# Greater Toronto Airports Authority

## Annual Information Form

For the year ended December 31, 2020

March 25, 2021

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# 1. Caution Regarding Forward-Looking Information

This Annual Information Form 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 Annual Information Form includes, among others, statements regarding the following: the expected impact of the COVID-19 pandemic on demand for air travel and on the GTAA's business and related cash flows; expected population growth; expectations with respect to aeronautical rates and charges and associated revenues; timing for economic recovery and return to 2019 passenger and flight activity levels; domestic and international passenger and cargo traffic; 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; air carrier trends; the long-term financial sustainability of the Airport; investment in the Airport, including with respect to capital projects and physical infrastructure; terminal, airside, infield and other capital developments at the Airport and the funding of the developments; the timing of construction and commencement of operations of facilities currently planned or under construction at the Airport and the improvements expected as a result of these capital developments.

Given the rapidly evolving circumstances surrounding COVID-19 and the resulting economic contraction, there is inherently more uncertainty associated with the material factors and assumptions underlying the forward-looking information contained in this Annual Information Form compared to prior periods. There is very limited visibility on travel demand given changing government restrictions in Canada and around the world. These restrictions and concerns about travel due to the COVID-19 pandemic, including passengers' concerns, are severely inhibiting demand for air travel. The COVID-19 pandemic is also having significant impacts, including on business and consumer spending which may impact demand for travel. The GTAA cannot predict the full impact or the timing for when conditions may improve.

Other material factors and assumptions include: the course of the COVID-19 virus and the emergence and spread of variants; availability of rapid, effective testing, vaccinations and effective treatments for the virus; government and passenger actions; the post-pandemic economic recovery; the impact of costs associated with new processes, technology solutions and facility enhancements in response to the COVID-19 pandemic; the GTA's population base and diversified economy will provide the basis for strong aviation demand in the future; air carrier capacity will meet future demand for air travel in the Greater Toronto Area; the Greater Toronto Area will continue to attract domestic and international travelers; no other significant event such as a natural disaster or other calamity will occur that has an impact on the ordinary course of business or the macroeconomic environment; the GTAA will be able to access the capital markets at competitive terms and rates; and no significant cost overruns relating to capital projects will occur. 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: risks related to the COVID-19 pandemic (as defined below) or other public health emergencies on the GTAA's business; air carrier instability; passenger volumes; inability to meet business objectives; non-payment by distressed customers; the GTAA's ability to comply with covenants under its MTI and credit facilities post-2021; continuing volatility in current and future economic activity including shocks to the macroeconomic environment (changes in fuel prices, inflation, currencies, employment and spending); capital market conditions and credit rating risk; 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; changes in laws or regulations including rate regulation; adverse amendments to the Ground Lease (as defined below); the use of telecommunications and ground transportation as alternatives to air travel; loss of commercial revenues; carbon emission costs and restrictions; adverse regulatory developments or proceedings; environmental factors and climate change; changing attitudes towards air travel; the availability of aviation liability and other insurance; the timing of recovery and receipt of insurance proceeds; construction risk; legal proceedings and litigation; and other risks detailed in section 5 "Risk Factors" and from time to time in the GTAA’s publicly-filed disclosure documents.

The forward-looking information contained in this Annual Information Form 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 Greater Toronto Area, 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 - Healthy Airport Commitment

SARS-CoV-2, more commonly known as "COVID-19", was declared a pandemic by the World Health Organization on March 11, 2020. COVID-19 has had a material adverse impact on the economy and is posing widespread business challenges for many issuers. COVID-19 resulted in unprecedented government restrictions on public activity, including travel, in Canada and across the world.

The COVID-19 pandemic and resulting economic contraction has had, and is expected to continue to have, a material negative impact on demand for air travel globally. Toronto Pearson has experienced material declines in passenger and flight activity since March 2020, as compared to the same periods in 2019. Due to the pandemic and the resultant travel restrictions including border closures, severe financial impacts and economic contraction, there have been multiple flight and route cancellations by air carriers.

During 2020, Toronto Pearson processed 73.6 per cent fewer passengers than it did in the same period in 2019. In the period from March 2020 to December 2020, passenger volumes at Toronto Pearson dropped significantly from an average of 141,000 per day to an average of 13,000 per day, as compared to the average for March 2019 to December 2019. The number of flights dropped as well, from an average of 1,191 per day to approximately 253 per day, as compared to the average for March 2019 to December 2019. As at December 31, 2020, airlines operating at Toronto Pearson dropped from 67 to 45, as compared to December 31, 2019.

The reduced activity is having a material and negative impact on the GTAA’s business and results of operations, including aeronautical and commercial revenues and Airport Improvement Fees ("AIF"). During 2020, total revenues dropped 45.9 per cent or $697.8 million, compared to 2019. During 2020, the GTAA incurred a net loss of $383.4 million, a decrease of 374.2 per cent or $523.2 million, compared to a net income of $139.8 million in 2019.

The pandemic has also had a significant negative impact on air carriers operating at the Airport, including Toronto Pearson’s key hub airlines, Air Canada and WestJet. During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with each of these carriers in part to adjust the fees paid under the agreements to reflect the reduced current and projected flight activity.

Many of the GTAA's commercial partners, concessionaires and tenants have experienced significant negative impacts to their businesses. The GTAA has provided financial accommodation and other assistance through a number of programs including payment abatements, deferrals and contract relief through proposed and amended contracts. The GTAA has taken a measured approach so as to offer these arrangements to partners that are in good standing and that the GTAA believes will be critical partners post COVID-19. These accommodations have, and will continue to have, over the period covered by the accommodation, an adverse impact on the GTAA's business and related cash flows. The majority of deferred payments have been paid in late 2020, while the remaining deferrals are expected to be paid in 2021.

The GTAA has placed passenger and employee health first and has implemented safety measures with guidance from the GTAA's new Chief Medical Officer and public health agencies, to reduce the spread of COVID-19. These measures include: increased cleaning; providing hand sanitizer; metering of arriving flights; working with government agencies to ensure that passengers are processed efficiently and safely; reconfiguration of passenger queuing, in-terminal seating, kiosks and check in counters to allow better distancing; and signs, digital screens, passenger announcements and floor markers to encourage social distancing.

In June 2020, Toronto Pearson launched its "Healthy Airport" commitment with partners, government agencies and stakeholders designed to set strong, consistent, reliable standards for passenger and airport worker health protection. The Healthy Airport commitment is a comprehensive program that outlines the steps that the Airport and its partners are implementing to restore confidence in the safety of air travel given the new realities. The commitment has evolved since June 2020 and includes the following:

- The Airport has implemented improved technologies resulting in faster and reduced touch processes;
- All passengers and Airport workers must wear a face covering at all times when in public areas of the Airport;
- Access to the Airport, including the terminal buildings, is limited to travellers disembarking from flights and departing travellers, and workers performing their work duties;
- Everyone using Airport facilities must maintain two meters physical distance whenever possible and wear a face covering;
- Airport workers must not dwell or loiter in terminal spaces and must not use seating inside the Terminals;
- Every vendor, contractor, and employer operating at the Airport must have in place a "workplace contact tracing program" that allows them to quickly identify, remove/self-isolate at home, educate, and support individuals who have had close contact with someone who has tested positive for COVID-19; and
- A COVID-19 Safety Alert ("CSA") device was made available to GTAA employees working on-site at the Terminals to help reinforce physical distancing, improve existing workplace contact tracing processes and allow more timely notification to help reduce the spread of COVID-19 in the workplace.

The GTAA knows that the entire passenger experience extends beyond the Airport. This means that the passenger views the safety of travel in every step: from their home, to and through the terminal, the airplane environment, destination surface travel and accommodation, followed by the return trip. Any concern in any component will diminish the traveller’s confidence in the safety of their journey. Accordingly, it is imperative that each participant deliver service flawlessly on a consistent basis in order to restore confidence in the safety of air travel. The GTAA is undertaking various measures, including significant advocacy at several levels, with industry participants, to reinforce the message of consistent delivery of safety in the integrated travel experience in order to re-establish traveller confidence.

The GTAA has worked with its partners and agencies to implement new processes, technology solutions and facility enhancements that will enable Toronto Pearson to come out of the pandemic delivering an even better Airport experience. New innovations include a variety of UV light applications for sanitization throughout the Airport; over three kilometers of plexiglas barriers installed throughout the Terminals; the introduction of personal protective equipment vending machines; and the use of probiotic spray to sanitize high-touch areas. The GTAA is committed to working with its airline partners to connect passengers safely once again across

Canada and eventually, across the globe. To this end, Air Canada and the GTAA provided resources and support for a COVID-19 research study that was conducted at Toronto Pearson by McMaster HealthLabs. The study began on September 3, 2020 and ran until November 14, 2020 with the aim of gathering data to explore the effectiveness of various quarantine periods. The study was designed in accordance with research ethics board-approved scientific protocols. Interim results were released on November 17, 2020, based on more than 20,000 tests conducted on more than 8,600 study participants from September 3 to October 2, 2020. The interim results indicated:

- 99 per cent of study participants tested negative for COVID-19 with 1 per cent testing positive;
- Of the 1 per cent testing positive for COVID 19:
  - 0.7 per cent detected on arrival
  - 0.3 per cent detected on day 7
  - 0.1 per cent detected on day 14

The pilot phase has demonstrated the feasibility of airport-based testing with self-collected nasal/oral swabs as well as home-based collection during quarantine. Final results are expected to be released in the near term.

On January 6, 2021, the Province of Ontario, in partnership with the GTAA, began offering free and voluntary COVID-19 testing at Toronto Pearson for international travellers arriving and staying in the province for at least 14 days. COVID-19 testing for arriving international travellers, aged five years or older, became mandatory on February 1, 2021, following an order by Ontario's Ministry of Health made pursuant to section 22 under section 77.1 of the *Health Protection and Promotion Act*. The Government of Canada subsequently took over jurisdiction of mandatory COVID-19 testing for arriving international travellers on February 14, 2021, with the issuance of Order in Council 2021-0075 made pursuant to section 58 of the *Quarantine Act*.

Given the rapidly evolving circumstances surrounding the COVID-19 pandemic and resulting economic contraction, there is inherently more uncertainty associated with the GTAA’s business. Please see the "Risk Factors" section in this Annual Information Form for risk factor disclosure regarding the impact of COVID-19 on the GTAA’s business.

## 3.2 Transitional Strategy to Drive Recovery

As the operator of Toronto Pearson, the GTAA has historically taken a very long-term view of its stewardship of its critical national asset. In 2014, the GTAA developed a 20-Year Strategic Framework (2014-2033) designed to deliver an ambitious vision: The Best Airport in the World: Making a Difference, Connecting the World. Key to the Framework were the overarching principles of Customer Experience, Operational Excellence and Financial Sustainability.

In 2016, the GTAA further refined its aspiration by declaring that, to become the best airport in the world, Toronto Pearson must pursue mega hub status – joining an elite group of 10 airports around the world that drive international connecting passenger flows, thus delivering outsized economic benefits to their communities.

