executive compensation and human resources matters.

The HR&C Committee's Charter states that the principal responsibilities of the HR&C Committee in regard to executive compensation matters are to:

1. annually develop and recommend to the Board for approval the compensation, including salary, incentive payments, perquisites and other benefits proposed for the CEO;
2. annually review and recommend to the Board for approval the performance management plans, including performance objectives, evaluation, compensation and development for the CEO's direct reports;
3. review and recommend to the Board for approval the awards pursuant to the Short Term Incentive Plan and Long Term Incentive Plan to the CEO's direct reports as calculated by management and recommended by the CEO;
4. annually review and recommend to the Board for approval the GTAA's Compensation Philosophy and design, including incentive compensation design and rationale, and all relevant disclosures including the Compensation Discussion and Analysis required under applicable securities laws; and
5. review and make recommendations to the Board for approval material changes to the terms and conditions of (i) the GTAA's pension plans, including *ad hoc* adjustments to pensions, having received a report from the Audit Committee as to the implications of any proposed changes to the pension plans relating to the funding of pension obligations and expected returns, and (ii) the benefit plans for employees of the GTAA.

8.3 Compensation Philosophy

The HR&C Committee maintains a written Compensation Philosophy for the GTAA's executives, including the Named Executive Officers. The GTAA's executive compensation policies and programs are designed to attract and retain key executives and to motivate them to achieve the strategic imperatives and business goals of the GTAA within agreed risk tolerances.

The four guiding principles that underpin the GTAA's executive Compensation Philosophy are:

1. **Competitive compensation** – Compensation should be structured at the level necessary to attract and retain the requisite talent to carry out the GTAA's strategies, while demonstrating sound fiscal management;
2. **Pay for performance** – Compensation should emphasize performance-based incentive awards that motivate and reward executives for meeting and exceeding key financial, strategic and operational measures that are integral to the success of the GTAA over the short, medium and long term;

3. **Acceptable risk** – Compensation structures should be analyzed in the context of financial, operational and reputational risks and ensure that inappropriate risks are not being unintentionally encouraged; and

4. **Internal equity** – Compensation must be fair to all employees and reflect differences in job responsibilities, expertise and the market value for the work done.

Executive compensation consists of four principal elements: (i) base salary, (ii) short term incentive compensation, (iii) long term incentive compensation, and (iv) retirement, employee benefits and perquisites programs. As the GTAA is a non-share capital corporation, it does not maintain any equity or share-based award or incentive plans.

The compensation for all executives, including the Named Executive Officers, is reviewed annually by the HR&C Committee. The HR&C Committee, with the assistance of its independent compensation consultant, periodically benchmarks target levels of base salary and incentive compensation. In addition, the HR&C Committee obtains input from the President and Chief Executive Officer on base salary and target annual and long term incentive compensation for executives other than the President and Chief Executive Officer. The HR&C Committee also considers factors such as each individual's performance, experience and expertise before approving adjustments to compensation. The HR&C Committee determines the value and mix of compensation for the President and Chief Executive Officer and other executives with input from its independent compensation consultant, and makes a recommendation to the Board for approval. Retirement, employee benefits and perquisites programs are reviewed periodically by the HR&C Committee to ensure that these programs continue to offer competitive benefits that are cost effective and in line with the GTAA's Compensation Philosophy.

8.4 Compensation Comparator Group

The HR&C Committee periodically monitors comparative total compensation information, using data prepared by its independent compensation consultant, to ensure that the GTAA's target levels of overall executive compensation (base salary + incentive compensation + retirement benefits + employee benefits + perquisites) are competitive with the GTAA's comparator peer group.

Due to the unique type and size of business operated by the GTAA, it is difficult to identify Canadian companies of comparable description for direct comparison purposes. In 2013, the HR&C Committee reviewed the compensation comparator group and determined that it remains appropriate to target overall executive compensation at approximately the median of Hay Group's "All Industrial Comparator Group," which is a broad collection of approximately 250 Canadian public and private industrial organizations, including quasi-public and Crown corporations, that the GTAA has historically used for comparative purposes. This provides an indication of the competitiveness of the GTAA's executive compensation relative to the general industries in which it competes for talent.

8.5 Compensation Risk

The Board is responsible for the oversight of the principal risks that the GTAA faces. The Board has delegated to the HR&C Committee oversight of compensation risk. Specifically, the HR&C Committee Charter states that one of that committee's responsibilities is to "oversee the effectiveness of risk management of human resources and compensation risks."

The HR&C Committee considered compensation risk when it developed its executive Compensation Philosophy and Management Incentive Plans. As set out above, one of the four guiding principles of the GTAA's executive Compensation Philosophy is that "compensation structures should be analyzed in the context of financial, operational and reputational risks and ensure that inappropriate risks are not being unintentionally encouraged".

In 2013, the HR&C Committee retained Hay Group Limited ("Hay Group"), an independent compensation consultant which had provided executive and director compensation-related advice to the Board and the HR&C Committee from time to time since 2007, to conduct a risk assessment of the compensation policies and practices of the GTAA, especially with respect to the Short Term Incentive Plan and the Long Term Incentive Plan for executives, including the Named Executive Officers. Hay Group determined that there were no material compensation risks associated with the GTAA's executive compensation programs and practices. After taking into consideration the results of Hay Group's assessments, and its own observations, the HR&C Committee concluded that it has not identified any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on the GTAA. Hay Group recommended that a compensation risk assessment should be conducted every three years, or more frequently if material changes are made to compensation programs.

8.6 Compensation Consultants

In October 2014, Hay Group was replaced by Meridian Compensation Partners Inc. ("Meridian") as the independent compensation consultant to the HR&C Committee and the Board.

Hay Group

The HR&C Committee retained Hay Group beginning in 2007 to provide independent advice on best practices in respect of executive compensation programs and on the development and implementation of the GTAA's executive Compensation Philosophy and policies. In support thereof, Hay Group prepared reports and made periodic presentations to the HR&C Committee on executive compensation topics requested by the HR&C Committee and met *in camera* without management present to discuss compensation matters.

During 2013 and 2014, the Board retained Hay Group to assist the HR&C Committee in determining appropriate executive and director compensation. In particular, Hay Group conducted a risk assessment of the executive compensation policies and practices, and a survey of executive pay against which the GTAA's executive pay could be measured. Hay Group also provided services to the HR&C Committee with respect to directors' compensation and prepared market data with respect to the Chairman of the Board's compensation.

With the HR&C Committee's approval, in 2013 and 2014, Hay Group provided to management services that did not relate to director or executive compensation matters ("Other Services"), including a leadership talent assessment and benchmarking.

Meridian Compensation Partners Inc.

In October 2014, Meridian became the independent compensation consultant to the HR&C Committee and the Board. In 2014, Meridian provided advice to the HR&C Committee on executive salary levels and the competitive positioning of such salaries relative to an appropriate comparator group. Meridian did not provide Other Services to the GTAA in 2014.

Compensation Consultants' Fees

The aggregate fees paid to the GTAA's compensation consultants for the fiscal years ended December 31, 2013 and December 31, 2014, were as follows:

(i) Executive Compensation-Related Fees	2014	2013
Hay Group Limited	$11,604	$147,350
Meridian Compensation Partners Inc.	$23,979	$ Nil
Total:	$35,583	$147,350
(ii) All Other Fees		
Hay Group Limited	$26,893	$ 16,950
Meridian Compensation Partners Inc.	$ Nil	$ Nil
Total:	$26,893	$ 16,950

8.7 Key Elements of Compensation

The key elements of the executive compensation program are base salary, short and long term incentive compensation awarded under the GTAA's Management Incentive Plans, and retirement, employee benefits and perquisites programs. In any particular year, the GTAA's Named Executive Officers and other executive officers may be paid more or less than executive officers at organizations within the GTAA's comparator group, depending on corporate and individual performance.

8.8 Base Salaries

Base salaries for all executive officers, including the Named Executive Officers, are paid within salary ranges established for each position on the basis of the levels needed to attract and retain high calibre executives commensurate with the executive's level of responsibilities. The salary range for each position is determined by the HR&C Committee following a review of market data from the GTAA's comparator group. The actual level of base salary, within the approved range for each executive officer, including the Named Executive Officers, is determined on the basis of the individual's performance and experience, the scope of the role and internal equity.

8.9 Management Incentive Plans

The GTAA maintains a short term incentive plan for its executives, including the Named Executive Officers (the "Short Term Incentive Plan" or "STIP") and a long term incentive plan for its executives, including the Named Executive Officers (the "Long Term Incentive Plan" or "LTIP"). The STIP and the LTIP are collectively referred to as the "Management Incentive Plans".

The Management Incentive Plans provide an opportunity for participants to earn cash incentive payments based on the achievement of performance targets. The Management Incentive Plans are designed to:

1. encourage a stronger collective "ownership mentality" by having all executives share in organizational success;
2. reward achievement of desired results, based on both corporate and individual performance, having regard to acceptable risk parameters;
3. align the performance goals of the GTAA with the agreed-to business plan and strategy of the GTAA; and
4. ensure the design is effective, simple and efficient, and encourages executives to be innovative and work together for the overall success of the organization.

