Greater Toronto Airports Authority
Annual Information Form

For the Year Ended December 31, 2019

March 26, 2020

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1. Caution Regarding Forward-Looking Information

This Annual Information Form ("AIF") contains certain forward-looking statements or forward-looking information about the Greater Toronto Airports Authority ("GTAA"). Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate", "project" 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: the GTAA's 20-year strategic framework and its vision for Toronto - Lester B. Pearson International Airport ("Toronto Pearson" or the "Airport") and the Toronto Pearson Master Plan 2017-2037 and associated priorities; expected growth in demand for aviation services and passenger volumes; expected population growth; aeronautical rates and charges in 2020; air carrier trends; future terminal, airside, groundside and other capital developments at the Airport, the funding of the developments, and the timing of construction and commencement of operations of facilities currently planned or under construction including the new concourse and processor expansion at Terminal 1, redevelopment and expansion at Terminal 3, upgrades and expansion at the Pier G facility in Terminal 1, replacement of the baggage systems in Terminal 1 and Terminal 3, preliminary design on a passenger terminal processor and integrated Regional Transit Centre, and the improvements expected as a result of these capital programs and projects.

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 Greater Toronto Area ("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 travelers; the commercial aviation industry will not be significantly affected by air transportation industry risks; no significant event such as a natural disaster or other calamity will occur that has a long-term impact on the ordinary course of business or the macroeconomic environment; the GTAA will be able to access the capital markets at competitive terms and rates; and there 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.

The GTAA cautions the reader that actual results may vary from the forward-looking information. Risk factors that could cause actual results to differ materially from the results expressed or implied by forward-looking information include, but are not limited to industry risks including shocks to the macroeconomic environment (changes in fuel prices, inflation, currencies, employment and spending), outbreaks or the threat of outbreaks, viruses or other contagions or diseases including COVID-19 and related travel advisories, air carrier instability or disruptions to air carrier fleet capacity, competition from other airports, wars, riots or political action, labour disruptions, disruptions caused by extreme weather conditions, natural disasters or other events which impact air industry networks, geopolitical unrest, acts of terrorism or cybersecurity threats, disruptions to information technology infrastructure, the loss of key personnel, financing risks including capital market instability; legal and regulatory requirements, obligations under the Ground Lease (as defined below) including security measures and their associated costs, impacts related to environmental factors and climate change, construction risk, insurance costs, litigation, credit rating risk, 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.

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. See "Off-Airport Properties".

3. General Development of the Business

The GTAA's mandate includes developing, managing and operating airports within the south-central Ontario region, including the GTA, 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"). See "Ground Lease".

3.1 Toronto Pearson - A Top-Tier Global Hub Airport

In 2019, Toronto Pearson welcomed 50.5 million passengers. Toronto Pearson is the international airport in North America with the most nonstop international destinations at 168 such destinations. New York's JFK, the airport with the next highest number, has approximately 129 nonstop international destinations.

Toronto Pearson's passengers now have daily 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 2019, 64 per cent of the Airport's passengers were international.

In 2019, 30.4 per cent 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 significant passenger growth; passenger volumes have increased from 41.0 million passengers in 2015 to 50.5 million passengers in 2019, an additional 9.5 million passengers in the last four years. International passengers have accounted for 76 per cent of this growth.

The GTAA continues to meet the growing demand for air travel by optimizing the use of the existing facilities at Toronto Pearson expanding its facilities as demand dictates. The GTAA focuses on capital programs and projects which increase capacity, improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience. In 2019, the GTAA spent approximately $428.5 million in capital expenditures, intangible assets and investment properties.

The passenger growth experienced over the past few years has resulted in the need to further invest in the Airport's physical infrastructure. The GTAA has commenced design development for a new concourse and processor expansion at Terminal 1, and for further redevelopment and expansion at Terminal 3, in consultation with the air carriers and other stakeholders. The GTAA is upgrading and expanding its capacity at the Pier G facility in Terminal 1 to accommodate narrow body aircraft operations. In addition, the GTAA has also commenced a replacement of the baggage systems and preliminary design on a potential passenger terminal processor and integrated Regional Transit Centre ("RTC").

As a worldwide connector of people and businesses, and a driver of economic prosperity in the region, the GTAA views enhanced access to effective transit at the Airport as a priority. Currently, one million car trips a day are taken into and out of the Airport employment zone, and driving times to Toronto Pearson are expected to rise by an average of 30 per cent over the next two decades. The GTAA has a vision to build an RTC to better move people to, from and around the Airport, making it easier to travel, connecting people with jobs, facilitating tourism, enabling business and facilitating the movement of goods.

In support of this vision, the GTAA continues to advance planning for the RTC at Toronto Pearson. The RTC would connect multiple rapid transit lines at the Airport, to serve Toronto Pearson's groundside transportation access needs and develop a new transit hub in the region. The GTAA has established a cooperative work program with Metrolinx in order to undertake project planning jointly for the program of transit lines contemplated to serve the Airport. During 2019, the GTAA and Metrolinx launched the Kitchener Corridor Pearson Connection Options Study, which will develop and evaluate concepts for directly connecting the GO Commuter Rail system to the Airport. The GTAA and Metrolinx also announced in 2019 the initiation of a program of joint study work for the Airport portion of the Province's planned Eglinton Crosstown West Extension Project.

For further details on the GTAA's most significant current and projected capital projects, please refer to the GTAA's MD&A for the year ended December 31, 2019. Due to the recent COVID-19 pandemic and its impact on global air traffic, third-party suppliers, contractors and service providers, some of these projects and other capital expenditures may be postponed or, at Management's discretion, deferred.

Other key activities for transit planning and development in 2019 included the initiation of the Airport Area Transportation Study, which will look at broad travel patterns and needs in the Airport Employment Zone; development of strategic options for Airport site transit connectivity associated with RTC facility design options; ongoing engagement and coordination with the provincial and federal governments; ongoing planning with multiple bus operating agencies (TTC, MiWay, Brampton Transit, GO Bus), including assessment of potential near-term improvement projects;

and the launch, in December 2019, of the Airport Employee GO Transit Fare Pilot Program, which offers all Airport employees 50% off on five GO Transit routes.

The introduction of self-service border clearance kiosks and the implementation of new security screening technology has improved the passenger experience, although at peak times the wait times can still be challenging. The GTAA is working with the federal government and its agencies, including the Canadian Border Services Agency ("CBSA"), and the Canadian Air Transport Security Authority ("CATSA"), to secure further investment in the technology, staffing, resources and improvement of processes required to keep pace with passenger growth. The GTAA is also working with United States Customs and Border Protection ("USCBP") to reduce pre-clearance wait times.

The GTAA incurs operating costs to support such government agencies including direct and indirect investments in CATSA, USCBP and CBSA to enhance services. During 2019, CATSA screened 19.8 million departing passengers at Toronto Pearson, an increase of approximately 0.2 million over 2018. Of these screened passengers, 95.2 per cent waited less than 15 minutes to be screened.

In 2019, the federal government announced plans to transition CATSA, a Crown corporation, into an independent not-for-profit entity regulated by Transport Canada with the right to conduct passenger screening at all Canadian airports.

In late December 2019 and early 2020, novel coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and declared on March 11, 2020 as a pandemic by the World Health Organization. The outbreak and resulting economic contraction has had, and is expected to continue to have, a negative impact on demand for air travel globally. Toronto Pearson has experienced significant declines in passengers and flight activity during February and March of 2020, as compared to the same period in 2019. This is due to flight and route cancellations, fleet groundings, travel advisories and restrictions and the economic contraction occasioned by the outbreak. The reduced activity is having a significant negative impact on the GTAA's business and results of operations, including aeronautical and commercial revenues and airport improvement fees. Apart from the impact of this pandemic on our revenues and operations, there may also be disruptions, including to supply chains and third party service providers, and potential disruptions to our workforce. The pandemic may also impact the cost of capital in the future which may arise from disrupted credit markets, and possible credit ratings watch or downgrade of our debt. We expect that many of our stakeholders and counterparties may experience financial distress which may precipitate requests to the GTAA for contractual relief or result in temporary or permanent shutdown of their operations, which could adversely impact our revenues or operations.

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

3.2 20-Year Strategic Framework

Long-term planning at the GTAA is aligned with a 20-year strategic framework, the current version of which was adopted by the Board of Directors (the "Board") in 2015. This strategic framework is the basis for the GTAA's five-year business plan and annual business plans and budgets. The 20-

year strategic framework sets out six key priorities: safety, engaged people, excellent customer service, financial sustainability, aviation growth and corporate responsibility.

Building on and supplementing this strategic framework, the GTAA has articulated a vision for Toronto Pearson as a mega 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, fueling 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

The GTAA's Master Plan for the period 2017-2037 builds on the six strategic priorities in the 20-year strategic framework and makes concrete their implications for how the GTAA will deploy, modify and manage Toronto Pearson's facilities and lands.

The Master Plan presents a rigorous assessment of the demand Toronto Pearson expects to face over the next 20 years, and 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.

Key priorities include improving ground access to make it easier for people and goods to reach the Airport; coordination of airport planning with that of Toronto Pearson's neighbours and partners; meeting the forecast growth in demand for passengers, cargo and aircraft movements in a flexible and scalable manner; and responding to the challenges and opportunities of rapid technological change.

The Master Plan includes a detailed Land Use Plan, which was approved by the federal Minister of Transport on March 20, 2018. The Land Use Plan sets out a hierarchy of land uses which provides a framework to consider operational, flow and economic issues systematically when allocating the GTAA's finite supply of land.

3.3.1 Safety

Safety is the top priority of the GTAA. To foster a strong safety mindset at the Airport, the GTAA continues to develop and expand the Toronto Pearson Safety Program, which addresses 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 underpinned 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 $6.4 billion as of December 31, 2019. 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.

The GTAA from time to time accesses the capital markets to refinance maturing debt and to 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 GTAA's audited Financial Statements and Notes for the years ended December 31, 2019 and December 31, 2018, together with the auditors' report thereon and accompanying Management's Discussion and Analysis ("MD&A").

3.3.3 Improving the Passenger Experience

A focus on creating a seamless passenger experience that delivers on choice, ease, and speed throughout the Airport continues to drive improvements and initiatives at Toronto Pearson.

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

Key initiatives implemented in 2019 were designed to improve speed of passenger flow, ease of travelling through the Airport, atmosphere and amenities, and to increase hub connections. Some of these initiatives include the following:

1. **I am Toronto Pearson**

   A strategic movement-based initiative entitled "I am Toronto Pearson" unifies the 50,000 staff at Toronto Pearson towards a common purpose of making Toronto Pearson the Best Airport in the World. The movement harnesses the pride of airport employees and is grounded in asking passengers and peers, "How can I help?". With 25,000 members across the Airport community, the movement has transformed Toronto Pearson's reputation for "courtesy and helpfulness of Airport staff" to best in North America and Europe, as measured by Airports Council International's Airport Service Quality benchmarking program ("ASQ").

2. **Passenger Care (Accessibility)**

   In 2019, the Passenger Care team was introduced to provide a high level of focus on passenger accessibility and co-develop an inclusive and hassle-free travel journey with air carriers, government agencies, persons with disabilities, and advocates for persons with disabilities. In consultation with advocates for persons with disabilities, new facilities and amenities are being deployed, including assisted changerooms for passengers with multiple and complex disabilities, leading-edge technology to enable passengers with sight-loss to navigate the terminals independently, in-terminal pet relief facilities, and enhancements to the existing in-terminal shuttle service.

3. Enhanced Pre-Board Screening Experience

CATSA Plus screening points continued to show improvement in processing passengers more efficiently, with more than double the passenger throughput of standard CATSA screening lanes. In 2019, Terminal 1 Domestic (Level 3) became fully active, as did T1 International. There are now 31 CATSA Plus screening lanes in operation across two terminals. These investments in faster, bigger screening checkpoints, combined with the additional investments in the cost-recovery partnership with CATSA, have resulted in the ability to handle increasing passenger volumes. Over 19.8 million passengers were screened in 2019, and 95.2 per cent of these passengers were screened in 15 minutes or less.

4. Self-Service Passenger Kiosks and Trusted Traveller Programs

The GTAA's use of technology has reduced wait times and improved customer service with respect to checking in and clearing both the US and Canada Border.

(a) Check-in:

Self-Service Check-in Kiosks – The GTAA has maintained the total number of self-service kiosks in Terminal 1 and Terminal 3 at 338. In 2019, 55 kiosks were replaced with updated models and the total number of accessible kiosks increased from 83 in 2018 to 113 in 2019. To optimize facilities, the GTAA continues to encourage usage of self-serve kiosks by airlines. Currently, 25 carriers have applications on the kiosks, up from 22 in 2018.