The GTAA also developed a Master Plan for the period 2017-2037, which builds on the 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 expected to face over a 20-year period, 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 neighbors and partners; meeting the forecast long-term 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.

Having pursued the mega hub aspiration in the preceding four years, Toronto Pearson's plans – like all other airport's – were stopped as the full impact of COVID-19 began to take effect in Q2 2020. The devastating effect of this worldwide event catalyzed the need to immediately revisit the GTAA's corporate strategy to focus on the critically important short to mid-term timeframe and Toronto Pearson's recovery.

Management's view is that with the continuing challenges associated with the COVID-19 pandemic, now is not the moment to assess the viability of Toronto Pearson's 20-year aspirations or Master Plan; however, as an industry recovery begins to take shape, Management will remain mindful of the optimal time and approach to a return to the 20-Year Strategic Framework. Management has therefore developed a Three Year Strategic Plan that gives GTAA the flexibility to respond effectively to the crisis, adapt its business model and restore its financial strength before having to re-evaluate its longer-term prospects, value proposition and ultimate aspiration. While the situation remains fluid, the deep impact of COVID-19 on many of the underlying assumptions has been significant enough that GTAA will ultimately need to reassess the 20-Year Strategic Framework once the pandemic has come to an end and the entire global community – and aviation sector – is on firmer footing.

## 3.3 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 three years.

### 3.3.1 2018

- On February 6, 2018, the GTAA announced 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.

### 3.3.2 2019

- On January 8, 2019, the GTAA announced that President and CEO Howard Eng would retire in Q1, 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, which expires in 2023.
- The GTAA issued Series 2019-2 Medium Term Notes on October 17, 2019 and redeemed Series 2016-1 Medium Term Notes early.
- On November 27, 2019, the GTAA announced that Deborah Flint would join as President and CEO, 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.

### 3.3.3 2020

- On February 3, 2020, Deborah Flint assumed the position of President and CEO of the GTAA
- On March 9, 2020, Toronto Pearson was recognized by Airports Council International for the third year in a row as the Best Large Airport in North America for airports that serve greater than 40 million passengers annually.
- On March 26, 2020, the GTAA drew $480 million from its committed revolving operating credit facility to provide additional flexibility and liquidity during the COVID-19 pandemic.
- On March 30, 2020, the Department of Finance Canada announced the waiver of Ground Lease rents from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the federal government, including the GTAA.
- On April 24, 2020, the Federal Government reached an agreement with all provinces and territories to establish the Canada Emergency Commercial Rent Assistance program for small businesses. This program subsidized 50 per cent of the commercial rent for small

business tenants if the landlord agreed to a 25 Per cent reduction in rent for the duration of the program. The GTAA, participated in this program with eligible small business partners.

- On April 30, 2020, the Canada Revenue Agency confirmed that the GTAA, as a Canadian airport authority is eligible to benefit from the Canada Emergency Wage Subsidy. The GTAA has since participated in this subsidy program.

- On July 14, 2020, Toronto Pearson announced the reduction of approximately 500 positions due to impacts created by COVID-19. The GTAA announced that it would not fill approximately 200 unfilled positions and would eliminate approximately an additional 300 existing positions through voluntary departures and layoffs. The cuts represent a reduction of 27 per cent of the GTAA's pre-pandemic workforce. The GTAA has worked with Unifor and the Pearson Airport Professional Firefighters to implement the changes while respecting their collective bargaining agreements. In addition, Management and the Board implemented reductions to their compensation arrangements.

- On July 27, 2020, the GTAA successfully completed an amendment to the Corporation's Master Trust Indenture ("MTI"). The MTI amendment temporarily exempts the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI, which is comprised of two covenant tests, for fiscal years 2020 and 2021.

- Effective July 30, 2020, the Minister of Transport issued mandatory measures requiring temperature screening of any person entering a restricted area within an air terminal building from a non-restricted area and of every person undergoing screening at a non-passenger screening checkpoint outside an air terminal building. Temperature screenings are conducted by Canadian Air Transport Security Authority ("CATSA") at passenger and non-passenger (employee) screening points.

- On July 31, 2020, the GTAA extended its committed revolving operating credit facility ("Operating Credit Facility") by an additional year to May 22, 2023.

- In August 2020, Toronto Pearson received an Environmental Achievement Award from Airports Council International recognizing its 60 per cent reduction in greenhouse gas emissions.

- On September 30, 2020, the GTAA advised that it would increase its aeronautical rates for commercial aviation by 3 per cent, AIF for departing passengers will increase by $5 to $30, and AIF for connecting passengers will increase by $2 to $6, and all Aeronautical rates for all business and general aviation aircraft 19,000 kilograms or less will increase to $575 per arrival movement, all commencing January 1, 2021.

- Between September 3 and November 4, 2020, McMaster Health Labs, together with Air Canada and the GTAA, conducted a COVID-19 testing study on more than 8,600 volunteer participants. McMaster Health Labs reported that the pilot phase of this study demonstrated the feasibility of airport-based testing with self-collected nasal/oral swabs as well as home-based collection during quarantine.

- On September 10, 2020, Toronto Pearson became the first Canadian airport to achieve global Health Accreditation by Airports Council International.

- During the third quarter of 2020, the GTAA amended its long-term aeronautical fees agreements with Air Canada and WestJet to reflect the reduced current and projected flight activity as a result of the COVID-19 pandemic.

- On October 25, 2020, Toronto Pearson welcomed a new airline partner, Swoop, to the Airport.

- On November 3, 2020, the GTAA issued $500.0 million Series 2020-1 Medium-Term Notes ("MTNs") due May 3, 2028 at a coupon rate of 1.54 per cent for net proceeds of $497.8 million. The net proceeds partially paid down the outstanding short-term debt. The GTAA's net liquidity position (including cash) as at December 31, 2020 was $1.4 billion.

- On December 18, 2020, Toronto Pearson welcomed another new Canadian carrier, OWG, to the Airport.

- The GTAA was awarded the 2020 Environmental Achievement Award in the Environmental Management Category from Airport Council International-North America (ACI-NA) for its 20/2020 sustainability strategy, which was developed in 2009 with the goal of reducing greenhouse gas (GHG) emissions by 20 per cent (from 2006 levels) by 2020.

# 4. Narrative Description of the Business

Given the rapidly evolving circumstances surrounding the COVID-19 pandemic and resulting economic contraction, there is inherently more uncertainty associated with the GTAA’s business. Please see the "Risk Factors" section in this Annual Information Form for risk factor disclosure regarding the impact of COVID-19 on the GTAA’s business.

## 4.1 Introduction

Toronto Pearson served more than 13 million passengers in 2020, maintaining its status as Canada's busiest airport. Toronto Pearson is located approximately 29 kilometres northwest of Toronto’s central business district and is centrally located within the Greater Toronto Area. The Airport is connected to downtown Toronto and the balance of the Greater Toronto Area through an extensive network of expressways, arterial roads and public transit.

The Airport sits within 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, Demographic and Technological Factors

The demand for air transportation is fundamentally driven by health, economic, social, demographic and technological trends.

In the decade before the pandemic hit, Toronto Pearson was the fastest growing airport in Canada by passenger volume. The GTAA believes there were several reasons for this strong performance: as Toronto Pearson evolved into a global hub, it was increasingly impacted by global market trends and exposure to higher growth rates in emerging markets; the structure of the Ontario economy had changed towards services with a higher propensity for business air travel; and airfares had declined, stimulating leisure travel. Other factors that contributed to the Airport’s growth in this period 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.

**Greater Toronto Area**

The Greater Toronto Area's large population base, well-balanced and diversified economy, and popularity as a business centre and tourist destination have historically combined to provide a strong demand for air travel activity. The Greater Toronto Area is the most populated metropolitan area in Canada and continues to be an area of choice for business and immigrants. In the summer of 2020, Ontario's Ministry of Finance projected (based on 2016 census data) that the GTA's total population will increase from 7.0 million in 2019 to over 9.5 million in 2046, which would make 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 U.S.

**Historical Total Passengers by Traffic Sector (in millions)**

| Year | Domestic | Change (%) | International | Change (%) | Total | Change (%) |
|---|---|---|---|---|---|---|
| 2016 | 15.8 | 4.4 | 25.2 | 7.7 | 41.0 | 6.4 |
| 2017 | 16.9 | 6.9 | 27.4 | 8.8 | 44.3 | 8.0 |
| 2018 | 17.5 | 3.3 | 29.6 | 8.0 | 47.1 | 6.2 |
| 2019 | 17.8 | 2.0 | 31.7 | 6.7 | 49.5 | 5.0 |
| 2020 | 5.5 | (69.8) | 7.8 | (75.8) | 13.3 | (73.6) |

In 2020, the Airport processed 13.3 million passengers, a 37.2 million passenger decrease over the 50.5 million passengers processed in 2019.

The COVID-19 pandemic and resulting economic contraction therefore had a material negative impact on demand for air travel in 2020.

In the period from March 2020 to December 2020, passenger volumes at Toronto Pearson dropped significantly from an average of 141,000 per day to an average of 13,000 per day, as compared to the average for March 2019 to December 2019. The number of flights dropped as well, from an average of 1,191 per day to approximately 253 per day, as compared to the average for March 2019 to December 2019. As at December 31, 2020, airlines operating at Toronto Pearson dropped from 67 to 45, as compared to December 31, 2019.

**Origin and Destination Passengers and Connecting Passengers**

There are two principal types of passengers at hub airports: 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 the hub airport en route to their final destination. Approximately 70.0 per cent of Toronto Pearson's total passenger traffic in 2020 was from origin and destination passengers. The remaining 30.0 per cent was comprised of connecting passengers.

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 and aeronautical revenue to hub airports.

**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 decreased by 69.8 per cent, from 18.1 million passengers in 2019 to 5.5 million passengers in 2020. In 2020, the Airport's domestic sector represented 41.4 per cent of total passengers.

**International**

Toronto Pearson is Canada's largest international airport. The number of international passengers at the Airport decreased by 75.8 per cent, from 32.4 million passengers in 2019 to 7.8 million passengers in 2020, representing 58.6 per cent of total passengers at the Airport in 2020.

### 4.3.2 Flight Activity

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

**Historical Aircraft Movements by Type of Activity**
**(in thousands)**

| Year | Scheduled and Charter Airlines | General Aviation/ Other | Total | Change (%) |
|---|---|---|---|---|
| 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) |
| 2020 | 149.1 | 25.3 | 174.4 | (61.5) |

Due to the significant reduction in passenger demand, Canadian air carriers that operate at Toronto Pearson commenced grounding some of their fleet in late March and early April 2020. Domestic air carriers further suspended a few of their domestic routes in response to low air travel volumes. Some other carriers returned to operations but at greatly reduced frequencies commencing in October 2020.

During 2020, total aircraft movements decreased to 174,400 due to the impacts of COVID-19.

For more information regarding aircraft movements, MTOW, seats, seats per passenger aircraft movement and load factor, please refer to the GTAA's 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 (%) |
|---|---|---|---|---|
| 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 | 151.6 | 382.6 | 534.2 | (4.6) |
| 2020 | 134.0 | 254.7 | 388.7 | (27.2) |

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.

