

**Greater Toronto Airports Authority
Annual Information Form
For the Year Ended December 31, 2017**



March 21, 2018

Table of Contents

- 1 Caution Regarding Forward-Looking Information..... 5**
- 2 Corporate Structure 6**
- 3 General Development of the Business 7**
 - 3.1 Toronto Pearson – A Top-Tier Global Hub Airport..... 7
 - 3.2 20-Year Strategic Framework 8
 - 3.3 Toronto Pearson Master Plan 2017-2037 9
 - 3.3.1 *Safety*..... 9
 - 3.3.2 *Financial Sustainability*..... 9
 - 3.3.3 *Improving the Passenger Experience*..... 10
 - 3.4 Three-Year History 13
 - 3.4.1 *Air Passenger Traffic* 13
 - 3.4.2 *Airline Industry Changes* 14
 - 3.4.3 *Aeronautical Rates and Charges*..... 14
 - 3.4.4 *Insurance Coverage*..... 15
- 4 Narrative Description of the Business 15**
 - 4.1 Introduction 15
 - 4.2 Economic and Demographic Factors 15
 - 4.3 Airport Activity Measures 16
 - 4.3.1 *Air Passenger Traffic* 16
 - 4.3.2 *Aircraft Movements*..... 19
 - 4.3.3 *Arrived Seats*..... 20
 - 4.3.4 *Seats per Movement*..... 20
 - 4.3.5 *Air Cargo* 21
 - 4.4 Air Passenger Service 22
 - 4.4.1 *Share of Airline Activity*..... 22
 - 4.5 Other Airports 22
 - 4.6 Facilities..... 22
 - 4.6.1 *Airfield Facilities*..... 22
 - 4.6.2 *Terminal Facilities* 23
 - 4.6.3 *Groundside and Aviation Support Facilities* 23
 - 4.6.4 *Off-Airport Properties* 24
 - 4.7 Airport Capital Programs 24

4.8	Airport Revenues	25
4.8.1	<i>Aeronautical Revenues</i>	25
4.8.2	<i>Non-Aeronautical Revenues (or Commercial Revenues)</i>	25
4.8.3	<i>Airport Improvement Fee</i>	26
4.8.4	<i>Long Term Aeronautical Fees Agreements</i>	27
4.9	Airport Expenses.....	28
4.9.1	<i>Ground Rent</i>	28
4.9.2	<i>Goods and Services</i>	28
4.9.3	<i>Salaries, Wages and Benefits</i>	28
4.9.4	<i>Payments-in-Lieu of Real Property Taxes</i>	28
4.9.5	<i>Payments-in-Lieu of Development Charges</i>	29
4.9.6	<i>Interest and Financing Costs</i>	29
4.9.7	<i>Amortization</i>	29
4.10	Ground Lease	29
4.10.1	<i>Ground Lease Rent</i>	30
4.10.2	<i>Other Provisions</i>	30
4.11	Environmental Matters	31
4.11.1	<i>Environmental Risk Oversight and Management</i>	31
4.11.2	<i>Environmental Risk</i>	31
4.11.3	<i>Trends and Uncertainties – Climate Change</i>	32
4.11.4	<i>Environmental Protection</i>	32
4.11.5	<i>Noise Management Program</i>	33
4.12	Human Resources	33
5	Risks	34
6	Description of Capital Structure	34
6.1	Ratings	35
6.2	Trustee	36
7	Corporate Governance	37
7.1	Members/Directors	37
7.2	Directors' Information.....	37
7.2.1	<i>Board of Directors</i>	39
7.3	Officers	47
8	Compensation Discussion and Analysis	49

8.1	Role of the Human Resources and Compensation Committee.....	49
8.2	Human Resources and Compensation Committee.....	49
8.3	Compensation Philosophy.....	50
8.4	Compensation Comparator Group	51
8.5	Compensation Risk.....	51
8.6	Compensation Consultant	52
8.7	Key Elements of Compensation.....	52
8.8	Base Salaries.....	52
8.9	Management Incentive Plans	52
	8.9.1 Short Term Incentive Plan.....	53
	8.9.2 Long Term Incentive Plan	58
8.10	Benefits	59
8.11	Summary Compensation Table.....	60
8.12	Pension Plan Benefits	61
8.13	Employment Agreements.....	62
8.14	Compensation of Directors.....	66
9	Auditors: Interest of Experts	67
10	Additional Information	68
	Appendix "A" – Terms of Reference of the Board of Directors	69
	Appendix "B" – Audit Committee Charter.....	74

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 that 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 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 development of a ground transportation strategy; reductions in percentage wait times for customs processing and security screening; the GTAA’s 20-year strategic framework and its vision and mission statements; growth in domestic and international passenger traffic; funding capital expenditures from operating cash flows; the extension of the air service incentive program in 2018; maintaining the GTAA’s aeronautical fees in 2018; the benefits anticipated from the implementation of the GTAA’s 20-year strategy; 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”); public pronouncements of various third-party agencies, experts and analysts with respect to local economies; the development of a regional airport strategy; future terminal, airside, groundside and other capital developments at the Airport; the development of a new passenger processing facility; the Long Term Aeronautical Fees Agreements entered into with Air Canada and WestJet; and the outcome of certain applications related to payments-in-lieu of development charges.

The forward-looking information is based on a variety of material factors and assumptions including, but not limited to, the following: long-term growth in population, employment and personal income will provide the basis for increased aviation demand in the GTA; the Canadian, U.S. and global economies will grow at 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 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, such as a natural disaster or other calamity, will occur that has an impact on the ordinary course of business; 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 related 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 factors, volatility in the economy 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; changes in the airport ownership model; environmental issues; litigation; 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 is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*. The head office of the GTAA is located at 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2.

As a Canadian Airport Authority, the GTAA was incorporated consistent with the terms of the Public Accountability Principles issued 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 below) and describe certain requirements, including the nomination of members to the Board of Directors, holding public meetings, publishing certain documents and adopting certain corporate policies.

In April 2017, the GTAA incorporated two subsidiaries under the *Canada Business Corporations Act*, Malton Gateway Inc. (“MGI”) and Airway Centre Inc. (“ACI”), to facilitate the acquisition of commercial, office and industrial properties near the Airport. MGI is wholly owned by the GTAA, and ACI is, in turn, wholly owned by MGI.

3 General Development of the Business

The GTAA’s mandate includes developing, managing and operating 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. The GTAA is also permitted to conduct other activities within its mandate. In 1996, an agreement was reached with the federal government, as represented by the Minister of Transport, to transfer the operation and management of the Airport to the GTAA pursuant to a ground lease dated December 2, 1996 (the “Ground Lease”). The Ground Lease has an initial term of sixty (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. A copy of the Ground Lease is available on SEDAR at www.sedar.com and on the GTAA’s website at www.torontopearson.com.

3.1 Toronto Pearson – A Top-Tier Global Hub Airport

In 2017, Toronto Pearson welcomed 47.1 million passengers and expanded the number of international destinations served. Toronto Pearson offered more non-stop international destinations than any other North American airport, except John F. Kennedy International Airport in New York City. Toronto Pearson’s passengers now have direct service from Toronto to approximately 70 per cent of the world’s economy, based on global Gross Domestic Product (“GDP”). Toronto Pearson is the second-largest international airport in North America, as measured by the total number of annual international passengers. In 2017, 62.9 per cent of the Airport’s passengers were international.

In 2017, 30.0 per cent of Toronto Pearson’s passengers were connecting passengers, as compared to 27.5 per cent in 2012. Connecting passengers help airlines build a critical mass of passengers, thus enabling an airline to use larger aircraft, increase the frequency on existing routes and introduce new routes.

Toronto Pearson has continued to experience record passenger growth: passenger volumes increased from 38.6 million passengers in 2014 to 47.1 million passengers in 2017, an additional 8.5 million passengers in just three years. International passengers have accounted for 73 per cent of this growth.

Airport Challenges

With rapid passenger growth comes the challenge and the opportunity of accommodating this growth.

As part of its strategy to optimize the capacity of terminal buildings before expanding the terminals' footprint, the GTAA has been renovating its terminals and improving its processes to increase passenger throughput within the existing infrastructure. In 2017, for example, the GTAA expanded the hold room capacity of Gate 193, which services short-haul flights to and from the U.S. in Terminal 1. The GTAA will continue to expand its terminal buildings and infrastructure when demand dictates and after a thorough consultation with the air carriers.

The road network in the GTA is becoming increasingly congested, which impacts access to the Airport. To help relieve this congestion, the GTAA is developing an integrated public transit and ground transportation strategy to establish Toronto Pearson as a sustainable multi-modal transportation centre. The GTAA actively participates with local, regional and provincial transportation and planning agencies, both to increase frequency on existing routes and add new routes to and from the Airport and to ensure that connections of rapid transit services to the Airport are included in ground transportation master plans in the GTA. The commencement of service of the Union Pearson Express Train in June 2015, the introduction of Greyhound bus services in 2017, and the introduction of pre-arranged luxury ground transportation services by Uber Black in 2014 and Lyft luxury services in 2017 form part of the solution to alleviate Airport traffic congestion. The GTAA continues to study ways to improve ground transportation access to the terminals.

Although the introduction of self-service customs clearance kiosks has reduced customs wait times, security screening continues to give rise to operational challenges. The GTAA is working with the federal government and its agencies, including the Canadian Border Services Agency ("CBSA"), to further reduce customer wait times, and the Canadian Air Transport Security Authority ("CATSA"), to reduce security screening wait times, both in light of the current fiscal and staffing policies of the federal government. The GTAA is also working with United States Customs and Border Protection ("USCBP") to reduce pre-clearance wait times.

In 2017, the GTAA spent approximately \$279.6 million in capital expenditures. This includes the restoration of existing facilities and new construction, while at the same time attempting to minimize impact on passenger flow and passenger service.

3.2 20-Year Strategic Framework

A 20-year strategic framework was adopted by the Board of Directors in March 2015 with the following six goals: safety, engaged people, excellent customer service, financial sustainability, aviation growth and corporate responsibility. This

strategic framework is the basis for the GTAA's five-year business plans and annual business plans and budgets.

Building on and supplementing this strategic framework, the GTAA has over the last two years articulated a vision for Toronto Pearson as a global hub, growing its number of international passengers and striving to provide direct air service to 80 per cent or more of the global economy – creating additional jobs, fuelling exports and attracting foreign investment.

The GTAA reviews and updates its 20-year strategic framework approximately every five years.

3.3 Toronto Pearson Master Plan 2017-2037

In December 2017, the GTAA submitted to the Minister of Transport its draft 20-year Master Plan for the period 2017-2037, consistent with the provisions of the Ground Lease.

This updated Master Plan presents a rigorous assessment of the demand Toronto Pearson expects to face over the next 20 years. It also describes the lands and facilities that will be required, within the planning horizon, to support the continued growth and dynamism of the region, province and country. Lastly, the draft Master Plan includes a detailed Land Use Plan, which was approved by the federal Minister of Transport in March 2018.

The GTAA's planning for the next two decades will focus on meeting passenger demands, maintaining a high-quality passenger experience, maximizing economic benefits to the surrounding communities while minimizing greenhouse gas emissions and other potentially negative impacts, responding to the challenges and opportunities of rapid technological change, coordinating Airport planning with that of Toronto Pearson's neighbours and partners, and building in a flexible and scalable manner.

3.3.1 Safety

Safety is the top priority of the GTAA. To foster a high safety mindset at the Airport, the GTAA continues to develop and expand the Toronto Pearson Safety Program, which encompasses all aspects of safety at Toronto Pearson. The vision of this Program is zero injuries to any employees who work at, passengers who fly through, or those who visit Toronto Pearson. This vision is supported by the concept that all injuries and accidents can be prevented.

3.3.2 Financial Sustainability

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 GTAA has reduced its overall gross debt outstanding from a peak of \$7.9 billion in 2009 to \$6.3 billion as of December 31, 2017. In addition to positive operating

cash flow generation allowing for a reduction in debt levels, the GTAA has deployed debt management strategies over this period to further reduce debt, including the optimization of certain reserve funds and bond buybacks. Generation of positive operating cash flows is a result of a concerted focus to optimize the use of existing assets before investing in new infrastructure, which allows the GTAA, in most years, to fund most capital expenditures with operating cash flows.

While the GTAA continues to utilize internally generated cash flows to fund capital investments, the GTAA from time to time accesses the capital markets to refinance maturing debt and fund the redevelopment of existing assets, as well as new major capital programs and acquisitions.

For further details on the GTAA's debt management strategies, please refer to the Management's Discussion and Analysis. See "*Additional Information*".