Self-Service Baggage Drops – In 2019, the GTAA implemented an additional 14 automated self-service baggage drops ("SSBDs") in the terminals, bringing the current inventory to 80 units. Currently 12 carriers, collectively carrying over 80 per cent of the passengers at Toronto Pearson, use the GTAA's SSBDs.

(b) Canada Border Services:

In 2019, Toronto Pearson completed the rollout and reconfiguration of the Terminal 3 Customs Hall for the CBSA Primary Inspection Kiosk ("PIK") program. There are now 149 kiosks, in four locations, used to clear Canada Border Services. In addition to PIK in Terminal 3, the Automated Border Clearance program for Canadian citizens and U.S. passport holders was further augmented in Terminal 1 by increasing the number of kiosks to over 58 units.

There are 30 Nexus kiosks at the Airport for use by passengers enrolled in the joint U.S./ Canada Trusted Traveler Program. Work began in 2019 to modify the kiosks for facial recognition to be implemented in January 2020.

In Terminal 3, the additional Primary Inspection processing space on the Arrivals Transfer level was improved with 24 PIK machines being installed. This space is available for operational needs as required. In addition, changes to the CBSA Immigration and Secondary Inspection areas were completed in Terminal 3, providing more efficient operation and improved service for passengers.

CBSA and GTAA also commenced work on re-imagining the arrivals process at Toronto Pearson, beginning prototype work on new processes and technology to enhance the customer experience. This work will continue over 2020. CBSA processed over 16 million passengers at Toronto Pearson in 2019.

(c) U.S. Customs and Border Protection:

USCBP processed 7.3 million passengers in 2019. During the year, new gate facilities were brought online in Pier G. In addition, new infrastructure improvements in information technology were installed to enhance passenger processing speed and anticipate new technology, as well as support the implementation of the Land, Rail and Marine Pre-Clearance Agreement between Canada and the US. The majority of 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 Traveler members of Nexus and Global Entry can use the 53 Global Entry kiosks.

5. International to Domestic Connections

Construction on the new Terminal 1 Connections facility began in 2019 in support of the International to Domestic ("ITD") Passenger and Baggage Connections Program. The work will continue over 2020.

Expansion of the ITD Program continued in 2019, enabling passengers on flights originating in designated cities to not have to collect and re-check their baggage at Toronto Pearson. Instead, these passengers can retrieve their baggage at their final destination in Canada. In Terminal 3, Delta passengers were added to the program. X-ray and inspection technology work commenced in 2019 for the Terminal 3 Secure Bag Inspection Area, coming into operation in January 2020, and more carriers and destinations will be added in both Terminals in 2020. Over 1.8 million passengers benefited from the program in 2019.

6. New Restaurants, Stores and Services

In 2019, 26 new retail stores, restaurants and services opened across both Terminal 1 and Terminal 3. The GTAA welcomed several new brands, including The Hearth Kitchen Market, the first-of-its-kind domestic Chanel cosmetic store, and the launch of a men's luxury accessory and apparel duty free store in Terminal 1 international. In addition, Toronto Pearson embarked on a full-scale "Trinity Program" that included interactive activations with L'Oréal and Estée Lauder in partnership with Dufry (the operator) and the brand directly. Finally, Toronto Pearson launched the first ever in-terminal Uber Eats prototype with a focus on food delivery directly to the gates in Terminal 3.

7. Strategic Partnerships and Advertising

In 2019, the GTAA continued to develop strategic advertising partnerships including launching a new partnership with Rogers, the official telecommunications partner for the Airport. In addition, the GTAA launched a one of a kind runway event in partnership with the Airport's automotive partner, Genesis Motor Company. The Airport also embarked on an experiential partnership with Cirque du Soleil with in-terminal live performances. The GTAA continued to engage in passenger-focused activities during key Toronto events, such as the Toronto International Film Festival, and introduced new digital and brand assets including a new CIBC Terminal 3 arrivals welcome zone.

8. Volunteer Program

The Toronto Pearson Volunteer Program celebrated its sixth year in 2019, growing to 340 active members. 2019 also saw the introduction of a Therapy Dog Program to support passengers, airport employees and visitors to Toronto Pearson. This program was introduced in partnership with St. John Ambulance. The program was further expanded in 2019 with the launch of a Junior Ambassador program which provides opportunity for local high school students to volunteer and obtain their necessary credits. Volunteers greet passengers, answer questions and provide wayfinding assistance in both the pre-and post-security areas of Terminals 1 and 3. The volunteers work as local ambassadors to help create a welcoming atmosphere for passengers and the public at Toronto Pearson.

3.4 Three-Year History

The following are the acquisitions, dispositions, or conditions that have influenced the general development of the GTAA's business in the past 3 years.

3.4.1 2017

- The Southern Ontario Airport Network was launched on May 9, 2017.
- Work to rehabilitate Runway 05/23 was completed and the runway returned to service on May 16, 2017.
- Ian Clarke was appointed Chief Financial Officer on November 1, 2017.
- Toronto Pearson launched its new 5-Year Noise Management Action Plan on December 6, 2017.
- Malton Gateway Inc. and Airway Centre Inc. were incorporated to facilitate the acquisition of commercial, office and industrial properties near the Airport.

3.4.2 2018

- The GTAA announced on February 6th, 2019 that it awarded a contract to HOK for planning work for a new Regional Transit Centre at Toronto Pearson.
- The GTAA redeemed Series 2009-1 Medium Term Notes on February 7, 2018.
- On March 6, 2018, Toronto Pearson was recognized by Airports Council International as the Best Large Airport in North America for airports that serve greater than 40 million passengers annually.
- On April 11, 2018, The GTAA and Metrolinx announced a commitment to work together to study regional transit and passenger centre connections.
- On June 12, 2018, ride-sharing companies, including Uber and Lyft, were licensed to pick-up and drop off customers at Toronto Pearson.
- Runway 06L/24R was resurfaced during June 2018.

3.4.3 2019

- The GTAA announced on January 8, 2019 that President and CEO Howard Eng would retire in 2020.
- On March 6, 2019, Toronto Pearson was recognized by Airports Council International for the second year in a row as the Best Large Airport in North America for airports that serve greater than 40 million passengers annually.
- The Government of Canada ordered the grounding of Boeing 737 MAX aircraft throughout Canada on March 13, 2019.
- The GTAA issued Series 2019-1 Medium Term Notes on April 3, 2019.

- Douglas Allingham was elected Chair of the GTAA's Board of Directors on May 7, 2019.
- The GTAA reached a new collective bargaining agreement with Unifor representing nearly 1,200 employees starting August 1, 2019.
- The GTAA issued Series 2019-2 Medium Term Notes on October 17, 2019 and redeemed Series 2016-1 Medium Term Notes early.
- The GTAA announced on November 27, 2019, Deborah Flint as President and Chief Executive Officer, starting in February, 2020.
- In December 2019, the GTAA entered into a Municipal Authority Agreement with the City of Mississauga covering several areas of mutual interest for the City of Mississauga and the GTAA.

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 international passengers, and the thirtieth 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 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.

An estimated 50,000 jobs are directly associated with the operations at Toronto Pearson; the Airport sits within the Airport Employment Zone, the second-largest employment zone in Canada. The Airport contributes to the productivity of industries across the country by linking Canadian firms with markets, commercial partners and investors worldwide.

4.2 Economic, Social, and Demographic Factors

The demand for air transportation is fundamentally driven by economic, social, demographic and technological trends. Passenger growth at Toronto Pearson has historically had a strong correlation 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.

Over the 10-year period from 2009 to 2019, Toronto Pearson was the fastest growing major airport in Canada. The GTAA believes that 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 towards services with a higher propensity for business air travel; and airfares have declined, stimulating leisure travel. Other factors that have contributed to the Airport's growth include Canadian and foreign air carriers' strategy to move more traffic through Toronto Pearson, and the strong origin and destination market in the Greater Toronto Area.

Passenger activity and flight activity at Toronto Pearson in 2019 was negatively impacted by the on-going grounding of the Boeing 737 MAX, as well as economic and geopolitical challenges.

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. Ontario's Ministry of Finance projects that the GTA's total population will increase from 6.9 million in 2017 to 9.7 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 primary statistics: air passenger traffic (the number of passengers on arrived and departed aircraft), flight activity (aircraft movements), 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 (%)	Internatio nal	Change (%)	Total	Change (%)
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
2018	17.8	2.0	31.7	6.7	49.5	5.0
2019	18.1	1.4	32.4	2.4	50.5	2.0

In 2019, the Airport processed a record 50.5 million passengers, a 1.0 million passenger increase over the 49.5 million passengers seen in 2018.

During the past five years, total passenger traffic at the Airport has increased from 41.0 million passengers in 2015 to 50.5 million passengers in 2019. This represents a growth of 9.5 million passengers in five years.

Origin and Destination Passengers and Connecting Passengers

There are two principal types of passengers: 1) origin and destination, and 2) connecting. The first 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 69.6 per cent of Toronto Pearson's total passenger traffic in 2019 was from origin and destination passengers. The remaining 30.4 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. 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 to Canada.

Over the past 10 years, the percentage of the Airport's passengers that are connecting passengers has increased from 24.6 per cent connecting passengers in 2009 to 30.4% per cent connecting passengers in 2019. This is significant because in many cases passengers have a choice of airport through which to connect and the GTAA actively seeks to attract these passengers.

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. The number of domestic passengers at the Airport increased by 1.4 per cent, from 17.8 million passengers in 2018 to 18.1 million passengers in 2019. In 2019, the Airport's domestic sector represented 35.8 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 2015-2019
(in millions)

Year	Canada	Change (%)
2015	15.9	4.4
2016	16.9	6.9
2017	17.5	3.3
2018	17.8	2.0
2019	18.1	1.4

International

Toronto Pearson is Canada's largest international airport. The number of international passengers at the Airport increased by 2.4 per cent, from 31.7 million passengers in 2018 to 32.4 million passengers in 2019, representing 64.2 per cent of total passengers at the Airport in 2019. In 2019, Airlines operating out of Toronto Pearson offered flights to 173 international cities (non-stop to 168 international cities). The GTAA believes that 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 2019.

International Passengers 2015-2019
(in millions)

Year	International	Change (%)
2015	25.2	7.7
2016	27.4	8.8
2017	29.6	8.0
2018	31.7	6.7
2019	32.4	2.4

4.3.2 Flight Activity

Flight activity is measured by aircraft movements, where one movement is defined as a landing or takeoff 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 (%)
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
2018	435.3	37.4	472.7	1.6
2019	414.9	37.9	452.8	(4.2)

During the past five years, total aircraft movements increased from 444,000 in 2015 to 452,800 in 2019. This growth of 8,799 movements occurred at a compounded annual growth rate of approximately 0.5 per cent since 2015. Aircraft movements for Scheduled and Charter Airlines were diminished in 2019 by the grounding of the Boeing 737 MAX and carriers that filed for bankruptcy in 2019.

Each aircraft has a maximum take-off weight ("MTOW"), as specified by the aircraft manufacturers, and a total number of seats. MTOW and seats are used to calculate the majority of posted air carrier charges for each aircraft landing. The load factor, the ratio of passengers to seats, is a measure of aircraft capacity utilization and is computed as a percentage of seats filled by passengers.

For more information regarding aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor, please refer to the GTAA's audited Financial Statements and Notes for the years ended December 31, 2019 and December 31, 2018, together with the auditors' report therein and accompanying MD&A.

4.3.3 Air Cargo

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

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

Reported Historical Air Cargo Enplaned-Deplaned Tonnage by Traffic Sector
(in thousands of metric tonnes)[1]

Year	Domestic	International	Total	Change (%)
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
2018	125.8	434.3	560.1	3.9
2019	137.5	375.7	513.2	(8.4)

1. 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.

Since 2015, air cargo volumes have increased at a compound annual growth rate of approximately 4.3 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 Toronto Pearson is carried in the belly hold, particularly in larger, wide-bodied aircraft. This incremental cargo revenue supports the viability of a route for air carriers and opens up potential new markets for Canadian exporters.

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. Toronto Pearson is the port of exit for a significant share of Canada's and Ontario's goods exports including seafood, diamonds, and advanced manufacturing products.

4.4 Air Passenger Service

As a global hub airport, Toronto Pearson has 63 air carriers providing flights to 173 international and 34 Canadian cities (non-stop flights to 168 International and 34 Canadian cities).