Air cargo is carried by passenger aircraft, which carry cargo in the aircraft's belly hold, and by dedicated all-cargo freighter aircraft. This incremental cargo revenue supports the viability of a route for air carriers and opens up potential new markets for Canadian exporters. Air carriers largely just pay landing fees with respect to cargo, whether such cargo arrives by passenger aircraft or dedicated all-cargo freighter aircraft.

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.

Toronto Pearson continues to work to ensure safe operations and to support the national economy through cargo operations. Additionally, passenger airlines converted some passenger aircraft into cargo-only aircraft to move cargo across Canada and around the world. Toronto Pearson is dedicated to working with all carriers to keep the flow of goods moving in support of the Canadian economy, including critical goods needed to fight COVID-19.

## 4.4 Air Passenger Service

As at December 31, 2020, Toronto Pearson had 45 air carriers providing flights to 79 international and 26 Canadian cities.

### 4.4.1 Share of Airline Activity

In 2020, 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 2020 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**

In 2017, as part of addressing the demand for aviation services in Southern Ontario, a group of airports in the region came 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 current 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 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 came 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 2020, in consideration of the challenges and immediate priorities of the member entities as a result of the pandemic, each of SOAN and SOMAC agreed to pause their work. The exception to the pause was to continue communicating about the efforts of SOAN member airports in supporting essential services through the pandemic and for the region's economic recovery.

**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. A full rehabilitation of Runway 15R-33L was completed in 2020.

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 351,456 square metres of total floor area.

**Terminal 3**

Terminal 3, including the Pier A Satellite facility, has 36 bridged gates, nine commuter aircraft parking positions and a total floor area of approximately 176,905 square metres.

The GTAA has temporarily closed operating access to over 40 per cent of its two terminal facilities given the reduced travel activity.

**Infield Concourse**

The Infield Concourse is an extension of Terminal 3 to handle higher airline traffic and demand for gates. The Infield Terminal has 10 bridged gates and approximately 20,204 square metres of total floor area. The GTAA has temporarily closed operating access to the Infield Concourse.

### 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

The GTAA focuses on capital programs and projects which improve passenger, baggage, and aircraft processing and flow, comply with regulatory requirements, and enhance the customer experience. Due to the COVID-19 pandemic and its impact on passenger volumes, the GTAA undertook a review of its capital program and significantly reduced its capital spending by over $265 million to $345 million of work performed in 2020.

## 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, 2020 and December 31, 2019, together with the auditors' report therein and accompanying MD&A.

### 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. The GTAA has the right to set aeronautical fees and charges as required at any time. In practice, the GTAA establishes aeronautical fees and charges on an annual basis and historically has notified the airlines in September of such changes. The GTAA also has AIF agreements with each air carrier that takes off from and lands at Toronto Pearson whereby air carriers undertake to collect AIF from each of their enplaned passengers on the GTAA's behalf.

**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 based on the principles of 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 is determined based on the principle of recovering 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 principle of apron, aircraft gates and bridges use, and recovery of 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, in principle, to recover such costs fully.

### 4.8.3 Airport Improvement Fee

In 2020, the GTAA charged originating passengers an Airport Improvement Fee of $25 and connecting passengers an Airport Improvement Fee of $4. The Airport Improvement Fee had been held constant or lowered for the past 10 years. Commencing January 1, 2021, the Airport Improvement Fee has been increased to $30 for originating passengers and $6 for connecting passengers.

The Airport Improvement Fees charged by the eight largest international airports in Canada in 2020 were as follows:

**Airport Improvement Fees Charged by Canadian Airports**

| Airport | AIF 2020 | AIF 2021 |
|---|---|---|
| Calgary International Airport | $30 | $35 (March 1, 2021) |
| Edmonton International Airport | $30 | $30 |
| Halifax Stanfield International Airport | $28/$15 [1] | $35/$22 |
| Montreal-Pierre Elliott Trudeau International Airport | $30 | $35 (February 1, 2021) |
| Winnipeg James Armstrong Richardson International Airport | $25 | $38 |
| Toronto Pearson International Airport | $25/$4 [2] | $30/$6 |
| Ottawa Macdonald-Cartier International Airport | $23 | $28 |
| Vancouver International Airport | $25/$5 [3] | $25/$5 |

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. This agreement was extended with the approval of the airlines by one year until December 31, 2021. 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 articles of continuance.

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 is required to pay 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.The Agreement was modified in 2020 due to the significant impact of COVID-19 on industry activity (as described under 2020 Amendments below).

**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 substantially similar parameters to the Air Canada commercial agreement. The WestJet agreement covered an initial four-year term, and has been automatically extended for an additional four years until the end of 2023 as certain conditions were met. The Agreement was modified in 2020 due to the significant impact of COVID-19 on industry activity (as described under 2020 Amendments below).

**2020 Amendments to Long-Term Aeronautical Fee Agreements**

Under the amended agreements, for the remainder of 2020 and the entirety of 2021, each carrier will pay amounts calculated on the basis of: (i) the GTAA's standard aeronautical fees plus (ii) a portion of the respective variance between the standard aeronautical fees amount and the original base fee payable under the agreements for those years. In 2022 and 2023, each of the carriers will pay revised amounts calculated using a combination of the GTAA's standard aeronautical fees and the original base fee. Each carrier will continue to be eligible for rebates, should flight and passenger activity recover, and original growth thresholds are exceeded in a given year. While considerable uncertainty remains over the near-term demand for air travel, the amended agreements are expected to result in reduced overall aeronautical revenues to the GTAA over their remaining terms.

## 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, 2020 and December 31, 2019, 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" below.

### 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 real 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.

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 real property taxes.

### 4.9.5 Payments-in-Lieu of Development Charges

The GTAA is not required to pay development charges to the City of Mississauga, the Regional Municipality of Peel ("Peel Region") or the City of Toronto in respect of development at the Airport. 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, net of interest income earned on reserve fund investments. In 2020, financing costs included fees paid to bondholders in consideration for an amendment to the GTAA's Master Trust Indenture that temporarily exempts the requirement for the GTAA to comply with its Rate Covenant.

The MTI amendment temporarily exempts the requirement for the GTAA to comply with its Rate Covenant prescribed under the MTI, which is comprised of two covenant tests, for fiscal years 2020 and 2021. For more information about this amendment, see "Liquidity and Capital Resources" in the GTAA's Management's Discussion and Analysis for the year ended December 31, 2020.

### 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 60-years, expiring on December 1, 2056, with an option for the GTAA to extend the term for an additional 20-year period to December 1, 2076. The Ground Lease includes all Airport lands, buildings and structures, as well as certain roads and bridges providing access to the Airport, but excludes any assets owned by NAV CANADA, the operator of Canada's civil air navigation system.

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 U.S. 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 2018, 2019 and 2020, the GTAA paid $165.2 million, $170.8 million and $15.6 million, respectively, to Transport Canada as Ground Rent under the Ground Lease, excluding amortization of land acquisition costs.

In response to COVID-19, the Government of Canada waived Ground Lease rent from March 2020 to December 2020 for Canadian Airport Authorities that pay rent to the federal government. This reduced Ground Lease rent costs by approximately $73 million in 2020. The Government of Canada also announced that it will defer Ground Lease rent payments in respect of 2021, with such payments to be made over a ten-year period commencing in 2024.

### 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 Section 7.3 Board Mandate - Risk 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 .

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 GTAA's Environmental Policy addresses corporate commitments to combat climate change concerns as follows:

1. **Climate Change Resiliency:** Taking the appropriate steps to be resilient to the risks of climate change, by assessing how climate change will create new, or alter current, climate-related risks; and mitigating those risks.

2. **Carbon Neutrality and Emissions:** Reducing GTAA's emissions footprint by making improvements in operational efficiency and investment in projects for the direct reduction and/or offset of energy consumption and GHG emissions to achieve net zero GHG by 2050.

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. Such risks include soil and water pollution from airport operations, impacts on physical and transitional risks from climate change, and changes to environmental regulation (see Section 5 - Operational Risks).

The GTAA's Annual Report provides details on Environmental, Social and Governance ("ESG") related issues and highlights the GTAA's sustainability approach and performance.

### 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 the discussion in "Operational Risks" below, which provides a detailed description of both Transitional and Physical Risks associated with climate change.

As of the end of 2020, the GTAA had reduced direct emissions from sources at Toronto Pearson owned or controlled by the GTAA (called "Scope 1" sources) and indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed at Toronto Pearson Airport (called "Scope 2" sources) by almost 70 per cent versus a 2006 baseline. Approximately 30 percent of these reductions came from GTAA operational changes and innovations, 30 percent were attributed to changes to the provincial power supply towards sources with lower emissions, and an additional 10 percent were attributed to reduced heating and cooling requirements associated with the downturn in operations due to the COVID-19 pandemic. Moving forward, the GTAA plans to reset the baseline future emission calculations against a 2010 baseline in accordance with the United Nations Intergovernmental Panel on Climate Change (UN-IPCC) recommendations.

An important component of GTAA's climate change risk mitigation strategy (Transition Risks) is the participation in the Airport Carbon Accreditation (ACA) program, which provides a common framework for active carbon management at airports around the world. The GTAA first achieved

Level 3 certification in 2016 and has maintained this standing ever since. Certification at this level requires that the GTAA measure the carbon footprint of its operations, set and achieve reduction targets, and engage third parties in its efforts.

The GTAA is part of a worldwide Airport Carbon Accreditation (ACA) working group/task force developing new initiatives, such as a newly released ACA Level 4 certification requiring deeper reductions in direct emissions from airport facilities.

Toronto Pearson is also one of a handful of North American hubs participating in a regular Airports Council International forum focused on setting reduced emissions targets for airports, and forums focused on the further development of Sustainable Aviation Fuels (SAFs).

With respect to the mitigation of Physical Risks associated with climate change, the GTAA also has a Climate Change Vulnerability Assessment for Selected Stormwater Infrastructure at the Airport. The Assessment is based on the Public Infrastructure Vulnerability Committee (PIEVC) protocol for Climate Change Vulnerability Assessments. It assessed the vulnerability of infrastructure to both existing climate and future climate. The Assessment assists the GTAA in: i) determining which improvements or changes should be considered to prevent flooding during severe storms; ii) creating and revising its processes and procedures associated with extreme weather events; and iii) conducting comprehensive reviews after each severe weather event to enhance the GTAA’s preparedness for future severe weather events.

The GTAA mitigates physical event risk from climate change to its business and its assets through the purchase of insurance, and believes that the financial impact of such risks would not be material. Management monitors transitional risks related to climate change (see "Operational Risks" below for more about transitional risks), but due to their uncertainty it is not possible to assess financial materiality.

### 4.11.4 Environmental Protection

The two principal environmental protection programs implemented by the GTAA are its Stormwater Management Master Plan and Glycol Recovery Program.

The GTAA's Stormwater Management Master Plan for the Airport and stormwater control facilities and related infrastructure prevent stormwater run-off from runways and Airport lands from exceeding stormwater quality and quantity guidelines.