3.3.3 Improving the Passenger Experience

A focus on passenger experience continues to drive improvements and initiatives at Toronto Pearson.

Toronto Pearson was named Best Large Airport (i.e. over 40 million passengers per year) in North America for Airport Service Quality ("ASQ") for 2017 by Airports Council International, which is the global organization that represents the world's airports. Results measure airport services, facilities and ambiance and are determined based on a monthly survey administered at participating airports in strict accordance with the ASQ survey plan.

Key initiatives implemented in 2017 were designed to improve passenger flow, atmosphere and amenities, and increasing hub connections. Some of these initiatives include the following:

1. Passenger Navigation Enhancements

Signage, including enhanced in-terminal wayfinding signage and new digital flight information displays, was improved to help passengers navigate GTAA facilities. In addition to static and dynamic information, three additional staffed passenger information zones, including self-serve kiosks, were implemented, increasing the number of zones to five.

There were 650 new digital installations in 2017, including three outdoor mega-boards along major highways, as well as two mega-signs in Terminal 1 Departures and four large flight information displays ("FIDs") in Terminal 3 Departures.

2. Enhanced Pre-Board Screening Experience

Three pre-board screening check points were converted to CATSA Plus in 2017: Terminal 3 Central, Terminal 1 Transborder and Terminal 1 In-transit Pre-Clearance. CATSA Plus utilizes new types of equipment that speed up passenger processing. The installation in Terminal 3 Central is particularly passenger-centric, using softer materials and intuitive design standards to complement the new processing configuration.

3. Self-Service Passenger Kiosks and Trusted Traveller Programs

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

(a) Check-in:

- (i) **Self-Service Check-in Kiosks** – The GTAA increased the total number of self-service kiosks in Terminal 1 and Terminal 3 to 295 in 2017 from 270 in 2016. In 2017, accessible kiosks were also introduced in all kiosk locations. To optimize facilities, the GTAA continues to encourage usage of self-serve kiosks by airlines. Presently, 17 carriers have applications on the kiosks.
- (ii) **Self-Service Baggage Drops** – In 2017, the GTAA implemented an additional 24 automated self-service baggage drops (“SSBDs”) in the terminals, bringing the current inventory to 46 units. Currently, 11 carriers, which collectively carry 80 per cent of the passengers at Toronto Pearson, use the GTAA's SSBDs.

(b) Customs:

- (i) **Canadian Customs Kiosks** – In 2017, a new border clearance program called Primary Inspection Kiosk (“PIK”) was implemented in Terminal 3. This program enables up to 98 per cent of all arriving passengers to use the 104 kiosks to clear customs quickly at Toronto Pearson. In addition to PIK in Terminal 3, the Automated Border Clearance (“ABC”) program for Canadian citizens and U.S. passport holders was augmented in Terminal 1 by increasing the number of kiosks to 50 units. There are also 30 Nexus kiosks for use by passengers enrolled in the joint U.S./Canada Trusted Traveller Program.
- (ii) **U.S. Customs Kiosks** – Most passengers travelling from Toronto Pearson to the United States are eligible to use the 82 self-service Automated Passport Control (“APC”) kiosks to pre-clear U.S. Customs. In addition, Trusted Traveller members of Nexus and Global Entry can use the 47 Global Entry kiosks to pre-clear U.S.

Customs. Toronto Pearson continues to see high usage of the Nexus/Global Entry program.

In 2017, improvements to passenger flow in the U.S. customs pre-clearance area were implemented in both Terminals 1 and 3. Passengers now use a one-step process, which has eliminated the need to complete customs declaration cards.

4. International to Domestic Baggage Connections

The International to Domestic Passenger and Baggage Connections Program was expanded in 2017. In Terminal 1, additional European and U.S. cities were added to the program, enabling passengers on flights originating in designated cities to not have to collect and re-check their baggage at Toronto Pearson; instead, these passengers are able to retrieve their baggage at their final destination in Canada. To complement the baggage component of the program, a new passenger flow process for passengers arriving from the U.S. was implemented, facilitating reduced connection times and negating the need for passengers to be re-screened before their connecting flight. The International to Domestic Passenger and Baggage Connections Program was also implemented in Terminal 3 for WestJet passengers arriving on flights from the U.S.

5. New Restaurants, Stores and Services

In 2017, 28 new retail stores, restaurants and services opened in conjunction with the redevelopment of Node E in Terminal 1 and Nodes B and C in Terminal 3. *USA Today* readers voted Toronto Pearson the Best Airport Shopping Platform in North America in 2017.

6. Strategic Partnerships and Advertising

In 2017, the GTAA continued to develop strategic advertising partnerships. Most notably, the GTAA secured a new partnership with the Genesis Automotive Brand. The GTAA also continued to engage in passenger-focused activities during key Toronto events, such as the Toronto International Film Festival.

7. Volunteer Program

The Toronto Pearson Volunteer Program continued to grow in 2017. Volunteers greet passengers, answer questions and provide wayfinding assistance in both the pre-and post-security areas of Terminals 1 and 3. The Volunteer Program provides an opportunity for community members to be local ambassadors and to help create a welcoming atmosphere for passengers and the public at Toronto Pearson. In 2017, time in the Airport spent helping passengers by the “Welcome Team” increased to over 1,300 volunteer hours weekly.

8. Parking and Ground Transportation

New transportation services were added in 2017 to improve access to the Airport and to facilitate parking.

(a) Bus Service:

Greyhound bus services commenced operations at Terminal 1 in April 2017.

(b) Electric Vehicle Charging Stations:

In partnership with the Ministry of Transportation and Partners in Project Green, the GTAA installed 32 electric vehicle charging stations in Airport parking facilities, including the Terminal 1 and Terminal 3 parking garages and the Cell Phone and Administration Building parking lots.

(c) Cell Phone Lots:

The GTAA created a second Cell Phone Lot to accommodate additional customers waiting to pick up passengers.

(d) Valet Service:

The GTAA established a new Terminal 3 Curb-to-Curb Valet Service to enhance passenger convenience and to provide quick access to the terminal building.

3.4 Three-Year History

3.4.1 Air Passenger Traffic

Reporting the International Sector

International aviation protocol classifies all non-domestic passengers and activity as international passengers and activity. The GTAA reports international passengers and activity by incorporating transborder (i.e. Canada-U.S.) passengers and activity into the international sector and does not separately report transborder passengers and activity.

Passenger Growth

In 2017, Toronto Pearson experienced another year of strong passenger growth. Passenger traffic at the Airport increased by 6.2 per cent, from 44.3 million passengers in 2016 to 47.1 million passengers in 2017, representing an annual growth of 2.8 million passengers. This passenger growth follows an increase of 8.0 per cent the previous year, from 41.0 million passengers in 2015 to 44.3 million passengers in 2016.

The following table sets out the annual passenger growth from 2015 to 2017, inclusive, by sector:

**Passenger Growth by Sector 2015-2017
(in millions)**

	2015	2016	2017
Domestic	15.8	16.9	17.5
International	25.2	27.4	29.6
Total:	41.0	44.3	47.1

3.4.2 Airline Industry Changes

In keeping with global tendencies, there is a trend towards air carriers operating larger passenger aircraft at Toronto Pearson. In 2017, as compared to 2016, the number of passenger aircraft movements increased by 2.0 per cent, whereas the number of arrived seats increased by 5.2 per cent. The trend towards larger aircraft at Toronto Pearson can be attributed to airlines increasing the size of their aircraft to meet increasing passenger demand and an increase in international service, which necessitates the use of larger, longer-range aircraft. See *“Seats per Movement”*.

3.4.3 Aeronautical Rates and Charges

As a result of the GTAA’s financial performance, the GTAA has not increased aeronautical fees charged to airlines since 2007. Aeronautical fees have remained constant or have been lowered for 10 consecutive years which, together with increased passenger volumes, has resulted in a reduction in average air carriers’ cost per enplaned passenger (the amount that air carriers pay to the GTAA expressed as a per passenger rate) of approximately 40 per cent over this period. These fee reductions or rate freezes have been made possible by continued growth in air carrier and passenger traffic, an increase in non-aeronautical revenues, and through operating cost and capital expenditure management.

The GTAA continues to maintain the same schedule of aeronautical fee levels in 2018. The GTAA retains the right, however, to set its fees 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.

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

Air Service Incentive Programs

In 2013, the GTAA created a single incentive program for air carriers to increase passenger traffic at Toronto Pearson. This incentive program has been extended annually.

The GTAA has entered into agreements with Air Canada and WestJet, the two principal air carriers operating at the Airport, which provide these carriers with certain growth incentives. See *“Long Term Aeronautical Fees Agreements”*.

3.4.4 Insurance Coverage

In June 2016, the GTAA secured aviation war risk liability coverage through the commercial insurance market, and that coverage is now part of the GTAA's overall policy with a limit of approximately \$2.3 billion (USD \$1.75 billion). In December 2017, the GTAA increased the amount of first-party terrorism property insurance to \$500 million from \$300 million, which insurance provides coverage that was excluded from the main property insurance policy following the events of September 11, 2001. This property coverage is in place for 2018.

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 passengers, and the 32nd-largest airport in the world as measured by the total number of annual passengers. Toronto Pearson is located approximately 29 kilometres northwest of Toronto's central business district and is centrally located within the Greater Toronto Area (the "GTA"). The Airport is connected to downtown Toronto and the balance of the GTA through an extensive network of expressways, arterial roads and public transit.

Toronto Pearson is one of Canada's vital economic engines. Toronto Pearson's impact is both national and international in scope: it connects residents of the GTA – one of the most diverse city-regions in the world – with business opportunities, with adventures abroad, and with family and friends across Canada and around the globe.

An estimated 49,000 jobs are directly associated with the operations at Toronto Pearson; the Airport sits within the Airport Employment Zone, the second-largest employment zone in all of Canada. Hundreds of thousands more people, throughout Southern Ontario and beyond, enjoy livelihoods enhanced by the connectivity Toronto Pearson provides. The Airport also boosts the productivity of industries across the country by linking Canadian firms with vibrant markets, commercial partners and investors worldwide.

4.2 Economic and Demographic Factors

The demand for air transportation is fundamentally driven by economic conditions. Demand for air travel typically grows at one to two times the rate of economic growth in the developed world, but that ratio can increase substantially in developing economies. Passenger growth at Toronto Pearson strongly correlates with growth in the Ontario economy; however, in the last 10 years, Toronto Pearson's growth rate has outperformed that of the Ontario economy by an increasing margin. There are several reasons for this strong performance: as Toronto Pearson has evolved into a global hub, it is increasingly impacted by global

market trends and exposure to higher growth rates in emerging markets; the structure of the Ontario economy has changed, resulting in a higher propensity for business air travel; and airfares have declined, stimulating leisure travel. Other factors can contribute to a global hub airport's growth rate: an air carrier selecting the airport as a strategic hub; supportive government policies, including air, visa and trade policy changes; the export orientation of the economy; the availability of runway, terminal and ground access capacity; and the social licence to grow.

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 Ontario Ministry of Finance projects that the GTA's total population will increase from 6.6 million in 2015 to 9.5 million in 2041, making it the fastest growing region in the province.

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 arrived and departed aircraft), aircraft movements (the number of aircraft landings and take-offs), arrived seats (the number of seats on arrived aircraft), seats per movement (the average number of arrived seats per arrived aircraft) and air cargo (the tonnage of air cargo on arrived and departed 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 aboard general aviation aircraft (private and corporate aircraft) nor those on emergency services aircraft.

Air passenger traffic data during the past five years is presented in the following table, recorded in two sectors: domestic and international. Domestic passengers travel within Canada, whereas international passengers travel between Canada and another country, including the United States.

Historical Total Passengers by Traffic Sector (in millions)

Year	Domestic	Change (%)	International	Change (%)	Total	Change (%)
2013	14.4	5.4	21.7	2.1	36.1	3.4
2014	15.2	5.6	23.4	7.6	38.6	6.8
2015	15.8	4.4	25.2	7.7	41.0	6.4
2016	16.9	6.9	27.4	8.8	44.3	8.0
2017	17.5	3.3	29.6	8.0	47.1	6.2

In 2017, the Airport saw a record 47.1 million passengers, a 2.8 million passenger increase over the 44.3 million passengers seen in 2016.

During the past five years, total passenger traffic at the Airport has increased from 36.1 million passengers in 2013 to 47.1 million passengers in 2017. This represents a growth of 11.0 million passengers, or a compound annual growth rate of approximately 6.9 per cent, in five years.

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 a specific airport, while a connecting passenger changes aircraft at that same airport en route to his or her final destination. Approximately 70 per cent of Toronto Pearson's total passenger traffic in 2017 was from origin and destination passengers. The remaining 30 per cent was comprised of connecting passengers.