4.4.1 Share of Airline Activity

In 2019, 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 2019 was WestJet and its family of carriers, 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 projected growing future demand for aviation services in southern Ontario, a group of airports in the region are working together as the Southern Ontario Airports Network ("SOAN") to better understand this demand and highlight the wide choice passengers, shippers, air carriers and other aircraft operators have to meet their needs. The member airports of SOAN are: Toronto Pearson, Billy Bishop Toronto City Airport, John C. Munro Hamilton International Airport, Kingston Norman Rogers Airport, Lake Simcoe Regional Airport, London International Airport, Niagara District Airport, Oshawa Executive Airport, Peterborough Airport, Region of Waterloo International Airport, Sarnia Chris Hadfield Airport and Windsor International Airport.

In support of SOAN's work to capitalize on the opportunity of a growing region and air service demand, municipal leaders from key communities across Southern Ontario have come together in 2019 to form the Southern Ontario Municipal Aerospace Council ("SOMAC"). SOMAC is a forum for local elected Mayors and Regional Chairs to collaboratively work together to promote awareness, advocacy and strategic policy initiatives to strengthen airport host municipalities by keeping the aerospace sector robust as a driver of employment, innovation and productivity.

In 2019, as part of SOAN's mandate to increase awareness of the aviation assets in Southern Ontario, SOAN and the GTAA led a delegation including members of the SOMAC, airport executives, economic development officers, and investment attraction executives to the world's largest aerospace tradeshow and exhibition, the ideal venue to achieve the delegation's goal to increase awareness of the aerospace investment opportunities and to highlight Southern Ontario as a premier location to live, work and invest.

Ground Lease – Major International Airport

The Ground Lease provides that if the GTAA is meeting capacity and demand requirements Transport Canada will not construct and operate another Major International Airport (as defined below) within 75 kilometres of the Airport during the term of the Ground Lease or any renewal thereof. 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 (05-23, 06L-24R, and 06R-24L) 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 (15L-33R, and 15R-33L) permit operations when the wind is blowing in these directions.

Toronto Pearson has a total of 268 aircraft parking positions: 220 active aircraft parking positions and 48 aircraft parking positions available within airline tenants' leased premises.

4.6.2 Terminal Facilities

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

Terminal 1

Terminal 1 has 55 bridged gates, 24 regional aircraft parking positions, 39 remote (hardstand) aircraft parking positions and approximately 351,020 square metres of total floor area.

Terminal 3

Terminal 3 has 36 bridged gates, 9 commuter aircraft parking positions and a total floor area of approximately 176,905 square metres.

Infield Concourse

The Infield Concourse is an extension of Terminal 3 and was reactivated in the summer of 2018 to handle higher airline traffic and demand for gates. The Infield Terminal has 10 bridged gates.

4.6.3 Off-Airport Properties

The GTAA's wholly owned subsidiary MGI holds the shares of ACI, which owns a mix of real properties (commercial, office and industrial) near the Airport.

ACI owns and manages properties near the Airport primarily consisting of industrial and commercial office space and buildings which are unrelated to the day-to-day operation or management of Toronto Pearson. In accordance with the GTAA's Ground Lease, the approval of the Minister of Transport was obtained in connection with the properties acquired by ACI. The properties acquired by ACI do not form part of the premises leased to the GTAA by the federal government under the Ground Lease.

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, connection and flow, comply with regulatory requirements, enhance the customer experience, and improve ground transportation. Due to the recent COVID-19 pandemic and its impact on global air traffic, third-party suppliers, contractors and service providers, some of these projects and other capital expenditures may be postponed or, at Management's discretion, deferred.

4.8 Airport Revenues

Additional information relating to the GTAA's revenues is included in the GTAA's audited Financial Statements and Notes for the years ended December 31, 2019 and December 31, 2018, together with the auditors' report therein and accompanying MD&A. See "Additional Information".

4.8.1 Aeronautical Revenues

The GTAA's aeronautical revenues are comprised of Landing Fees, General Terminal Charges and Apron Fees charged to air carriers who use the aviation facilities provided by the GTAA.

Aeronautical fees have been held constant or lowered for 12 consecutive years, resulting in a reduction in average air carriers' cost per enplaned passenger. These fee reductions and rate freezes have been made possible by, among other factors, continued growth in air carrier and passenger traffic, an increase in non-aeronautical revenues, and operating cost and capital expenditure management.

In 2019, the GTAA advised that it would not change its aeronautical rates and charges to air carriers operating at the Airport in 2020. The GTAA retains the right, however, to set aeronautical rates and charges as required and, if circumstances should vary from the GTAA's expectations, the GTAA may alter its rates and charges.

Landing Fees

Landing Fees are calculated using 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 related 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 using 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

Apron fees are charged based on the usage of apron and aircraft gates and bridges, and recover the costs associated with these facilities. The fees are designed to encourage efficient use of apron and gate assets by the air carriers.

4.8.2 Commercial Revenues

Commercial revenues 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, ride-sharing companies, and taxis and limousines.

The GTAA also charges rent to tenants who occupy non-terminal space at the Airport. This includes rental revenue earned from 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. As noted, above Commercial revenues also include revenues attributable to the Off-Airport Properties owned by the GTAA's subsidiary ACI. See "Off-Airport Properties".

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

4.8.3 Airport Improvement Fee

The GTAA charges originating passengers an Airport Improvement Fee of $25, and connecting passengers an Airport Improvement Fee of $4. The Airport Improvement Fee has been held constant or lowered for the past 10 years.

The Airport Improvement Fees charged by the eight largest international airports in Canada in 2019 were as follows:

Airport Improvement Fees Charged by Canadian Airports

Airport	AIF
Calgary International Airport	$30
Edmonton International Airport	$30
Halifax Stanfield International Airport	$28/$15 [1]
Montreal-Pierre Elliott Trudeau International Airport	$30
Winnipeg James Armstrong Richardson International Airport	$25
Toronto Pearson International Airport	$25/$4 [2]
Ottawa Macdonald-Cartier International Airport	$23
Vancouver International Airport	$25/$5 [3]

1. $28 AIF for passengers travelling outside of Nova Scotia and $15 for passengers flying from Halifax to Sydney, Nova Scotia.
2. $25 AIF for originating passengers and $4 AIF for connecting passengers
3. $25 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 for capital programs and capital projects, and other purposes which include debt service and the furtherance of the objects of the GTAA as described in the GTAA's letters patent.

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 commercial 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

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. It does not include the aircraft movements of any companies acquired after the commencement of the term of the AC LTA as noted below.

Term — The initial term of the AC LTA was from January 1, 2014 to December 31, 2018, with an automatic five-year extension subject to certain passenger volume thresholds, which were met. The term is now scheduled to end on December 31, 2023.

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 1 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 or exceeds passenger growth thresholds in a given year, Air Canada will receive a rebate based on the incremental airport improvement fees and incremental non-aeronautical revenues attributed to the incremental passenger growth in excess of the applicable threshold.

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 benchmarked from 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 and implement improvement plans, which would include remedies to promote improved performance.

WestJet

In January 2016, the GTAA entered into a long-term commercial agreement with WestJet having similar parameters to the Air Canada commercial agreement. The WestJet agreement covered an initial four-year term, and has been automatically extended for an additional four years until the end of 2023 as certain conditions were met.

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 the GTAA's audited Financial Statements and Notes for the years ended December 31, 2019 and December 31, 2018, together with the auditors' report therein and accompanying MD&A. 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 in respect of the properties they own, as applicable. Additionally, all airport tenants are directly assessed by the Municipal Property Assessment Corporation ("MPAC") and pay 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. Instead the GTAA pays payments-in-lieu of development charges ("PILDC"). Under the Municipal Authority Agreement signed with the City of Mississauga in 2019, the GTAA and the City of Mississauga consult each other about the PILDC owed each year in accordance with a contractual mechanism. The City of Mississauga may apply for additional PILDC in accordance with the Payments in Lieu of Taxes Act (Canada). If Public Services and Procurement Canada pays any PILDC under the Act to the City of Mississauga, Peel Region or the City of Toronto, the GTAA must in turn reimburse Transport Canada in accordance with the Ground Lease.

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 commercial paper notes, 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 Ground Lease has an initial term of sixty 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.

The following is a 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 Ground Lease. 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 Lease 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 in summary form 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 2017, 2018 and 2019, the GTAA paid $156.9 million, $165.2 million and $170.8 million, respectively, to Transport Canada as Ground Rent under the Ground Lease, excluding amortization of land acquisition costs.

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 and socially 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

For details on risk oversight see "Corporate Governance - Board Mandate - Risk Management Oversight".

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, concessions, 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, which may include reference to 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 Management Program

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 targets, risks and mitigation plan monitoring to senior management.

4.11.3 Trends and Uncertainties - Climate Change

The GTAA takes into consideration risks associated with climate change in carrying out its activities at the Airport. See discussion at "5.2 Operational Risks".

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 GTAA maintains a Noise Management Program as required under the Ground Lease. 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, as well as restrictions on the hours that certain types of aircraft may use the Airport at night, is designed to mitigate the impact of aircraft noise.

In 2019, the GTAA launched the Toronto Pearson Noise Management Forums to replace the Community Environment Noise Advisory Committee. These are a series of briefings, tables, and working groups that help the Airport work with its communities and collaborate with industry.

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 certain 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.

The GTAA voluntarily complies with 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.

4.12 Human Resources

As of December 31, 2019, the GTAA employed approximately 1,831 persons who were engaged in management, technical, administrative and general labour activities. This number includes 195 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, 2023.

The term of the collective agreement between the GTAA and the PAPFFA expires on December 31, 2020.

On January 8, 2019, the GTAA announced that President and CEO Howard Eng would retire in 2020. Following the announcement, the Board created a committee (see "Ad Hoc CEO Search Committee") to conduct an international search for a successor to Mr. Eng. Following an extensive search, on November 27, 2019 the GTAA announced that Deborah Flint, would succeed Howard Eng as President and CEO of the GTAA.

On February 3, 2020, Ms. Flint assumed the role of President and CEO of the GTAA after four years as CEO of Los Angeles World Airports.

4.13 Legal Proceedings and Regulatory Actions

There are no legal proceedings that involve a claim for damages exceeding 10% of the Corporation's current assets in respect of which the Corporation was a party, or in respect of which any of the Corporation's property is or was the subject during the year ended December 31, 2019, nor are there any such proceedings known to the Corporation or contemplated.

5. Risk Factors

The GTAA, its operations, and its financial results are subject to certain risks. For details on risk oversight see "Corporate Governance - Risk Management Oversight".

The risk factors described below could materially affect the GTAA's business, operating results, financial condition, and ability to repay its debts as they become due. The risk factors described below are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the GTAA or that the GTAA considers immaterial may also materially and adversely affect its business operations and financial condition.

5.1 Air Transportation Industry Risks

The health of the air transportation industry is subject to a broad array of risks that can slow or temporarily halt operations at the Airport, and/or negatively affect a number of flights and passenger demand.

The GTAA's revenues are derived from aeronautical rates and charges, airport improvement fees, and commercial revenues. The number of flights and passengers using the Airport may be affected by factors including shocks to the macroeconomic environment (including changes in fuel prices, inflation, currencies, employment and spending) whether affecting the global economy, the Canadian and Ontario economies, or the GTA in which Toronto Pearson is located; an increase or decrease in competition from other airports impacting connecting flights; wars, riots or political action; third party labour disruptions at Toronto Pearson or other airports; disruptions caused by extreme weather, natural disasters, or events at other airports which impact air industry networks, other hub airports, and passengers' flight connections; geopolitical unrest; acts of terrorism or cybersecurity threats and attacks and additional security measures put in place to guard against such attacks; changes in domestic or international laws or regulation, including changes in international air transportation agreements such as the passenger bill of rights; the rise of social movements affecting the air industry such as climate change; fluctuations in the cost of air travel, and the development of efficient and viable alternatives to air travel.

Epidemic diseases such as the COVID-19 pandemic could impact passenger demand for air travel.

Outbreaks or the threat of outbreaks, viruses, or other contagions or epidemic diseases, including COVID-19, influenza, SARS, Ebola, Zika, as well as any travel or other advisories relating to same, whether domestic or international or whether relating to Canadian cities or regions or other cities, regions or countries, and resulting economic contractions, would have a negative effect on demand for air travel. Reduced demand for air travel could result in a negative impact on the GTAA's business and results from operations.

In late December 2019 and early 2020, COVID-19 was confirmed in multiple countries throughout the world and declared on March 11, 2020 as a pandemic by the World Health Organization. The outbreak and resulting economic contraction has had, and is expected to continue to have a significant negative impact on demand for air travel globally. Toronto Pearson is experiencing significant declines in passenger and flight activity during February and March of 2020, as compared to the same period in 2019, as a result of flight and route cancellations, fleet groundings, travel advisories and restrictions and the economic contraction occasioned by the outbreak. The reduced activity is having a negative impact on the GTAA's business and results of operations, including aeronautical and commercial revenues and airport improvement fees. Given the rapidly evolving situation, it is not possible to predict the extent of the financial impact, which could be material, or the duration of the outbreak and resulting economic contraction's disruption on our business, results of operations and financial condition.