The Glycol Recovery and Recycling 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. As part of this program, in 2020 the GTAA finalized construction of a new storage tank at the Central Deicing Facility (CDF). The CDF was designed and constructed with an extensive recovery collection system for spent glycol, to minimize any environmental impact from the 65 acre site. The CDF has the ability to divert/collect fluids in underground storage tanks, as well as to discharge fluids through municipal sanitary systems. The CDF’s underground storage tanks collect high concentrated glycol run-off which is later sold into the secondary market after some additional processing. Low concentrated glycol run-off is collected in underground storage tanks and disposed of appropriately. The new tank provides additional capacity and flexibility to address the increased volumes of activity in recent years and to deal with the expected climate change stresses that have been forecast for Toronto Pearson.

### 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. The GTAA also has a 5-year Noise Management Action Plan (2018-2022) that guides implementation of the Noise Management Program and sets out standards and commitments designed to reduce aviation noise.

The GTAA hosts the Toronto Pearson Noise Management Forums: 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, 2020, the GTAA employed approximately 1,471 persons who were engaged in management, technical, administrative and general labour activities. This number includes employees away on leaves of absence, and 131 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, 2021.

## 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, 2020, 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 Section 7.3 Board Mandate - Risk 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 the COVID-19 pandemic or other public health emergencies, 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 Greater Toronto Area 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; increased scrutiny of the airline industry by mainstream and social media; fluctuations in the cost of air travel, and the development of efficient and viable alternatives to air travel.

**The COVID-19 pandemic or other public health emergencies could continue to have a material adverse effect on the GTAA's business, financial condition and results of operations.**

The COVID-19 pandemic and resulting economic contraction is having a significant negative impact on demand for air travel globally. Given the rapidly evolving situation, there is very limited visibility on travel demand given changing government restrictions in Canada and around the world. These restrictions and concerns about travel, including passenger concerns, are severely inhibiting demand for air travel. The COVID-19 pandemic is also having significant impacts, including on business and consumer spending, which may impact demand for travel.

Reduced demand for air travel has had, and continues to have, a material negative impact on the GTAA's business and results from operations, including aeronautical and commercial revenues and AIF. Given the evolving situation, it is not possible to predict the extent of the financial impact, which is and continues to be material, or the duration of the pandemic and resulting economic contraction's disruption on GTAA's business, results of operations and financial condition.

Apart from the impact of the COVID-19 pandemic on GTAA's revenues and operations, there may also be disruptions, including to air carriers, supply chains and third-party service providers, and potential disruptions to the GTAA's workforce. An outbreak of COVID-19 at Toronto Pearson may also have a negative impact on the GTAA's reputation.

The economic recovery globally and particularly for the industry continues to lengthen, with the International Air Transport Association (IATA) and others predicting a 2024 timeline to return to 2019 passenger and flight activity levels. The fluidity and volatility of the situation will continue to make forecasting challenging until more is known about the effectiveness of policy responses, impact of variants, and progress made with distribution of vaccines.

Other public health emergencies including outbreaks or the threat of outbreaks, viruses, or other contagions or epidemic diseases, influenza, SARS, Ebola, Zika (and variants of any of these), 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. Enhanced restrictive safety measures, such as those relating to increased disinfection of passengers and baggage, passenger identification and vaccine or negative test document requirements, and additional passenger testing procedures, would have a negative effect on flights, passenger demand for air travel, and associated impacts on the number of passengers travelling through Toronto Pearson.

**Air carrier financial instability could impact passenger activity and flight activity at Toronto Pearson.**

Air carrier financial instability can result in air carriers making fewer flights and otherwise spending less on their operations at Toronto Pearson to cut costs. Fewer flights can lead to passengers' perceiving that air travel is unreliable and cause them to delay or cancel travel plans, leading to further flight reductions. Furthermore, the inability to access capital, unavailability of aircraft type and fleet mix, or labour disputes, restructuring or cessation of operations, and also  result in fewer flights and route cancellations, all of which could impact the GTAA's revenues.

**Passenger volumes, mix of passengers and passenger 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 volumes and 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 including COVID-19. 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 stresses requiring lease re-negotiations or outright 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 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. Such a review has been conducted in view of the COVID-19 pandemic's global impact on passenger travel, and an interim three-year strategy has been devised to bridge to the long-term strategy. There can be no assurance that the GTAA’s business strategy will produce the expected financial results.

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, and short-term or long-term closure of Toronto Pearson’s facilities, and may have an impact on passenger traffic levels.

**Rate regulation.**

The setting of aeronautical rates and charges is not currently regulated in Canada, and the GTAA is mandated to establish rates and charges appropriate for the airport. 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 threats 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, and 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 travelling 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 platform 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, breaches due to a remote work environment, 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.

**The GTAA depends on government agencies' ability to keep pace with the current and forecasted demand 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 GTAA may experience 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-performing, diverse and wellness-centred culture, is important to the GTAA's achievement of its strategic objectives. Further, certain events or conditions, such as an aging workforce, overall employee health and wellness, abrupt changes to work environment (e.g., compulsory working from home), workers' perception of the future of the industry and talent shortages, may lead to increased attrition, operating challenges and increased costs.

The maintenance of a productive and efficient workforce and environment without disruptions cannot be assured. In the event of a communicable disease outbreak, labour 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 business strategies and objectives.

**Stakeholders may resist 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, and the people and businesses in neighbouring communities. Any action or inaction by the GTAA, or any businesses or government agencies operating at the Airport, may impair Toronto Pearson's image in neighbouring communities or the public's confidence in the Airport. While the GTAA is taking steps to discharge its responsibilities effectively, steps taken by the GTAA may not be effective. A failure to instill confidence and maintain trust with stakeholders and communities could result in damage to the GTAA's reputation and credibility to execute its business strategy, including additional regulatory oversight or additional restrictions on GTAA operations.

**The GTAA could experience negative business impacts related to environmental or regulatory 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. The GTAA is responsible for the use and storage of glycol-based deicing fluid. The discharge of any of these substances into the natural environment could disrupt airport operations, and result in harm to people and the lands of others resulting in civil claims from airlines, injured parties, and neighbouring landowners, and prosecution of offences under environmental laws, and orders from government officials to remediate and monitor affected lands and waters.

**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.

**Physical Risks - Acute:** More frequent weather events that may be due to climate change increase the acute physical risk to Toronto Pearson, including lost aeronautical 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.

**Physical Risks - Chronic:** 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 are implemented, such as extending runways so that airplanes can continue to take off during days with higher temperatures.

**Transition Risks - Market:** “Flight shaming” and similar movements aimed at stigmatizing air travel due to greenhouse gas emissions from planes 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 the number of passengers 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 GTAA's quick-serve restaurants. The GTAA monitors the impact of these movements, both on Toronto Pearson and on global trends, to inform its forecast scenarios.

**Transition Risks - Reputational:** 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 almost all of these emissions are from aircraft and cars travelling to the airport, 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.

**<u>Transition Risks - Regulatory:</u>** 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. Finally, such laws may require more detailed disclosure about greenhouse gas emissions and other data that will in turn reduce business and finance opportunities.

**<u>Transition Risks - Legal:</u>** 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 GTAA's operations and GTAA's continued focus on mitigation. The GTAA continuously evaluates this risk as more information about climate change becomes available.

**<u>Transition Risks - Technology:</u>** 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 provide airside operational services, as well as deliver services to passengers in terminals, including air carriers, retailers and other vendors. Should any of these parties fail to deliver services as required in coordination with others 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 or impacts.**

The GTAA’s capital investment program is designed to support future demand and improve the passenger experience. Unanticipated issues, including a sudden reduction in passenger demand for air travel 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, 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, communicable disease outbreaks related to Toronto Pearson 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 favourable 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, social, 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.

The COVID-19 pandemic may also impact the cost of capital and ability to access the capital markets in the future which may arise from disrupted credit markets, and possible credit ratings watch or downgrade of GTAA's debt. The GTAA's stakeholders and counterparties are experiencing financial distress which has precipitated some delays in payment and certain requests to the GTAA for contractual relief or amendment. There is a risk that such counterparties may be unable to comply with agreed upon payment terms now, or in the future, which may adversely impact the GTAA's revenues or operations.

**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.

If the COVID-19 pandemic and the associated reduction in passenger volumes and aeronautical revenues and AIF continue at depressed levels, or if a significant number of air carriers, commercial partners, concessionaires and tenants fail to make required payments, the GTAA’s ability to meet any applicable financial covenants under the Master Trust Indenture could be impaired, and any waiver sought from bondholders (following expiry of the 2020 and 2021 waiver) may not be granted on terms acceptable to the GTAA.

**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 Greater Toronto Area, 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 $7.0 billion, including accrued interest and net of unamortized discounts and premiums, as at December 31, 2020. 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, 2020 and December 31, 2019, 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.

### Financial Sustainability

The COVID-19 pandemic is placing downward pressures on the GTAA's liquidity. The GTAA has taken steps to limit this that include extending the commitments available under its revolving credit facility to 2023 to provide additional flexibility in light of the continuing impact of the COVID-19 pandemic on the GTAA’s revenues and operations, and reducing and deferring operational and capital expenditures. The GTAA's net liquidity position (including cash) as at December 31, 2020 was $1.4 billion.

The GTAA had reduced its overall gross debt outstanding from a peak of $7.9 billion in 2009 to $6.4 billion as of December 31, 2019, however, its gross debt increased to $7.0 billion as of December 31, 2020 due to the impacts from COVID-19.

Though the GTAA has experienced a material cash outflow in 2020 due to lower passenger volume, given the availability of its credit facilities, its restricted fund balances, the potential ability to access the capital markets, reductions to its operational and capital expenditures, government assistance and its cash-on-hand, the GTAA does not anticipate any funding shortfalls and expects to meet its payment obligations as they come due.

While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the GTAA believes that the pandemic will not have a material impact on the long-term financial sustainability of the Airport.

The GTAA is focused on managing its short term liquidity and longer term 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.

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, 2020 and December 31, 2019, together with the auditors’ report thereon and accompanying Management’s Discussion and Analysis (“MD&A”).

## 6.1 Ratings

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

| | S&P | | Moody’s | | DBRS | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| 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 GTAA is a Canadian Airport Authority and a corporation without share capital under the *Canada Not-for-profit Corporations Act*.

The National Airports Policy and the Public Accountability Principles established the governance framework for Airport Authorities including the GTAA, and served as the framework for the Ground Lease with Transport Canada and the Corporation's By-law. 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 electing Members is based on the GTAA's By-Law.

The GTAA's Members are also its Directors; references in this Annual Information Form 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 their Board Committee memberships as of the date of this report.