8.10 Short Term Incentive Plan

The objective of the STIP is to motivate and reward the achievement of desired short term results based on both corporate and individual performance targets that are aligned with the GTAA's annual business plan, having regard to acceptable risk parameters.

Potential awards under the STIP are expressed as a percentage of 2014 base salary. In 2014, the target award for Mr. Eng was 50 per cent of base salary and the target award for Mr. Boyd was 15 per cent of base salary. For the other Named Executive Officers, the target award in 2014 was 30 per cent of base salary. The maximum award for Mr. Eng was 85 per cent of base salary and the maximum award for Mr.

Boyd was 22.5 per cent of base salary. The maximum award for the other Named Executive Officers was 45 per cent of base salary.

Entitlement to the awards under the annual STIP is measured by comparing actual results against performance goals established at the beginning of the year. For 2014, 70 per cent of the annual STIP payout for Mr. Eng, 40 per cent of the annual STIP payout for Mr. Boyd, and 50 per cent of the annual STIP payout for each of the other Named Executive Officers could be earned on the basis of the following five corporate performance goals.

2014 Short Term Incentive Plan – Corporate Performance Goals

Weight (%)	Corporate Goal Category	Measure and Target
25	**Financial**	Achieve net income of $33 million.*
25	**Customer Service**	There are four measures: (a) Implement a free baggage cart program. (b) Establish a volunteer program of 80 trained volunteers. (c) Operational measures: (i) Reduce the number of minutes for the delivery of inbound baggage. (ii) Improve the efficiency of the Central Deicing Facility. (iii) Reduce the number of arriving aircraft unable to access a gate. (d) Review 2,000 directional signs and correct as required.
15	**Safety**	Reduce lost time injuries by 5 per cent.
15	**People**	Increase overall employee engagement index as measured by an employee survey, to 72%.
20	**Growth**	There are four growth measures: (a) Add 5 U.S./International cities to the International to Domestic Baggage Connections Program. (b) Add 15 new retail stores/restaurants. (c) Add 6 new international routes. (d) Complete strategic plans related to ground transportation, regional airports, people and corporate sustainability.

* The rating multiplier for Mr. Eng is 1.70 (the "CEO Multiplier"). The CEO Multiplier is higher than those of the other Named Executive Officers because, as the President and Chief Executive Officer, Mr. Eng has overall responsibility for the achievement of key performance measures and should have higher performance leverage.

2014 Short Term Incentive Plan – Individual Performance Goals

The remaining 30 per cent of the annual STIP payout for Mr. Eng, the remaining 60 per cent of the annual STIP payout for Mr. Boyd and the remaining 50 per cent of the annual STIP payout for each of the other Named Executive Officers could be earned on the basis of the extent to which the Named Executive Officers realized their 2014 individual performance goals which were aligned to the strategic imperatives that support the GTAA's strategic plan.

During 2014, the STIP individual performance goals established for the Named Executive Officers related to, among other things:

1. **President and Chief Executive Officer** (Mr. Eng): the reassessment of enterprise risks and the completion of business continuity plans; the development of strategic key performance indicators; the preparation of certain strategic plans; and supporting the advancement of the CEO succession plan.
2. **Acting Vice President and Chief Financial Officer** (Mr. Boyd): the enhancement of employee education to instill profit centre thinking; the determination of staffing strategies to improve the finance function; the development of service levels for the Information Technology Management group to support computerized financial systems; and the improvement of certain financial data systems.
3. **Vice President and Chief Financial Officer** (Ms. Sharland): the implementation of strategies to reduce debt costs; the development and execution of the GTAA's business continuity plans; amending processes to create financially based decisions; and the achievement of certain budgets and expenditures.
4. **Vice President, Airport Planning and Technical Services** (Mr. Neville): the replacement and enhancement of wayfinding signage; the implementation of a Contractor Safety Management Plan; the reduction in contractors' lost time injuries; updating the Airport Facility Master Plan; the achievement of the Annual Operating and Capital Budgets; and the improvement of the maintenance of key passenger systems.
5. **Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary** (Ms. Lussenburg): the enhancement of Board governance practices; the identification of savings and efficiencies in security contracts; the design of non-passenger and non-passenger vehicle screening programs; the development of the Toronto Pearson Safety Program; the review and revision of corporate policies; and the achievement of the annual department budget.
6. **Vice President, People and Culture** (Ms. Desloges): the negotiation of a new collective agreement with the GTAA's firefighters; the completion of a compensation review of non-union, non-executive positions; the increase in efficiencies in a revised People and Culture Service Delivery Model; the definition of a long term people strategy to produce an operational excellence culture; and the achievement of certain savings in the annual departmental budget.

Short Term Incentive Plan Results for 2014

For 2014, in respect of the STIP's corporate performance goals, the GTAA achieved a significant portion of its corporate performance goal targets and outperformed some corporate performance goal targets. Accordingly, a performance multiplier of 0.79 was awarded for the Financial goal; 1.30 for the Customer Service goal (1.42 for Mr. Eng); 1.50 for the Safety goal (1.70 for Mr. Eng); 0.00 for the People goal; and 1.31 for the Growth goal (1.43 for Mr. Eng). The weighted average performance results in a corporate performance factor of 1.02 (1.11 for Mr. Eng).

The tables below set out, for each of the eligible Named Executive Officers, the targets, performance results and the total payout (as a percentage of base salary and in dollar terms) actually awarded under the 2014 STIP. As Mr. Gabel voluntarily resigned from the GTAA as of March 31, 2014, he forfeited his unvested 2014 STIP payout.

2014 Performance Results – Short Term Incentive Plan

Name and Principal Position	Corporate Performance Targets			Individual Performance Targets			Combined Multiplier
	Weight (%)	Multiplier	Corporate Multiplier	Weight (%)	Multiplier	Individual Multiplier	
	(a)	(b)	(c)=(a)×(b)	(d)	(e)	(f)=(d)×(e)	(g)=(c)+(f)
Howard Eng, President and Chief Executive Officer	70.0	1.11	0.78	30.0	1.35	0.41	1.19
Jason V. Boyd, Acting Vice President and Chief Financial Officer	40.0	1.02	0.41	60.0	1.50	0.90	1.31
Jill N. Sharland, Vice President and Chief Financial Officer	50.0	1.02	0.51	50.0	1.36	0.68	1.19
Nicole Desloges, Vice President, People and Culture	50.0	1.02	0.51	50.0	1.05	0.53	1.04
Selma M. Lussenburg, Vice President, Governance Corporate Safety and Security, General Counsel and Corporate Secretary	50.0	1.02	0.51	50.0	1.33	0.66	1.17
Patrick C. Neville, Vice President, Airport Planning and Technical Services	50.0	1.02	0.51	50.0	1.11	0.56	1.07

2014 Short Term Incentive Plan Payouts

Name	Target Bonus (% of Base Salary)	Maximum Bonus (% of Base Salary)	Combined Performance Multiplier	Actual Payout (% of Base Salary)	Actual Payout ($)
	(a)	(b)	(c)	(d)=(a)x(c)	
Howard Eng, President and Chief Executive Officer	50.0	85.0	1.19	59.3	$301,760
Jason V. Boyd, Acting Vice President and Chief Financial Officer	15.0	22.5	1.31	19.7	$35,191
Jill N. Sharland, Vice President and Chief Financial Officer	30.0	45.0	1.19	35.7	$64,260*
Nicole Desloges, Vice President, People and Culture	30.0	45.0	1.04	31.2	$72,264
Selma M. Lussenburg, Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary	30.0	45.0	1.17	35.1	$86,895
Patrick C. Neville, Vice President, Airport Planning and Technical Services	30.0	45.0	1.07	32.1	$80,701

* The actual payout for Ms. Sharland has been prorated based on her date of commencement of employment of May 26, 2014.

8.11 Long Term Incentive Plan

The objective of the LTIP is to provide incentives to the GTAA's executives, including the Named Executive Officers, to drive the long term strategic direction of the GTAA, align compensation to prudent risk-taking and long term risk outcomes, and promote greater alignment between the executives, the GTAA and its stakeholders.

Potential awards under the LTIP are expressed as a percentage of base salary. When the LTIP was introduced in 2011, it was designed so that potential awards would be phased-in during the first three years of the plan as follows:

(a) **2011 LTIP** – The target potential award for the 2011 executives, including the participating 2011 Named Executive Officers, was 10 per cent of base salary, except for Mr. Gabel, whose target potential award was 20 per cent of base salary;

(b) **2012 LTIP** – The target potential award for the 2012 executives, including the participating 2012 Named Executive Officers, was 20 per cent of base salary, except for Mr. Eng, whose target potential award was 60 per cent of base salary; and

(c) **2013 LTIP** – The target potential award for the 2013 executives, including the participating 2013 Named Executive Officers, was 30 per cent of base salary, except for Mr. Eng, whose target potential award was 60 per cent of base salary.