Disruptions to air carrier fleet capacity could impact passenger activity and flight activity at Toronto Pearson.

Disruptions to air carrier fleet capacity, such as the grounding of the Boeing 737 MAX, could impact the GTAA's revenues. On March 13, 2019, Transport Canada issued a safety notice closing Canadian airspace to the 737 MAX until further notice, followed by the Federal Aviation Administration which issued a temporary grounding order for the 737 MAX. The grounding had a negative impact on the number of passengers who would ordinarily fly with Air Canada, WestJet and Sunwing Airlines as these carriers utilize the 737 MAX in their fleet operating at Toronto Pearson. On March 14, 2019, Boeing announced it would suspend Boeing 737 MAX deliveries to airline customers. The duration and on-going impact of this action is uncertain. This disruption has negatively impacted GTAA revenues, and a prolonged disruption could negatively impact them further based on a number of factors, including the period of time the aircraft remain unavailable, passengers' perceptions relation to the 737 MAX and the circumstances of any reintroduction of the aircraft to service.

Passenger numbers, mix of passengers, and propensity of passengers to spend could impact non-aeronautical/commercial revenues.

Principal sources of non-aeronautical/commercial revenues include car parking, ground transportation, concessions, rentals, check-in fees, deicing facility fees and other sources, as more particularly described in "Non-Aeronautical Revenues". A significant portion of such commercial revenues are correlated with passenger activity and the propensity of passengers to spend in the duty-free, specialty retail, and food and beverage concessions.

As noted above, there are a variety of factors that could adversely affect the number of passengers using the Airport. Commercial revenues may also be affected by changes in the mix of long and short haul and origin and destination and connecting passengers, economic factors, including exchange rates and changes in duty free regimes, retail tenant failures, lower retail yields on concession re-negotiations, redevelopments or reconfigurations of retail facilities at Toronto Pearson, or reduced competitiveness of the Airport retail offering. Car parking income could be reduced as a result of increased competition from other modes of transport to Toronto Pearson, such as buses, trains and ride share options, as well as increased competition from off-site parking providers.

The GTAA's ability to meet business objectives may be impacted by factors outside of the GTAA's control.

The GTAA's Master Plan presents the GTAA's 20-year strategic framework and identifies the strategic priorities and short and long term plans that support Toronto Pearson to meet the growing regional and global demand for air travel, as more particularly described in "Toronto Pearson Master Plan 2017-2037".

The Master Plan presents an assessment of expected demand, and describes the operations and facilities needed to support such growth. While the GTAA periodically conducts a comprehensive review of its business strategy to incorporate any emerging factors that may influence business objectives, and to connect the strategic objectives with the GTAA's risk profile, the GTAA's objectives are subject to factors and processes outside the control of the GTAA. There can be no assurance that the GTAA's business strategy will produce the expected financial results based on future changing economic factors.

Furthermore, airport operations are dependent on availability and reliability of physical assets, and the GTAA may not be able to increase capacity to meet demand. The provision of services at Toronto Pearson is dependent on the availability of physical assets such as runways and taxiways, terminal buildings, deicing facilities, parking structures, and information technology, as well as efficient transit to reach the Airport. This includes availability of existing assets and additional physical and system capacity including the ability to protect the necessary land and zoning needed to meet growing aviation demand.

There can be no assurance that the GTAA will be able to meet demand with existing capacity or increase capacity in a timely way.

Incidents, including accidents, could occur.

Airports are exposed to the risk of incidents, including accidents, as a result of factors, including but not limited to, extreme weather conditions, equipment failure, labour conflicts with airport workers, human error, terrorist activities, unmanned aerial vehicles, or other causes beyond the GTAA's control. These incidents could result in injury or loss of human life, damage to airport infrastructure, short-term or long-term closure of Toronto Pearson's facilities, and may have an impact on passenger traffic levels.

Stakeholders may resist, or compete over, GTAA strategies.

The execution of the GTAA's strategies requires the GTAA to deliver high standards and build confidence with various stakeholders including regulators, air carriers, and passengers. Any action or inaction by the GTAA, or any businesses or government agencies operating at the Airport, may impair Toronto Pearson's image in the community or the public's confidence in the Airport. While the GTAA is taking steps to discharge its responsibilities effectively, there can be no guarantee that steps taken by the GTAA will be effective. A failure to maintain trust with stakeholders and communities could result in damage to the GTAA's reputation and execution of its business strategy, including additional regulatory oversight or additional restrictions on GTAA operations.

Rate Regulation.

The setting of aeronautical rates and charges is not currently regulated in Canada, leaving airport authorities such as the GTAA to establish rates and charges appropriate for the airport they operate.

Should the federal government introduce or impose a regulatory regime with respect to rates and charges, the GTAA's revenues, governance over capital expenditures and cost of financing may be negatively impacted.

Terrorist acts or threat and related consequences.

The potential for terrorist acts and terrorist activity causes concern and uncertainty in the minds of the traveling public. The occurrence of a terrorist attack, or the perceived threat of attacks involving Toronto Pearson or another airport or directed at an air carrier or industry service provider, enhanced restrictive security measures, such as those relating to the content of carry-on baggage, passenger identification document requirements, and passenger screening procedures, would have a negative effect on flights, passenger demand for air travel, and associated impacts on the number of passengers traveling through Toronto Pearson.

5.2 Operational Risks

Disruptions to the GTAA's information technology infrastructure and data could directly or indirectly interfere with the GTAA's operations.

The GTAA relies on technology to process, transmit and store electronic information, and to manage and support a variety of business processes and activities at Toronto Pearson, as well as providing information technology services to third parties. The GTAA's technology networks and infrastructure may be vulnerable to a variety of sources of damage, disruptions or shutdowns due to cybersecurity threats, breaches due to employee error or malfeasance, disruptions during software or hardware upgrades, third party supplier's acts or omissions, telecommunication failures, power failures, natural disasters or other catastrophic events. The occurrence of any of these events could impact the reliability of the GTAA's operation or Airport facilities, expose the GTAA, its customers or its employees to a risk of loss or misuse of information, and result in legal claims or proceedings, liability or regulatory penalties against the GTAA, or damage the GTAA's reputation.

The GTAA invests in initiatives, including security initiatives and disaster recovery plans; however, these initiatives may not adequately address a highly dynamic and continually evolving threat landscape.

Government agencies' ability to keep pace with the current and forecasted growth at Toronto Pearson.

The GTAA relies on the services and equipment, provided by a number of governmental agencies, including the Canadian Air Transport Security Authority, NAV Canada, Canadian Border Services Agency, and United States Customs and Border Protection to perform security screening, air traffic control and border services to maintain a consistent and reliable flow through the Airport. The GTAA is responsible for the coordinated flow of Airport processes, and incurs operating costs to support government agencies, but does not manage or control the agencies' budgets or resource deployment at Toronto Pearson.

The loss of key personnel, the inability to attract and retain qualified employees, and labour disruptions.

The GTAA's operations depend on the continued efforts of its employees and certain roles are essential for continuity of operations including maintaining the Airport operating certificate. The

GTAA cannot guarantee that any member of its Management or any one of its key employees will continue to serve in any capacity for any particular period of time.

Attracting, developing, and retaining the right talent, while fostering a high-performance culture, is important to the GTAA's achievement of its strategic objectives. Further, certain events or conditions, such as an aging workforce and talent shortages, may lead to increased attrition, operating challenges and increased costs.

The maintenance of a productive and efficient labour environment without disruptions cannot be assured. In the event of a strike, work stoppage or other form of labour disruption, including actions undertaken by the GTAA or other unionized workers, the GTAA could experience disruptions in its operations and incur additional expense.

The GTAA could face costs related to extensive legal and regulatory requirements.

The GTAA is subject to extensive legal and regulatory requirements, including but not limited to Canadian Aviation Regulations (CARs), Canadian Aviation Security Regulations (CASRs), various covenants and other obligations under its Ground Lease with Transport Canada, and requirements with respect to financial reporting, taxes, advertising, privacy, data security, pensions, and health and safety, all of which are subject to change over time. Compliance with current or future legal and regulatory requirements may result in restrictions on the GTAA's operations and significant cost.

Violation of law, non-compliance with regulatory requirements and breach of contract (including the Ground Lease), even though unintentional, may bring about legal consequences impacting the GTAA, including revoking of the Airport operating certificate, termination of the Ground Lease, damage to reputation, disruption to business or operations, loss associated with enforcement actions and lawsuits and impediments and/or competitive disadvantages, including diminished ability to implement its growth business strategies.

The GTAA could experience negative business impacts related to environmental matters.

The GTAA's business is affected by a wide variety of federal and provincial environmental requirements which are subject to change over time. It is also subject to environmental requirements under its Ground Lease. Compliance with present or future environmental requirements may be costly and time consuming and interfere with the GTAA's existing activities and operations.

The GTAA's existing operations may be negatively impacted by a number of environmental factors and changing regulations regarding climate change; air quality requirements (including emissions standards); further imposed noise limitations; energy use and efficiency; soil and water pollution arising from Airport operations; discharges and surface water drainage; land and groundwater contamination; flooding, drought, and extreme weather events; asbestos in premises and exposure to asbestos; and waste handling, management and disposal.

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 and storage of glycol-based deicing fluid.

The GTAA could experience negative business impacts related to climate change.

Climate change-related risks can generally be grouped into two categories: physical risks and transition risks.

<u>Physical Risks - Acute</u> More frequent weather events that may be due to climate change increase the acute physical risk to Toronto Pearson, including lost aeronatuical and non-aeronautical revenues from increased flight cancellations; interruptions to normal operations as a result of, for example, power outages and flooding; higher operating costs such as snow removal and comfort heating and cooling; higher insurance costs arising from damage to infrastructure and equipment; and increased workplace injuries as a result of, for example, high winds, lightning, or icy surfaces.

The GTAA seeks to mitigate these risks, including by: updating its stormwater-flood study regularly to determine which improvements or changes should be considered to prevent flooding during severe storms; creating and revising its processes and procedures associated with extreme weather events; and conducting comprehensive reviews after each severe weather event to enhance the GTAA's preparedness for future severe weather events.

<u>Physical Risks- Chronic</u> Chronic physical risks due to climate change may include sustained higher temperatures, which make it more difficult for planes to take off. This could result in periods of time when take-offs are suspended, thereby reducing the capacity of Toronto Pearson, and in turn, reducing aeronautical and non-aeronautical revenues. The GTAA's capital expenses may also increase if measures such as extending runways so that airplanes can continue to take off during days with higher temperatures are necessary.

<u>Transition Risks - Market</u> "Flight shaming" and similar movements aimed at stigmatizing air travel due to greenhouse gas emissions from airlines may result in reduced demand for air travel, and therefore reduced revenues from airlines and passengers. Continued improvements in video conferencing technology, as well as the availability of alternative means of travel (e.g. rail, electric vehicles) may also have longer term impacts on the demand for air travel that make forecasting growth more challenging. Similarly, greater reliance on transit to reduce greenhouse gas emissions from personal vehicles may reduce car parking income. Consumer preferences for sustainable eating choices, including by avoiding single-use plastic utensils and containers, may reduce the success of our quick-serve restaurants. The GTAA monitors the impact of these movements, both on Toronto Pearson and on global trends, to inform its forecast scenarios.

<u>Transition Risks - Reputational</u> The GTAA expects the aviation industry will be under increasing scrutiny due to its contribution of greenhouse gases to the atmosphere and it must act to mitigate its own emissions further. While most of these emissions are from aircraft, the GTAA and other airport operators are an important part of this industry and may experience the same reputational risks and consequences if they do not act to mitigate their own emissions further notwithstanding the total contribution of airports to global carbon emissions being significantly lower than that of air carriers.

To mitigate these reputational risks and to reduce its impact on the environment, the GTAA is certified to level 3 of the Airport Carbon Accreditation program.

Transition Risks - Regulatory The GTAA is subject to certain federal and provincial laws regarding the environment, including taxes and regulations directed at emissions of greenhouse gases believed to be responsible for climate change. Such laws and regulations may result in increased capital and operational costs to comply with those restrictions, especially to energy-intensive operations such as the GTAA's cogeneration facility. Furthermore, permits under such laws may also be more difficult to obtain as climate change issues figure more prominently in environmental assessments.

Transition Risks - Legal The likelihood of legal action against the GTAA for failing to appropriately address climate change related risks appropriately exists but is considered low, given the relatively negligible emissions from our operations and our continued focus on mitigation. The GTAA continuously evaluates this risk as more information about climate change becomes available.