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Douglas Allingham**<br>Ontario, Canada<br>Corporate Director<br>Director Since: 2018<br>Term Expiry: 2021<br>Board Chair (effective May 7, 2019) | Mr. Allingham is a civil engineer with 40 years of experience encompassing both the public and private sectors. He is the former Executive Vice-President of AECOM Canada Ltd, and has a background in transportation engineering including transit planning, urban design, traffic engineering, environmental assessment, master planning, airport planning and transportation economics. He has served as president of the Canadian Institute of Transportation Engineers, Chair of the Board for the University of Ontario Institute of Technology, Trustee and Chair of the Board of Lakeridge Health and has served on the boards of Durham College and the Durham Abilities Centre. In 2012, he was awarded the Queen Elizabeth II Diamond Jubilee medal for service to the community. |
| **Jeffrey P. Fegan**<br>Texas, U.S.<br>Chief Executive Officer, Jefffegan.com LLC (aviation consulting firm)<br>Director Since: 2014<br>Term Expiry: 2023<br>Human Resources and Compensation Committee<br>Planning and Commercial Development Committee (Chair) | Mr. Fegan is an executive with extensive experience in the aviation and aerospace industry. He is the former Chief Executive Officer of Dallas/Fort Worth (DFW) International Airport and past Chairman of the Board of Directors of Airports Council International – North America (ACI-NA). Mr. Fegan is skilled in operations management, strategic planning, commercial development and airport development. He graduated from the Georgia Institute of Technology and attended the Stanford Executive Management Program. |

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Peter Gregg**<br>Ontario, Canada<br>President and Chief Executive Officer, Nova Scotia Power (regulated electric utility)<br>Director Since: 2018<br>Term Expiry: 2021<br>Governance and Stakeholder Relations Committee<br>Planning and Commercial Development Committee | Mr. Gregg is the President and CEO of Nova Scotia Power Inc., a wholly-owned subsidiary of diversified energy and services company Emera Inc., providing 95% of the generation, transmission and distribution of electrical power to more than 525,000 residential, commercial and industrial customers across Nova Scotia. He was previously President and CEO of the Independent Electricity System Operator ("IESO"), the corporation responsible for operating the electricity market and directing the operation of the bulk electrical system in the province of Ontario, and President and CEO of Enersource Corporation (now Alectra Utilities) where he led the merger of Enersource with Powerstream and Horizon Utilities, and the purchase of Hydro One Brampton. Mr. Gregg has an MBA from the Ivey School of Business at the University of Western Ontario and received his ICD.D designation from the Institute of Corporate Directors. |
| **Kathleen L. Keller-Hobson**<br>Ontario, Canada<br>Corporate Director<br>Director Since: 2017<br>Term Expiry: 2022<br>Governance and Stakeholder Relations Committee (Chair)<br>Planning and Commercial Development Committee | Ms. Keller-Hobson is an experienced corporate director and also serves as Lead Director and Chair of the Nominating and Governance Committee of CCL Industries Inc., and as a director of Premium Brands Holdings Corporation and member of its Nominating Committee and Executive Compensation and Human Resources Committee, both publicly traded companies. Prior to 2015, Ms. Keller-Hobson was a senior partner at Gowling Lafleur Henderson LLP and, prior to October 2011, was a senior partner at Bennett Jones LLP, both international law firms. Prior to October 2006, she was a senior partner at Torys LLP, also an international law firm, where she practised law for 25 years including nine years as Managing Partner of its London, England office. During her 35-year legal career, Ms. Keller-Hobson provided strategic advice to global businesses, boards of directors and special committees on significant transactions, critical business issues, and risk management. She has broad international experience and extensive experience in public and private mergers and acquisitions, corporate finance, and corporate governance. Ms. Keller-Hobson obtained her law degree from the University of Ottawa in 1979. She is a holder of the Institute of Corporate Directors, Director designation (ICD.D). |
| **Don Kennedy**<br>Ontario, Canada Corporate Director Director Since: 2020 Term Expiry: 2023 Audit Committee Planning and Commercial Development Committee | Mr. Kennedy is a retired business executive having served as the Chief Financial Officer for a number of organizations in aviation, freight and logistics, including Canada 3000, where he grew the organization from the startup of a charter airline into a publicly traded travel group with over 5,000 employees. His professional associations include past Director of the Air Transport Association of Canada, past Director of various airlines fuel consortiums and past member of various aviation and travel industry associations. He also served on the Board of Directors of St. Joseph's Health Centre in Toronto. He is a Chartered Professional Accountant and Chartered Accountant in Ontario since 1981, having started his audit career at PricewaterhouseCoopers LLP. He holds a Bachelor of Commerce (Honours) from Queen's University. |

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Roger Mahabir**<br>Ontario, Canada<br>President and Chief Executive Officer, Technology Innovations Inc.; Chairman and Chief Executive Officer, Tracker Networks Inc. (information technology companies)<br>Director Since: 2013<br>Term Expiry: 2022<br>Audit Committee<br>Planning and Commercial Development Committee | Mr. Mahabir is Chairman and Chief Executive Officer of Tracker Networks Inc. Previously, he was founder, Chairman & Chief Executive Officer of Assurent Secure Technologies, a global provider of software security products and services. In these senior executive and owner capacities, Roger's responsibilities included the oversight of the preparation of the financial statements of these companies. He was also responsible for the financial and business terms of the sale of Assurent to TELUS Corporation. He served as a Managing Director & CIO 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. He is a trained director, having served on the boards and advisory boards of over 20 private and public organizations in Canada, the U.S. and Europe. He was conferred with a Doctor of Law degree (h.c.) from York University and his innovations in technology have been recognized and archived by the Smithsonian. |
| **Hazel McCallion**<br>Ontario, Canada<br>Chief Elder Officer, Revera Inc. (retirement living and long-term care company); Special Advisor to the Vice President University of Toronto (Mississauga Campus)<br>Director Since: 2017<br>Term Expiry: 2022<br>Audit Committee<br>Governance and Stakeholder Relations Committee | Ms. McCallion is the chief elder officer of Revera Inc., chancellor of Sheridan College, and special advisor to the University of Toronto, Mississauga campus. She was one of the longest serving mayors in Canada, having served as mayor of the City of Mississauga for 36 years. The City of Mississauga operated as a debt-free city during her term as mayor. She was an ex officio member of the Audit Committee of the Corporation of the City of Mississauga and was responsible for signing the Internal Audit Charter of the City. She was appointed a member of the Order of Canada in 2005 and appointed to the Order of Ontario in 2020. She has been awarded an honorary Doctor of Laws degree from the University of Toronto, a Doctor of Commerce (Honoris Causa) from Ryerson University, an Honorary Degree from Wycliffe College and an Honorary Bachelor of Science from Sheridan College. |

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Michele McKenzie**<br>Ontario, Canada<br>Principal, McKenzie Business Strategies<br>(management consulting firm)<br>Director Since: 2018<br>Term Expiry: 2021<br>Governance and Stakeholder Relations Committee<br>Human Resources and Compensation Committee | Ms. McKenzie is a corporate director and business advisor with strong tourism expertise. She is Principal of McKenzie Business Strategies, an advisory and leadership practice focused on economic development, strategy, marketing and tourism. She spent ten years in the role of President and CEO of the federal Crown corporation 'Canadian Tourism Commission' ('Destination Canada'), and four years as Deputy Minister of Nova Scotia Tourism, Culture and Heritage. Michele also has experience in international development and has lived and worked in the Middle East. In 2020 she was recognized by the Tourism Industry Association of Canada with a Lifetime Achievement Award. In 2014, she was named by Hotelier Magazine as one of the '10 Most Influential Leaders in Canada's Hospitality Industry in the Past 25 Years'. Michele has extensive board governance experience and in addition to GTAA, currently sits on the boards of Invest in Canada, Fairmont Hot Springs Resort, the Trans Canada Trail, and is a member of the Departmental Audit Committee for Statistics Canada. Michele holds a degree from Dalhousie University, and has completed a Fellowship at Harvard University. She also holds the ICD.D designation from the Institute of Corporate Directors. |
| **Marc Neeb**<br>Ontario, Canada<br>Corporate Director<br>Director Since: 2019<br>Term Expiry: 2022<br>Governance and Stakeholder Relations Committee<br>Human Resources and Compensation Committee (Chair) | Mr. Neeb is a retired HR executive, having most recently served as the Chief Human Resources Officer at Magna International Inc. His past professional experience includes the Town of Aurora, City of Brampton and the City of Mississauga. He holds degrees and diplomas from the University of Western Ontario, Seneca College and the University of Toronto. He has served on the Boards of Southlake Regional Health Centre, Aurora Mayor's Charity Golf Classic, Community Safety Village of York Region and was the Governor of the Royal Lifesaving Society. |
| **Terrie O'Leary**<br>Ontario, Canada<br>Executive Vice President, Business Strategy and Operations, Toronto Global<br>(investment attraction agency for the Toronto region)<br>Director Since: 2016<br>Term Expiry: 2021<br>Governance and Stakeholder Relations Committee<br>Human Resources and Compensation Committee | Ms. O'Leary is Executive Vice-President, Business Strategy and Stakeholder Relations at Toronto Global. Toronto Global is the Toronto Region's foreign direct investment attraction, marketing and sales corporation. A seasoned executive with extensive private and public sector experience. Ms. O'Leary served two terms on The World Bank Board of Directors in Washington, DC, as the representative of Canada, Ireland and the Caribbean. Prior to living in Washington, she was Chief of Staff to former Finance Minister Paul Martin and worked at Merrill Lynch in Toronto before moving to Ottawa. A graduate in economics from McGill University, Ms. O'Leary brings best practice in strategic planning, corporate governance, economic development, stakeholder and government relations to the table. |

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Eric Plesman**<br>Ontario, Canada<br>Executive Vice President, North America, Oxford Properties (real estate company)<br>Director Since: 2019<br>Term Expiry: 2022<br>Audit Committee<br>Planning and Commercial Development Committee | 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. His past experience includes roles in investment banking and real estate private equity at Morgan Stanley (London (U.K.), New York City and Toronto) as well as Arthur Andersen in Amsterdam. He 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 Greater Toronto Area Board of Directors and was the Chair of the Government Relations Committee in 2018 and Co-Chair in 2019. |
| **Michelle Samson-Doel**<br>Ontario, Canada<br>President, Samson-Doel Group Limited (investment company)<br>Director Since: 2014<br>Term Expiry: 2023<br>Audit Committee<br>Human Resources and Compensation Committee | Ms. Samson-Doel is President of Samson-Doel Group Limited, a private capital corporation and former Executive Chair of the Board of Multi-Marques Inc., the largest manufacturer and distributor of bakery products in the province of Quebec and the eastern provinces with 3,500 employees and the recipient of the Canada's Top 50 Best Managed Private Companies Award. She also serves on the board of Lallemand, Lallemand Investments and St. Johns Packaging. She previously served on numerous boards, including Boralex, OLG and Women's College Hospital Foundation. Ms. Samson-Doel is a Chartered Professional Accountant and Chartered Accountant in Ontario since 1983. She holds a BComm from the University of Toronto. |
| **Mark F. Schwab**<br>Florida, U.S.<br>Senior Advisor, Cartrawler (travel technology firm) and PASSUR Aerospace (aviation intelligence firm)<br>Director Since: 2017<br>Term Expiry: 2023<br>Human Resources and Compensation Committee<br>Planning and Commercial Development Committee | Mr. Schwab is an experienced airline industry executive, having recently served as Chief Executive Officer of Star Alliance, the world's first and most comprehensive global airline alliance of 26 members. He has a deep background in the airline industry, having served in international and corporate leadership roles with major carriers such as United Airlines, US Airways, American Airlines and Pan Am. He is a graduate of the University of Virginia. He serves on the Board of a not for profit organization, Greater Naples Leadership. |