2012 Long Term Incentive Plan Performance Results and Payouts

The 2012 LTIP is a three-year, cash-based performance plan that is paid out based on performance results achieved during the period of January 1, 2012 to December 31, 2014. Accordingly, the 2012 LTIP payouts are payable in early 2015 and reported as part of the eligible Named Executive Officers' 2014 compensation in the "Long Term Incentive Plan" column of the Summary Compensation Table in Section 8.13 below.

The Named Executive Officers who were eligible to participate in the 2012 LTIP and receive a 2012 LTIP payout were Messrs. Eng and Neville and Ms. Desloges. As Ms. Lussenburg and Ms. Sharland commenced their employment on January 21, 2013 and May 26, 2014, respectively, they were not eligible to participate in the 2012 LTIP. As Mr. Gabel voluntarily resigned from the GTAA effective March 31, 2014, he forfeited his unvested 2012 LTIP payout. Mr. Boyd, who served as Acting Vice President and Chief Financial Officer during 2014, does not participate in the LTIP program.

The 2012 LTIP payouts are based upon the performance metrics established in the 2012 LTIP. The 2012 LTIP has two types of performance metrics: Absolute Metrics and Sliding Scale Metrics. If any of the Absolute Metrics are not met, the LTIP payment would be nil. If all of the Absolute Metrics are met, the 2012 LTIP payouts would be determined by performance against the Sliding Scale Metrics.

The following table sets out the 2012 LTIP Absolute Performance Metrics and the actual performance achieved during the period of January 1, 2012 to December 31, 2014:

2012 Long Term Incentive Plan Absolute Metrics

2012 LTIP Absolute Metrics	Performance During January 1, 2012 to December 31, 2014
• **Maintain a minimum credit rating in respect of the GTAA's Notes of A minus throughout 2012 to 2014**	• **Credit rating maintained**
• **Meet all material debt covenants contained in the Master Trust Indenture throughout 2012 to 2014**	• **Debt covenants maintained**
• **Achieve an Airport Improvement Fee Reserve Fund balance as at the end of each fiscal year during 2012 to 2014 of not less than:** **(i) $125 million for 2012** **(ii) $150 million for 2013** **(iii) $140 million for 2014**	• **Airport Improvement Fee Reserve Fund balance achieved** **(i) $200.6 million for 2012** **(ii) $200.6 million for 2013** **(iii) $142.1 million for 2014**

Each of the 2012 LTIP Absolute Metrics was met during the period of January 1, 2012 to December 31, 2014.

2012 Long Term Incentive Plan Sliding Scale Metrics and Payout

Since all of the 2012 LTIP Absolute Metrics were met, the 2012 LTIP payout was determined based on performance against Target on the Sliding Scale Metrics and their respective weightings as set out below:

2012 Long Term Incentive Plan Sliding Scale Metrics and 2014 Performance

Weight	Sliding Scale Metric	Threshold	Target	Maximum or Above	2014 Performance	2014 Multiplier
35%	2014 cost per enplaned passenger	$48.31	$47.86	$47.41	$42.24	1.5%
10%	2014 non-aeronautical revenue (millions)	$292.5	$309.7	$315.9	$336.1	1.5%
20%	2014 connecting traffic	28.4%	28.7%	29.0%	30.1%	1.5%
20%	2014 customer satisfaction survey rating	4.08	4.10	4.12	4.06	0%
15%	2014 employee engagement	69%	71%	73%	64%	0%
	Multiplier	50%	100%	150%		

A multiplier is calculated for each Sliding Scale Metric. If performance falls below Threshold, the multiplier would be zero per cent and payouts would be nil for that particular Sliding Scale Metric. For performance equal to Threshold or Target, or at/exceeding Maximum, the multiplier is 50 per cent, 100 per cent or 150 per cent, respectively. Where performance is between Threshold and Target, or between Target and Maximum, the multiplier is calculated on a straight-line interpolation between the two. The LTIP payment is calculated by (i) multiplying the calculated multiplier for each Sliding Scale Metric by its weighting, (ii) adding the weighted multipliers together for each of the Sliding Scale Metrics and (iii) multiplying the resulting sum by a 2012 target dollar amount allocated to each participant. The maximum LTIP payout is capped at 150 per cent of Target.

When combined, these performance multipliers create a 2012 LTIP weighted average multiplier of 0.975. This LTIP performance multiplier was awarded to each executive, including the eligible Named Executive Officers.

The table below sets out for each eligible Named Executive Officer, the targets, the weighted average performance multiplier and the total payout (as a percentage of 2012 base salary and as a dollar amount) actually awarded under the 2012 LTIP.

2012 Long Term Incentive Plan Payouts

Name	Target Bonus (% of Base Salary)	Maximum Bonus (% of Base Salary)	Weighted Average Performance Multiplier	Actual Payout (% of Base Salary)	Actual Payout ($)
	(a)	(b)	(c)	(d)=(a)x(c)	
Howard Eng, President and Chief Executive Officer	60.0	90.0	0.975	58.5%	$260,582*
Nicole Desloges, Vice President, People and Culture	20.0	30.0	0.975	19.5%	$43,485
Patrick C. Neville, Vice President, Airport Planning and Technical Services	20.0	30.0	0.975	19.5%	$44,265

* The actual payout for Mr. Eng has been prorated based on his date of commencement of employment of March 19, 2012.

Change in 2013 Long Term Incentive Plan Metrics

In 2013, the HR&C Committee reviewed the LTIP, and in particular whether the LTIP's Absolute and Sliding Scale Metrics were effective to motivate the desired executive behaviours. The HR&C Committee, with input from Hay Group and management, concluded that a more focused approach with a single financial metric, Return-on-Assets, would be more effective to motivate the executives, including the Named Executive Officers, to achieve the GTAA's strategic objectives.

Return-on-Assets is defined as a fraction, the numerator of which is the average earnings before interest and taxes, and the denominator of which is the average net book value of fixed assets (being property, plant and equipment and investment properties) measured as the average year-end balance for each year of the 2013 LTIP (2013, 2014 and 2015).

2014 Long Term Incentive Plan Return-on-Assets Metric and Award

The 2014 LTIP is a three-year, cash-based payout awarded to the executives, including the Named Executive Officers, that will be determined based on performance against a predetermined Target of the average year-end balance of the Return-on-Assets Metric for 2014, 2015 and 2016.

A multiplier is calculated for the Return-on-Assets Metric. If performance falls below Threshold, the multiplier will be zero per cent and payouts will be nil. For performance equal to Threshold or Target, or at/exceeding Maximum, the multiplier is 50 per cent, 100 per cent or 150 per cent, respectively. Where performance is between Threshold and Target, or between Target and Maximum, the multiplier is calculated on a straight-line interpolation between the two. The LTIP payout is calculated by multiplying the calculated multiplier for the Return-on-Assets Metric by a 2014 target dollar amount allocated to each executive, including the Named Executive Officers. The maximum LTIP payout is capped at 150 per cent of Target.

8.12 Benefits

The GTAA's executives, including the Named Executive Officers, are provided with non-cash compensation, including retirement benefits, employee benefits and perquisites. The objective of these benefits is to retain the executives by providing coverage for general wellness and preventative care, retirement income and perquisites that are consistent with market practice. The GTAA's non-cash compensation programs have been periodically benchmarked against Hay Group's All Industrial Comparator Group. The only non-cash compensation received by the Named Executive Officers that is different from that received by other salaried employees, is a defined contribution supplementary executive retirement plan benefit as described under *"Pension Plan Benefits,"* and certain incidental perquisites.