Transition Risks - Technology Personal air vehicles and similar technologies in response to climate change concerns and other consumer demands may reduce demand for conventional air travel requiring runways and terminals for loading and unloading large numbers of passengers, whether powered by fossil fuels or not.

Operations at Toronto Pearson are dependent on third parties.

The GTAA works with a number of parties to deliver services to passengers including air carriers and third-party vendors. Should any of these parties fail to deliver services as required in coordination with the other partners including the GTAA, the GTAA's ability to generate revenue or deliver desired service levels will be impacted. Many of GTAA's commercial relationships are governed by legal agreements that may not be fully performed or may expire, and there can be no assurance that such agreements will be renewed or, if renewed, will contain similar terms.

The implementation of the GTAA's capital investment program could be affected by unanticipated issues.

The GTAA's capital investment program includes major construction projects at Toronto Pearson, which have been identified to support anticipated future growth and improve the passenger experience. Unanticipated issues or the failure of the GTAA to recognize, plan for, and manage within the required time frames could result in operational disruptions, delays to schedule, unsatisfactory facilities, safety and security performance deficiencies, capital cost overruns and higher than expected operating costs. Any of these risks could affect Toronto Pearson's day to day operations, cash flow, longer-term business objectives and reputation.

The GTAA could face increases in insurance costs or reduction in insurance coverage.

The GTAA maintains insurance coverage, consistent with industry practice and its obligations under the Ground Lease, but this coverage is limited, and the GTAA is generally not fully insured against all significant losses. The GTAA's ability to obtain and maintain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, or local events and company-specific events, as well as the financial condition of insurers.

The global insurance industry has been continually re-evaluating the risks that it covers which may adversely affect some of the GTAA's existing insurance carriers or the GTAA's ability to obtain future insurance coverage . To the extent that the GTAA's existing insurance carriers are unable or unwilling to provide it with insurance coverage and in the absence of measures by the Government of Canada to provide the required coverage, the GTAA may be in breach of regulatory requirements or contractual arrangements requiring that specific insurance be maintained.

From time to time the GTAA is subject to legal proceedings, assessments, claims, litigation (including class actions) and regulatory matters in the ordinary course of business.

The GTAA may be subject to liability claims arising out of events or accidents involving Airport operations or air carrier operations or third-party provided services to GTAA, including claims for serious personal injury or death. Events or accidents may occur despite all appropriate measures being taken, and as a result of a variety of factors beyond GTAA's control including acts of terrorism and sabotage, severe weather, lightning and wildlife strikes and other natural disasters as well as the increasing frequency of unmanned aerial vehicles.

The GTAA may also be subject to other claims and litigation (including class action claims), including with respect to its operations, contractual arrangements, and current or new laws and regulations.

5.3 Financing Risks

The GTAA has, and is expected to continue to have, a significant amount of indebtedness outstanding and its ability to service its debt obligations could be impacted by external factors.

As a corporation without share capital, the GTAA utilizes floating and fixed rate debt to finance in part airport operations, capital projects, and the acquisition of lands and commercial buildings proximate to the Airport. The ability of the GTAA to service its indebtedness will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary. In addition, the GTAA is exposed to interest rate increases from certain outstanding short-term variable interest indebtedness, and as a result, increases in interest rates could increase the GTAA's financing costs.

There can be no assurance that the GTAA will at all times be able to generate sufficient cash from its operations to be able to refinance existing indebtedness on favorable terms, execute its business strategy, or fulfill its requirements under the Ground Lease. Each of these factors is, to a large extent, subject to economic, financial, regulatory, operational and other factors, many of which are beyond the GTAA's control.

In addition, the amount of indebtedness that the GTAA has or may incur in the future could have a material adverse effect on the GTAA's ability to obtain additional financing, require the GTAA to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness and other fixed cost obligations, make the GTAA more vulnerable to economic downturns, and limit the GTAA's flexibility in planning for, or reacting to changes in its business environment.

Events in the financial markets or other factors can negatively impact the GTAA's ability to access new or rollover existing financing through bank and capital markets.

There can be no assurance that the GTAA will be able to access new financing or roll over existing financing on terms that are economically viable or at all. Material disruptions in credit markets can significantly restrict the GTAA's ability to raise financing or result in increased interest rates. In addition, lenders may impose restrictions or other terms and conditions.

Certain existing debt and other agreements contain covenants which may significantly limit or prohibit the GTAA's financial flexibility and the way in which the Company operates its business.

Some of the financing and other major agreements to which GTAA is a party contain, and in the future may contain, restrictive, financial and other covenants which affect and, in some cases, significantly limit or prohibit, among other things, the manner in which the GTAA may structure or operate its business, including by limiting the GTAA's ability to incur additional indebtedness, reduce liquidity, make capital expenditures, and engage in acquisitions. Future financing and other significant agreements may be subject to similar or stricter covenants which limit the GTAA's operating and financial flexibility and impact its ability to operate its business.

A downgrade in the GTAA's credit rating could have a material adverse effect on the GTAA's business, cost of capital, financial condition and results of operations.

The GTAA has a senior debt rating of A+ from S&P and an Aa3 rating from Moody's, in addition to a short-term debt rating of R-1(low) from DBRS. The ratings indicate the agencies' assessment of the GTAA's ability to pay the interest and principal of its debt securities.

There can be no assurance that any of the GTAA's current ratings will remain in effect for any given period of time, or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. A downgrade in the GTAA's credit ratings could result in an increase in the GTAA's borrowing costs under its bank credit facilities and future issuances of long-term debt securities. If any of these ratings fall below investment grade (investment grade is defined as BBB- or above for S&P and Baa3 or above for Moody's), the GTAA's ability to issue short-term debt or other securities, or to market those securities, could be impaired or become more difficult, or expensive.

The GTAA could face costs related to pension requirements.

The GTAA maintains several pension plans, including defined benefit and defined contribution plans. Canadian federal pension legislation requires that the funded status of registered pension plans be determined periodically, on both a going concern basis (essentially assuming indefinite plan continuation) and a solvency basis (essentially assuming immediate plan termination). In addition, current service contributions in respect of a domestic registered plan are required except to the extent they are funded (and if permitted subject to applicable plan rules and legislation) through a sufficient surplus in such plan. The GTAA's pension funding obligations (including projected funding obligations) may vary significantly based on a wide variety of factors, including pension plan solvency valuations, regulatory developments, plan demographics, changes to plan provisions, changes to pension asset investment strategies, assumptions and methods used and changes in economic conditions and other factors. Deteriorating economic conditions or a prolonged period of low or decreasing interest rates may result in significant increases in the GTAA's funding obligations.

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, 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 has outstanding debt securities, including medium term notes (the "MTNs") and commercial paper, pursuant to the Indenture, as supplemented, of approximately $6.4 billion, including accrued interest and net of unamortized discounts and premiums, as at December 31, 2019. For further details on the GTAA's capital structure, please refer to the GTAA's audited Financial Statements and Notes for the years ended December 31, 2019 and December 31, 2018, together with the auditors' report thereon and accompanying MD&A.

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 Corporation maintains the following credit ratings by the rating agencies[1]:

	S&P		Moody's		DBRS	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Issuer Rating	A+	A+	Aa3	Aa3	A (high)	A (high)
Senior Debt Rating	A+	A+	Aa3	Aa3	-	-
Short-term Debt Rating	-	-	-	-	R-1 (low)	R-1 (low)

1. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Credit ratings are not a recommendation to buy, sell or hold securities of GTAA and do not comment as to market price or suitability for a particular investor. There can be no assurance that a rating will remain in effect for any given period of time or that the rating will not be revised or withdrawn at any time by the rating agency.

S&P

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

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

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.

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

The National Airports Policy, the Public Accountability Principles, and the Ground Lease with Transport Canada collectively establish the governance framework for Airport Authorities including the GTAA. These documents also set out certain requirements, including with respect to the nomination of Members, holding public meetings, publishing certain documents and adopting certain corporate policies.

7.1 Members/Board of Directors

As a corporation without share capital, the GTAA has Members rather than shareholders or other equity holders. The process for nominating and selecting Members is based on the GTAA's By-Law.

The GTAA's Members are also its Directors; reference in this AIF to Members is also a reference to those serving on the GTAA's Board of Directors.

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

The following table sets forth the names of the Directors, together with their place of residence, the date they became Directors, the expiry of their current term, their principal occupation, and Board Committee memberships as of the date of this report.

Name, Residence and Principal Occupation	Director Since	Term Expiry	Committee Memberships
Douglas Allingham Ontario, Canada Corporate Director	2018	2021	Board Chair (effective May 7, 2019) Ex-officio member of all Board Committees
Jeffrey P. Fegan Texas, USA Chief Executive Officer, Jefffegan.com LLC (aviation consulting firm)	2014	2020	Human Resources and Compensation Committee Planning and Commercial Development Committee (Chair)
Peter Gregg Ontario, Canada President and Chief Executive Officer, Independent Electricity System Operator (electrical operations authority)	2018	2021	Audit Committee Governance and Stakeholder Relations Committee
Kathleen L. Keller-Hobson Ontario, Canada Corporate Director	2017	2022	Governance and Stakeholder Relations Committee (Chair) Planning and Commercial Development Committee
Roger Mahabir Ontario, Canada President and Chief Executive Officer, Technology Innovations Inc.; Chairman and Chief Executive Officer, Tracker Networks Inc. (information technology companies	2013	2022	Audit Committee (Chair) Planning and Commercial Development Committee
Hazel McCallion Ontario, Canada Chief Elder Officer, Revera Inc.; Special Advisor to the VP U of T (Mississauga Campus)	2017	2022	Governance and Stakeholder Relations Committee Planning and Commercial Development Committee
Michele McKenzie Ontario, Canada Principal, McKenzie Business Strategies (management consulting)	2018	2021	Governance and Stakeholder Relations Committee Human Resources and Compensation Committee

Name, Residence and Principal Occupation	Director Since	Term Expiry	Committee Memberships
Marc Neeb Ontario, Canada Corporate Director	2019	2022	Governance and Stakeholder Relations Committee Human Resources and Compensation Committee
Terrie O'Leary Ontario, Canada Executive Vice President, Business Strategy and Operations, Toronto Global (investment attraction agency for the Toronto Region)	2016	2021	Governance and Stakeholder Relations Committee Human Resources and Compensation Committee
Eric Plesman Ontario, Canada Executive Vice President, North America, Oxford Properties	2019	2022	Audit Committee Planning and Commercial Development Committee
Michelle Samson-Doel Ontario, Canada President, Samson-Doel Group Limited (investment company)	2014	2020	Audit Committee Human Resources and Compensation Committee (Chair)
Mark F. Schwab Florida, USA Senior Advisor, Cartrawler (travel technology) and PASSUR Aerospace (aviation intelligence)	2017	2020	Human Resources and Compensation Committee Planning and Commercial Development Committee
Johan C. van 't Hof Ontario, Canada President, Tonbridge Corp. (merchant bank)	2017	2021	Audit Committee Planning and Commercial Development Committee
W. David Wilson[1] Ontario, Canada President, WDW Capital Inc. (investment holding company)	2011	2020	Audit Committee Governance and Stakeholder Relations Committee

1. The Term of Mr. Wilson will reach the maximum 9 years in 2020.

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:

Douglas Allingham was Chief Executive for AECOM Canada Ltd. from July 1988 to March 2018.

Peter Gregg was President and CEO of Enersource Corporation from April 2014 to June 2017.

Marc Neeb was Chief Human Resources Officer of Magna International from 2014 to 2019, prior to which he was the Executive Vice President, Global Human Resources.

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

7.2 Director Independence

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

The Board 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 following table identifies the Director that is currently a director of another reporting issuer in Canada, and the name of such issuers:

Director	Name of Other Reporting Issuer
Kathleen Keller-Hobson	CCL Industries Inc. Premium Brands Holdings Corporation

7.3 Board Mandate

The Board is responsible for the overall stewardship of the GTAA, including overseeing the Corporation's governance, strategic direction, and supervising Management, which is responsible for the day-to-day conduct of the business and affairs of the Corporation. The Board's written mandate is contained in the Terms of Reference of the Board of Directors, which is attached as Appendix "A".

Risk Management Oversight

The Board oversees risk management and takes steps to ensure that Management has an effective risk management structure in place. Management is responsible for ensuring that policies and practices are effective and meet legislative and regulatory requirements and take into account best practices.

In connection with this risk oversight responsibility, the GTAA has developed and implemented an Enterprise Risk Management ("ERM") program that provides a disciplined approach for identifying, assessing, treating and managing risks, and the integration of risk considerations to strategy and opportunity. An enterprise-wide approach enables business and external risks to be managed and aligned with the GTAA's strategic priorities.

7.4 Position Descriptions

Position descriptions for the Board Chair and the Chair of each Committee are contained in the Board of Directors Terms of Reference and relevant Committee Charters.