Toronto Pearson as a Connecting or Hub Airport

Toronto Pearson provides the opportunity for passengers to connect from one flight to another. Examples of these types of connections include the following:

(a) Domestic to Domestic

- Halifax to Toronto to Edmonton

(b) Domestic to International

- Winnipeg to Toronto to New York
- Paris to Toronto to Vancouver

(c) International to International

- Boston to Toronto to Beijing
- Mexico City to Toronto to Frankfurt

The GTAA has implemented several initiatives to make the connection process at Toronto Pearson faster and more convenient. In 2015, the GTAA introduced the International to Domestic Passenger and Baggage Connections Program 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*”.

Connecting traffic helps airlines build a critical mass of passengers, which enables those airlines to use larger aircraft, increase the frequency on existing routes and introduce new routes. This additional frequency and capacity in turn stimulates more origin and destination passenger traffic resulting, on international services, in additional tourists, students and investors coming to Canada.

Over the past 10 years, the percentage of the Airport’s passengers that are connecting passengers has increased from 23.1 per cent, or 6.9 million, connecting passengers in 2007 to 30 per cent, or 14.0 million, connecting passengers in 2017.

Domestic

Toronto Pearson is the largest domestic airport in Canada and not only serves the Greater Toronto Area but also acts as a hub for Canada’s two major carriers: Air Canada and WestJet. In summer 2017, an estimated 41 per cent of domestic air carrier flights in Canada served Toronto Pearson. The number of domestic passengers at the Airport increased by 3.3 per cent, from 16.9 million passengers in 2016 to 17.5 million passengers in 2017. Airline densification, placing more seats in an existing aircraft, contributed to domestic growth. In 2017, the Airport’s domestic sector represented 37.1 per cent of total passengers. Domestic carriers offer non-stop passenger service to 34 Canadian destinations.

The following chart sets out the volume of domestic passengers travelling through Toronto Pearson over the last five years.

**Domestic Passengers 2013-2017
(in thousands)**

Year	Canada	Change (%)
2013	14,385	5.4
2014	15,192	5.6
2015	15,859	4.4
2016	16,908	6.9
2017	17,464	3.3

International

Toronto Pearson is Canada’s largest international airport. The number of international passengers at the Airport increased by 8.0 per cent, from 27.4 million passengers in 2016 to 29.6 million passengers in 2017, and represented 62.9 per cent of total passengers at the Airport in 2017. In summer 2017, an estimated 43 per cent of international flights to and from Canada served Toronto Pearson. As a global hub airport, Toronto Pearson has a robust network, offering flights to 184 international cities (non-stop to 151 international cities). This service offering has a critical mass that attracts the local and connecting passengers necessary to support new or expanded international routes. It is estimated that approximately 70 per

cent of global GDP was accessible from Toronto Pearson by regularly scheduled, non-stop air service in 2017.

The following chart sets out the number of annual passengers who travelled on flights between Toronto Pearson and various regions of the world over the past five years.

Geographic Distribution of International Passengers 2013 to 2017 (in thousands)

Year	U.S. and Mexico	Chg (%)	Central & South America	Chg (%)	Europe & Middle East	Chg (%)	Asia & Australia	Chg (%)	Africa	Chg (%)	Ttl	Chg (%)
2013	10,667	3.6	3,933	1.4	5,014	(1.1)	2,014	0.4	95	434.2	21,723	2.1
2014	11,379	6.7	4,210	7.1	5,577	11.2	2,081	3.3	133	40.2	23,380	7.6
2015	12,167	6.9	4,531	7.6	6,062	8.7	2,280	9.5	137	3.4	25,177	7.7
2016	13,208	8.6	4,526	(0.1)	6,816	12.4	2,732	19.8	147	6.6	27,429	8.8
2017	14,242	7.8	4,770	5.4	7,308	7.2	3,164	15.8	173	17.7	29,657	8.1

International passenger growth in 2017 was led by the recent introduction of new or expanded services to Guangzhou, China; Lisbon, Portugal; and San Antonio, Texas. There was also an increase in passenger demand on well-established international routes, notably Amsterdam, Chicago, Los Angeles and Mexico City. International traffic to non-U.S. destinations represented 35.6 per cent of total passengers at the Airport in 2017.

The top 10 non-U.S. international routes by passenger volume are London, Cancun, Amsterdam, Frankfurt, Hong Kong, Montego Bay, Punta Cana, Paris, Beijing and Shanghai.

4.3.2 Aircraft Movements

An aircraft movement is defined as a landing or a take-off of an aircraft.

Total aircraft movements during the past five years are presented in the following table.

Historical Aircraft Operations by Type of Activity (in thousands)

Year	Scheduled and Charter Airlines	General Aviation/Other	Total	Change (%)
2013	395.0	37.1	432.1	(0.3)
2014	397.9	37.1	435.0	0.6
2015	407.5	36.5	444.0	2.1
2016	419.2	37.4	456.6	2.8
2017	427.8	37.6	465.4	1.9

During the past five years, total aircraft movements increased from 432,100 in 2013 to 465,400 in 2017. This growth of 33,300 movements occurred at a compounded annual growth rate of approximately 1.9 per cent since 2013.

4.3.3 Arrived Seats

Arrived seats measures, by traffic sector, the total number of seats on passenger 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	International	Total	Change (%)
2013	9.1	13.5	22.6	1.3
2014	9.5	14.2	23.7	4.6
2015	9.9	15.1	25.0	5.8
2016	10.6	16.5	27.1	8.3
2017	10.9	17.7	28.6	5.2

During the past five years, total arrived seats on scheduled and charter flights at the Airport increased from 22.6 million in 2013 to 28.6 million in 2017, or at a compound annual growth rate of approximately 6.0 per cent.

4.3.4 Seats per Movement

The average number of arrived seats per arrived passenger aircraft movement for the past five years is presented in the following table.

Historical Arrived Seats per Arrived Movements 2013-2017

Year	Domestic	Change (%)	International	Change (%)	Total	Change (%)
2013	109	1.9	118	1.8	115	1.7
2014	110	0.9	125	6.1	119	3.9
2015	112	1.3	131	4.6	123	3.2
2016	118	5.5	138	5.1	129	5.2
2017	118	0.0	145	5.1	133	3.1

The table shows the trend towards the use of larger passenger aircraft, especially on international flights, over the past five years. Since 2013, seats per movement have increased by a compound annual growth rate of 3.0 per cent overall, with international seats per movement increasing by a compound annual growth rate of approximately 5.3 per cent.

4.3.5 Air Cargo

Canada's economy is export-oriented, with exports accounting for 33 per cent of the country's GDP in 2016. Ontario's economy is even more export-oriented, with exports accounting for 37 per cent of the province's GDP.

Air cargo is comprised of the tonnage of air cargo on enplaned and deplaned aircraft. International air cargo volumes account for 74 per cent of enplaned and deplaned cargo.

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

Historical Air Cargo Enplaned-Deplaned Tonnage by Traffic Sector (in thousands of metric tonnes)

Year	Domestic	International	Total	Change (%)
2013	139.8	271.6	411.4	(1.4)
2014	106.9	341.8	448.7	9.1
2015	116.1	317.8	433.9	(3.3)
2016	122.6	349.7	472.3	8.8
2017	141.3	397.6	538.9	14.1

Since 2013, air cargo volumes have increased at a compound annual growth rate of approximately 7.0 per cent and international volumes at approximately 10.0 per cent.

Air cargo is carried by passenger aircraft, which carry cargo in the aircraft's belly hold, and by dedicated all-cargo freighter aircraft. The majority of cargo enplaned and deplaned at the Airport is belly hold, particularly in larger, wide-bodied aircraft. This incremental cargo revenue supports the viability of a route and opens up potential new markets for Canadian exporters. For example, a 10 per cent increase in maximum take-off weight ("MTOW") of aircraft at the Airport results in an estimated increase in the value of exports by air of 2.3 per cent.

Cargo moving through Toronto Pearson may also be measured by value. Goods transported by air tend to be of high value and of low weight. By way of context, in 2016, the last year for which data is currently available, Toronto Pearson was the port of exit for an estimated 7 per cent of Canadian exports and 14 per cent of Ontario's exports by value.

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 necessarily an accurate description of actual tonnage.

While cargo is measured by how much is enplaned and deplaned, cargo is a multi-modal industry. There are additional, undetermined volumes of cargo processed at facilities at the Airport that arrive and depart by truck.

4.4 Air Passenger Service

In 2017, 63 airlines provided service at the Airport. Toronto Pearson offers flights to 37 Canadian cities (non-stop to 34 Canadian cities) and 184 international cities (non-stop to 151 international cities), and it serves as Canada's largest entry and departure point for international air service.

4.4.1 Share of Airline Activity

In 2017, the largest air carrier at the Airport was Air Canada and its family of carriers, which collectively accounted for more than half the market share of total passengers at the Airport.

The second-largest air carrier in terms of market share in 2017 was WestJet and its family, which accounted for more than 17 per cent of the market share of total passengers at the Airport. The remaining market share is distributed among all other airlines serving the Airport.

4.5 Other Airports

Regional System of Airports

To meet the growing future demand for aviation services in southern Ontario, the airports in the region are working together to ensure that passengers, shippers, air carriers and other aircraft operators are afforded a wide choice of airports to meet their needs. The constituent airports of the Southern Ontario Airport Network ("SOAN") are Toronto Pearson, Windsor International Airport, London International Airport, John C. Munro Hamilton International Airport, Niagara District Airport, Region of Waterloo International Airport, Billy Bishop Toronto City Airport, Lake Simcoe Regional Airport, Oshawa Executive Airport, Peterborough Airport and Kingston Norman Rogers Airport.

Ground Lease – Major International Airport

The Ground Lease provides that Transport Canada will not permit the construction and operation of another Major International Airport within 75 kilometres of the Airport during the term of the Ground Lease or any renewal thereof, provided that 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 inter-provincial passenger and cargo air service in Canada.

4.6 Facilities

4.6.1 Airfield Facilities

Toronto Pearson is capable of handling all of the world's different types of commercial aircraft, including the Airbus A380. The availability of full instrument

landing systems allows the Airport to remain open during most weather conditions.

The Airport has five runways. To accommodate varying wind conditions, the Airport has three parallel runways in the east-west direction and two parallel runways in the north-south direction. The east-west runways offer higher aircraft movement capacity than the north-south runways and are used more frequently because of the prevailing wind conditions. Since aircraft should land or take off into the wind, the two parallel north-south runways permit operations when the wind is blowing in these directions. Toronto Pearson has a total of 247 aircraft parking positions: 191 active aircraft parking positions, 13 inactive aircraft parking positions and 43 aircraft parking positions available within airline tenants' leased premises. In 2017, the GTAA performed a major rehabilitation of Runway 05/23, which is Toronto Pearson's longest and busiest runway.

4.6.2 Terminal Facilities

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

Terminal 1

Terminal 1 serves 25 scheduled and charter airlines. Terminal 1 has 50 bridged gates, 27 regional aircraft parking positions, 31 remote (hardstand) aircraft parking positions and approximately 347,191 square metres of total floor area (including the new Hold Bag Screening ("HBS") Facility and expanded Gate 193).

Terminal 3

Terminal 3 serves 42 scheduled and charter airlines. Terminal 3 has 36 bridged gates, 9 commuter aircraft parking positions and a total floor area of approximately 175,549 square metres.

4.6.3 Groundside and Aviation 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 has approximately 22,000 parking spaces in its four parking facilities at the Airport.

Car Rental Companies

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

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 adjacent to Derry Road, where general aviation, fixed-base operators and other non-scheduled operators are based. Three fixed-base operators provide terminal and aircraft maintenance services for executive jets, professional sports team charters, government jets and medi-vac aircraft.

Hotels

There are two hotels on the Airport lands: 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 Aviation Support Facilities

Aviation fuel at the Airport is supplied by an independent airline consortium known as Pearson International Fuel Facilities Corporation, which owns and operates its fuel farms and distribution system.

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 Off-Airport Properties

In April 2017, Malton Gateway Inc. (“MGI”) and Airway Centre Inc. (“ACI”) were incorporated under the *Canada Business Corporations Act*. The GTAA is the sole shareholder of MGI. MGI is the sole shareholder of ACI. ACI owns a mix of real properties (commercial, office and industrial) near the Airport. The properties owned by ACI are not used for the operation of the Airport.

4.7 Airport Capital Programs

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. As well, the GTAA is exploring ways to improve ground transportation to and from the Airport as part of the potential development of a new passenger processing facility, which may have a regional transit centre attached to it. Further, in conjunction with air carriers and other stakeholders, the GTAA is planning a new concourse in Terminal 1.