8.13 Summary Compensation Table

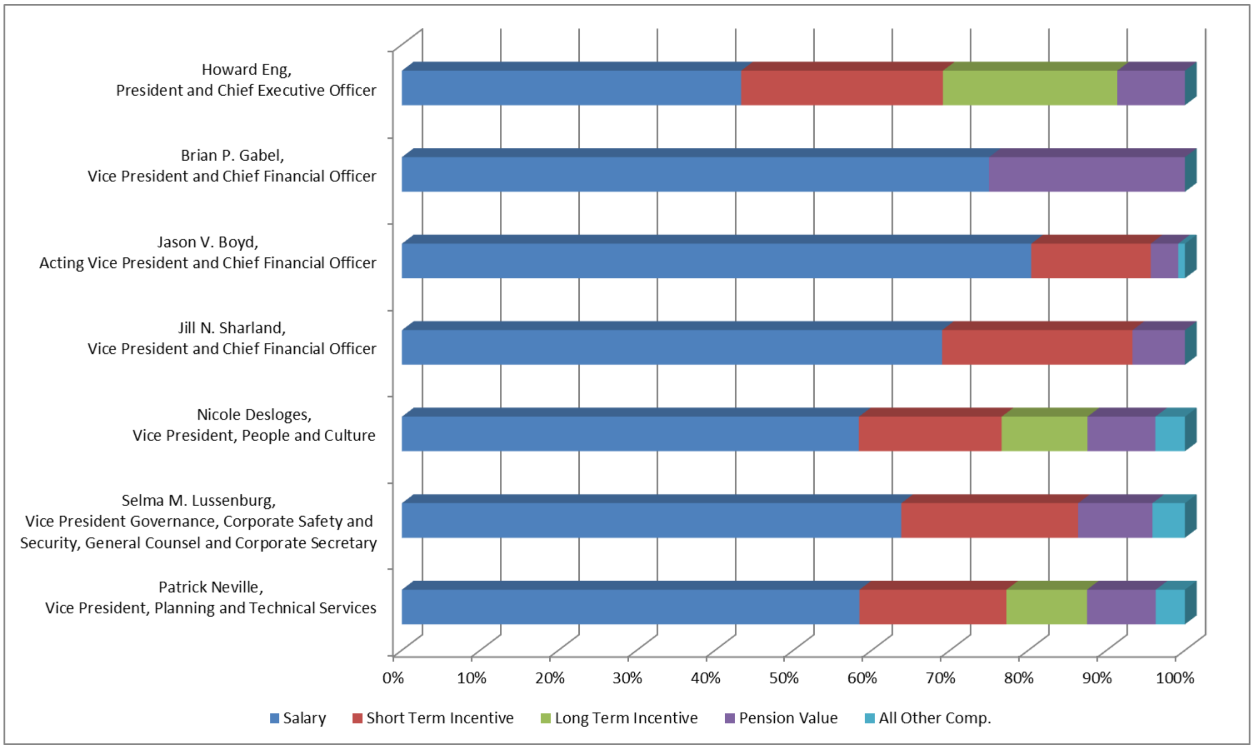
The following table sets forth all compensation earned by the Named Executive Officers during the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The GTAA does not have share capital and, accordingly, does not maintain any share-based award plans or option-based award plans.

Name and Principal Position	Year	Salary ($)	Incentive Plan Compensation[1] ($)		Pension Value[2] ($)	All Other Compensation[3] ($)	Total Compensation ($)
			Annual Incentive Plan	Long Term Incentive Plan[4]			
Howard Eng,[5] President and Chief Executive Officer	2014	507,471	301,760	260,582	101,300	–	1,171,113
	2013	518,615	203,375	–	118,800	–	840,790
	2012	365,538	300,000	–	46,600	–	712,138
Brian P. Gabel[6] Vice President and Chief Financial Officer	2014	73,435	Nil	Nil	24,500	–	97,935
	2013	312,912	107,500	66,900	63,200	–	550,512
	2012	296,900	158,000	–	58,400	–	513,300
Jason V. Boyd[7] Acting Vice President and Chief Financial Officer	2014	185,497	35,191	–	8,100	2,000[8]	230,788
	2013	179,905	29,029	–	8,059	–	216,993
	2012	165,761	34,869	–	7,459	–	208,089
Jill N. Sharland[9] Vice President and Chief Financial Officer	2014	182,308	64,260	–	17,700	–	264,268
Nicole Desloges, Vice President, People and Culture	2014	231,493	72,264	43,485	34,400	15,000[10]	396,642
	2013	235,948	61,400	25,100	40,600	–	363,048
	2012	222,917	82,000	–	36,900	–	341,817
Selma M. Lussenburg,[11] Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary	2014	245,458	86,895	–	36,500	16,000[12]	384,853
	2013	229,950	60,600	–	40,400	–	330,950
Patrick C. Neville, Vice President, Airport Planning and Technical Services	2014	251,340	80,701	44,265	37,800	16,000[13]	430,106
	2013	253,321	62,800	25,600	43,200	–	384,921
	2012	229,445	93,000	–	38,000	32,500[14]	392,945

1. Incentive Plan Compensation is determined by the Board based on the achievement of targeted performance criteria. See "*Management Incentive Plans.*" For 2013 and 2014, Incentive Plan Compensation is separately disclosed as "Annual Incentive Plan" amounts, which are payouts under the 2013 and 2014 Short Term Incentive Plan, and "Long Term Incentive Plan" amounts, which are payouts under the 2011 and 2012 Long Term Incentive Plans.
2. Pension Value is derived from the "Compensatory" column of the Pension Plan Benefits table in Section 8.14.
3. All Other Compensation – Perquisites and other benefits do not exceed $50,000 or more than 10 per cent of the total annual salary for any of the Named Executive Officers except for Mr. Neville (see footnote 14). All Other Compensation includes special bonuses paid to the Named Executive Officers that are separate from the Annual Incentive Plan and Long Term Incentive Plan compensation. See footnote 8 for Mr. Boyd, footnote 10 for Ms. Desloges, footnote 12 for Ms. Lussenburg and footnotes 13 and 14 for Mr. Neville.
4. There were no payouts made under the Long Term Incentive Plan in 2012, as the three-year Long Term Incentive Plan was introduced in 2011 and the first entitlement under this plan did not vest until December 31, 2013.
5. Mr. Eng was not eligible to receive a payout under the 2011 Long Term Incentive Plan, as he commenced his employment on March 19, 2012.
6. Mr. Gabel voluntarily resigned from the GTAA as of March 31, 2014, and forfeited his unvested 2014 Short Term Incentive Plan and 2012 Long Term Incentive Plan payouts.
7. The 2014 compensation of Mr. Boyd is composed of the aggregate compensation earned for the two positions which he held in 2014: January 1 to March 31 and May 26 to December 31, 2014 – Corporate Controller; and April 1 to May 25, 2014 – Acting Vice President and Chief Financial Officer.
8. Consists of a one-time payment of $2,000 paid to Mr. Boyd as compensation for the additional responsibilities he undertook in 2014 as Acting Vice President and Chief Financial Officer.
9. Ms. Sharland was appointed Vice President and Chief Financial Officer effective May 26, 2014.
10. Consists of a one-time payment of $15,000 paid to Ms. Desloges as compensation for the additional responsibilities she undertook in 2014 to recruit and onboard five new Vice Presidents and mentor three Acting Vice Presidents.
11. Ms. Lussenburg was appointed Vice President, Governance and Legal, General Counsel and Corporate Secretary (now Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary), effective January 21, 2013.
12. Consists of a one-time payment of $16,000 paid to Ms. Lussenburg as compensation for the additional responsibilities she undertook in 2014 in respect of the Winter Operations Review including the meetings of the Ad Hoc Review Committee.
13. Consists of a one-time payment of $16,000 paid to Mr. Neville as compensation for the additional responsibilities he undertook in 2014 to manage the Aviation Business Development Group until the Vice President, Aviation Services was appoimted.
14. Consists of a one-time payment of $32,500 paid to Mr. Neville as compensation for the additional responsibilities that he undertook as Acting Vice President, Strategic Planning and Airport Development during the period of January 1 to September 30, 2012.

A breakdown of the components of 2014 Total Compensation (including Salary + Annual Incentive + Long Term Incentive + Pension Value + All Other Compensation) for each of the Named Executive Officers is shown below.

Breakdown of 2014 Total Compensation Earned by Named Executive Officers



8.14 Pension Plan Benefits

For all Named Executive Officers, except Mr. Boyd

The GTAA maintains a defined contribution registered pension plan for the benefit of each of the executives (the "DC RPP for Executives"), including the Named Executive Officers but excluding Mr. Boyd, which is a funded arrangement whereby the participant directs the investment of his or her account among a number of pooled funds selected by the GTAA. The DC RPP for Executives requires contributions of six per cent of base salary from both the participants and the GTAA, up to maximum limits under the *Income Tax Act*, or $12,465 in 2014, from each.

In addition, each of the Named Executive Officers, except Mr. Boyd, participates in a defined contribution supplementary executive retirement plan (the "DC SERP"). The DC SERP is a non-funded arrangement to which the executives are not required to contribute. Under the DC SERP, notional allocations are determined for each participant each year and accumulated with notional investment income in a notional account. The notional allocation each year is 16 per cent of the sum of the participant's base salary and performance-related bonus received in that year, less the total contributions made by the participant and the GTAA to the DC RPP for Executives. The notional contributions earn a return based on either the returns provided by a pooled balance fund under the DC RPP for Executives selected by the GTAA for this purpose, or the returns provided by a notional fund based on

Government of Canada marketable bonds, or a combination of both, as elected by each Named Executive Officer.

Participants in the DC SERP are vested in their notional account balance under the DC SERP once they have completed two years of continuous service as a member of the DC SERP. If a DC SERP participant terminates employment or dies prior to being vested, only the DC RPP for Executives balance is payable. If a DC SERP participant terminates employment or dies after being vested, the DC SERP participant or his or her beneficiaries receive a lump sum payment of his or her notional account balance under the DC SERP. DC SERP participants may retire any time after attaining age 55 and receive a payout of their notional account balance under the DC SERP in five annual payments.

For Mr. Boyd

The GTAA maintains a defined contribution registered pension plan (the "DC RPP") for the benefit of its employees, including Mr. Boyd, which is a funded arrangement whereby the participant directs the investment of his or her account among a number of pooled funds selected by the GTAA. The participant may contribute zero to six per cent of earnings to the DC RPP ("Required Contributions"). The GTAA matches 50 per cent of the Required Contributions if the participant has less than five years of membership, 75 per cent of the Required Contributions if the participant has at least five years of membership but less than 10 years, and 100 per cent of the Required Contributions if the participant has at least 10 years of membership. The participant may also contribute Voluntary Contributions above the first six per cent of earnings. The GTAA does not match Voluntary Contributions. The total contribution (i.e., the sum of the Required Contributions, the Voluntary Contributions and the GTAA's contributions) cannot exceed the limits imposed under the *Income Tax Act*, or $24,930 in 2014.