7.5 Orientation and Continuing Education

Each new Director participates in the GTAA's 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, 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 Directors' Continuing Education Policy. 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 including speakers from air carriers, government agencies, and Management on topics related to transportation, aviation, safety, security, stakeholder relations, and other matters related to the operation of the Airport.

7.6 Ethical Business Conduct

The GTAA has a Code of Business Conduct and Ethics (the "Code") that 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 Board members. 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 2020, 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.

7.7 Nomination of Members

The Governance and Stakeholder Relations Committee is responsible for the director nominating process, which encompasses the following responsibilities: (a) 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; (b) Determining if nominees are qualified to be Members of the GTAA in accordance with the GTAA's By-Law and assessing their skills, experience, and abilities; (c) Making recommendations to the Board; and (d) Periodically reviewing the nominating process.

Seven Directors are elected by the Members from candidates who are identified and assessed through a search process. The search process includes engaging the Named Community Nominators which include 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.

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

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

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

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

7.8 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:

(a) Directors

As of the date of this report, the GTAA's Board includes five women, or 36 per cent of the 14 Directors. The Board is also diverse; six of its Directors, or 43 per cent, are women or members of a visible minority group.

The Board's Diversity Policy provides that (a) the GTAA recognizes and embraces the benefits of having a Board that is diverse in its composition; (b) 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; (c) 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 (d) as part of the 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.

(b) Executive Officers

As of the date of this report, the GTAA has 10 executive officers, two of whom, the CEO and the CFO, are visible minorities. In addition, five, or 50 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.

7.9 Board Committees

The Board has four standing committees, as follows:

- Audit Committee;
- Governance and Stakeholder Relations Committee;
- Human Resources and Compensation Committee; and

- Planning and Commercial Development Committee.

Having fulfilled its mandate, the Risk Oversight Committee was disbanded on March 20, 2019 and the full Board re-assumed responsibility for risk oversight.

The Board established an Ad Hoc CEO Search Committee in September 2018 to facilitate the search to identify and recommend candidates for the position of President and CEO of the GTAA. The Ad Hoc CEO Search Committee was disbanded in late 2019 upon completion of its mandate.

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

Audit Committee

The Audit Committee is mandated by the Board 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, as well as to fulfill relevant legal obligations of an Audit Committee of a reporting issuer. The Audit Committee Charter, attached as Appendix "B", defines the responsibilities of the Committee. The GTAA maintains a separate internal audit function led by the Director, Internal Audit, who reports directly and independently to the Audit Committee.

As of the date of this report, the members of the Audit Committee are Roger Mahabir (Chair), Peter Gregg, Eric Plesman, Michelle Samson-Doel, Johan van 't Hof and David Wilson. Each of the members of the Audit Committee is "financially literate" and "independent", as those terms are defined in applicable securities laws.

Relevant Education and Experience of Audit Committee Members

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 include 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 has 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 and advisory boards of private and public organizations in Canada, the United States, and Europe.

Peter Gregg - Mr. Gregg is President and Chief Executive Officer of the Independent Electricity System Operator (IESO). Under Mr. Gregg's leadership, the IESO oversees the safe and reliable operation of Ontario's bulk electricity system, ensuring affordable electricity is available when and where people need it, and the administration of the wholesale electricity markets. Mr. Gregg is an experienced leader in Ontario's electricity sector, having served in several executive capacities before joining the IESO, including as CEO of Enersource Inc. He also plays a key role on the council of Independent System Operators and Regional Transmission Organizations, the North American Electric Reliability Corporation (NERC) and the Electricity Subsector Coordinating Council (ESCC). Mr. Gregg is Chair of the Electrical Safety Authority, and previously, was the Chair of its audit committee. He is also the Chair of the Ontario Energy Network. He is a member of the MaRS Energy Board and also sits on the board of the Canadian Electricity Association. Mr. Gregg has a MBA from the Richard Ivey School of Business and attained the ICD.D designation from the Institute of Corporate Directors in 2011.

Eric Plesman - Mr. Plesman is Executive Vice President, North America at Oxford Properties, a real estate company owned by OMERS (Ontario Municipal Employee Retirement System) with $60 billion in assets under management. He is responsible for Oxford's North American Investments (equity and debt) and Development activity across all asset classes (office, industrial, retail, multi-family and hotel), as well as Oxford's North American Retail and Industrial businesses. Mr. Plesman is a member of the executive management team and has held senior roles including responsibility for Oxford's Canadian portfolio representing 1,500 people and a real estate portfolio of over $20 billion and 33 million square feet. Mr. Plesman's past experience includes roles in Investment Banking and Real Estate Private Equity at Morgan Stanley (London (UK), New York City, and Toronto) as well as Arthur Andersen in Amsterdam. Mr. Plesman holds a BA from the University of Western Ontario and a HBA in Business Administration from the Ivey Business School at the University of Western Ontario. He served on the NAIOP GTA Board of Directors and was the Chair of the Government Relations Committee in 2018 and Co-Chair in 2019.

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 is a past director on the Audit Committees of Boralex Inc., a publicly traded renewable energy developer and producer. She currently serves as a Director on the Audit Committee of 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) and was seconded to the Ontario Securities Commission by his firm. 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.

David Wilson - Mr. Wilson is a seasoned Canadian financial executive and administrator and former Chair and CEO of the Ontario Securities Commission, and is now retired following an extensive career in Canada's financial services industry. Prior to his appointment to the Ontario Securities Commission, he was Vice Chair of the Bank of Nova Scotia and Chair and Chief Executive Officer of Scotia Capital. Mr. Wilson holds a B.Comm from the University of Toronto and an MBA from York University.

Governance and Stakeholder Relations Committee

The Governance and Stakeholder Relations Committee is charged with overseeing the effective governance of the GTAA and making recommendations to the Board and its Committees on measures to enhance effectiveness, The Committee also oversees the GTAA's stakeholder relations and communications strategy for building brand and social license, including overseeing the GTAA's Community Investment Program.

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

As of the date of this report, the members of the Governance and Stakeholder Relations Committee are Kathleen Keller-Hobson (Chair), Peter Gregg, Hazel McCallion, Michele McKenzie, Marc Neeb, Terrie O'Leary and David Wilson.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee's mandate is to oversee matters related to the GTAA's human resources strategy, oversight of strategic human resources matters, including executive compensation, succession planning, development, talent management, performance oversight, recruitment, compensation matters relating to the President and Chief Executive Officer and officers, and matters relating to enterprise-wide human resources risks, policies and relevant matters.

As of the date of this report, the HR&C Committee is composed of the following Directors: Michelle Samson-Doel (Chair), Jeff Fegan, Michele McKenzie, Marc Neeb, Terrie O'Leary, and Mark Schwab.

See "Role of the Human Resources and Compensation Committee" for additional disclosure regarding the Committee and its role and responsibilities.

Planning and Commercial Development Committee

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

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

As of the date of this report, the members of the Planning and Commercial Development Committee are Jeff Fegan (Chair), Kathleen Keller-Hobson, Roger Mahabir, Hazel McCallion, Eric Plesman, Mark Schwab, and Johan van 't Hof.

7.10 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
Howard Eng[1] Ontario, Canada	Officer
Deborah Flint[2] Ontario, Canada	President and Chief Executive Officer
Katherine Hammond Ontario, Canada	Vice President, Governance, Corporate Safety & Security
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
John Peellegoda[3] Ontario, Canada	Treasurer

1. Howard Eng, former President and Chief Executive Officer, is currently an officer and will retire on March 31, 2020.
2. Deborah Flint, current President and Chief Executive Officer, joined the GTAA in February 2020.
3. John Peellegoda, 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:

Ian L.T. Clarke was Executive Vice President, CFO, Business Development at Maple Leaf Sports and Entertainment from 2004 until 2016.

Deborah Flint was Chief Executive Officer of Los Angeles World Airports from 2015 to 2019. Ms. Flint currently serves on the Board of Directors of Honeywell.

Katherine Hammond was Vice President, Legal at OMERS Infrastructure from April 2012 to July 2018.

Kim Stangeby held the following positions: Transformation Agent at Kingston Road from November 2013 to April 2017; 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 Interim Lead, Strategic Program Management Office at the Royal Canadian Mint from October 2015 to April 2016.

John Peellegoda was Director, Capital Planning and Treasury at Algonquin Power & Utilities Corporation from May 2017 to October 2018 and was Senior Manager, Treasury & Corporate Finance from January 2012 to May 2017.

8. Compensation Discussion and Analysis

The following Compensation Discussion and Analysis outlines key elements of compensation awarded to, earned by or paid to GTAA Named Executive Officers in respect of 2019.

Name	Principal Position
Howard Eng	President and Chief Executive Officer
Ian L.T. Clarke	Chief Financial Officer
Craig B.M. Bradbrook	Vice President, Aviation Services
W. Scott Collier	Vice President, Customer and Terminal Services
Patrick C. Neville	Vice President, Airport Planning and Technical Services

8.1 Role of the Human Resources and Compensation Committee

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

Succession Planning

The HR&C Committee is responsible for developing and presenting to the Board succession and development plans for the CEO. The HR&C Committee is also responsible for overseeing succession and development plans for the executives, including management succession and talent management broadly.

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.

8.2 Compensation Philosophy

The GTAA's executive compensation policies and programs were designed to accomplish the following objectives:

- Attract and retain executives; and
- Motivate executives to achieve the strategic imperatives and business goals of the GTAA within agreed risk tolerances.

Our approach to compensation is guided by four principles:

Guiding Principle	Summary Description
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.
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.
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.
Internal Equity	Compensation must be fair to all employees and reflect differences in job responsibilities, expertise and the market value for the work done.

Compensation for all executives, 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 short-term 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 HR&C Committee and its independent compensation consultant.

8.3 Compensation Comparator Group

The HR&C Committee periodically monitors comparator compensation information, using data prepared by its independent third-party compensation consultant, to validate GTAA's target levels of total direct executive compensation (base salary + short-term incentive compensation + long-term incentive compensation). This comparison provides a competitive indication of GTAA's executive compensation plans relative to whom we compete with for talent.

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. In 2018, the Board, on the advice of the HR&C Committee and its independent compensation consultant, reaffirmed the GTAA's new comparator group, which is weighted 1/3 public companies and 2/3 crown corporations and other quasi-public agencies. The comparator group, outlined below, is validated annually for continued appropriateness by the HR&C Committee and Board.

Company	GICS Sub-Industry
Public Companies	
AltaGas Ltd.	Gas Utilities
Capital Power Corporation	Independent Power Producers and Energy Traders
Emera Incorporated	Electric Utilities
Northland Power Inc.	Independent Power Producers and Energy Traders
Sydney Airport Limited	Airport Services
TransAlta Corporation	Independent Power Producers and Energy Traders
Other Organizations	
YYC Calgary International Airport	Airport Services
ENMAX Corporation	Electric Utilities
Airport Authority Hong Kong	Airport Services
Nav Canada	Airport Services
Port Authority of New York and New Jersey	Diversified Support Services
Vancouver Airport Authority	Airport Services
Vancouver Fraser Port Authority	Marine Ports and Services
VIA Rail Canada Inc.	Railroads

8.4 Compensation Risk Oversight

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 2018, the HR&C Committee's independent compensation consultant, Meridian, conducted 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.

Meridian reviewed the GTAA's governance practices and risk mitigators including executive compensation mix (balanced between fixed compensation and incentive compensation), scorecard metrics, caps on incentive payouts, performance focused Long-Term Incentive Plan, overlapping vesting periods, clawback provisions, and robust Code of Conduct, and 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 Meridian'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.

8.5 Compensation Consultant

Meridian has been the independent compensation consultant to the HR&C Committee since October 2014. Meridian 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, 2019 and December 31, 2018 are as follows:

	2019	2018
Executive Compensation-Related Fees	$98,955	$55,008
All Other Fees	$nil	$nil

8.6 Key Elements of Compensation

Executive compensation consists of four principal elements: (i) base salary; (ii) short-term incentive compensation; (iii) long-term (cash-based) 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.

Pay Element	Pay Type	Performance Period	Eligibility
Base Pay	Fixed	Annual	All employees
Short Term Incentive	Variable	Annual	Eligible non-union administrative and management employees
Long Term Incentive	Variable	three year term	Vice Presidents and above
Pension and other benefits	Fixed	Accrue during employment	All employees
Perquisites	Fixed	Available during employment	Vice Presidents and above

8.7 Base Salaries

Base pay for all executive officers is 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-caliber 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 and external equity considerations. Executive base salaries are adjusted annually based on individual performance, as measured by goals and objectives, and competitive market placement.

8.8 Management Incentive Plans

Consistent with its pay for performance and results-oriented compensation approach, the GTAA maintains incentive plans to reward and recognize employees of the GTAA for their dedication, commitment and performance of the organization.