| Name, Residence, Principal Occupation and Committee Memberships | |
|---|---|
| **Johan C. van ‘t Hof**<br>Ontario, Canada<br>President, Tonbridge Corp. (merchant bank)<br>Director Since: 2017<br>Term Expiry: 2021<br>Audit Committee (Chair)<br>Planning and Commercial Development Committee | 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, Johan 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, Johan was Partner and Managing Director at PricewaterhouseCoopers LLP (project finance and privatization) and was seconded to the Ontario Securities Commission by his firm. In such role he acted for eleven airport authorities in Canada in transferring operations from Transport Canada and for twenty five governments in project finance and privatization transactions globally in energy corrections, airports and roads. He has testified to the US Senate and the Canadian Parliament on infrastructure policy. Johan is a Chartered Professional Accountant and Chartered Accountant in Ontario and holds an MBA from the University of Toronto. He has served as Chair of the Audit Committees of two international public companies and two private companies. |
| **Rajeev Viswanathan**<br>Ontario, Canada<br>Chief Financial Officer & Partner<br>Forum Equity Partners, (investment and development firm)<br>Director Since: 2020<br>Term Expiry: 2023<br>Audit Committee<br>Governance and Stakeholder Relations Committee | Mr. Viswanathan is the CFO and a partner at Forum Equity Partners, a private alternative investment and development firm with a focus on real assets. At Forum, he is responsible for the overall financial management of the firm, including financial strategy, planning, controls, risk management, tax, information technology and reporting. He is also responsible for the ongoing investment and asset management oversight of the firm’s investments and sits on Forum’s investment committee. Prior to joining Forum, he was the CFO of Dream Global REIT, a Western European, $6 billion, dual-listed (TSX and Frankfurt) commercial office and industrial platform that was acquired in 2019 by Blackstone. Prior to his appointment at Dream Global, Mr. Viswanathan was CFO for Dream Office REIT (TSX-listed). Before Dream, he spend almost a decade at Brookfield holding various senior finance roles, including corporate treasury and helping to establish Brookfield’s Private Funds group. During his tenure with Brookfield, he also worked at General Growth Properties, a US$40 billion shopping mall REIT, where he rebuilt and upgraded various finance capabilities following GGP’s bankruptcy emergence. He is a CPA, CA and CFA charterholder, with a Master of Accounting and Bachelor of Mathematics from the University of Waterloo. |

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 and was President and CEO of the Independent Electricity System Operator (Ontario) from June 20, 2017 to November 6, 2020.

**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.

**Rajeev Viswanathan** was Chief Financial Officer of Dream Office REIT from 2015 to 2018, and Chief Financial Officer of Dream Global REIT from 2018 to 2019.

## 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.<br>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".

**Strategic Planning**

The Board's mandate includes oversight of the strategic planning process. In connection with the strategic planning process, the Board periodically reviews and approves the Corporation's strategic plan taking into account, among other things, the opportunities and risks of the Corporation's business.

**Risk Oversight**

The Board's mandate also includes oversight of the risk assessment process, evaluation of the principal risks to the Corporation's business, and ensuring that the appropriate systems are in place to effectively identify, evaluate, monitor and manage those risks.

In connection with these risk oversight responsibilities, 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 into strategy and opportunity. This enterprise wide approach enables business and external risks to be managed and aligned with the GTAA's strategic priorities and goals.

**Environmental and Climate Related Risks**

The Board's oversight of risk includes environmental and climate related risk. The Board and Management assess climate-related risks and opportunities via the GTAA's ERM program, as described above.

The GTAA's Annual Report highlights the GTAA's sustainability approach and performance.

## 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 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 and government agencies, and Management on topics related to transportation, aviation, safety, security, stakeholder relations and other matters related to the operation of the Airport. In 2020, education sessions were held with speakers from Transport Canada, ESG Global Advisors, and the International Air Transport Association (IATA).

## 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 early 2021, 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 33 per cent of the 15 Directors. In addition, two of its Directors, or 13 per cent, are 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 eight executive officers, two of whom (the CEO and the CFO), are visible minorities. Three of the executive officers, or 38 per cent, 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, Indigenous persons and members of visible minority groups. The Plan includes measures to remove employment barriers and sets timetables and goals to achieve reasonable progress towards a representative workplace. The Plan is one element of the GTAA's overall Diversity and Inclusion strategy.

## 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.

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 risk management, 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: Johan van 't Hof (Chair), Don Kennedy, Roger Mahabir, Hazel McCallion, Eric Plesman, Michelle Samson-Doel and Rajeev Viswanathan.

**Relevant Education and Experience of Audit Committee Members**

Each of the members of the Audit Committee is “financially literate” and “independent”, as those terms are defined in applicable securities laws. For a description of the relevant education and experience of Audit Committee members see the bios of Audit Committee members in Section 7.1 above.

**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 Rajeev Viswanathan.

**Human Resources and Compensation Committee**

The Human Resources and Compensation (HR&C) 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: Marc Neeb (Chair), Jeff Fegan, Michele McKenzie, Terrie O’Leary, Michelle Samson-Doel 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, environmental reporting, 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, providing feedback to Management on strategic capital projects, and overseeing the effectiveness of risk management of commercial development and planning related risks.

As of the date of this report, the members of the Planning and Commercial Development Committee are: Jeff Fegan (Chair), Peter Gregg, Kathleen Keller-Hobson, Don Kennedy, Roger Mahabir, 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<br>Ontario, Canada | Vice President and Chief Information Officer |
| Craig B.M. Bradbrook<br>Ontario, Canada | Chief Operating Officer |
| Mark Carbonelli[1]<br>Ontario, Canada | Chief Human Resources Officer |
| Ian L.T. Clarke<br>Ontario, Canada | Chief Financial Officer |
| Deborah Flint<br>Ontario, Canada | President and Chief Executive Officer |
| Katherine Hammond<br>Ontario, Canada | Vice President, Governance, Corporate Safety & Security |
| Hillary E. Marshall<br>Ontario, Canada | Vice President, Stakeholder Relations and Communications |
| Patrick C. Neville<br>Ontario, Canada | Vice President, Airport Development and Technical Services |
| John Peellegoda[2]<br>Ontario, Canada | Treasurer |

1. Mark Carbonelli, Chief Human Resources Officer, joined the GTAA in February 2021.

2. 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:

**Mark Carbonelli** was Vice President, Human Resources Services of Walmart Canada Corp. from 2010 to 2015, Chief People Officer of dentalcorp Canada from 2016 to 2019, and Chief People Officer at TPH from 2019 to 2021.

**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 International Inc.

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

**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 2020.

| Name | Principal Position |
|---|---|
| Deborah Flint | President and Chief Executive Officer |
| Howard Eng | Former President and Chief Executive Officer |
| Ian L.T. Clarke | Chief Financial Officer |
| Craig B.M. Bradbrook | Chief Operating Officer |
| Patrick C. Neville | Vice President, Airport Planning and Technical Services |
| Katherine Hammond | Vice President, General Counsel, Corporate Safety and Security |

## 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.

The GTAA's 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. In assessing 2020 compensation, the HR&C Committee also considered the impact of the COVID-19 pandemic on the GTAA's business, as discussed below under Base Salaries and Management Incentive Plans.

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 GTAA competes 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 2020, the HR&C Committee and its independent compensation consultant reviewed the GTAA's comparator group, which was developed and approved in 2016 and 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 variable 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. The next risk assessment is scheduled to be completed in 2021.

## 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, 2020 and December 31, 2019 are as follows:

| | 2020 | 2019 [1] |
|---|---|---|
| Executive Compensation-Related Fees | $60,420 | $101,854 |
| All Other Fees | $nil | $nil |

1. Fees for 2019 have been updated to incorporate final invoices received and exclude out-of-pocket disbursements.

## 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.

As part of the GTAA's reductions to operating expenditures in response to the impact of the COVID-19 pandemic on the GTAA's business, executive officers were subject to a 10 per cent reduction to base salaries for the period of September to December 2020.

## 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 contributions to the performance of the organization. Incentive plans include 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 short and long term objectives consistent with the strategy and goals of the organization. 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 individual and corporate performance targets that are aligned with the GTAA's annual business plan, having regard to acceptable risk parameters.

The STIP target award for Ms. Flint 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.

The STIP payout for Mr. Eng was based on his work in transitioning to a new President and CEO in 2020 and was prorated to reflect his contract completion in March 2020, resulting in a payment of $108,750.

The STIP target award for all other Named Executive Officers for 2020 was 40 per cent of base salary, with a maximum award of 1.50 times target, or 60 per cent of base salary.

With the exception of Mr. Eng, whose 2020 STIP payout is described above, 2020 STIP payouts were based on:

- 70 per cent corporate performance and 30 per cent individual performance for Ms. Flint. This reflects that the President and Chief Executive Officer has overall responsibility for the achievement of key performance measures and therefore CEO compensation is closely tied to corporate performance; and

- 50 per cent corporate performance and 50 per cent individual performance for the other Named Executive Officers.

Typically, 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. Due to the impact of COVID-19 on the aviation industry, established measures and formulae for 2020 corporate performance were unusable. A revised approach to assessing corporate performance, including amended corporate and individual goals and the adoption of a financial health multiplier was implemented.