The following table sets out information relating to benefits earned under the DC SERP and the DC RPP for Executives by the Named Executive Officers except for Mr. Boyd, and under the DC RPP for Mr. Boyd.

Name (a)	Accumulated value at start of year (b)	Compensatory (c)	Accumulated value at year end (d)
Howard Eng	**$211,300**	**$101,300**	**$353,300**
Brian P. Gabel	**$514,200**	**$24,500**	**$290,000**
Jason V. Boyd	**$145,600**	**$8,100**	**$183,500**
Jill E. Sharland	**$0**	**$17,700**	**$26,000**
Nicole Desloges	**$199,200**	**$34,400**	**$267,000**
Selma M. Lussenburg	**$40,400**	**$36,500**	**$96,500**
Patrick C. Neville	**$453,400**	**$37,800**	**$542,200**

Note: Except for Mr. Boyd, the values in the table are the sum of benefits earned under the DC SERP and the DC RPP for Executives. For Mr. Gabel, the "Accumulated value at year end" includes only his benefits that remain to be paid to him under the DC SERP.

8.15 Employment Agreements

The GTAA has employment agreements with each of Messrs. Eng and Neville and Ms. Desloges, Ms. Lussenburg and Ms. Sharland that provide for payments in connection with a termination of employment.

Howard Eng

Mr. Eng's employment agreement provides that the GTAA shall pay Mr. Eng the following termination payments:

1. Termination of Employment Without Cause

If Mr. Eng's employment is terminated without cause, the GTAA is obligated to pay him:

(i) the base salary he was receiving at the date of termination for the period commencing on the date of termination and ending on the earlier of 24 months thereafter or December 31, 2016 (the "Notice Period");

(ii) for each month during the Notice Period, one-twelfth of the target annual Short Term Incentive Plan payment for the year in which the termination occurs;

(iii) the cost to GTAA of continuation of health and dental benefits until the earlier of (a) six months after the date of termination; (b) December 31, 2016; and (c) the date he commences employment elsewhere; and

(iv) his Short Term Incentive Plan payments and Long Term Incentive Plan payments, for the year of termination, based on actual performance measured against performance targets following the end of the year and pro-rated for the period prior to the date of termination.

The estimated incremental payment that would have been payable to Mr. Eng in the event of termination of his employment without cause, assuming termination on December 31, 2014, is $2,183,128.

2. Termination Due to Change in Control

Mr. Eng's agreement provides that if he terminates his employment due to a change in control of the GTAA that results in a material adverse change in the terms and conditions of his employment, the GTAA is obligated to pay him the same compensation and benefits described in section 1 above (Termination of Employment Without Cause). A "change in control" means a fundamental change in the operating nature of the GTAA, such as a change from a "not for profit" status to a "for profit" status, a change to private ownership or a return to federal government control.

The estimated incremental payment that would have been payable to Mr. Eng in the event of termination due to a change in control that results in a material adverse change in the terms and conditions of his employment, assuming that the triggering event took place on December 31, 2014, is $2,183,128.

3. **Termination Due to Disability**

Mr. Eng's agreement provides that if he is disabled for 16 continuous weeks, fails to qualify for long term disability benefits and fails to return to active employment, Mr. Eng will be deemed to have terminated his employment as of the end of the 16-week period, in which case, Mr. Eng will:

(i) continue to be paid his base salary and receive extended medical, dental and insurance benefits, for 10 weeks;

(ii) receive his Short Term Incentive Plan payment pro-rated to the date of deemed termination;

(iii) cease accruing benefits under his pension plans; and

(iv) cease participating in the disability benefit plans.

The estimated incremental payment that would have been payable to Mr. Eng in the event of deemed termination due to disability, assuming that the triggering event took place on December 31, 2014, is $400,515.

In addition to a general obligation of confidentiality, the agreement provides that in respect of his termination for any reason, Mr. Eng will not solicit or recruit GTAA employees for a period of 24 months following the date of termination.

Patrick C. Neville

Mr. Neville's agreement provides that if he terminates his employment due to a change in control of the GTAA that results in a material change in the terms and conditions of his employment, the GTAA is obligated to pay him 24 months' base salary at the rate in effect at the date of termination. The estimated incremental payment that would have been payable to Mr. Neville in the event of termination due to a change in control that results in a material change to the terms and conditions of his employment, assuming termination on December 31, 2014, is $502,680.

Nicole Desloges

Ms. Desloges' agreement provides that if she terminates her employment due to a change in control of the GTAA that results in a material change in the terms and conditions of her employment, the GTAA is required to pay her 12 months' base salary if the termination date is before the fifth anniversary of her date of employment, or 24 months' base salary if the termination date is after the fifth anniversary of her date of employment. The estimated incremental payment that would have been payable to Ms. Desloges in the event of termination due to a change in control resulting in a material change to the terms and conditions of her employment, assuming termination on December 31, 2014, is $231,493.

Selma M. Lussenburg

Ms. Lussenburg's agreement provides that if she terminates her employment agreement due to a change in control of the GTAA that results in a material change in the terms and conditions of her employment and her date of termination is within 12 months after the change in control, the GTAA is obligated to pay her 12 months' base salary at the rate in effect at the date of termination if the date of termination occurs within five years of her date of employment, or 24 months' base salary if the date of termination occurs after five years of her date of employment. The estimated incremental payment that would have been payable to Ms. Lussenburg in the event of termination due to a change in control that results in a material change to the terms and conditions of her employment, assuming termination on December 31, 2014, is $245,458.

Jill E. Sharland

Ms. Sharland's employment agreement provides that if the GTAA terminates her employment without cause during the first 12 months of her employment, the GTAA will provide her with nine months' notice of termination or payment in lieu of notice of termination or any combination thereof. The payment in lieu of notice of termination will be equal to base salary plus pro-rated annual bonus.

In addition, the GTAA will provide life insurance, group health and dental coverage during the nine-month period after the date of termination, unless during such period she obtains comparable benefits from another source.

The estimated incremental payment that would have been payable to Ms. Sharland in the event of termination without cause, assuming termination on December 31, 2014, is $312,745.

In addition to a general obligation of confidentiality, Ms. Sharland's employment agreement provides that during her employment with the GTAA and during the six month period following the cessation of her employment, she will not solicit business from any customer or prospective customer of the GTAA, interfere with the relationship between the GTAA and any of its suppliers, or solicit the services of a GTAA employee or encourage a GTAA employee to leave the GTAA.

8.16 Compensation of Directors

The GTAA's directors receive reasonable remuneration for their services, commensurate with their duties, together with reimbursement for all reasonable expenses incurred in fulfillment of their duties, including travelling expenses. The Board retained Hay Group periodically to provide advice as to the appropriateness of directors' compensation and any adjustments that may be appropriate having regard to market competitive practices.

In January 2013, Hay Group completed a market analysis at the request of the Board, which benchmarked the GTAA's director compensation against a preliminary comparator group of companies having an asset size comparable to the GTAA in the utility, transportation, real estate, service, retail, and general industrial sectors. Hay Group concluded that the compensation paid to the GTAA's directors was low in comparison to the preliminary benchmark group. Effective January 1, 2013, the Board approved a modest increase to its directors' fees, except for the retainer fee paid to the Chair of the Board and the in-person Board and committee meeting fees, which in each case remained unchanged. In accordance with market practices and in recognition of the additional work required for committee matters, a committee member fee was introduced in 2013 whereby Audit Committee members are paid an annual fee of $6,000 and members of other committees are paid an annual fee of $3,000.

In the latter half of 2013, the HR&C Committee, with the assistance of Hay Group, conducted a follow-up review of director compensation. A group of 25 comparator organizations, representing a multi-industry perspective, was selected to provide an update on the market competitiveness of its director compensation. The selected organizations expanded upon the preliminary asset-based comparator group and included organizations from related industries to the GTAA as well as other public and quasi-public organizations.

The results of the updated analysis confirmed that, as adjusted on January 1, 2013, the GTAA's annual retainer was below median, meeting fees were close to the median and no equity or share based awards were provided to the directors. As a result of Hay Group's findings, effective January 1, 2014, the Board approved a $5,000 increase to the annual Board retainer fee payable to each director (other than the Chair of the Board), from $35,000 to $40,000 per year.

At the Board's request in early 2014, the Corporate Governance and Nominating Committee reviewed the HR&C Committee's recommendations with respect to the roles and responsibilities of the Chair of the Board. After reviewing the market data provided by Hay Group, the Corporate Governance and Nominating Committee recommended to the Board - and the Board approved - an increase in the Chair's annual retainer fee from $150,000 to $170,000 to reflect that the responsibilities of the Board Chair had increased since the last increase to the Chair's compensation in 2010. The Chair of the Board's annual retainer fee was increased to $170,000 effective May 8, 2014, to coincide with the effective date of the Board Chair's new one-year term (May 8, 2014 to May 6, 2015).