For this purpose, the GTAA implemented a cash bonus for unionized employees based on the profitability of the Company. In addition, the Company maintains a short term incentive plan for all of its executive, management and non-unionized administration employees (the “Short-Term Incentive Plan” or “STIP”) and a long-term incentive plan for the executive team (Vice Presidents and above) (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 align the individual performance goals of the GTAA executive with the agreed-to business plan and strategy of the GTAA while maintaining a view of both near term and longer-term strategy and goals. Since 2016, executive total rewards have been adjusted to align with markets by moving a greater proportion of executive pay to be at risk. Pay mix varies by organization level with those having greater ability to impact overall corporate objectives having a greater proportion of their pay at risk.

8.8.1 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 2019 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, for 2019 was 40 per cent of base salary, with a maximum award of 1.50 times target, or 60 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.

The Corporate Performance component of the STIP in 2019 consisted of achievement against the following five corporate goals:

Weight (%)	Corporate Goal Category	Measure and Target
30%	Passenger and Customer Service	Measure awareness of "I am Toronto Pearson" movement
		ASQ Baggage score
		Retail Sales per enplanement
15%	Safety	Achieve Toronto Pearson Safety Index targets
15%	Engaged People	Improve on 2018 engagement score
		Deliver aviation academy training across Toronto Pearson
		Complete Diversity and Inclusion initiatives
25%	Financial Sustainability	Deliver target Net Income
15%	Aviation Growth	New international services
		Study regional connectivity
		Delivery of 2019 infrastructure plan

In 2019, 70 per cent of the STIP payout for Mr. Eng, and 50 per cent of the STIP payout for the other Named Executive Officers was determined based on corporate performance.

2019 Short-Term Incentive Plan: Individual Performance Goals

During 2019, the STIP individual performance goals established for the Named Executive Officers related to, among other items:

Howard Eng, President and Chief Executive Officer	Ensuring that the GTAA proactively advances growth in key catchment markets to support continued passenger growth, increased connection ratio, and robust connection to the world's GDP; developing partnerships with targeted airports to attract more passengers to the Pearson hub network; and continuing to build social license and stakeholder support and momentum for development of the Regional Transit Centre to improve ground access and regional connectivity.
Ian Clarke, Chief Financial Officer	Delivering the net income target; enhancing monthly reporting and forecasting packages; deliver OPEX savings through improved strategic sourcing; advancing Regional Transit Centre initiatives; and achieving various departmental employee and safety-related targets.
Craig Bradbrook, Vice President, Aviation Services	Achieving targeted improvements to inbound baggage delivery; schedule completion and de-icing throughput times; achieving key initiatives in aviation growth and departmental financial targets; and achieving various departmental employee and safety-related targets.
Scott Collier, Vice President, Customer and Terminal Services	Achieving various passenger and customer service-related objectives; achieving departmental revenue and expense targets; and achieving various departmental employee and safety-related targets.
Pat Neville, Vice President, Airport Development and Technical Services	Implementing aviation growth strategy related objectives; improving technical performance of airport systems; achieving departmental employee, safety and financial targets; and achieving passenger, baggage and aircraft flow service targets.

In 2019, 30 per cent of the STIP payout for Mr. Eng, and 50 per cent of the STIP payout for 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 business strategy.

8.8.2 Short-Term Incentive Plan Results for 2019

The GTAA delivered slightly above target achievement level on the 2019 STIP's Target corporate performance goals, with an overall corporate multiplier of 108 per cent of target.

The following table sets out the Corporate Goal Achievement for 2019:

2019 Short-Term Incentive Plan: Corporate Goal Achievement

Weight (%)	Corporate Goal Category	Measure and Target	2019 Result	Weighted Multiplier
30%	Passenger and Customer Service	Measure awareness of "I am Toronto Pearson" ASQ Baggage score Retail Sales per enplanement	97%	29%
15%	Safety	Achieve Toronto Pearson Safety Index targets	150%	23%
15%	Engaged People	Improve on 2018 engagement score Deliver aviation academy training across Toronto Complete Diversity and Inclusion initiatives	150%	23%
25%	Financial Sustainability	Deliver target Net Income	52%	13%
15%	Aviation Growth	New international services Study regional connectivity Delivery of 2019 infrastructure plan	130%	20%

The table below illustrates the overall STIP Target (as a percentage of base salary) and total payout (in dollars) for Named Executive Officers awarded under the 2019 STIP:

2019 Short-Term Incentive Plan Payouts

Name and Principal Position	Target Bonus (% of Base Salary)	Actual Payout ($)
Howard Eng, President and Chief Executive Officer	60	459,360
Ian Clarke, Vice President and Chief Financial Officer	40	247,703
Craig B.M. Bradbrook, Vice President, Aviation Services	40	221,894
W. Scott Collier, Vice President, Customer and Terminal Services	40	217,932
Patrick C. Neville, Vice President, Airport Planning and Technical Services	40	212,300

8.8.3 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 2017-2019 LTIP for participating Named Executive Officers was 35 per cent of their base salary (65 per cent of base salary for Mr. Eng) at the time the LTIP grant was awarded.

2017-2019 Long Term Incentive Plan Grant

In 2017, the Board of Directors awarded LTIP grants to the eligible Named Executive Officers of the Corporation employed during 2017, conditional on future performance over the three-year performance period from January 1, 2017 through December 31, 2019. Entitlements under this LTIP were based on the Corporation's performance against financial, passenger growth, and targets.

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.

For the 2017-2019 LTIPs, the metrics are aligned with the GTAA's strategy: Net Income; 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.

All of the 2019 Named Executive Officers were eligible to receive a payout under the 2017-2019 LTIP.

2017-2019 Long Term Incentive Plan Payouts

Name and Principal Position	Target LTIP (% of Base Salary)	Weighted Multiplier (%)	Actual Payout ($)
Howard Eng, President and Chief Executive Officer	65	119	464,008
Ian Clarke, Vice President and Chief Financial Officer	35	119	131,890
Craig B.M. Bradbrook, Vice President, Aviation Services	35	119	124,530
W. Scott Collier, Vice President, Customer and Terminal Services	35	119	124,530
Patrick C. Neville, Vice President, Airport Planning and Technical Services	35	119	124,530

8.9 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.

8.10 Summary Compensation Table

The following table sets forth all compensation earned by the Named Executive Officers during the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017. The GTAA does not maintain any share-based award plans or option-based award plans.

Name and Principal Position	Year	Earnings ($)	Incentive Plan Compensation[1] ($)		Pension Value[2] ($)	All Other Compensation[3] ($)	Total Compensation ($)
			Annual Incentive Plan ($)	Long-Term Incentive Plan (S)			
Howard Eng, President and Chief Executive Officer	2019	720,059	459,640	464,008	165,000	—	1,808,527
	2018	699,741	475,585	429,111	173,500	—	1,777,937
	2017	659,587[4]	559,341	305,580	170,400	—	1,694,908
Ian L.T. Clarke, Chief Financial Officer	2019	453,340	247,703	131,890	90,600	—	923,533
	2018	438,845	197,955	—	63,300	—	700,100
	2017	366,030[5]	39,640	75,000	6,700	178,500[6]	665,870
Craig B.M. Bradbrook, Vice President, Aviation Services	2019	392,313	221,894	124,530	76,500	—	815,237
	2018	369,480	171,298	103,777	75,400	—	719,955
	2017	326,799	184,128	75,000	59,200	—	645,127
W. Scott Collier, Vice President, Customer and Terminal Services	2019	392,313	217,932	124,530	76,000	—	810,775
	2018	369,480	167,831	106,860	75,000	—	719,171
	2017	326,799	182,112	75,000	59,100	—	643,011

Name and Principal Position	Year	Earnings ($)	Incentive Plan Compensation[1] ($) Annual Incentive Plan ($)	Long-Term Incentive Plan ($)	Pension Value[2] ($)	All Other Compensation[3] ($)	Total Compensation ($)
Patrick C. Neville, Vice President, Airport Planning and Technical Services	2019	383,423	212,320	124,530	74,200	—	794,473
	2018	365,768	165,816	108,875	74,000	—	714,459
	2017	326,799	179,256	75,687	58,800	—	640,542

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 2018 STIP, and "Long Term Incentive Plan" amounts, which are payouts under the relevant 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.
4. 2017 AIF included approximately $60,000 for Mr. Eng associated with retroactive pay received in 2017 in respect of 2016, which was inadvertently included in both 2016 and 2017 amounts.
5. 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).
6. All Other Compensation for Mr. Clarke includes three $34,500 bi-monthly bonus payments while serving as Interim Chief Financial Officer, and $75,000 signing bonus upon becoming Chief Financial Officer.

8.11 Pension Plan Benefits

The GTAA maintains a defined contribution registered pension plan for the benefit of each of the executive officers (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 $27,230 in 2019, representing contributions of up to $13,615 from the participant and the corresponding matching contribution from the GTAA.

In addition, each Named Executive Officer 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 annual notional allocation is 16 per cent of the sum of the participant's base salary and Short-Term Incentive Plan received in the year, less the total contributions made by the participant and the GTAA to the DC RPP for Executives in the year. The notional contributions earn a return based on either the returns provided by a pooled balance fund 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 vested DC SERP participant terminates employment or dies, in addition to receiving the DC RPP for Executive balance, 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. Vested DC SERP participants may retire any time after attaining age 55, may elect to receive a payout of their notional account balance under the DC SERP in five annual payments, less withholding taxes or a lump sum payment of his or her notional account balance under the DC SERP, less withholding taxes.

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.

Name (a)	Accumulated Value at Start of Year ($) (b)	Compensatory ($) (c)	Accumulated Value at Year-End ($) (d)
Howard Eng	1,108,500	165,000	1,470,400
Ian L.T. Clarke	86,100	90,600	209,000
Craig B.M. Bradbrook	284,900	76,500	424,800
W. Scott Collier	326,900	76,000	472,600
Patrick C. Neville	911,700	74,200	1,099,800

Note: The values are the sum of benefits earned under the DC SERP and the DC RPP for Executives.

8.12 Employment Agreements

The GTAA has employment agreements with each of Messrs. Eng, Clarke, Collier, Bradbrook, and Neville 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:

Termination of Employment Without Cause

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

(a) 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”);

(b) 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;

(c) the cost to GTAA of continuation of health and dental benefits, life insurance, car allowances and club membership until the earlier of (i) the end of the Notice Period; or (ii) the date he commences employment elsewhere;

(d) 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

(e) his Long-Term Incentive Plan payments based on a fully vested 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, 2019, is $1,271,714.

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, 2019, is $1,271,714.

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: (a) continue to be paid his base salary and receive extended medical, dental and insurance benefits, for 10 weeks; (b) receive his Short-Term Incentive Plan payment pro-rated to the date of deemed termination; (c) cease accruing benefits under his pension plans; and (e) 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, 2019, is $290,000.

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, 2019, is $807,137.

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, 2019, is $396,240.

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, 2019, is $772,000.

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, 2019, is $396,240.

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.

8.13 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. Meridian, the Board's Compensation Consultant, periodically provides 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 2019 included an annual retainer fee of $50,000, 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 $180,000, 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: 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; Risk Oversight Committee $8,500; Ad Hoc CEO Search Committee $5,500.

Committee members receive an annual fee of $3,000 each per Committee (other than Audit Committee members). The annual fee for Audit Committee members is $6,000. During the fiscal year ended December 31, 2019, Directors earned fees totaling $1,486,193 for their services as Directors.

During 2019, there were ten meetings of the Board; ten meetings of the Ad Hoc CEO Search Committee; seven meetings of the Governance and Stakeholder Relations Committee; six meetings of the Audit Committee; six meetings of the Human Resources and Compensation Committee; five meetings of the Planning and Commercial Development Committee; and one meeting of the Risk Oversight Committee. The Risk Oversight Committee was disbanded on March 20, 2019. The following table summarizes each Director's attendance record for Board, committee and other meetings held during 2019, and the compensation earned with respect to 2019.