For a description of the GTAA's capital programs, please refer to the Management's Discussion and Analysis. See "*Additional Information*".

4.8 Airport Revenues

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

Additional information relating to the GTAA's revenues is included in its Financial Statements and Notes and in 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 is calculated as the aggregate of 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, capital costs, 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 maximum take-off weight ("MTOW") of an aircraft and is levied on each landing by an aircraft.

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 international arrivals are 125 per cent of General Terminal Charges for domestic arrivals due to the additional costs of the customs, immigration and inspection facilities.

Apron Fee

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

4.8.2 Non-Aeronautical Revenues (or Commercial Revenues)

Non-aeronautical revenues (or commercial revenues) are based on commercial rates and include the following: 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, taxis and limousines. The GTAA also charges rent to tenants who occupy non-terminal space at the Airport. This includes rental revenue earned from office space rentals and long-term land leases for cargo buildings, flight kitchens and aircraft hangars. Space within the terminal buildings is leased to air carriers and other tenants for offices, operational support space and passenger lounges.

The GTAA charges air carriers a Deicing Facility Fee based on the MTOW of all aircraft departing from the Airport.

4.8.3 Airport Improvement Fee

The GTAA charges passengers an Airport Improvement Fee of \$25 for originating passengers and \$4 for connecting passengers.

The Airport Improvement Fee charged by the eight largest international airports in Canada in 2017 were as follows:

Airport Improvement Fees Charged by Canadian Airports

Airport	AIF
Calgary International Airport	\$30
Edmonton International Airport	\$30
Halifax Stanfield International Airport	\$25 ¹
Montreal-Pierre Elliott Trudeau International Airport	\$25 ²
Winnipeg James Armstrong Richardson International Airport	\$25
Toronto Pearson International Airport	\$25/\$4 ³
Ottawa Macdonald-Cartier International Airport	\$23
Vancouver International Airport	\$20/\$5 ⁴

1. Effective January 1, 2018, the fee increased to \$28 AIF for passengers travelling outside of Nova Scotia and \$15 for passengers flying from Halifax to Sydney, Nova Scotia.
2. Effective April 1, 2018, for travel booked on or after March 1, 2018, the fee increases to \$30 AIF.
3. \$25 AIF for originating passengers and \$4 AIF for connecting passengers.
4. \$20 AIF for travel outside BC/Yukon and \$5 AIF for travel within BC/Yukon.

On January 1, 2011, the GTAA entered into a 10-year agreement with the air carriers whereby the air carriers collect the Airport Improvement Fee on behalf of the GTAA at the time a ticket is sold. Under the agreement, the GTAA is committed to use the Airport Improvement Fee revenues primarily for capital programs, including associated debt service requirements (interest and principal).

The agreement with the air carriers 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 discuss the technical merits of any proposed capital project in excess of \$50 million and how 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 capital projects proposed by the GTAA.

4.8.4 Long Term Aeronautical Fees Agreements

4.8.4.1 Air Canada

The GTAA has a Long Term Aeronautical Fees Agreement with Air Canada (the “AC LTA”).

Scope — The AC LTA covers the aircraft movements of Air Canada, its wholly-owned subsidiaries, and third-party air carriers with whom it has capacity purchase agreements.

Term — The term of the AC LTA is from January 1, 2014 to December 31, 2018, with a five-year extension if certain passenger volume thresholds are achieved.

Fees — In lieu of the GTAA’s Landing Fees, General Terminal Charges and Apron Fees, Air Canada pays a fixed annual aeronautical base fee (plus taxes) starting at approximately \$270 million in 2014 and escalating by approximately one per cent annually. The fixed annual fee is adjusted proportionately if the GTAA adjusts, for any reason, the Landing Fee, General Terminal Charge or Apron Fee payable by other air carriers.

Rebates — If Air Canada achieves passenger growth thresholds in a given year, Air Canada will receive a rebate based on a percentage of additional non-aeronautical revenues generated by the incremental passenger growth.

Reservation of GTAA Rights — The GTAA retains all rights to develop and operate the Airport facilities in the manner it deems appropriate and to set its aeronautical and non-aeronautical fees, including the right to enter into similar agreements with other air carriers.

Events of Default and/or Termination — The AC LTA provides for customary events of default and rights of termination, as well as certain termination rights related to activity and passenger levels.

Service Level Standards — Both parties must achieve specified service level standards that are based on comparator groups of airlines and airports, with the long-term goal of achieving top quartile performance. If the standards are not achieved, the parties are to develop improvement plans, which would include remedies to promote improved performance.

4.8.4.2 WestJet

The GTAA also has a Long Term Aeronautical Fees Agreement with WestJet, with similar parameters to the AC LTA. The WestJet agreement became effective on January 1, 2016 with an initial four-year, renewable term.

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). However, 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 that they are unable to collect from the GTAA's tenants.

Unlike the GTAA, MGI and ACI pay real property taxes.

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 of 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 in 2007. 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; consequently, the outcome of this second application is also 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. Interest earned on investments of the reserve funds nets off against these interest and financing expenses.

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, commencing on December 2, 1996 and expiring on December 1, 2056. The GTAA has an option to extend the term for a further 20 years to December 1, 2076. The GTAA is responsible for essentially all costs of operating the Airport, except for: (1) the costs of providing border control and inspection, immigration and related services, which are the responsibility of the federal government or the United States government, as appropriate; and (2) certain components of the passenger, airport worker and baggage screening costs, which are the responsibility of CATSA. The GTAA is also obligated to construct offices and facilities for use by government inspection and law enforcement agencies and provide such premises free of charge. 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 of apron control.

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 2015, 2016 and 2017, the GTAA paid \$128.0 million, \$148.1 million and \$156.9 million, respectively, to Transport Canada as Ground Rent under the Ground Lease.

4.10.2 Other Provisions

There are other provisions in the Ground Lease that impose certain obligations on the GTAA relating to 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 in a state of good condition and repair and 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 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 Risk Oversight Committee the responsibility for the oversight of environmental risks and related matters affecting the Airport. Management is responsible for ensuring that such policies and practices are effective and meet legislative and regulatory requirements and best practices. The Risk Oversight Committee and the Board review and assess regular management reports related to environmental risks and related matters.

Environmental Policy and ISO Certification

Since 1999, the GTAA has been ISO 14001 certified for its Environmental Management Program. In 2017, the GTAA's Environmental Management System upgraded its certification to ISO 14001:2015, one year earlier than required. The GTAA's Environmental Management Program is continuously being improved.

As a requirement of the ISO 14001:2015 certification, the GTAA developed and implemented an Environmental Policy for the Airport that is reviewed annually. The purposes of the GTAA's Environmental Policy are 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 the environmental requirements contained in their leases or agreements with the GTAA, including the GTAA's Environmental Policy. The GTAA conducts scheduled inspections of tenants', operators' and contractors' premises and operations to ensure compliance.

4.11.2 Environmental Risk

The GTAA has an Environmental Management Program for identifying and ranking by severity and likelihood environmental risks at the Airport. Mitigation

plans are then developed, implemented, monitored and, where possible, continuously improved. The GTAA's Environmental Services division provides quarterly reports on environmental risks and mitigation plan monitoring to senior management, as well as annual reports to the Risk Oversight Committee.

Spills of Hazardous Substances

The principal environmental risks at the Airport are spills of jet fuel, glycol-based deicing fluid and other hazardous substances. Jet fuel is used, owned or handled by, or is 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. With the assumption of deicing operations in 2015, the GTAA is responsible for the use of glycol-based deicing fluid. The GTAA has an extensive glycol recovery program. See "*Environmental Protection*".

4.11.3 Trends and Uncertainties – Climate Change

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 which improvements or changes should be considered to prevent Airport flooding during severe storms. In 2015, the GTAA began implementing the study's recommendations by creating and revising its processes and procedures associated with extreme weather events. In addition, the GTAA conducts a comprehensive review after each severe weather event to enhance its preparedness for future severe weather events.

The GTAA implemented its Greenhouse Gas Management Policy in 2009 to reduce levels of greenhouse gases at the Airport. In 2017, the GTAA was recognized for its Greenhouse Gas Management Policy by achieving a Level 3 Airport Carbon Accreditation from Airports Council International, an international organization that sets airport operational standards and best practices.

4.11.4 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 has developed and implemented a Stormwater Management Master Plan for the Airport and has 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 second principal environmental protection measure implemented by the GTAA is the Glycol Recovery and Recycling Program. The Glycol Recovery Program collects glycol-based deicing fluid after it has been sprayed on aircraft. The captured deicing fluid is treated at off-Airport locations before the fluid is

recycled into other products. The purpose of the Glycol Recovery Program is to ensure that the impact of glycol-based deicing fluid does not exceed environmental guidelines.

4.11.5 Noise Management Program

The Ground Lease requires the GTAA to maintain a Noise Management Program. As the operator of Toronto Pearson, the GTAA recognizes that aircraft activity has an impact on local communities neighbouring the Airport. The GTAA continues to engage with and educate communities on the Airport's operations and how aircraft noise can be mitigated. While aircraft noise cannot be eliminated entirely, the GTAA's Noise Management Program, which includes a preferential runway system, prescribed approach and departure flight procedures, and restrictions on the hours that certain types of aircraft may use the Airport at night, is designed to mitigate the impact of aircraft noise.

The GTAA maintains a Community Environment and Noise Advisory Committee, which is 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 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.

In the event that the GTAA were to recommend flight path changes to NAV CANADA, the GTAA would consider the *Air Space Change Communications and Consultation Protocol*, published by NAV CANADA and the Canadian Airports Council. This protocol describes how to engage with communities that may be affected when flight path changes are being considered. In 2017, the GTAA did not recommend any flight path changes that triggered compliance with this protocol.

4.12 Human Resources

As at December 31, 2017, the GTAA employed approximately 1,600 persons who were engaged in management, technical, administrative and general labour activities. This number includes 174 seasonal employees, who were employed in general labour activities in the deicing and airfield maintenance departments. The majority of the GTAA's employees are unionized, represented by either Unifor Local 2002 or the Pearson Airport Professional Fire Fighters Association ("PAPFFA").

The term of the collective agreement between the GTAA and Unifor Local 2002 expires on July 31, 2019.

In December 2017, the GTAA and the Pearson Airport Professional Fire Fighters Association reached a settlement on a three-year renewal collective bargaining agreement. The term of the agreement is from January 1, 2018 to December 31, 2020.

5 Risks

The GTAA, its operations and its financial results are subject to certain risks. The GTAA's Board of Directors is accountable for the oversight of the principal risks of the GTAA's business. The Risk Oversight Committee of the Board of Directors is responsible for ensuring that Management has effective policies and procedures to identify, assess and manage such risks. The GTAA has established an Enterprise Risk Management Program to identify, assess, manage, insure and mitigate risks, instill risk awareness among employees, and provide a disciplined approach to identify, assess, treat and manage risks.

Risk-related disclosure is contained in certain of the GTAA's publicly filed disclosure documents, including the Management's Discussion and Analysis. See "*Additional Information*".

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*.

The GTAA is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*. The GTAA is authorized to manage and operate airports within the south-central Ontario region, including the GTA, on a commercial basis, to set fees for their use and to develop and improve the facilities. In accordance with this mandate, the GTAA currently manages and operates Toronto Pearson pursuant to the terms of the Ground Lease.

To finance the acquisition of Terminal 3 and Airport capital programs, the GTAA entered into a Master Trust Indenture with the Trust Company of the Bank of Montreal, which has been succeeded by BNY Trust Company of Canada, as trustee (the "Trustee"), dated December 2, 1997 (the "Indenture"). 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 launched a \$500 million commercial paper program (the "CP Program") in May 2017. Proceeds from the initial issuance of commercial paper were used to fund the maturity of the \$415.9 million Series 2007-1 Medium Term Notes on June 1, 2017, as well as a portion of the acquisition cost of nearby commercial properties.

The proceeds from the issuance, or renewal, of commercial paper from time to time will be used for general corporate purposes, including the partial or full refinancing of maturing indebtedness and capital expenditures. In conjunction with the launch of the CP Program, the GTAA has increased the aggregate availability under its revolving operating credit facility from \$600 million to \$900 million to support borrowings under the program.

Since its inception, the GTAA has issued an aggregate face value amount of \$13.1 billion in debt securities, including medium term notes (the “MTNs”) and commercial paper, pursuant to the Indenture, as supplemented, of which approximately \$6.3 billion, including accrued interest and net of unamortized discounts and premiums, remained outstanding as at December 31, 2017. As at the same date, the GTAA held approximately \$12.2 million in cash and cash equivalents and \$455.0 million in total reserve funds, the amounts and terms of which are mainly dictated by the Indenture.