The following describes the remuneration earned by directors in 2014.

The remuneration earned by directors (other than the Chair of the Board) included an annual retainer fee of $40,000, plus attendance fees of $1,500 for each Board or committee (other than Audit Committee) meeting attended in person, or $1,000 if attended by teleconference. The in-person meeting attendance fee for Audit Committee meetings was $2,000 and the teleconference attendance fee was $1,350. The Chair of the Board earned an annual retainer fee of $150,000 (increased to $170,000 on May 8, 2014), but was not eligible to receive fees in respect of attendance at meetings of the Board or any committee of the Board. The annual fee for the Chair of each of the Board committees was as follows: Audit Committee, $13,500; Corporate Governance and Nominating Committee, $8,500; Environment, Safety, Security and Stakeholder Relations Committee, $8,500; Human Resources and Compensation

Committee, $8,500; Planning and Commercial Development Committee, $8,500; and Ad Hoc Committees $8,500. The annual fee paid to the Chair of an Ad Hoc Committee is pro-rated based on the duration of the committee. During the fiscal year ended December 31, 2014, directors earned directors' fees totaling $1,559,024 for their services as directors.

During 2014, there were 10 meetings of the Board; six meetings of the Audit Committee; 17 meetings of the Corporate Governance and Nominating Committee; five meetings of the Environment, Safety, Security and Stakeholder Relations Committee; eight meetings of the Human Resources and Compensation Committee; four meetings of the Planning and Commercial Development Committee; and 16 meetings of the Ad Hoc Review Committee. Due to the addition of the meetings of the Ad Hoc Review Committee to discuss the Winter Operations Review, and the additional meetings of the Corporate Governance and Nominating Committee to interview director candidates, the committee meeting attendance fees were higher in 2014 than in past years. The following table summarizes each director's attendance record for Board, committee and other meetings held during 2014 and their compensation earned in 2014.

Director Attendance and Compensation

Name	Board Meetings Attended	Board Fees Earned[1] ($)	Committee and Other Meetings Attended	Committee and Other Meeting Fees Earned[2] ($)	Total[3] ($)
W. Douglas Armstrong	10/10	54,000	24/25	49,000	103,000
Ian Clarke	10/10	53,500	13/13	30,850	84,350
Scott Cole (term ended May 8, 2014)	6/6	22,194	7/7	14,694	36,888
Paul Currie	10/10	53,500	15/16	35,850	89,350
Jeffrey P. Fegan (term commenced May 16, 2014)	4/4	31,054	9/9	16,716	47,770
Shaun C. Francis	9/10	52,000	25/29	37,450	89,450
Stephen Griggs	10/10	54,000	44/46	64,935	118,935
Brian Herner	10/10	53,500	28/28	65,000	118,500
Vijay Kanwar	10/10	162,957	46/62	—	162,957
Norman Loberg (term ended May 8, 2014)	6/6	22,194	14/16	21,629	43,823
Roger Mahabir	10/10	54,000	29/30	53,000	107,000
Kathy Milsom	10/10	54,000	29/29	43,500	97,500
Terrance Nord	10/10	54,000	33/33	56,500	110,500
Poonam Puri	10/10	53,500	27/27	49,415	102,915
Michelle Samson-Doel (term commenced June 18, 2014)	4/4	27,444	8/9	15,216	42,660
Danielle Waters	10/10	54,000	27/30	42,500	96,500
David Wilson	8/10	51,000	25/26	55,926	106,926
Total Fees Earned		906,843		652,181	1,559,024

1. Board Fees Earned consist of each director's retainer fee, plus their attendance fees at Board meetings.
2. Committee and Other Meeting Fees Earned consist of directors' committee member fees, attendance fees at committee and other meetings, and, where appropriate, the Committee Chair fee.

3. All Other Compensation - Perquisites and other benefits do not exceed 10 per cent of the total annual fees payable to any of the directors.

9 Auditors: Interest of Experts

PricewaterhouseCoopers LLP is the auditor of the GTAA. PricewaterhouseCoopers LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

External Auditor Fees

The aggregate fees (excluding out-of-pocket disbursements) paid to PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2014 and December 31, 2013, were as follows:

	2014	2013
Audit Fees[1]	**731,905[5]**	**686,909[6]**
Audit-Related Fees[2]	**128,325**	**121,880**
Tax Fees[3]	**4,585**	**5,450**
All Other Fees[4]	**40,750**	**421,060**
Total	**905,565**	**1,235,299**

1. Audit Fees were paid for professional services rendered by the external auditor for the audit of the GTAA's annual financial statements; consultations arising during the course of the audit or review; translation services; prospectus or other securities work, including due diligence, comforts and consents; the annual Canadian Public Accountability Board fee; and the review of the GTAA's interim financial statements.
2. Audit-Related Fees were paid for consultations not arising as part of the audit or review. Audit-Related Fees were paid for professional services related to the bond buy-back program, hedge accounting and 52-109 internal controls over financial reporting certification.
3. Tax Fees were paid for professional services related to tax compliance and tax advice, including the filing of the GTAA's income tax returns.
4. All Other Fees were paid for services other than audit fees, audit-related fees and tax fees as described above. See *"Non-Audit Services"* below.
5. Audit Fees for 2014 incorporate estimated costs, as final invoices have not yet been received, and exclude out-of-pocket disbursements.
6. Audit Fees for 2013 have been updated to incorporate final invoices received, and exclude out-of-pocket disbursements.

Non-Audit Services

The GTAA's Audit Committee has adopted a policy for the pre-approval of non-audit services provided by the GTAA's external auditor, which also includes a list of prohibited non-audit services. The policy requires that the Audit Committee pre-approve all non-audit services provided to the GTAA by the external auditor. The Audit Committee has delegated the pre-approval of non-audit services to the Chair or any member of the Audit Committee between meetings of the Audit Committee.

During 2014, PricewaterhouseCoopers LLP performed certain non-audit services. These non-audit services and the amounts paid to PricewaterhouseCoopers LLP were for activities relating to the GTAA's Ground Lease regulatory filing ($15,500), the audit of the financial statements of the GTAA's pension plans ($19,000), and the audit of the Fire and Emergency Services Training Institute ($6,250).

10 Additional Information

Additional information relating to the GTAA, including the GTAA's audited Financial Statements and Notes for the years ended December 31, 2013 and December 31, 2014, together with the auditors' report therein and accompanying Management's Discussion and Analysis ("MD&A"), and Interim Financial Statements and Notes and accompanying MD&A, is filed with the Canadian Securities Administrators and may be accessed through SEDAR at www.sedar.com or obtained upon written request to the Vice President, Stakeholder Relations and Communications, Greater Toronto Airports Authority, P.O. Box 6031, 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2.

APPENDIX "A"

GREATER TORONTO AIRPORTS AUTHORITY

TERMS OF REFERENCE

OF

THE BOARD OF DIRECTORS

(Board approved effective September 26, 2012)

A. GENERAL

The Corporation is a Canadian Airport Authority created under a regime established by the federal government and subject to related operating and governance requirements. The Board of Directors (the "Board") and the Corporation's Management (the President and Chief Executive Officer and other corporate officers) are committed to maintaining a high standard of corporate governance. The Board has responsibility for the overall stewardship of the Corporation. This responsibility means that the Board oversees the Corporation's governance and strategic direction and supervises Management, which is responsible for the day-to-day conduct of the business. The Board ensures that Management implements systems to manage the risks of the Corporation's business and oversees such systems. In its oversight role, the Board develops the Corporation's approach to corporate governance and sets the positive tone and disposition of the Corporation towards compliance with applicable laws, environmental, safety and health policies, financial practices and reporting. The Board is accountable to the Corporation's Nominators, employees and the public. Finally, for the Board to fulfill its stewardship role, the directors must fulfill the requirements set out in the Terms of Reference of Individual Directors.

B. COMPOSITION AND MEETINGS

1. The Board shall consist of those individuals appointed as Members from time to time.
2. The Chair of the Board (the "Chair") presides at all meetings of the Board. The Secretary of the Board shall arrange to keep minutes and records of all meetings of the Board. In the event that either the Chair or the Secretary is absent from any meeting, the members present shall designate any director present to act as Chair and shall designate any director, officer or employee of the Corporation to act as Secretary.
3. Meetings of the Board may be called by the Chair or by the Secretary on direction of (a) the Chair, or (b) two directors in writing.
4. Notice of meetings shall be delivered, telephoned, faxed or emailed to each director not less than two days before the time of the meeting, or not less than seven days if sent by mail. Meetings may be held without formal notice if all of the directors are

present and do not object to notice not having been given, or if those absent signify their consent to the meeting being held in their absence either before, during or after the meeting. Where notice is given, it shall be accompanied by an agenda setting out the matters for discussion at the meeting.