The corporate performance component of the STIP in 2020 consisted of achievement against the following four amended corporate goals:

<table>
<tr><th>Weight (%)</th><th>Corporate Goal Category</th><th>Goals</th></tr>
<tr><td rowspan="2">30%</td><td rowspan="2">Healthy and Safe Airport: Transforming and scaling healthy operations to enable demand recovery</td><td>Prevent significant COVID-19 outbreak across the Airport ensuring airport facilities and workers are in a constant state of readiness</td></tr>
<tr><td>Drive industry recovery through leadership in advocacy and partnership in health and safety initiatives to enable the restart of flights, reducing the negative perception of air travel</td></tr>
<tr><td rowspan="3">30%</td><td rowspan="3">Financial Agility and Sustainability: Protecting business stability now and in the future</td><td>Effectively manage airline and business partner relationships and balance new operational requirements in a sustainable manner</td></tr>
<tr><td>Prioritize preservation of cash through aggressive cost and cash management</td></tr>
<tr><td>Adjust financing strategy and tactics to adjust with industry shift</td></tr>
<tr><td>15%</td><td>Business Diversification: Capitalizing on and competing for new business opportunities</td><td>Pursue a diversified revenue portfolio to address decrease in passenger volumes</td></tr>
<tr><td rowspan="2">25%</td><td rowspan="2">Workforce Strength: Stabilizing and evolving the organization and workforce</td><td>Workforce restructuring and balancing to address industry downturn</td></tr>
<tr><td>Re-imagining Corporate Culture</td></tr>
</table>

**2020 Short-Term Incentive Plan: Individual Performance Goals**

During 2020, the STIP individual performance goals established for the Named Executive Officers were aligned to the strategic imperatives in support of the GTAA's business strategy including among other items:

| | |
|---|---|
| Deborah Flint,<br>President and Chief Executive Officer | CEO Transition, Development of Strategic Plan, Engagement with the Board, and Responding to Macroeconomic Events |
| Ian L.T. Clarke,<br>Chief Financial Officer | Financial Sustainability, Employee Engagement, Health and Safety, and Corporate Systems and Services |
| Craig B.M. Bradbrook,<br>Chief Operating Officer | Healthy and Safe Airport, Financial Agility and Sustainability, Business Diversification, and Workforce Strength |
| Pat Neville,<br>Vice President, Airport Planning and Technical Services | Operating and Capital Expenditures, Innovation and Project Delivery, Maintenance, Safety, Environmental Sustainability, and Transit |
| Katherine Hammond,<br>Vice President, General Counsel, Corporate Safety and Security | Health and Safety, Commercial Relationships, Financial Sustainability, Business Diversification, Workforce Restructuring, and Diversity and Inclusion |

### 8.8.2 Short-Term Incentive Plan Results for 2020

The GTAA delivered above target achievement against the amended 2020 Corporate Goals, with a corporate multiplier of 1.25. The introduction of a financial health multiplier ranging from 0 to 1.0 gave the HR&C Committee flexibility to reduce the corporate performance component of STIP in an uncertain business environment. While the GTAA surpassed the corporate performance targets established for 2020, the HR&C Committee applied a financial health multiplier of 0.75 to the corporate multiplier. The resulting corporate performance multiplier of 0.9375 reflected the Corporation's financial position and recognizes the unique circumstances brought on by COVID-19. This resulted in a below target payout for the corporate component for all employees eligible to receive STIP.

In making these decisions the HR&C Committee recognized the exceptional commitment and contributions of the GTAA's employees in a challenging year in delivering on the 2020 Corporate Goals. Other factors such as talent retention, preservation of institutional knowledge, and retaining a workforce to deliver on the Corporation's recovery and long-term success were taken into consideration.

The following table sets out the Corporate Goal Achievement for 2020:

**2020 Short-Term Incentive Plan: Corporate Goal Achievement**

| Weight (%) | Corporate Goal Category | Goals | 2020 Result | Weighted Multiplier |
|---|---|---|---|---|
| 30% | Healthy and Safe Airport: Transforming and scaling healthy operations to enable demand recovery | Prevent significant COVID-19 outbreak across the Airport ensuring airport facilities and workers are in a constant state of readiness | 136% | 37% |
| | | Drive industry recovery through leadership in advocacy and partnership in health and safety initiatives to enable the restart of flights, reducing the negative perception of air travel | 115% | |

| Weight (%) | Corporate Goal Category | Goals | 2020 Result | Weighted Multiplier |
|---|---|---|---|---|
| 30% | Financial Agility and Sustainability: Protecting business stability now and in the future | Effectively manage airline and business partner relationships and balance new operational requirements in a sustainable manner | 150% | 40% |
| | | Prioritize preservation of cash through aggressive cost and cash management | 100% | |
| | | Adjust financing strategy and tactics to adjust with industry shift | 150% | |
| 15% | Business Diversification: Capitalizing on and competing for new business opportunities | Pursue a diversified revenue portfolio to address decrease in passenger volumes | 137% | 21% |
| 25% | Workforce Strength: Stabilizing and evolving the organization and workforce | Workforce restructuring and balancing to address industry downturn | 111% | 27% |
| | | Re-imagining Corporate Culture | 103% | |

The table below illustrates the overall STIP target bonus (as a percentage of base salary) and total payout (in dollars) for Named Executive Officers awarded under the 2020 STIP:

## 2020 Short-Term Incentive Plan Payouts

| **Name and Principal Position** | **Target Bonus (% of Base Salary)** | **Actual Payout ($)** |
|---|---|---|
| Deborah Flint, President and Chief Executive Officer | 60 | 470,250 |
| Ian L.T. Clarke, Chief Financial Officer | 40 | 217,024 |
| Craig B.M. Bradbrook, Chief Operating Officer | 40 | 209,660 |

| | | |
|---|---|---|
| Patrick C. Neville,<br>Vice President, Airport Planning and Technical Services | 40 | 175,630 |
| Katherine Hammond,<br>Vice President, General Counsel, Corporate Safety and Security | 40 | 168,165 |

### 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.

With the exception of Ms. Flint, the target potential award for the 2018-2020 LTIP for participating Named Executive Officers was 40 per cent of their base salary at the time the LTIP grant was awarded.

Ms. Flint's target potential award for the 2018-2020 LTIP is based on 20 per cent of base salary (prorated based on Ms. Flint's start date in 2020), and is subject to a maximum multiplier of 1.5.

**2018-2020 Long Term Incentive Plan Grant**

In 2018, the Board of Directors awarded LTIP grants to the eligible Named Executive Officers of the Corporation employed during 2018, conditional on future performance over the three-year performance period from January 1, 2018 through December 31, 2020. Entitlements under this LTIP were to be based on the Corporation's performance against financial, passenger growth, and customer satisfaction targets.

In 2020, the impact of COVID-19 impeded the industry's ability to track progress using passenger growth and customer satisfaction metrics. Uncertainty introduced by the pandemic and a shift in long-term leadership priorities from a period of growth to one of recovery, necessitated adjustment with respect to 2020. As such, the HR&C Committee and Board approved splitting the 2018-2020 LTIP award in two portions: a) two-year portion covering 2018 and 2019 based on actual results against established and approved targets; and b) one-year portion based on the 2020 corporate performance.

If performance fell below Threshold, which is the minimum level of goal attainment in order to qualify for an LTIP payout, the multiplier would be zero and payout would be nil. For performance (i) equal to Threshold, (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.

The 2018 and 2019 LTIP metrics are aligned with: Net Income; ASQ (a third-party administered measure of airport service relative to other similarly sized airports); and Passenger Growth, which is measured relative to competitor airports. The 2020 LTIP metrics are aligned to achievement of the 2020 Corporate Goals.

All of the 2020 Named Executive Officers were eligible to receive a payout under the 2018-2020 LTIP.

**2018-2020 Long-Term Incentive Plan Payouts**

| Name and Principal Position | Target LTIP (% of Base Salary) | Weighted Multiplier (%) | Actual Payout ($) |
|---|---|---|---|
| Deborah Flint, President and Chief Executive Officer | 20 | 85.7 | 117,838 |
| Howard Eng, Former President and Chief Executive Officer[1] | 70 | 100 | 477,370 |
| Ian L.T. Clarke, Chief Financial Officer | 40 | 85.7 | 150,832 |
| Craig B.M. Bradbrook, Chief Operating Officer | 40 | 85.7 | 115,181 |
| Patrick C. Neville, Vice President, Airport Planning and Technical Services | 40 | 85.7 | 115,181 |
| Katherine Hammond, Vice President General Counsel, Corporate Safety and Security[1] | 40 | 85.7 | 38,920 |

1. Per Mr. Eng's Employment Agreement, he is not subject to a performance multiplier for the 2018-2020 LTIP Award and as such will be paid at target.
2. Ms. Hammond was appointed Vice President, General Counsel, Corporate Safety and Security effective September 2018. Her Long-Term Incentive Plan payout is pro-rated to reflect a start date of September 2018.

## 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-industry 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 for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018. The GTAA does not maintain any share-based award plans or option-based award plans.

| Name and Principal Position | Year | Earnings ($) | Incentive Plan Compensation[1] ($) Short-Term Incentive Plans ($) | Long-Term Incentive Plan (S) | Pension Value[1] ($) | All Other Compensation[2] ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|
| Deborah Flint, President and Chief Executive Officer[3] | 2020 | 649,038 | 470,250 | 117,838 | 89,900 | 283,965 | 1,610,991 |
| | 2019 | — | — | — | — | — | — |
| | 2018 | — | — | — | — | — | — |
| Howard Eng, Former President and Chief Executive Officer[4] | 2020 | 192,404 | 108,750 | 477,370 | 120,300 | — | 898,824 |
| | 2019 | 720,059 | 459,460 | 464,008 | 165,000 | — | 1,808,527 |
| | 2018 | 699,741 | 475,585 | 429,111 | 173,500 | — | 1,777,937 |
| Ian L.T. Clarke, Chief Financial Officer | 2020 | 440,515 | 217,024 | 150,832 | 96,200 | — | 904,571 |
| | 2019 | 453,340 | 247,703 | 131,890 | 90,600 | — | 923,533 |
| | 2018 | 438,845 | 197,955 | — | 63,300 | — | 700,100 |
| Craig B.M. Bradbrook, Chief Operating Officer[5] | 2020 | 384,048 | 209,660 | 115,181 | 83,000 | — | 791,889 |
| | 2019 | 392,313 | 221,894 | 124,530 | 76,500 | — | 815,237 |
| | 2018 | 369,480 | 171,298 | 103,777 | 75,400 | — | 719,955 |
| Patrick C. Neville, Vice President, Airport Planning and Technical Services | 2020 | 374,123 | 175,630 | 115,181 | 79,900 | — | 744,834 |
| | 2019 | 383,423 | 212,320 | 124,530 | 74,200 | — | 794,473 |
| | 2018 | 365,768 | 165,816 | 108,875 | 74,000 | — | 714,459 |
| Hammond, Vice President General Counsel, Corporate Safety and Security[6] | 2020 | 358,615 | 168,165 | 38,920 | 75,700 | 150,000 | 791,400 |
| | 2019 | 370,000 | 201,651 | — | 53,500 | 150,000 | 775,151 |
| | 2018 | 111,000 | 49,501 | — | 14,100 | 250,000 | 424,601 |

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 "Short-Term Incentive Plan" amounts, which are payouts under the 2020 STIP, and "Long-Term Incentive Plan" amounts, which are payouts under the relevant LTIP.

1. Pension Value is derived from the "Compensatory" column of the Pension Plan Benefits table in Section 8.11.
2. All Other Compensation – Perquisites and other benefits do not exceed $50,000 or more than 10 per cent of the total annual salary for any of the Named Executive Officers, except with respect to Ms. Flint and Ms. Hammond which is described in footnotes 3 and 6. 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.
3. Ms. Flint was appointed President and Chief Executive Officer effective February 3, 2020. Her Short-Term Incentive Plan payout is pro-rated to reflect a start date of February 3, 2020. All Other Compensation for Ms. Flint includes $205,048 for

temporary accommodation and customary relocation expenses, $54,436 for family travel, $23,100 for car allowance, and $1,381 in other taxable benefits in 2020.

4. Mr. Eng retired as President and Chief Executive Officer effective February 2, 2020 and remained as a consultant until March 31, 2020. Mr. Eng's Short-Term Incentive Plan payment for 2020 was pro-rated to reflect his contract completion on March 31, 2020.
5. Mr. Bradbrook, formerly Vice President, Aviation Services, was appointed Chief Operating Officer effective July 2020.
6. Ms. Hammond was appointed Vice President, General Counsel, Corporate Safety and Security effective September 10, 2018. Her Long-Term Incentive Plan payout is pro-rated to reflect a start date of September 10, 2018. All Other Compensation for Ms. Hammond includes a $550,000 signing bonus which was paid in three installments over three-years.