For full particulars of the GTAA’s obligations and the rights of the bondholders under the Indenture, refer 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.

6.1 Ratings

The GTAA’s long-term debt obligations have been assigned credit ratings by Standard & Poor’s Rating Service (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) of “A+” and “Aa3”, respectively. The GTAA’s commercial paper and long-term debt obligations have been assigned credit ratings of “R-1 (low)” and “A (high)” by DBRS. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are independent 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.

S&P classifies long-term debt instruments into 10 rating categories, ranging from a high of “AAA” to a low of “D”. The “A+” rating assigned to the MTNs by S&P reflects that the MTNs rank in S&P’s third-highest rating category. The ratings from “AA” to “CCC” may be modified by the addition of a plus or minus sign. According to information made publicly available by S&P, 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 considered to be strong.

Moody’s classifies long-term debt instruments into nine ratings categories, ranging from a high of “Aaa” to a low of “C”. The “Aa3” rating assigned to the MTNs by Moody’s indicates that the MTNs rank at the lower end of Moody’s second-highest

rating category. Moody's 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 publicly available information, under the Moody's rating system, long-term obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

DBRS classifies commercial paper into seven ratings categories, ranging from a high of R-1(high) to R-3. The R-1 and R-2 rating categories are further denoted by the subcategory "(high)", "(middle)" and "(low)". The R-1 (low) rating assigned by DBRS to the GTAA's commercial paper indicates that the commercial paper has been rated in DBRS' third-highest rating category. According to information made publicly available by DBRS, commercial paper rated R-1(low) is of good credit quality. The capacity of the issuer for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories; the capacity for payment may be vulnerable to future events, but qualifying negative factors are considered manageable.

DBRS has ten long-term debt rating categories, ranging from "AAA" to "D," and uses "high" and "low" designations for each rating category from "AA" through "C" to indicate the relative standing of the obligation within a particular rating category. The "A (high)" rating assigned by DBRS indicates that the MTNs rank at the high end of DBRS' third-highest rating category. According to information made publicly available by DBRS, long term obligations rated "A" are of good credit quality. The capacity of the issuer for the payment of financial obligations is substantial, but of lesser credit quality than AA rated issuers. The capacity for payment may be vulnerable to future events, but qualifying negative factors are considered manageable.

The credit ratings are not recommendations to buy, sell or hold such securities inasmuch as the ratings are not a comment upon the market price of the securities nor their suitability for a particular investor. The credit ratings assigned may not reflect the potential impact of all risks on the value of the obligations. 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.

The GTAA has made, and will make, payments in the ordinary course to the rating agencies in connection with the assignment of ratings on its obligations.

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 up to three years and are eligible to serve for a maximum of nine years.

The Government of Canada and the Province of Ontario are entitled to nominate two members and one member, respectively. Five members are 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 put forward the names of up to three candidates prior to the end of the term of the member nominated by the Municipal Nominator; the Board issues a membership to one of each of these candidates. The Board also issues memberships to seven members on a cyclical basis from a pool of candidates identified in a search process. 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 Ontario, Professional Engineers Ontario and the Chartered Professional Accountants of Ontario.

As the GTAA’s members are also its directors, reference in this AIF to directors is a reference to the GTAA’s members serving as directors.

7.2 Directors’ Information

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.

Name and Residence	Director Since	Term Expiry ¹	Principal Occupation
Paul W. Currie ^{1,2,3,5} Ontario, Canada	2010	2019	President, Currie Strategic Capital Inc. (investment and consulting firm)
Jeffrey P. Fegan ^{1,4,5} Texas, USA	2014	2020	Chief Executive Officer, Jeffegan.com LLC (aviation consulting firm)

Name and Residence	Director Since	Term Expiry ¹	Principal Occupation
Stephen J. Griggs ^{1,3,5} Ontario, Canada	2010	2018	Chief Executive Officer, Smoothwater Capital Corporation (private investment company)
Brian P. Herner ^{2,6} Ontario, Canada	2009	2018 ⁷	Corporate Director
Kathleen L. Keller-Hobson ^{3,6} Ontario, Canada	2017	2019	Corporate Director
Roger Mahabir ^{2,6} Ontario, Canada	2013	2019	President and Chief Executive Officer, Technology Innovations Inc. Chairman and Chief Executive Officer, Tracker Networks Inc. (information technology companies)
Hazel McCallion ^{3,5} Ontario, Canada	2017	2019	Chief Elder Officer, Revera Inc., Special Advisor to the VP U of T (Mississauga Campus)
Kathy Milsom ^{2,5,6} Ontario, Canada	2013	2019	President and Chief Executive Officer, Toronto Community Housing Corporation (community housing agency)
Terrance F. Nord ^{3,4,5} Ontario, Canada	2009	2018 ⁷	President, Terry Nord Consulting Corporation (aviation consulting firm)
Terrie O'Leary ^{1,3,4} Ontario, Canada	2016	2018	Executive Vice President, Business Strategy and Operations, Toronto Global (investment attraction agency for the Toronto Region)
Michelle Samson-Doel ^{1,2,4} Ontario, Canada	2014	2020	President, Samson-Doel Group Limited (investment company)
Mark E. Schwab ^{5,6} Florida, USA	2017	2020	Senior Advisor, Cartrawler (travel technology) and Gogo Inc. (in- flight internet provider)
Johan C. van 't Hof ^{2,6} Ontario, Canada	2017	2019 ⁸	President, Tonbridge Corp. (merchant bank)
Danielle M. Waters ^{3,4} Ontario, Canada	2010	2019	Principal, Water's Edge Consulting (management consulting firm)
W. David Wilson ⁹ Ontario, Canada	2011	2020	President, WDW Capital Inc. (investment holding company)

1. Member of the Ad Hoc Airport Ownership Review Committee, which was disbanded in May 2017.
2. Member of Audit Committee.
3. Member of Governance and Stakeholder Relations Committee.
4. Member of Human Resources and Compensation Committee.
5. Member of Planning and Commercial Development Committee.

6. Member of Risk Oversight Committee.
7. The terms of Mr. Herner and Mr. Nord will reach the maximum nine years in 2018.
8. In February 2018, the term of Mr. van 't Hof was extended to 2021.
9. 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 Chief Executive Officer of Dallas/Fort Worth International Airport from December 1994 to September 2013.

Stephen Griggs was Chief Executive Officer of Underwood Capital Partners Inc. from April 2012 to March 2013.

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

Kathleen Keller-Hobson was partner at Gowling, Lafleur, Henderson LLP from October 2011 to December 2014.

Hazel McCallion was Mayor of the City of Mississauga from 1978 to February 2014.

Mark Schwab was Chief Executive Officer of Star Alliance Services GMBH from January 2012 to December 2016.

Danielle Waters was Managing Director of BCD Travel, a corporate travel management company, from June 2010 to March 2016.

7.2.1 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 David Wilson.

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

Director	Name of Other Issuer
Stephen Griggs	Marquee Energy Ltd. Genesis Land Development Corp.
Brian Herner	BIOREM Inc.
Kathleen Keller-Hobson	CCL Industries Inc. Premium Brands Holdings Corporation
Michelle Samson-Doel	Boralex Inc.
Johan van 't Hof	Rockwell Diamonds 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 integration of risk considerations 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, as follows:

- Governance and Stakeholder Relations Committee;
- Audit Committee;
- Human Resources and Compensation Committee;
- Planning and Commercial Development Committee; and
- Risk Oversight Committee.

The Board also maintained an Ad Hoc Airport Ownership Review Committee from 2016 to May 2017.

The Board has developed written Charters for each of these committees.

Governance and Stakeholder Relations Committee

The responsibilities of the Governance and Stakeholder Relations Committee 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 Governance and Stakeholder Relations Committee is responsible for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles, and oversight of the GTAA's relationship with its stakeholders. As of the date of this report, the members of the Governance and Stakeholder Relations Committee are Stephen Griggs (Chair), Kathleen Keller-Hobson, Hazel McCallion, Terrie O'Leary and Danielle Waters.

One of the responsibilities of the Governance and Stakeholder Relations 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 contributions of each individual director. In making such assessments, the Governance and Stakeholder Relations Committee considers, as applicable, the annual performance evaluations 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.

To assist the Board in enhancing its effectiveness, the Board has retained an independent corporate governance consulting firm to develop and implement an annual assessment program for the Board, its committees and its directors.

Audit Committee

Audit Committee Charter – The Board has delegated certain powers to its Audit Committee, which is currently composed of six 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 Roger Mahabir (Chair), Paul Currie, Brian Herner, Kathy Milsom, Michelle Samson-Doel and Johan van ‘t Hof. 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 the following:

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.

Descriptions of the background of each of the members of the Audit Committee are as follows:

Roger Mahabir (Chair) – 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 Officer 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 also was responsible for the financial and business terms of the sale of Assurent to TELUS Corporation. He 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 also served on the boards or advisory boards of other private and public organizations in Canada and the United States.

Paul Currie – Mr. Currie is the President of Currie Strategic Capital Inc., a strategic investment and consulting firm. He previously 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’s global strategy, all merger, acquisition and divestiture activities and EDS’s 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 roles, Mr. Currie held the position of Executive Vice President, Corporate Development and Strategy at Newcourt Credit Group Inc. 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.

Brian Herner – Mr. Herner served as Senior Corporate Advisor, founder and past President and Chief Executive Officer of BIOREM 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, raising initial venture capital financing and taking the company through a public listing on the Toronto Stock Exchange.

Kathy Milsom – Ms. Milsom is President and CEO of Toronto Community Housing Corporation and is a Director and Chair of Standards Council of Canada. Previously, Ms. Milsom was President and CEO of the Technical Standards and Safety Authority, President and CEO of the Canada Lands Company Limited, President of Vestar Facility Management, and Director of Vertical Markets and Regional Director of Healthcare Support Services for Johnson Controls World Services, Inc. Ms. Milsom has also served as a Director of the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) and as Advisory Board Chair of Direct Construction Limited. Ms. Milsom has held other executive leadership roles with both private and public-sector organizations, including as a member of the Canadian National Exhibition’s Finance Committee. In these senior executive

capacities, Ms. Milsom's responsibilities have included the oversight and preparation of financial statements.

Michelle Samson-Doel – Ms. Samson-Doel is the President of Samson-Doel Group Limited, an investment company. She is a Chartered Professional Accountant and has been a Chartered Accountant in Ontario since 1982. Ms. Samson-Doel currently serves as a member of the Audit Committees of Boralex Inc., a publicly traded renewable energy developer and producer, Lallemand Inc., a privately held global company, and Lallemand Investments Inc. She has also served on the Audit Committees of the Ontario Lottery and Gaming Corporation and Women's College Hospital Foundation. She has held senior executive positions, including Executive Chair and Vice-President, Corporate Development of Multi-Marques Inc. (now Canada Bread Limited), the largest industrial bakery in Quebec and Eastern Canada, where she helped to consolidate the bakery industry in Canada. She started her career at Deloitte. Ms. Samson-Doel graduated from the Directors Education Program at the Corporate Governance College and Joseph L. Rotman School of Management at the University of Toronto. She attained the ICD.D designation from the Institute of Corporate Directors in 2004.

Johan van 't Hof – Mr. van 't Hof is President of Tonbridge Corp., a Toronto-based merchant bank and advisory firm, and has been a lecturer at the University of Toronto, the University of Waterloo, and the School of Accountancy for the Institute of Chartered Accountants of Ontario. Prior to his current role, Mr. van't Hof was CEO of Tonbridge Power Inc., a publicly-traded entity, and Chief Operating Officer and Director of Carter Group Inc., a North American automotive parts manufacturer. Prior to these roles, Mr. van 't Hof was Partner and Managing Director at PricewaterhouseCoopers LLP (project finance and privatization). Mr. van 't Hof is a Chartered Professional Accountant and Chartered Accountant in Ontario. Mr. van 't Hof has served as Chair of the audit committees of two international public companies and two private companies.

Human Resources and Compensation Committee

This committee's mandate includes overseeing matters related 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.

Planning and Commercial Development Committee

This committee's mandate includes overseeing matters related 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.

Risk Oversight Committee

This committee's mandate includes setting risk tolerances and appetites for acceptance of identified risks driven by and aligned with the GTAA's strategic goals and priorities. In addition, it seeks to gain reasonable assurance that the Corporation's Enterprise Risk Management System is effective, including sufficient resilience and adaptability to deal with foreseen, emerging and unforeseen risks, and that it contains a robust consideration of the mitigation and interdependence of risks, stress testing and scenario planning. This committee's responsibilities include overseeing risks relating to environmental, safety, security and airport operations.