5. A majority of the directors of the Board in office constitute a quorum.

6. A majority of directors of the Board shall be independent. A director is "independent" if he or she is not an officer or employee of the Corporation, does not have a direct or indirect relationship with the Corporation that could be reasonably expected to interfere with the exercise of his or her independent judgment, does not benefit financially from the Corporation, other than receiving remuneration for being a director, and under applicable laws is not otherwise deemed not to be independent. The independent directors shall confer for a portion of each regularly scheduled meeting without the non-independent directors and Management of the Corporation present.

7. A resolution in writing signed by all of the directors then in office is as valid as if it had been passed at a meeting of the Board.

8. Any matter to be voted upon shall be decided by a majority of the votes cast on the question, except as otherwise provided by the Corporation's bylaws.

9. The Board may retain advisors as it deems appropriate to assist the Board in performing its responsibilities as set out in this Terms of Reference, and shall prepare an annual report with respect to such advisors in accordance with paragraph 4 of Part C of this Terms of Reference.

10. The Board may invite its advisors, such officers and employees of the Corporation and other guests as it may see fit from time to time to attend a meeting of the Board and assist thereat in the discussion and consideration of matters relating to the Board. However, only directors are entitled to vote.

11. No alteration to the roles and responsibilities of the Board shall be effective without the approval of the Board, unless such alteration is required by law or regulation.

C. ROLES AND RESPONSIBILITIES

1. The Board's responsibilities for the stewardship of the Corporation are as follows:

    (a) to oversee a strategic planning process by (i) periodically approving a strategic plan prepared by Management that reflects the Corporation's long-term strategic direction and that takes into account, among other things, the opportunities and risks of the Corporation's business, (ii) ensuring that Management implements the strategic plan, (iii) periodically approving revisions to the strategic plan as necessary, and (iv) evaluating Management's, and in particular the CEO's, performance in carrying out the Corporation's strategic plan and actions thereunder measured against pre-determined objectives;

(b) to oversee a risk assessment process by confirming the principal risks identified by Management that are associated with the Corporation's businesses and ensuring that the appropriate systems are in place to effectively identify, evaluate, monitor and manage those risks. These risks include those relating to matters that are outside the Corporation's direct control;

(c) to demonstrate support for the Corporation's values and ethics and to satisfy itself, to the extent feasible, that Management builds a culture reflecting the Corporation's values and that Management adheres to these values;

(d) to oversee adherence by all directors, officers and employees to the Corporation's written Code of Business Conduct and Ethics;

(e) to oversee the Corporation's internal controls and management information systems that effectively monitor the Corporation's operations in compliance with applicable laws, regulations and policies and safeguard its assets and ensure that they are used in alignment with the Corporation's strategic objectives;

(f) to ensure that a succession planning process is in place for directors and officers; and

(g) to adopt a communication policy that provides for effective communication with, and includes measures for receiving feedback from, the Corporation's Nominators, other stakeholders and the public in general.

2. The Board may carry out its responsibilities either directly or through a committee(s) established by the Board (see paragraph 5). However, the following responsibilities are sufficiently important to warrant the attention of all directors and cannot be delegated:

   (a) appointing and removing Members of the Corporation;

   (b) constituting committees of the Board;

   (c) filling a vacancy among the directors or in the office of an external auditor;

   (d) issuing securities;

   (e) subject to confirmation by the Members, adopting, amending or repealing bylaws;

   (f) appointing officers;

   (g) determining the Corporation's fiscal year end;

   (h) approving the Annual Report and approving the holding, location and date of the Annual Public Meeting;

   (i) appointing the CEO and approving the terms of the employment agreement and the annual compensation, including salary, incentive payments, perquisites and other benefits, of the CEO;

(j) approving the compensation paid to directors;

(k) approving such policies of the Corporation as may be determined appropriate by the Board from time to time; and

(l) approving any other matter the Board is required to approve under the Corporation's governing statute.

3. The following is a list of responsibilities that may be carried out either directly by the Board or through committees established by the Board:

   (a) determining the remuneration of the external auditors;

   (b) approving the Corporation's annual capital budget and operating budget including those of any subsidiaries, and where appropriate any supplementary capital budget or operating budget;

   (c) approving the Terms of Reference for the Board and each committee established by the Board as well as the roles and responsibilities of the Chair of the Board, the chairs of the committees and for individual directors;

   (d) establishing a continuing education and orientation program for directors to enhance their skills and abilities, address emerging issues in the functional areas of the Board and become knowledgeable about the Corporation;

   (e) conducting an annual evaluation of the performance of the Board, the Chair, the chair of each committee, and each director, with the results being forwarded to the Corporate Governance and Nominating Committee;

   (f) developing roles and responsibilities for the CEO as well as approving the performance requirements including the annual goals and objectives of the CEO and other officers;

   (g) establishing an approval regime whereby contracts, the acquisition and disposition of corporate assets and banking, borrowing and investment transactions are approved either directly by the Board, a committee of the Board or Management;

   (h) approving employee pension and other benefit plans and amendments thereto; and

   (i) ensuring that the financial performance of the Corporation is reported to the public, including approving the audited financial statements and accompanying notes, the interim financial statements and other materials requiring disclosure pursuant to applicable continuous disclosure obligations and other applicable securities laws.

4. The Board shall annually prepare and provide to the Corporate Governance and Nominating Committee a report describing the names of the advisors who

provided services to the Board during the year, the compensation paid to them and the nature of the services they provided.

5. The Board has the authority to constitute a committee or committees of the Board and appoint the members of such committees. The members of each committee elect a chair annually as provided in the Terms of Reference of the committee. With the exception of the matters listed in paragraph 2 above, the Board may delegate powers, duties and responsibilities to such committees. The matters to be delegated to committees of the Board and the constitution of such committees shall be assessed periodically as circumstances require. The following committees are ordinarily constituted:

   (a) the Audit Committee, to deal with internal control and management information systems, reporting of financial performance and other public disclosure materials, and pension and insurance matters;

   (b) the Corporate Governance and Nominating Committee, to deal with governance of the Corporation and the nomination of Members and assessment of the Board's performance;

   (c) the Environment, Safety, Security and Stakeholder Relations Committee, to deal with the environment, the Corporation's relationships with all levels of government, the community and stakeholders, safety and security matters and corporate social responsibility reporting;

   (d) the Human Resources and Compensation Committee, to deal with human resources strategy, employee recruitment and development, occupational health and safety, compensation and benefit matters, and succession planning for key positions within the Corporation; and

   (e) the Planning and Commercial Development Committee, to deal with the Airport's commercial development, business and marketing strategy, information technology strategy and planning, long-range master plan and infrastructure planning and development to meet the needs of the Airport's customers and stakeholders.

   In addition to these regular committees, the Board may periodically appoint *ad hoc* committees of the Board to address certain issues of a short-term nature.

APPENDIX "B"

GREATER TORONTO AIRPORTS AUTHORITY

AUDIT COMMITTEE CHARTER
(Board approved March 11, 2015)

A. MANDATE

The Audit Committee (the "Committee") is mandated by the Board of Directors of the GTAA to undertake delegated work on the Board's behalf to gain reasonable assurance regarding the integrity of the financial reporting, accounting, auditing and internal controls, related areas such as financing strategy, budgeting and forecasting, as well as to fulfill relevant legal obligations of an Audit Committee of a public issuer.

The members of the Committee ("members") shall be directors of the Corporation ("Directors"), appointed to the Committee to provide broad oversight of the financial, risk and control-related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Management shall be responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management shall also be responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations.

The external auditors shall be responsible for planning and carrying out an audit of the Corporation's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

B. COMPOSITION AND MEETINGS

1. The Committee shall be appointed annually by the Board and consist of not less than 4 and not more than 6 Directors of the Corporation. None of the members of the Committee shall be an officer or employee of the Corporation and every member shall be "independent", as defined under applicable securities laws. Every member must also either (a) be "financially literate", as defined under applicable securities laws; or (b) become financially literate within a reasonable period of time after his or her appointment to the Committee: the Committee Chair is responsible to enable and monitor specific professional development for such Committee members,

communicating the plan and outcome to the Board so that it may satisfy itself that the Committee's ability to satisfy its obligations under applicable securities laws will not be materially adversely affected while the member becomes financially literate). Any member may be removed from the Committee or replaced at any time by resolution of the Board.

2. The Chair of the Committee ("Chair") shall be elected annually by the members of the Committee at their first meeting following the meeting of the Board at which the members of the Committee are appointed. The Committee Chair will take a lead in a succession process to ensure that qualified candidate(s) are in place to succeed him or her; this process would include polling Committee members for interest early in the year and informally communicating with the Corporate Governance and Nominating Committee if a gap in qualified candidates is identified. The Corporation shall designate a Secretary to the Committee who may be an employee of the Corporation. The Secretary shall arrange to keep minutes and records of all meetings of the Committee. In the event that either the Chair or the Secretary is absent from any meeting, the members present shall designate any Director present to act as Chair and shall designate any Director, officer or employee of the Corporation to act as Secretary.