## 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 their 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 limit under the *Income Tax Act*, which was $27,830 in 2020, representing contributions of up to $13,915 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 their beneficiaries receive a lump sum payment of their 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 their 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 in 2020 by the Named Executive Officers.

| Name<br><br>(a) | Accumulated Value at Start of Year ($)<br>(b) | Compensatory ($)<br><br>(c) | Accumulated Value at Year-End ($)<br>(d) |
|---|---|---|---|
| Deborah Flint | 0 | 89,900 | 112,000 |
| Howard Eng[1] | 1,470,400 | 120,300 | 1,209,600 |
| Ian L.T. Clarke | 209,000 | 96,200 | 348,700 |
| Craig B.M. Bradbrook | 424,800 | 83,000 | 581,500 |
| Patrick C. Neville | 1,099,800 | 79,900 | 1,201,200 |
| Katherine Hammond | 87,400 | 75,700 | 191,900 |

1. Mr. Eng retired in 2020 and elected to receive DC SERP balance in installments. The balance "Accumulated Value at Start of Year" presented above includes both DC RPP and DC SERP balances as of December 31, 2019. His "Accumulated Value at Year-End" presented above includes both DC RPP and DC SERP balances as of December 31, 2020 after receiving his first DC SERP payment.

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 Ms. Flint, Mr. Clarke, Mr. Bradbrook, Mr. Neville and Ms. Hammond that provide for payments in connection with a termination of employment.

**Deborah Flint**

**Termination of Employment Without Cause**

Ms. Flint's employment agreement provides that: if the GTAA terminates her employment without cause the GTAA shall provide her with 12 months' notice of termination or payment-in-lieu of notice of termination, plus two weeks’ notice per each full year of service, provided that the notice period shall not exceed 18 months, as well as pro-rated STIP and LTIP payments and pension contributions for such period. The estimated incremental payment that would have been payable to Ms. Flint in the event of termination of her employment without cause, assuming termination on December 31, 2020, is $2,038,870.

**Termination Due to Change in Control**

Ms. Flint’s agreement provides that if there is a change in control of the Company, which results in a change in the terms and conditions of her employment which amounts to "Good Reason" Ms. Flint shall be entitled to the same compensation and benefits outlined above under Termination of Employment Without Cause. The estimated incremental payment that would have been payable to Ms. Flint in the event of termination due to a change in control that results in a material adverse change in the terms and conditions of her employment, assuming that the triggering event took place on December 31, 2020, is $2,038,870.

In addition to a general obligation of confidentiality, Ms. Flint’s employment agreement provides that during her employment with the GTAA and during the 24-month period following the cessation of her employment, she will not solicit business from any customer or prospective customer of the GTAA, interfere with the relationship between the GTAA and any of its suppliers, or solicit the services of a GTAA employee or encourage a GTAA employee to leave the GTAA.

**Ian L.T. Clarke**

Mr. Clarke's employment agreement provides that if the GTAA terminates Mr. Clarke's employment without cause, 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 completed year subsequent to the first 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, 2020, is $784,940.

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, 2020, is $440,000.

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

**Patrick C. Neville**

Mr. Neville's employment agreement provides that if he terminates his employment due to a change in control of the GTAA that results in a material change in the terms and conditions of his employment, the GTAA is obligated to pay him 24 months' base salary at the rate in effect at the date of termination. The estimated incremental payment that would have been payable to Mr. Neville in the event of termination due to a change in control that results in a material change to the terms and conditions of his employment, assuming termination on December 31, 2020, is $772,000.

**Katherine Hammond**

Ms. Hammond's employment agreement provides that if the GTAA terminates her employment without cause, the GTAA shall provide her 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 completed year subsequent to the first year of service, as well as pro-rated Target STIP and LTIP payments and pension contributions in accordance with the applicable plan documents, subject to mitigation for income earned through comparable employment. The estimated incremental payment that would have been payable to Ms. Hammond in the event of termination without cause, assuming termination on December 31, 2020, is $398,460.

In addition to a general obligation of confidentiality, Ms. Hammond's employment agreement provides that during her employment with the GTAA and during the 6-month period following the cessation of her employment, she will not solicit business from any customer or prospective customer of the GTAA, interfere with the relationship between the GTAA and any of its suppliers, or solicit the services of a GTAA employee or encourage a GTAA employee to leave the GTAA.

## 8.13 Compensation of Directors

The GTAA's Directors receive remuneration for performance of 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 2020 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. In light of the uncertainty surrounding COVID-19 on the business and workforce, the Board approved a reduction in fees equivalent to 10 per cent of the annual retainer fee in respect of Q3 and Q4 2020. In addition, the Directors agreed to be paid at the "by phone" rate for meetings between May and December 2020.

The Chair of the Board usually earns an annual retainer fee of $180,000; however as part of the reductions noted above his retainer was reduced by 10 per cent in Q3 and Q4 of 2020. 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. Payments with respect to these annual fees were reduced by 10% in respect of Q3 and Q4 2020 in light of the impact of COVID-19 on the business.

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. Payments with respect to these annual fees were reduced by 10% in respect of Q3 and Q4 2020 in light of the impact of COVID-19 on the business.

During the fiscal year ended December 31, 2020, Directors earned fees totaling $1,185,125 for their services as Directors.

During 2020, there were ten meetings of the Board; six meetings of the Governance and Stakeholder Relations Committee; five meetings of the Audit Committee; five meetings of the Human Resources and Compensation Committee; and four meetings of the Planning and Commercial Development Committee. The following table summarizes each Director's attendance record for Board, Committee and other meetings held during 2020, and the compensation earned with respect to 2020.

**Director Attendance and Compensation**

| Name | Board Meetings Attended | Board Fees Earned[1] ($) | Committee Meetings Attended | Committee Meeting Fees Earned[2] ($) | Total[3] ($) |
|---|---|---|---|---|---|
| Douglas Allingham | 10/10 | 171,000 | 20/20 | N/A | 171,000 |
| Jeffrey P. Fegan | 10/10 | 56,000 | 9/9 | 25,275 | 81,275 |
| Peter Gregg | 10/10 | 56,000 | 10/10 | 19,550 | 75,550 |
| Kathleen Keller-Hobson | 10/10 | 56,000 | 10/10 | 27,275 | 83,275 |
| Don Kennedy (term commenced May 6, 2020) | 8/8 | 42,000 | 7/7 | 14,700 | 56,700 |
| Roger Mahabir | 10/10 | 56,000 | 9/9 | 27,350 | 83,350 |
| Hazel McCallion | 10/10 | 56,000 | 11/11 | 20,600 | 76,600 |
| Michele McKenzie | 10/10 | 56,000 | 9/9 | 16,200 | 72,200 |
| Marc Neeb | 10/10 | 56,000 | 11/11 | 23,525 | 79,525 |
| Terrie O'Leary | 10/10 | 56,000 | 11/11 | 18,200 | 74,200 |
| Eric Plesman | 9/10 | 55,000 | 8/9 | 18,950 | 73,950 |
| Michelle Samson-Doel | 10/10 | 56,000 | 8/8 | 22,700 | 78,700 |
| Mark Schwab | 10/10 | 56,000 | 9/9 | 15,700 | 71,700 |
| Johan van 't Hof | 10/10 | 56,000 | 9/9 | 26,975 | 82,975 |

| Name | Board Meetings Attended | Board Fees Earned[1] ($) | Committee Meetings Attended | Committee Meeting Fees Earned[2] ($) | Total[3] ($) |
|---|---|---|---|---|---|
| Rajeev Viswanathan (term commenced October 14, 2020) | 2/2 | 13,250 | 2/2 | 4,375 | 17,625 |
| David Wilson (term ended on May 5, 2020) | 2/2 | 1,500 | 3/3 | 5,000 | 6,500 |
| Total Fees Earned | | 898,750 | | 286,375 | 1,185,125 |

1. Board Fees Earned consist of each Director's retainer fee, plus their attendance fees for Board meetings.
2. Committee and Other Meeting Fees Earned consist of Directors' committee member fees, attendance fees at Committee and other meetings and, where applicable, the Committee Chair fee.
3. All Other Compensation Perquisites and other benefits do not exceed 10 per cent of the total annual fees payable to any of the Directors.

# 9. Auditors: Interest of Experts

The GTAA's auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, which has prepared an independent auditor's report dated March 22, 2021 in respect of the GTAA's consolidated financial statements as at December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 are as follows:

| | 2020[5] | 2019[6] |
|---|---|---|
| Audit Fees[1] | 572,856 | 763,741 |
| Audit-Related Fees[2] | 140,000 | 159,750 |
| Tax Fees[3] | 15,000 | 15,500 |
| All Other Fees[4] | 28,500 | - |
| Total | 756,856 | 938,991 |

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 16 *Transition Procedures;* 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"including Canada Emergency Wage Subsidy ("CEWS") calculation reviews.
5. Fees for 2020 incorporate estimated costs, as final invoices have not yet been received, and exclude out-of-pocket disbursements.
6. Fees for 2019 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 2020, PricewaterhouseCoopers LLP performed non-audit services relating to GTAA's income tax returns, security filings and Canada Emergency Wage Subsidy ("CEWS") calculation reviews, 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, 2020 and December 31, 2019, 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 March 24, 2021)

### 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, and 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;

   (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 and chairs of such committees. 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 Human Resources and Compensation Committee; and

(d) 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 their 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) notify the Board Chair in advance, to the extent possible, of any material change in his or her circumstances which could impact the Director's continued ability to carry out his or her duties on the Board. Such circumstances could include material changes to the Director's health, qualification as an independent Director, primary occupation, ability to commit to full Board participation and attendance or circumstances giving rise to conflicts of interest (that cannot be appropriately managed) or reputational risk to the Board;

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

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

(j) 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

(k) participate in orientation and educational initiatives for Directors, including tours of Airport facilities, 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 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 March 24, 2021)

### 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 Board of Directors ("Board") shall appoint annually, upon receiving the recommendation of the Chair of the Board and the Governance and Stakeholder Relations Committee, the members of the Committee to be effective immediately following the annual members meeting of the Corporation. The Committee shall consist of not less than 4 members, all of whom shall be "independent" directors, as defined in applicable securities laws, and confirmed by the Board annually. Every member must be "financially literate", as defined under applicable securities laws. At least one member must be a CPA with an audit practice background. Any member may be removed from the Committee or replaced at any time by resolution of the Board.

2. In annually determining the members of the Committee, the Board shall also appoint, upon receiving the recommendation of the Chair of the Board and the Governance and Stakeholder Relations Committee, the Chair of the Committee ("Chair") to be effective immediately following the annual members meeting of the Corporation. 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 or virtual meetings, shall be called by the Chair and shall be held at least four 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, the 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 RESPONSIBILITIES 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.