Ad Hoc Airport Ownership Review Committee

The mandate of this committee, which was established in 2016 and disbanded in May 2017, was to provide feedback and guidance to the Board regarding the strategic opportunities pertaining to the Government of Canada's ongoing review of airport ownership models of Airport Authorities in Canada. The committee acted as a liaison between the Board and Management to provide guidance to Management on the airport ownership review. The committee's role was advisory in nature.

Individual Directors' and Chairs' Charter

In 2017, the Governance and Stakeholder Relations Committee reviewed the Roles and Responsibilities of each of the Chair of the Board, the Board Committee Chairs and individual directors. The Roles and Responsibilities were updated, streamlined and consolidated into a single document entitled the "Individual Directors' and Chairs' Charter". The Governance and Stakeholder Relations Committee was assisted in its review by an independent governance advisor. The Board approved the Individual Directors' and Chairs' Charter in 2017.

The Board and the CEO have independently developed a written description for the CEO that sets out key roles and responsibilities.

Orientation and Continuing Education

Each new director participates in 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 topics addressed in these presentations include 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.

The GTAA also has 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. The policy also provides opportunities for directors to tour other airports, attend industry conferences and participate in educational opportunities to enhance their industry knowledge and skills as directors of the GTAA.

The GTAA's Board participates in regular directors' education sessions, which are held in conjunction with committee and Board meetings. These education sessions are provided by subject matter experts on topics related to governance, economics, the aviation industry and trends, as well as matters related to the operation of the Airport.

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, contractors and members of the Board. A copy of the Code may be accessed on SEDAR 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 stating 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 such non-compliance. In February 2018, all directors and officers declared that they were in compliance with the Code. In addition, the Board has implemented Confidential Anonymous Reporting for Employees ("CARE"), which permits the anonymous reporting of potentially unethical behaviour by an employee, officer or director.

Nomination of Members

The process by which the GTAA's members are nominated is discussed in the section entitled "*Members/Directors*".

The Governance and Stakeholder Relations Committee is responsible for the nominating process, which encompasses the following responsibilities 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 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 with respect to issuing memberships to nominees as members of the GTAA; and
4. Periodically reviewing the nominating process for members of the GTAA.

Diversity of Directors and Executive Officers

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. Information about the GTAA's Diversity Policy and the diversity of the Board and Executive Officers is set out in the following sections.

Diversity of Directors

The GTAA's Board currently includes six women, or 40 per cent of the 15 members. The Board is also diverse: seven of its directors, or 47 per cent, are women or members of a visible minority group.

In 2017, the Board reviewed its Diversity Policy, which applies to its directors and includes gender considerations. The policy provides that:

1. the GTAA recognizes and embraces the benefits of having a Board that is diverse in its composition;
2. a diverse Board is one that makes good use of different skills and 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 to 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 Governance and Stakeholder Relations 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 consider diversity as one of its criteria when soliciting and considering director candidates. The Governance and Stakeholder Relations Committee provides the governments and community organizations that play a role in nominating the GTAA's members with a list of the experience, skills and abilities sought by the Board 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 2017, the current terms of five members ended: four members were eligible for reappointment, and one position was required to be filled as the incumbent had

served the maximum term of nine years. After evaluating the four eligible members' performance and contributions, taking into account the experience, skills and abilities required of the Board and having due regard to diversity considerations, the Board issued memberships to the four eligible members for additional three-year terms. In 2017, the Government of Canada also nominated two members to replace the two Federal members who left the Board in May 2016 after having served the maximum nine years.

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 suitable flexibility in balancing the skills, experience and knowledge required of directors with the desirability of Board diversity, independent of any pre-set target.

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

Diversity of Executive Officers

The GTAA has 10 executive officers, two of whom, the CEO and the CFO, are visible minorities. In addition, four, or 40 per cent of the executive officers, are women.

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.

The GTAA does not have a target number or percentage of executive officers from diverse backgrounds, 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.

7.3 Officers

The following are the current officers of the GTAA:

Name and Residence	Position Held
Martin Boyer Ontario, Canada	Vice President and Chief Information Officer
Craig B.M. Bradbrook Ontario, Canada	Vice President, Aviation Services
Ian L.T. Clarke Ontario, Canada	Chief Financial Officer
Scott Collier Ontario, Canada	Vice President, Customer and Terminal Services
Val Duffey Ontario, Canada	Vice President, Human Resources

Name and Residence	Position Held
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
Hillary E. Marshall Ontario, Canada	Vice President, Stakeholder Relations and Communications
Patrick C. Neville Ontario, Canada	Vice President, Airport Development and Technical Services
Kim Stangeby Ontario, Canada	Vice President and Chief Strategy Officer
Chad MacLean ¹ Ontario, Canada	Treasurer

1. **Chad MacLean**, Treasurer, is an officer, but not an executive officer, of the GTAA.

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

- **Martin Boyer** was the Director Principal, Project Management Office at Desjardins General Insurance from May 2013 to August 2014, and was Senior Director, Boeing 787 Aircraft Program at Air Canada from October 2011 to May 2013.
- **Craig B.M. Bradbrook** was Deputy Director General at Airports Council International from January 2012 to October 2014.
- **Ian L.T. Clarke** was Executive Vice President, CFO, Business Development at Maple Leaf Sports and Entertainment from 2004 until 2016.
- **Val Duffey** was National HR Director at Torys LLP from 2013 to 2015, and Vice President, HR Business Partner at Aviva Canada Inc. from March 2010 to December 2013.
- **Selma M. Lussenburg** was Chair and non-executive director of Ontario Capital Growth Corporation from February 2011 to February 2014.
- **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, and Acting Director at Hill & Knowlton from March 2012 to July 2013.
- **Kim Stangeby** held the following positions: Transformation Agent at Kingston Road from November 2013 to April 2017; Interim Lead, Strategic Program Management Office at the Royal Canadian Mint from October 2015 to April 2016; Chief Operating Officer of the Centre for Ethical, Social and Cultural Risk at The Bill and Melinda Gates Foundation, St. Michael's Hospital, from

February 2014 to August 2015; and VP, Organizational Competitiveness at Bank of Montreal from October 2012 to October 2013.

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) the GTAA's Chief Financial Officer, 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, 2017 (collectively, the "Named Executive Officers").

The GTAA's Named Executive Officers in 2017 were Howard Eng, President and Chief Executive Officer; Jill N. Sharland, Vice President and Chief Financial Officer (January 1, 2017 to March 22, 2017); Jason Boyd, Acting Chief Financial Officer (March 23, 2017 to April 10, 2017); Ian L.T. Clarke, Interim Chief Financial Officer (April 11, 2017 to October 31, 2017) and Chief Financial Officer (commencing November 1, 2017); Craig B.M. Bradbrook, Vice President, Aviation Services; Scott Collier, Vice President, Customer and Terminal Services; and Patrick C. Neville, Vice President, Airport Development and Technical Services.

8.1 Role of the Human Resources and Compensation Committee

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 (the "CEO") and the CEO's direct reports, as well as 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.

8.2 Human Resources and Compensation Committee

The Board has delegated the responsibility for the oversight of human resources and compensation matters to the 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: Danielle Waters (Chair), Jeff Fegan, Terrance Nord, Terrie O'Leary and Michelle Samson-Doel. The Board Chair, David Wilson, 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 duties

included the determination or review of appropriate levels and types of employee compensation and human resources matters.

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 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.

The compensation for all executives, other than the President and Chief Executive Officer, is reviewed regularly by the HR&C Committee. The HR&C Committee, with the assistance of its independent compensation consultant, Meridian Compensation Partners Inc. ("Meridian"), periodically benchmarks target levels of base salary and incentive compensation against the external comparator market. In addition, the HR&C Committee reviews recommendations 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, and scope and criticality of the role when making adjustments to compensation. Retirement, employee benefits and perquisites programs are reviewed periodically by the HR&C Committee to assess whether these programs continue to offer competitive benefits that are cost effective and in line with the GTAA's Compensation Philosophy. The Board determines and approves the value and mix of compensation for the President and

Chief Executive Officer with input from the Human Resources & Compensation Committee and its independent compensation consultant.

8.4 Compensation Comparator Group

The HR&C Committee periodically monitors comparative total compensation information, using data prepared by its independent compensation consultant, to confirm that the GTAA's target levels of total direct executive compensation (base salary + short term incentive compensation + long term incentive compensation) are competitive with the GTAA's comparator peer group.

Due to the unique type and size of business operated by the GTAA, it is challenging to identify similar Canadian organizations for direct comparison purposes. Effective in 2016, the Board, on the advice of the HR&C Committee and its independent compensation consultant, approved a new compensation comparator group, which is weighted 1/3 public companies and 2/3 crown corporations and other quasi-public agencies. Most of the comparator organizations range between one-third and three times the GTAA's size, based on revenue. The GTAA is positioned at the 60th percentile of this comparator group in terms of its revenue size. This peer group 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 the 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 current executive Compensation Philosophy and Management Incentive Plans. As noted 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 that had provided executive and director compensation-related advice to the Board and the HR&C Committee, 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 did not identify any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on the GTAA.

The HR&C Committee's current independent advisor, Meridan, will conduct an assessment of compensation risk in 2018.

8.6 Compensation Consultant

Meridan has been the independent compensation consultant to the HR&C Committee since October 2014. Meridan continues to provide services only to the HR&C Committee and only with respect to director and executive compensation-related matters, including on the design of the GTAA's Management Incentive Plans, metrics, targets and assessment of performance.

Compensation Consultant's Fees

The aggregate fees paid to the GTAA's compensation consultant for the fiscal years ended December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Executive Compensation-Related Fees	\$110,667	\$197,970
All Other Fees	\$nil	\$nil

8.7 Key Elements of Compensation

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. 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 are determined within established salary ranges structured on the basis of competitive market data reflected in the peer group and with the objective to attract and retain high-calibre executives. An individual executive's actual salary is positioned within the range based on a number of factors, including the individual's performance and experience, the scope of the responsibilities of the role, and internal equity considerations.

8.9 Management Incentive Plans

Consistent with its pay for performance and results-oriented compensation approach, the GTAA maintains a short term incentive plan for all of its executive

officers (the “Short Term Incentive Plan” or “STIP”) and a long term incentive plan for all of its 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 established individual and corporate 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. encourage executives to be innovative and work together towards the overall success of the organization.

8.9.1 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.

The STIP target award for Mr. Eng for 2017 was 60 per cent of base salary, with a maximum award of 1.70 times target (the “CEO Multiplier”), or 102 per cent of base salary. This reflects that, as President and Chief Executive Officer, Mr. Eng has overall responsibility for the achievement of key performance measures and should have a higher proportion of compensation tied to corporate performance.

The STIP target award for all other Named Executive Officers, other than the President and Chief Executive Officer and Mr. Boyd, for 2017 was 40 per cent of base salary, with a maximum award of 1.50 times target, or 60 per cent of base salary.

The STIP target award for Mr. Boyd for 2017 was 20 per cent of base salary, with a maximum award of 1.50 times target, or 30 per cent of base salary.

Entitlement to awards under the annual STIP is measured by comparing actual results against individual and corporate performance goals established at the beginning of the year. The STIP is based on corporate and individual performance, as set out in the chart below.

2017 Short Term Incentive Plan: Corporate Performance Goals

The Corporate Performance component of the STIP in 2017 consisted of achievement against the following five corporate goals:

Weight (%)	Corporate Goal Category	Measure and Target
30%	Passenger and Customer Service	Achieve performance targets in each of the following areas: (a) Improved Inbound and Baggage Delivery (b) Reduce Arrival Gate Holds (c) Central De-icing Facility Throughput (d) Retail Sales per Enplanement (“SPE”) (e) “I am Toronto Pearson” program expansion
15%	Safety	Achieve a 5% reduction in lost time injury (“LTI”) index from 2016.
15%	Engaged People	(a) Achieve an employee engagement score 4 points better than 2016 on the Aon Hewitt employee survey. (b) Launch co-op and apprenticeship program with 10 to 15 participants. (c) Demonstrate that outreach and hiring efforts have been made with a lens on diverse candidates.
25%	Financial Sustainability	Achieve net income of \$112 million
15%	Aviation Growth	(a) Achieve traffic target of 46.6 million (b) Achieve performance targets in each of the following areas: (1) New International Services (2) Regional Airports and Ground Transportation Strategy

In 2017, 70 per cent of the STIP payout for Mr. Eng, 30 per cent of the STIP payout for Mr. Boyd, and 50 per cent of the STIP payout for the other Named Executive Officers was determined based on corporate performance.