3. Meetings of the Committee, including telephone conference meetings, shall be held at such time and place as the Chair or any member may determine, or at the request of a Member of the Board, the Corporation's President and Chief Executive Officer ("CEO"), the Vice President and Chief Financial Officer ("CFO"), the internal auditor, or external auditors of the Corporation, and in any event, at least 4 times per year.

4. Notice of meetings shall be given to each member not less than 48 hours before the time of the meeting and may be given verbally or by letter, email, facsimile transmission, or telephone. Meetings of the Committee may be held without formal notice if all of the members are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting. Where notice is given it shall be accompanied by an agenda setting out the matters for discussion at the meeting.

5. The CEO, CFO, the Controller and the head of internal audit are expected to be available to attend the Committee's meetings or portions thereof.

6. A majority of the members of the Committee shall constitute a quorum.

7. A resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee. A copy of any such resolution in writing shall be kept with the minutes of the proceedings of the Committee.

8. The Committee shall meet periodically with Management (including, at a minimum, the Corporation's CFO), the head of the internal audit and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. Such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without Management present.

9. The external auditors shall be notified of all meetings of the Committee and when appropriate they may attend and be heard at any such meeting and shall attend if requested to do so by the Chair.

10. Any matter to be voted upon shall be decided by a majority of the votes cast on the question.

11. The Committee will develop a cyclical work plan pertaining to its activities consistent with its Charter, and will include an update of progress on this work plan to the Board as part of the Committee's regular reporting.

12. The Committee may retain independent counsel and/or advisors as it deems appropriate to assist the Committee in performing its responsibilities as set out in this Charter, provided that it prepares an annual report with respect to such advisors to the Corporate Governance and Nominating Committee in a form prescribed by it.

13. All Directors are entitled to receive notice of and attend meetings of the Committee and the Committee may invite its advisors, such officers and employees of the Corporation and other guests to attend a meeting of the Committee. However, only Committee members are entitled to vote.

14. The Committee will prepare and provide a report at each regular meeting of the Board, summarizing meeting(s) of the Committee since the last report.

15. The Committee will perform such other duties assigned by the Board.

C. **COMMITTEE RESPONSIBILITIES**

The Committee's responsibilities shall include to:

1. oversee and monitor the integrity of the Corporation's financial statements and financial reporting process, including the audit process, the system of internal controls regarding accounting and financial reporting and accounting and financial reporting compliance with related legal and regulatory requirements, including:

a) review with the external auditors and with Management the audited year-end financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the Corporation's Annual Information Form and any financial information of the Corporation contained in any prospectus of the Corporation, all prior to recommending to the Board the approval of such financial information for public disclosure;

b) review with the external auditors and with Management each set of interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Corporation containing or accompanying financial information of the Corporation, all prior to approving such financial information for public disclosure;

c) confirm with Management for each quarter and year end that the CEO/CFO Certificates and related due diligence have been completed;

d) review with Management all annual and interim earnings news releases before the Corporation releases such news releases to the public;

e) review with the external auditors and with Management prior to the approval of the interim financial statements of the Corporation, and prior to the recommendation to the Board of the approval of the year-end financial statements of the Corporation:

    i. any report or opinion proposed to be rendered in connection with the financial statements;

    ii. any significant transactions which were not a normal part of the Corporation's business;

    iii. the nature and substance of significant accruals, reserves and other estimates;

    iv. any change in accounting principles;

    v. any audit problems or difficulties and Management's response;

    vi. all significant adjustments proposed by Management or by the external auditors; and

    vii. the specifics of any unrecorded audit adjustments;

f) review the disclosure relating to the Committee that is required under applicable securities laws for inclusion in the Corporation's Annual Information Form prior to the filing of the Annual Information Form with securities regulatory authorities;

g) review with Management the information to be included in the Annual Report pursuant to Section 9.01.07 of the Ground Lease, except for the information provided in response to sub-paragraph (e), which information will be reviewed by the Human Resources and Compensation Committee;

h) review the impact of proposed regulatory and other changes and new developments in generally accepted accounting principles and their impact on the financial statements of the Corporation and other financial disclosures, and review the role, the activities, the independence and the results of the Corporation's internal auditors;

i) periodically review with Management and the internal and external auditors of the Corporation, the Corporation's internal accounting and financial statements, controls and the testing of controls to ensure that the Corporation maintains:

    i. the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Corporation's transactions;

    ii. effective internal control systems and that the reporting on such internal controls is in compliance with regulatory requirements;

    iii. adequate procedures for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud;

    iv. adequate procedures for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements; and

    v. adequate procedures for the review of the Corporation's public disclosure of material, non-financial information, such as written statements, news releases, presentations (verbal and written), letters, GTAA website, private meetings, social media, discussions, phone calls, emails, conferences and interviews;

j) oversee, review and discuss with Management, the external auditors and the internal auditors:

    i. the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices, and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

ii. all significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by Management from an independent auditor with respect to the accounting treatment of a particular item;

iii. disagreements between Management and the external auditors or the internal auditors regarding the application of any accounting principles or practices, risk and control-related activities of the Corporation;

iv. the effect of regulatory and accounting initiatives on the Corporation's financial statements and other financial disclosures; and

v. the use of any special purpose entities and the business purpose and economic effect of any off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of Corporation.

The Committee shall be responsible for resolving disagreements between Management and the external auditors regarding financial reporting, risk and control-related activities of the Corporation.

k) review the findings or comments of any regulatory agency, including Transport Canada, concerning financial information of the Corporation;

l) receive and review periodic reports on the compliance with regard to statutory deduction and remittance requirements, including deductions and remittances under the Income Tax Act (Canada), the Excise Act (Canada) and the Employment Insurance Act (Canada), the nature and extent of non-compliance and reasons thereto, and the plan and timetable to correct deficiencies;

m) review the annual budgets prior to submissions to the Board for approval and shall periodically review long range financial forecasts. The Committee shall receive regular updates from Management on the financial performance of the Corporation compared to budget;

n) provide oversight of the Corporation's pension fund and plans, including:

i. receive and review annually a report from the Pension Administration Committee ("PAC") including compliance with pension regulators, summaries of any actuarial valuations, summaries of any Asset Liability studies, DC plan employee member education activities, PAC members' skills review, and the performance of the pension fund and investment managers.

ii. review and appoint members of the PAC, on recommendation of the PAC;

iii. review and recommend annually to the Board of Directors for approval audited financial statements for the pension plans;

iv. review and approve the Pension Administration Committee Charter and funding policy, as well as material revisions to plan design or to governance of the pension plans;

v. review and recommend to the Board of Directors approval of the risk policy for the pension plans and any amendments to the risk policy from time to time; and

vi. approve the appointment of and the compensation that is to be paid to the Corporation's actuary, investment advisor and auditors of the pension plan;

o) establish, review and monitor procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by employees of concerns regarding questionable or inappropriate practices or behaviour that relate to the Corporation.

2. oversee the work of the Corporation's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; including overseeing the qualifications, independence and performance of the external auditors and recommending to the Board the nomination and compensation of the external auditors, including:

a) evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation, and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire about the qualifications of the proposed auditors before making its recommendation to the Board;

b) approve in advance the terms of engagement and the compensation to be paid by the Corporation to the external auditors with respect to the conduct of the annual audit. The Committee shall advise the Board of such approved terms of engagement and compensation;

c) review the independence of the external auditors, including rotation of the lead audit partner, quality review partner or firm, and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors;

d) pre-approve all non-audit services to be provided to the Corporation by the external auditor; and

e) review and approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditors of the Corporation;

3. oversee the work of the Corporation's internal auditors, including:

a) review and concur in the appointment, compensation, replacement, reassignment or dismissal of the head of the internal audit function;

b) review and approve the annual internal audit plan and all major changes to the plan;

c) review the adequacy of resources of the internal audit function and ensure that internal auditors have unrestricted access to all functions, records, property and personnel of Corporation; and

d) review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors standards;

4. oversee the work of the Corporation's financing strategy, including reviewing, providing input into and gaining reasonable assurance regarding the Corporation's financial strategy, including optimizing debt financing and terms, asset liability management and risk;

5. providing an open avenue of communication between senior management of the Corporation ("Management"), the external auditors, the internal auditors, and the members of the Board and Committees of the Board;

6. oversee the effectiveness of the Corporation's risk management system, including receiving and reviewing annually with senior management and, as necessary, the Corporation's internal auditors and external auditors:

a) the major risks to the Corporation's objectives;

b) the risk appetite, tolerances and risk philosophy;

c) risk mitigation strategies for the major risks, including the transfer of risk (e.g. outsourcing, insurance derivatives) and reports on the effectiveness of these;

d) periodic risk management reports monitoring actual results to risk tolerances – the Audit Committee has specific responsibility to monitor financial related risks, and to oversee and coordinate the work of other Board Committees overseeing risks related to their areas of scope; and

f) Board level Policies related to Risk, such as risk, cash management, investment management, debt financing, credit, taxation, and financial strategy policies, for recommendation to the Board for approval; and periodic and exception reports monitoring compliance to these.

D. REVIEW OF CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board.