Director Attendance and Compensation

Name	Board Meetings Attended	Board Fees Earned[1] ($)	Committee Meetings Attended	Committee Meeting Fees Earned[2] ($)	Total[3] ($)
Douglas Allingham (term as Board Chair commenced May 7, 2019)[4]	10/10	132,600	31/31	17,817	150,417
Paul W. Currie (term ended May 6, 2019)	1/1	18,971	4/4	10,144	29,115
Jeffrey P. Fegan[4]	10/10	64,000	23/23	63,000	127,000
Peter Gregg	10/10	63,500	11/11	23,903	87,403
Kathleen Keller-Hobson	10/10	64,000	12/12	33,500	97,500

Name	Board Meetings Attended	Board Fees Earned[1] ($)	Committee Meetings Attended	Committee Meeting Fees Earned[2] ($)	Total[3] ($)
Roger Mahabir	10/10	64,500	13/13	44,500	109,000
Hazel McCallion	10/10	64,500	12/12	20,500	85,000
Michele McKenzie	10/10	64,000	13/14	23,000	87,000
Kathy Milsom (term ended May 6, 2019)	1/1	18,971	3/3	10,471	29,442
Marc Neeb (term commenced May 7, 2019)	9/9	45,017	10/10	17,900	62,917
Terrie O'Leary[4]	10/10	64,000	24/25	54,000	118,000
Eric Plesman (term commenced May 7, 2019)	7/9	42,517	7/7	17,375	59,892
Michelle Samson-Doel[4]	9/10	63,500	22/22	60,394	123,894
Mark Schwab[4]	9/10	62,000	20/22	50,575	112,572
Johan van 't Hof	10/10	64,000	9/9	24,442	88,442
Danielle M. Waters (term ended May 6, 2019)	1/1	18,971	3/3	8,644	27,615
David Wilson (term as Board Chair ended May 7, 2019)[4]	10/10	108,704	26/26	46,800	155,504
Total Fees Earned		1,023,751		526,965	1,550,716

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.
4. Members of the Ad Hoc CEO Search Committee earned additional fees with respect to work in 2019 associated with conducting an international search for a successor to Mr. Eng.

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 26, 2020 in respect of the GTAA's consolidated financial statements as at December 31, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, are as follows:

	2019[5]	**2018**[6]
Audit Fees[1]	707,041	685,997
Audit-Related Fees[2]	159,750	155,200
Tax Fees[3]	15,500	9,500
All Other Fees[4]	-	-
Total	882,291	850,697

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 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".
5. Fees for 2019 incorporate estimated costs, as final invoices have not yet been received, and exclude out-of-pocket disbursements.
6. Fees for 2018 have been updated to incorporate final invoices received and exclude out-of-pocket disbursements.

Non-Audit Services

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

During 2019, PricewaterhouseCoopers LLP performed non-audit services relating to GTAA's income tax returns and securities filings, as discussed above in "Tax Fees" and "Audit 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, 2019 and December 31, 2018, together with the auditors' report therein and accompanying Management's Discussion and Analysis ("MD&A"), and Interim Financial Statements and Notes and accompanying MD&A, is filed with the Canadian Securities Administrators and may be accessed through SEDAR at www.sedar.com or obtained upon written request to the Vice President, Stakeholder Relations and Communications, Greater Toronto Airports Authority, P.O. Box 6031, 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2.

APPENDIX "A"

GREATER TORONTO AIRPORTS AUTHORITY
TERMS OF REFERENCE OF
THE BOARD OF DIRECTORS
(Board Approved Effective November 28, 2018)

A. GENERAL

1. The Greater Toronto Airports Authority (the "Corporation") is a Canadian Airport Authority, a non-share capital corporation under the *Canada Not-for-Profit* Corporations *Act* and a reporting issuer under Canadian securities legislation. The Board of Directors (the "Board") and the Corporation's Management (the President and Chief Executive Officer (the "CEO") 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 and affairs of the Corporation. 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.

2. Under the *Canada Not-for-Profit Corporations Act,* each Director must act honestly and in good faith with a view towards the best interests of the Corporation, and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3. These Terms of Reference establish a framework for the Board's governance structure. Reference should also be made to the *Canada Not-for-Profit Corporations Act*, the Corporation's by-laws and the Ground Lease dated December 2, 1996, as amended, between Her Majesty the Queen in Right of Canada and the Corporation for additional requirements regarding the Board's composition, duties and responsibilities and procedural matters.

B. DUTIES AND RESPONSIBILITIES OF THE BOARD

1. The Board's duties and responsibilities include the following:

    (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, and evaluate risks as part of strategic decision-making 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 Code of Business Conduct and Ethics;

(e) to be familiar with all policies of the Corporation, as amended from time to time, applicable to the Board and individual Directors;

(f) 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;

(g) to ensure that a succession planning process is in place for Directors and senior Management; and

(h) to establish and monitor effective communication with the Corporation's stakeholders.

2. The Board may carry out its responsibilities either directly or through a committee(s) established by the Board. 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) CEO succession planning, 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.

(g) appointing Officers;

(h) determining the Corporation's fiscal year-end;

(i) approving the audited financial statements and accompanying notes, approving the Annual Report and approving the holding, location and date of the Annual Public Meeting;

(j) approving the compensation paid to Directors;

(k) 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, inform as to emerging trends and issues in governance and other functional areas of the Board and to increase their knowledge of the Corporation and the aviation industry;

   (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, or 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 interim financial statements and other materials requiring disclosure pursuant to applicable continuous disclosure obligations and other applicable securities laws.

4. The Board may retain independent outside counsel or advisors as it deems appropriate to assist the Board in performing its duties and responsibilities as set out in these Terms of Reference. The Board shall advise the Governance and Stakeholder Relations Committee if it intends to retain such advisors and keep the Committee informed as to the advisors retained, the compensation paid, 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;

(b) the Governance and Stakeholder Relations Committee;

(c) the Risk Oversight Committee;

(d) the Human Resources and Compensation Committee; and

(e) the Planning and Commercial Development Committee.

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.

C. DUTIES AND RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

1. Each Director has duties and responsibilities to:

   (a) advance the interests of the Corporation and the effectiveness of the Board and Board Committees by bringing his or her skills and experience to bear on issues facing the Corporation;

   (b) maintain and demonstrate an appropriate understanding of the Corporation's business and operations, including its strategic direction and annual plans, the communities in which it operates, emerging trends and issues, underlying assumptions, and the Corporation's principal risks;

   (c) demonstrate an understanding of the difference between governing and managing, the latter being within Management's area of responsibility;

   (d) preserve the confidentiality of non-public and proprietary information;

   (e) disclose all potential conflicts of interest, so that a course of action can be determined to resolve any such conflicts before any interest of the Corporation is jeopardized;

   (f) promptly inform the Board Chair upon undertaking any new significant interests or relationships not previously disclosed, to assess potential conflicts of interest;

   (g) demonstrate a willingness and availability for individual consultation with the Board Chair and the CEO and other officers of the Corporation;

   (h) prepare diligently for and attend each Board and Committee meeting for which they are a member, and attend the Corporation's Annual Public Meeting;

   (i) participate fully and frankly in the deliberations and discussions of the Board and Committees of the Board and contribute meaningfully and knowledgeably to such deliberations and discussions; and

   (j) participate in orientation and educational initiatives, including tours of Airport facilities, for Directors and performance assessments and keep abreast of developments in the aviation industry.

D. DUTIES AND RESPONSIBILITIES OF BOARD CHAIR

1. In addition to the duties and responsibilities of individual Directors, the Chair of the Board also has the duty and responsibility to:

   (a) provide leadership to the Board, facilitating its effective performance in fulfilling its duties and responsibilities;

   (b) facilitate the setting of annual priorities and objectives of the Board and the formulation of a cyclical work plan for the Board;

   (c) establish the agenda for Board meetings and ensure that sufficient time is allotted at the Board meetings, and appropriate materials are provided to the Board, to consider the agenda issues;

   (d) chair meetings of the Board, setting a healthy tone and culture, encouraging open, candid, respectful and constructive dialogue among and active participation of all Directors, fostering ethical and responsible decision-making;

   (e) facilitate the ability of the Board to think and act independently of Management or any single stakeholder, in the best interests of the Corporation, including managing conflicts of interest, and holding in camera sessions of independent Directors only, while taking care to foster a healthy working relationship with, and respect for, Management;

   (f) maintain open lines of communication with Directors between meetings and provide constructive feedback;

   (g) act as the direct liaison between the Board and Management through the CEO, and to manage the relationship between the Board and the CEO;

   (h) act, in consultation and co-ordination with the CEO, as liaison with external stakeholders of the Corporation, including attending meetings, representing the interests of, and speaking on behalf of the Corporation, as appropriate;

   (i) act as liaison and maintain effective communication and co-ordination among the Committees and the Board, both with the Committee Chairs between meetings, and by attending Committee meetings;

   (j) review expense report summaries of the CEO and Directors, and consider the results of any internal review of such expenses; and

   (k) chair meetings of the Members of the Corporation.

E. REVIEW OF TERMS OF REFERENCE

The Board shall review and reassess the adequacy of these Terms of Reference at least every two years and otherwise as it deems appropriate and provide comments to the Governance and Stakeholder Relations Committee.

APPENDIX "B"

GREATER TORONTO AIRPORTS AUTHORITY

AUDIT COMMITTEE CHARTER

(Board Approved Effective November 28, 2018)

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 four and not more than six 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 be "financially literate", as defined under applicable securities laws. 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 Annual Public Meeting. The Committee Chair will take a lead in the Committee succession-planning 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.

3. 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.

4. 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.

5. Meetings of the Committee, including telephone conference meetings, shall be called by the Chair and shall be held at least 4 times per year.

6. 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 email or telephone. Meetings of the Committee may be held without notice as aforesaid 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. The Committee may invite its advisors, such officers and employees of the Corporation and other guests to attend a meeting of the Committee. All Directors are entitled to receive notice of and attend regular meetings of the Committee and, at the invitation of the Committee Chair, special meetings of the Committee, however, failure to provide notice of a meeting of the Committee to persons other than members of the Committee shall not invalidate the meeting.

7. 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.

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

9. 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.

10. 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.

11. 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.

12. Any matter to be voted upon shall be decided by a majority of the votes cast on the question, however, only Committee members are entitled to vote.

13. 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.

C. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee's responsibilities 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 or other offering document 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 with Management financial-related disclosures and other information to be included in the Annual Report, including pursuant to the Ground Lease, except for corporate governance and human resources-related information, which information will be reviewed by the Governance and Stakeholder Relations Committee or the Human Resources and Compensation Committee as applicable;

(g) 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;

(h) 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.

(k) oversee the resolution of disagreements between Management and the external auditors regarding financial reporting, risk and control-related activities of the Corporation.

(l) review any significant or negative findings or comments of any regulatory agency, including Transport Canada, concerning financial information of the Corporation;

(m) receive and review quarterly reports on 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);

(n) 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;

(o) 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;

(p) provide oversight of the Corporation's pension fund and plans, including the following:

(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 PAC 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;

(q) 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 behaviour or practices that relate to the Corporation; and

(r) performing such other duties and responsibilities delegated by the Board from time to time

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 have authority to make a recommendation 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 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 the Corporation; and

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

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

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

6. oversee the effectiveness of risk management for audit-related, financial and such other risks assigned by the Board of Directors or its designate, including annually reviewing the adequacy of insurance coverage maintained by the Corporation.

7. review and recommend changes to the Board of financial-related policies and practices; and

8. set annual priorities and objectives of the Committee and the formulation of a cyclical work plan for the Committee consistent with this Charter.

D. DUTIES AND RESPOSIBILITIES OF CHAIR

1. 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.

2. The Chair of the Committee shall also have the duties and responsibilities to:

(a) provide leadership to the Committee, facilitating its performance as an effective high-performance team fulfilling its responsibilities in accordance with its mandate;

(b) establish, in consultation with responsible management and members, meeting agendas with sufficient time to fully deliberate all required business, identifying and receiving information relevant to consider all issues;

(c) chair meetings, setting a healthy tone and culture, encouraging open, candid, respectful and constructive dialogue among and active participation of all Directors, fostering ethical and responsible decision-making;

(d) facilitate the ability of the Board or Committee to think and act independently of Management or any single stakeholder, in the best interests of the Corporation, including managing conflicts of interest, and holding brief sessions of independent

Directors only, while taking care to foster a healthy working relationship with, and respect for, Management;

(e) monitor and take steps to enhance the skills, expertise and capacity of members, including overseeing and giving guidance to effective onboarding, education and training, succession and evaluation of, and constructive feedback to, members;

(f) maintain open lines of communication with Directors between meetings, providing constructive feedback or coaching as called for;

(g) review relevant minutes of meetings and communications of the Committee;

(h) act as an effective liaison between the Committee and the Board (between meetings through the Board Chair) and Management (through the CEO or designate), to prepare and present concise reports to the full Board on the substance of deliberations, consensus, approvals and recommendations and areas of dissent or divergent thinking from each Committee meeting, and to oversee the appropriate level of information and reporting from the Committee's work to the full Board to fulfill its accountability; and

(i) report at each regular meeting of the Board on meeting(s) of the Committee held since the last report.

E. REVIEW OF CHARTER

The Committee shall review and reassess the adequacy of this Charter at least every two years and otherwise as it deems appropriate Governance and Stakeholder Relations Committee.