2017 Short Term Incentive Plan: Individual Performance Goals

During 2017, the STIP individual performance goals established for the Named Executive Officers related to, among other items:

1. **President and Chief Executive Officer** (Mr. Eng): Ensuring that the GTAA proactively advances its interests with government and government recognizes the GTAA’s objective to provide direct air service to 80 per cent or more of the global economy; investing in advocacy to highlight commitment to social license; raise awareness in environment, community investment and ground transportation planning; and focusing on the attraction and development of GTAA employees.
2. **Acting Chief Financial Officer** (Mr. Boyd): Deploying the enterprise data management ecosystem, which includes content creation of consumable data; implementing business efficiencies, including electronic invoice approval, payroll system upgrades and streamlining of purchasing work flow; and reviewing and making recommendations regarding the GTAA’s corporate structure.

3. **Chief Financial Officer** (Mr. Clarke): Mr. Clarke commenced his Chief Financial Officer role on November 1, 2017. Accordingly, he did not have individual performance goals for 2017; his pro-rated STIP entitlement was based solely on the achievement of corporate goals.
4. **Vice President, Aviation Services** (Mr. Bradbrook): Achieving a reduction in the number of aircraft Arrival Gate Holds; achieving targeted improvements to inbound baggage delivery; implementing a successful winter aircraft de-icing program; achieving service level commitments; achieving departmental financial targets; and achieving various departmental employee and safety-related targets.
5. **Vice President, Customer and Terminal Services** (Mr. Collier): Achieving various passenger and customer service-related objectives; achieving departmental revenue and expense targets; and achieving various departmental employee and safety-related targets.
6. **Vice President, Airport Development and Technical Services** (Mr. Neville): Improving the asset management system to achieve desired level of customer service and reliability; improving technical leadership competence within Airport Planning and Technical Services; achieving departmental employee, safety and financial targets; and implementing the Airport Facility Infrastructure Plan and delivering key facility capacity improvements.

For the Individual Performance component of the STIP in 2017, 30 per cent of the STIP payout for Mr. Eng, 70 per cent of the STIP payout for Mr. Boyd, and 50 per cent of the STIP payout for the other Named Executive Officers was determined on the basis of achievement against their individual performance goals, each of which was aligned to the strategic imperatives in support of the GTAA's strategic plan.

Short Term Incentive Plan Results for 2017

The GTAA exceeded the 2017 STIP's Target corporate performance goals, with an overall corporate multiplier of 137 per cent of Target.

The following table sets out the Corporate Goal Achievement for 2017:

2017 Short Term Incentive Plan: Corporate Goal Achievement

Goal & Weighting	Metric (s)	2017 Threshold 0.5	2017 Target 1.0	2017 Stretch 1.5	2017 Result	Weighted Multiplier
Financial 25%	Net Income	\$102.00	\$112.00	\$121.00	\$119.5 ¹	35.5%
People 15%	Aon Hewitt Employee Engagement Score	Maintain 2016 score	Improve 2016 score by 3%	Improve 2016 score by 6%	2016 Result + 3%	15%
	Corporate Engagement Initiatives	Design GTAA co-op & apprenticeship program and launch mgt trainee program with 3 active participants	Threshold plus: Launch co-op & apprenticeship program with 10 to 15 participants AND demonstrate outreach and hiring efforts are made with a lens on diversity	Target plus: Letter of intent with a post-secondary aviation program to launch a GTAA Aviation Graduate Program for 18/19 school year	Stretch	
Passenger and Customer Service 30%	Improved Inbound Baggage Delivery- Narrow Body	83% The time taken for delivery of last bag to induction lateral once aircraft has parked on stand	85% Narrow Body Aircraft - Last bag within 30 minutes	88% Narrow Body Aircraft - Last bag within 30 minutes	88.3%	43.5%
	Improved Inbound Baggage Delivery - Wide Body		Wide Body Aircraft - Last bag within 50 minutes	Wide Body Aircraft - Last bag within 50 minutes		
	Arrival Gate Holds	85%	90%	92%	91%	
	Central Deicing Facility Throughput	90%	93%	95%	94%	
	Retail Sales per Enplanement ("SPE")	\$19.77	\$20.46	\$20.76	\$20.95	
	"I am Toronto Pearson" Program	4,000 additional employees from other Airport employers	5,000 additional employees from other Airport employers	6,000 additional employees from other Airport employers	6,199	
Aviation Growth 15%	New International Services	5	6	9	11	21.8%
	Regional Airports and Ground Transportation Strategy	Threshold: Regional Airports Coalition operationalized & Advocacy Plan identified	Threshold plus: Regional Airports Coalition operationalized & Advocacy Plan identified	Target plus: Board assessment of progress made	Stretch	

Goal & Weighting	Metric (s)	2017 Threshold 0.5	2017 Target 1.0	2017 Stretch 1.5		2017 Result	Weighted Multiplier
		Threshold milestone: Strategic Regional Transit Connectivity priorities established & Advocacy plan identified	Strategic Regional Transit Connectivity priorities established & Advocacy plan identified				
	Planning for Growth	Capacity/Service projects: de-icing, CATSA, outbound baggage, T3 self check-in upgrade, T3 enhancement, T1/T3 connector requirements and pre-design Update Land Use Plan and obtain Transport Canada approval	Threshold plus: capacity/service projects: T1 Gate 193 renovation, T1 Pier F upgrades, T1 baggage upgrade, T1 self check-in design, T3 baggage upgrade (Int'l & Dom.) complete, T1 processor and concourse expansion requirements/pre-Design	Target plus: mobilize requirements and pre-design for: T3 Pier A sectorization and expansion, T1 remote apron		Project delivery on track + add'l studies	
Safety 15%	Toronto Pearson Safety Index (X)	0.445 (re-baseline 2016 LTI expanded w/passenger injuries - reduced by 3%)	0.436	0.427		0.429	21%
Overall Multiplier							137%

1. Actual Net Income adjusted to add back certain unbudgeted, Board-approved spends.

The table below sets out for each of the eligible Named Executive Officers the overall Target (as a percentage of base salary) and total payout (in dollars) awarded under the 2017 STIP:

2017 Short Term Incentive Plan Payouts

Name and Principal Position	Target Bonus (% of Base Salary)	Actual Payout (\$)
Howard Eng, President and Chief Executive Officer	60	559,341
Jason Boyd, Interim Vice President and Chief Financial Officer	20	58,334
Ian Clarke, Vice President and Chief Financial Officer	40	39,640
Craig B.M. Bradbrook Vice President, Aviation Services	40	184,128
W. Scott Collier Vice President, Customer and Terminal Services	40	182,112
Patrick C. Neville, Vice President, Airport Planning and Technical Services	40	179,256

8.9.2 Long Term Incentive Plan

The objective of the LTIP is to provide cash incentives to all of the GTAA’s executive officers in order 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 among the executives, the GTAA and its stakeholders over a three-year performance period. Potential awards under the LTIP are expressed as a percentage of base salary. The target potential award for the 2015-2017 LTIP for participating Named Executive Officers was 30 per cent of their base salary (60 per cent of base salary for Mr. Eng) at the time the LTIP grant was awarded.

2015-2017 Long Term Incentive Plan Grant

In 2015, the Board of Directors awarded LTIP grants to the eligible Named Executive Officers of the Corporation employed during 2015, conditional on future performance over the three-year performance period from January 1, 2015 through December 31, 2017. Entitlements under this LTIP were based on the Corporation’s performance against a single financial metric, Return-on-Assets (“ROA”). This metric is calculated by dividing the average earnings before interest and taxes by 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 2015-2017 LTIP grant.

If performance falls below Threshold, which is the minimum level of goal attainment in order to qualify for a LTIP payout, the multiplier is zero and payout is nil. For performance (i) equal to Threshold, or (ii) at Target, or (iii) at or exceeding Maximum, the multiplier is 50 per cent, 100 per cent or 150 per cent, respectively.

Where performance falls between Threshold and Target or between Target and Maximum, the multiplier is calculated using straight-line interpolation between the two numbers.

Following the adoption of a set of adjustment principles, the Board agreed to adjust the previously awarded 2015-2017 LTIP to account for unbudgeted items outside Management’s control and Board-approved changes in strategy. Given the challenges of making these adjustments for the 2015-2017 LTIP awards, the Board determined that these awards should pay out at Target, conditional upon the recipients remaining employed through the vesting period.

All of the 2017 Named Executive Officers, with the exception of Ms. Sharland, Mr. Boyd, and Mr. Clarke, were eligible to receive a payout under the 2015-2017 LTIP.

2015-2017 Long Term Incentive Plan Payouts

Name and Principal Position	Target Bonus (% of Base Salary)	Weighted Average Performance Multiplier	Actual Payout (\$)
Howard Eng, President and Chief Executive Officer	60	1.0	305,580
Craig B.M. Bradbrook, Vice President, Aviation Services	30	1.0	75,000
W. Scott Collier, Vice President, Customer and Terminal Services	30	1.0	75,000
Patrick C. Neville, Vice President, Airport Development and Technical Services	30	1.0	75,687

For the 2016-2018 and 2017-2019 LTIPs, the ROA metric has been replaced by three metrics that are aligned with the GTAA’s strategy: Net Income; Airport Service Quality (“ASQ”), which is a third-party administered measure of airport service relative to other similarly sized airports; and Passenger Growth, which is measured relative to competitor airports.

8.10 Benefits

All of the GTAA’s executive officers are provided with non-cash compensation, including retirement income and benefits, health benefits and perquisites. The objective of these benefits is to attract and retain 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 benchmarked periodically against Mercer Canada’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*”, along with certain incidental perquisites.

8.11 Summary Compensation Table

The following table sets forth all compensation earned by the Named Executive Officers during the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015. The GTAA 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			
Howard Eng, President and Chief Executive Officer	2017	719,771	559,341	305,580	170,400	-	1,755,092
	2016	582,033	427,350	376,500	140,100	-	1,525,983
	2015	518,899	375,000	450,000	118,600	-	1,462,499
Jill N. Sharland, Vice President and Chief Financial Officer ⁴	2017	112,087	-	-	81,700	578,895 ⁵	772,682
	2016	312,484	123,850	97,993	55,600	-	589,927
	2015	303,393	116,358	-	46,200	25,000 ⁶	490,951
Craig B.M. Bradbrook Vice President, Aviation Services	2017	326,799	184,128	75,000	59,200	-	645,127
	2016	287,942	125,528	68,424	48,600	-	530,494
	2015	251,885	97,224	-	29,800	-	378,909
W. Scott Collier Vice President, Customer and Terminal Services	2017	326,799	182,112	75,000	59,100	-	643,011
	2016	289,846	124,403	89,483	50,000	-	553,732
	2015	257,538	104,228	-	40,400	-	402,166
Patrick C. Neville, Vice President, Airport Planning and Technical Services	2017	326,799	179,256	75,687	58,800	-	640,542
	2016	291,091	122,603	91,533	49,400	-	554,627
	2015	261,798	98,942	109,403	42,100	-	512,243
Jason Boyd, Corporate Controller ⁷	2017	199,994	58,334	-	25,396	-	283,724
	2016	195,563	56,471	-	22,345	-	274,390
	2015	188,041	54,118	-	19,513	-	261,672
Ian L.T. Clarke, Chief Financial Officer ⁸	2017	366,030 ⁸	39,640	-	6,700	178,500 ⁹	590,870

1. Incentive Plan Compensation is determined by the Board based on the achievement of targeted performance criteria. See “*Management Incentive Plans*.” Incentive Plan Compensation is separately disclosed as “Annual Incentive Plan” amounts, which are payouts under the 2017 STIP, and “Long Term Incentive Plan” amounts, which are payouts under the 2015-2017 LTIP.
2. Pension Value is derived from the “Compensatory” column of the Pension Plan Benefits table in Section 8.12.
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. All Other Compensation includes any special bonuses paid to the Named Executive Officers that are separate from the Short-Term Incentive Plan and Long-Term Incentive Plan compensation. [See footnotes 5 and 6 for Ms. Sharland, and footnote 9 for Mr. Clarke.]
4. Ms. Sharland served as Vice President and Chief Financial Officer until March 22, 2017.
5. All Other Compensation for Ms. Sharland includes termination payments paid to her in 2017 in accordance with the terms of her employment agreement.
6. Consists of a one-time payment of \$25,000 paid to Ms. Sharland as a signing bonus, which she became eligible to receive after 12 months of employment with satisfactory performance.
7. Mr. Boyd served as Acting Chief Financial Officer from March 23, 2017 until April 10, 2017.
8. Mr. Clarke served as Interim Chief Financial Officer, effective April 11, 2017, and as Chief Financial Officer, effective November 1, 2017. Base Salary for Mr. Clarke includes base salary earned both as Interim Chief Financial Officer (from April 11, 2017 until October 31, 2017) and as Chief Financial Officer (from November 1, 2017 until December 31, 2017).
9. All Other Compensation for Mr. Clarke includes three \$34,500 bi-monthly bonus payments while serving as Interim Chief Financial Officer, and a \$75,000 signing bonus upon becoming Chief Financial Officer.

8.12 Pension Plan Benefits

The GTAA maintains a defined contribution registered pension plan for the benefit of each of the executive officers, with the exception of Mr. Boyd (the “DC RPP for Executives”), 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 6 per cent of base salary from both the participants and the GTAA, up to the maximum limits under the *Income Tax Act*, which was \$26,230 in 2017, representing contributions of up to \$13,115 from the participant and the corresponding matching contribution from the GTAA.

In addition, each of the Named Executive Officers, with the exception of 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 permitted 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 participant.

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, less withholding taxes. 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, less withholding taxes.

Mr. Boyd participates in the employees' Defined Contribution Registered Pension Plan (the "DC RPP"), which is a funded arrangement in which the participant directs the investment of his or her account among a number of pooled funds selected by the GTAA. The participant must contribute zero to 6 per cent of earnings to the DC RPP (the "Required Contributions"). The GTAA matches 58.3 per cent of the Required Contributions if the participant has less than five years of membership, 83.3 per cent of the Required Contributions if the participant has at least five years but less than ten years of membership, and 108.3 percent of the Required Contributions of the participant has at least ten years of membership. The participant may also make voluntary contributions above the first six per cent of earnings (the "Voluntary Contributions"). 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) may not exceed the limits imposed under the *Income Tax Act*, or \$26,230 for 2017.

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, who participates in the DC RPP.

Name (a)	Accumulated Value at Start of Year (\$) (b)	Compensatory (\$) (c)	Accumulated Value at Year-End (\$) (d)
Howard Eng	697,700	170,400	944,300
Jill N. Sharland	167,800	81,700	280,500
Craig B.M. Bradbrook	116,900	59,200	201,400
Patrick C. Neville	710,700	58,800	831,600
W. Scott Collier	157,000	59,100	244,500
Jason Boyd	263,109	25,396	328,482
Ian L.T. Clarke	0	6,700	10,800

Note: Except for Mr. Boyd, the values are the sum of benefits earned under the DC SERP and the DC RPP for Executives.

8.13 Employment Agreements

The GTAA has employment agreements with each of Messrs. Eng, Clarke, Bradbrook, Neville, and Collier 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 March 31, 2020 (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, life insurance, car allowances and club membership until the earlier of (a) the end of the Notice Period; or (b) the date he commences employment elsewhere;
- (iv) his Short-Term Incentive Plan payments for the year of termination, based on target performance and pro-rated for the period prior to the date of termination; and
- (v) his Long-Term Incentive Plan payments based on a fullyvested basis at their target value.

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, 2017, is \$3,129,987.

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 "not-for-profit" status to "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, 2017, is \$3,129,987.

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, 2017, is \$541,941.

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.

Ian L.T. Clarke

Mr. Clarke's employment agreement provides that if the GTAA terminates his employment without cause during the first 12 months of his employment, the GTAA shall provide him with 12 months' notice of termination or payment-in-lieu of notice of termination, or any combination thereof, as well as pro-rated, Target STIP payment and pension contributions for such 12-month period. If the GTAA terminates Mr. Clarke's employment without cause following the first 12 months of his employment, the GTAA shall provide him with 12 months' notice of termination or payment-in-lieu of notice of termination, or any combination thereof, plus a minimum of two weeks' notice per each subsequent year of service, as well as pro-rated, Target STIP payment and pension contributions for such period, subject to mitigation for income earned through comparable employment. The estimated incremental payment that would have been payable to Mr. Clarke in the event of termination without cause, assuming termination on December 31, 2017, is \$739,499.

In addition to a general obligation of confidentiality, Mr. Clarke's employment agreement provides that during his employment with the GTAA and during the 12-month period following the cessation of his employment, he 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.

Craig B.M. Bradbrook

Mr. Bradbrook's employment agreement provides that if the GTAA terminates his employment without cause, the GTAA shall provide him with reasonable notice of termination in accordance with common law, or payment-in-lieu of notice, of not less than 12 months. The estimated incremental payment that would have been payable to Mr. Bradbrook in the event of termination without cause, assuming termination on December 31, 2017, is \$336,000.

In addition to a general obligation of confidentiality, Mr. Bradbrook's employment agreement provides that during his employment with the GTAA and during the six-month period following the cessation of his employment, he 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.

Patrick C. Neville

Mr. Neville's employment 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, 2017, is \$672,000.

W. Scott Collier

Mr. Collier's employment agreement provides that if the GTAA terminates his employment without cause, the GTAA shall provide him with reasonable notice of termination in accordance with common law, or payment-in-lieu of notice, of not less than 12 months. The estimated incremental payment that would have been payable to Mr. Collier in the event of termination without cause, assuming termination on December 31, 2017, is \$336,000.

In addition to a general obligation of confidentiality, Mr. Collier's employment agreement also provides that during his employment with the GTAA and during the six-month period following the cessation of his employment, he 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.

8.14 Compensation of Directors

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

The remuneration earned by directors (other than the Chair of the Board) in 2017 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 \$170,000, and he is 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: Ad Hoc Airport Ownership Review Committee, \$0 (the Chair of the Board assumed this role); Audit Committee, \$13,500; Governance and Stakeholder Relations Committee, \$8,500; Human Resources and Compensation Committee, \$8,500; Planning and Commercial Development Committee, \$8,500; and Risk Oversight Committee, \$8,500. During the fiscal year ended December 31, 2017, directors earned fees totalling \$1,217,155 for their services as directors.

During 2017, there were seven meetings of the Board; three meetings of the Ad Hoc Airport Ownership Review Committee; five meetings of the Audit Committee; 10 meetings of the Governance and Stakeholder Relations Committee; six meetings of the Human Resources and Compensation Committee; five meetings of the Planning and Commercial Development Committee; and four meetings of the Risk Oversight Committee. The following table summarizes each director's attendance record for Board, committee and other meetings held during 2017, and the compensation earned in 2017.

Director Attendance and Compensation

Name	Board Meetings Attended	Board Fees Earned ¹ (\$)	Committee Meetings Attended	Committee Meeting Fees Earned ² (\$)	Total ³ (\$)
Ian L.T. Clarke (term ended March 23, 2017)	1/1	\$10,532	4/4	\$13,080	\$23,612
Paul W. Currie	9/10	\$52,000	19/19	\$47,818	\$99,818
Jeffrey P. Fegan	10/10	\$54,500	14/14	\$25,500	\$80,000
Stephen J. Griggs	10/10	\$56,000	19/19	\$40,000	\$96,000
Brian P. Herner	9/10	\$53,500	9/10	\$26,350	\$79,850
Kathleen Keller-Hobson (term	3/3	\$17,441	2/4	\$8,000	\$25,441

Name	Board Meetings Attended	Board Fees Earned ¹ (\$)	Committee Meetings Attended	Committee Meeting Fees Earned ² (\$)	Total ³ (\$)
commenced August 31, 2017)					
Roger Mahabir	10/10	\$55,000	10/10	\$35,855	\$90,855
Hazel McCallion (term commenced August 31, 2017)	3/3	\$17,441	7/9	\$10,500	\$27,941
Kathy Milsom	10/10	\$55,000	9/9	\$31,600	\$86,600
Terrance F. Nord	10/10	\$54,500	12/12	\$26,000	\$80,500
Terrie O'Leary	10/10	\$53,500	18/20	\$34,000	\$87,500
Poonam Puri (term ended May 4, 2017)	2/2	\$17,763	4/4	\$7,814	\$22,577
Michelle Samson-Doel	10/10	\$53,500	12/12	\$32,100	\$85,600
Mark Schwab (term commenced May 4, 2017)	6/7	\$37,237	7/10	\$13,436	\$50,673
Johan van 't Hof (term commenced October 18, 2017)	1/1	\$9,672	5/5	\$9,516	\$19,188
Danielle M. Waters	10/10	\$53,500	17/17	\$37,500	\$91,000
David Wilson	10/10	\$170,000	31/35	0	\$170,000
Total Fees Earned		\$818,086		\$399,069	\$1,217,155

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

The GTAA's auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, which has prepared an independent auditor's report dated March 21, 2018 in respect of the GTAA's consolidated financial statements as at December 31, 2017 and December 31, 2016, and for years then ended. PricewaterhouseCoopers LLP has advised that it is independent with respect to the GTAA within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

External Auditor Fees

The aggregate fees (excluding out-of-pocket disbursements) paid to PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2017 and December 31, 2016, are as follows:

	2017 (\$)	2016 (\$)
Audit Fees¹	636,031⁵	616,124⁶
Audit-Related Fees²	160,170	213,457
Tax Fees³	33,312	4,951
All Other Fees⁴	-	90,000
Total	829,513	924,532

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 52-109 internal controls over financial reporting certification, GTAA's Ground Lease regulatory filing, the audit of the financial statements of the GTAA's pension plans, consultations on tax issues related to airport improvement fees, International Financial Reporting Standards 15/16 Accounting Advisory Services and the audit of the Fire and Emergency Services Training Institute.
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. See "Non-Audit Services".
4. All Other Fees were paid for professional services related to "Non-Audit Services", such as the Five-Year Performance Review.
5. Audit Fees for 2017 incorporate estimated costs, as final invoices have not yet been received, and exclude out-of-pocket disbursements.
6. Audit Fees for 2016 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 of the Audit Committee between meetings of the Audit Committee.

During 2017, PricewaterhouseCoopers LLP performed non-audit services as discussed in Note 3 above regarding "Tax Fees".

10 Additional Information

Additional information relating to the GTAA, including the GTAA's audited Financial Statements and Notes for the years ended December 31, 2016 and December 31, 2017, 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 Convoir Drive, Toronto AMF, Ontario, L5P 1B2.

APPENDIX "A"
GREATER TORONTO AIRPORTS AUTHORITY
TERMS OF REFERENCE
OF
THE BOARD OF DIRECTORS
(Board approved effective May 11, 2016)

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 fulfil its stewardship role, the Directors must fulfil 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) 2 Directors in writing.
4. Notice of meetings shall be delivered, telephoned, faxed or emailed to each Director not less than 2 days before the time of the meeting, or not less than 7 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 judgement, 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 By-laws.
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 external auditor;
 - (d) issuing securities;
 - (e) subject to confirmation by the Members, adopting, amending or repealing by-laws;
 - (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) selecting and 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 to 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 Governance and Stakeholder Relations 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 Governance and Stakeholder Relations 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 Governance and Stakeholder Relations Committee, to deal with governance of the Corporation, the nomination of Members, assessment of the Board's performance, the Corporation's relationships with all levels of government, the community, travellers and other stakeholders and corporate social responsibility reporting;
 - (c) the Risk Oversight Committee, to deal with oversight of the Corporation's risks;
 - (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 Effective May 3, 2017)

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, audit related and 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 effective date of Committee members’ appointment. 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 Governance and Stakeholder Relations 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 Governance and Stakeholder Relations 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, except for corporate governance and human resources-related information, which will be reviewed by the Governance and Stakeholder Relations Committee or the Human Resources and Compensation Committee as applicable;
- (g) review with Management financial related disclosures and other information to be included in the Annual Report, including that pursuant to Section 9.01.07 of the Ground Lease, except for corporate governance and human resources-related information, such as that provided in response to sub-paragraph 9.01.07 (e), which information will be reviewed by the Governance and Stakeholder Relations Committee or the Human Resources and Compensation Committee as applicable;
- (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 quarterly reports on material litigation, and as called for, brief other Committees of material litigation related to designated risks, through their Committee Chairs (or be confident that this takes place via another communication channel);
- (m) 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;
- (n) 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;
- (o) 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;
- (p) 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) subject to Section D below, 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, including soliciting input and requests from each of the other Board Committees regarding their needs for internal audit services for the next planning period;
 - (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; and
- 6. oversee the effectiveness of risk management for audit-related, financial and other risks assigned by the Board of Directors or its designate related to the Committee's scope, including annually reviewing the adequacy of insurance coverage maintained by Corporation.

D. AUTHORITY OF COMMITTEE CHAIR

The Committee Chair, or such other member of the Committee as may be sub-delegated by the Committee Chair, shall have the authority to pre-approve all non-audit services to be provided to the Corporation by the external auditor, and such pre-approval shall be reported by the Committee Chair at the next scheduled meeting of the Committee.

E. 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.