Greater Toronto Airports Authority
Annual Information Form

For the Year Ended December 31, 2015

March 23, 2016

Table of Contents

1 Caution Regarding Forward-Looking Information

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

Words such as "believe", "expect", "plan", "intend", "estimate", "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could", often identify forward-looking information. Specific forward-looking information in this AIF includes, among others, statements regarding the following: the GTAA's strategic framework and its vision and mission statements; growth in domestic and international passenger traffic; the GTAA meeting growing demand for air travel through making optimum use of existing facilities before investing in new capital infrastructure, and how this will be achieved; the GTAA's rate-setting methodology and its relationship to financial and corporate sustainability and debt levels and service costs; the purchase and cancellation of outstanding debt in the near term; funding capital expenditures from operating cash flows; the extension of the air service incentive program in 2016; maintaining the GTAA's 2016 aeronautical fees at 2013 levels; the non-renewal of the Government of Canada war and terrorism indemnity after June 30, 2016; the projection that Toronto Pearson would facilitate 457,000 jobs and $58.6 billion or 6.6 per cent of Ontario GDP by 2030; the benefits anticipated from the implementartion of the GTAA's 20 year strategy; demand for air travel in the Greater Toronto Area ("GTA") and passenger projections; growth in activity at Toronto Pearson International Airport; the Ontario Ministry of Finance's population projection of the GTA of 9.4 million persons in 2041; the acquisition and subsequent transfer of the remaining parcel of Boeing lands to the federal government; future terminal, airside, groundside and other capital developments at the Airport; the effect of the apron and check-in fees in increasing efficiency in the use of Airport facilities and reducing air carrier and GTAA costs; the Long Term Aeronautical Fees Agreements entered into with Air Canada and WestJet; the outcome of certain applications relating to payments-in-lieu of development charges; and the performance of an executive compensation risk review in 2016.

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

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

The forward-looking information contained in this AIF represents expectations as of the date of this report and is subject to change. Except as required by applicable law, the GTAA disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information or future events or for any other reason.

2 Corporate Structure

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

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

3 General Development of the Business

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

3.1 Toronto Pearson – A Global Hub Airport

In 2015, Toronto Pearson welcomed 41 million passengers, the first airport in Canada to achieve this milestone. Toronto Pearson also expanded the number of international destinations served. In 2015, Toronto Pearson offered more non-stop international destinations (144) than any other North American airport. Toronto Pearson's passengers now have direct service from Toronto to 67 per cent of the world's economy, based on global Gross Domestic Product ("GDP"). Toronto Pearson was the second-largest international airport in North America as measured by the total number of annual international passengers. In 2015, 61.3 per cent of the Airport's passengers were international.

The number of connecting passengers is also increasing. In 2015, 31.3 per cent of Toronto Pearson's passengers were connecting passengers, as compared to 27.5 per cent in 2011. Connecting passengers are beneficial in helping airlines build a critical mass of passengers, thus enabling an airline to use larger aircraft, increase the frequency on existing routes and introduce new routes.

Toronto Pearson experienced record passenger growth over the last two years. Passenger volumes increased from 36.1 million passengers in 2013 to 41 million passengers in 2015, an additional five million passengers in just two years. International passengers accounted for 70 per cent of this growth.

The above statistics confirm Toronto Pearson's role as a global hub airport.

Airport Challenges

With success comes the challenge and the opportunity of accommodating this growth.

As part of its strategy to optimize the capacity of terminal buildings before expanding the terminals' footprint, the GTAA has been renovating its terminals and improving its processes to increase passenger throughput within the existing infrastructure. The GTAA will expand its terminal buildings and infrastructure when demand dictates and after a thorough consultation with the air carriers.

The road network in the GTA is becoming increasingly congested which impacts access to the Airport. To help relieve this congestion, the GTAA is developing a ground transportation strategy to establish Toronto Pearson as a sustainable multi-modal transportation centre. The GTAA actively participates with local, regional and provincial transportation and planning agencies to ensure that connections of rapid transit services to the Airport are included into ground transportation master plans. The commencement of service of the Union Pearson Express Train in June 2015 is part of the solution to alleviate Airport traffic congestion.

Given the fiscal policies of the federal government, passenger wait times for customs processing and security screening are also challenges. Although the introduction of self-service customs clearance kiosks has reduced customs wait times, security screening continues to give rise to operational challenges. The GTAA is working with the Canadian Air Transport Security Authority ("CATSA") to reduce security screening wait times.

3.2 20-Year Strategic Framework

In 2013, the GTAA commenced the development of a new 20-year strategic framework. It was formally adopted by the Board of Directors in March 2015. This strategic framework is used as the basis for developing the GTAA's five-year business plans and annual business plans and budgets.

The 20-year strategic framework seeks to position the Airport to meet the travel demands of the south-central Ontario region in a sustainable manner, and is guided by three overarching principles: financial sustainability, customer experience and operational excellence. The overarching principles are intended to create a balanced approach to the GTAA's strategic business decisions. Through this strategic framework, the GTAA will meet the growing demand for air travel by making optimum use of existing facilities before investing in new capital infrastructure. This will be achieved by improving passenger, baggage and aircraft processes and flow; delivering excellent customer service; and enhancing passenger amenities. In addition, the GTAA adopted a new Vision Statement and Mission Statement in March 2015.

Vision Statement: The vision statement of the GTAA is to be "The Best Airport in the World: Making a Difference, Connecting the World". The vision statement describes the GTAA's aspiration to make Toronto Pearson the best airport in the world for air passengers and other airport users.

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

Strategic Goals: The realization of the GTAA's strategic vision is achieved through a set of six strategic goals, outlined as follows:

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

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

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

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

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

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

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

3.3 The GTAA's Focus

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

3.3.1 Safety

Safety is the top priority of the GTAA. In order to ensure high levels of safety at the Airport, the GTAA developed the Toronto Pearson Safety Program, which encompasses all areas of safety at Toronto Pearson. The vision of the Program is zero injuries and is supported by the concept that all injuries and accidents can be prevented.

3.3.2 Debt Management

The GTAA is focused on managing its debt as part of its financial sustainability strategy and its obligation under the Ground Lease to return the Airport to the federal government at the end of the lease term on a debt-free basis. The GTAA's debt management strategies include re-deploying certain reserve funds to pay down debt, funding capital expenditures from operating cash flows, and optimizing the use of existing assets before investing in new infrastructure. While the GTAA is placing increasing emphasis on utilizing internally generated cash flows to fund capital investments, the GTAA may from time to time access the capital markets to refinance maturing debt, fund the redevelopment of existing assets and fund new major capital programs.

On February 8, 2016, Moody's Investors Service, Inc. upgraded its credit rating of the GTAA's Medium Term Notes from "A1" to "Aa3" in recognition of the GTAA's improved financial metrics. See *"Ratings".*

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

3.3.3 Improving the Passenger Experience

The GTAA is a passenger-focused organization. During the past three years, the GTAA has implemented a number of initiatives to improve the passenger experience by improving flow, atmosphere and amenities. By enhancing the passenger experience, passengers are more likely to choose Toronto Pearson as their airport of choice, which is especially important to attract connecting passengers. The following describes some of the key initiatives recently introduced to provide more streamlined and faster passenger processing, enhanced navigation and flow through the Airport, a welcoming atmosphere, and new amenities for our passengers.

1. **Passenger Navigation Enhancements**

   (a) Wayfinding and Signage:

   In order to improve passenger navigation through the Airport, over 3,500 wayfinding signs were re-designed and changed in 2015.

   (b) Mobile Information Booths:

   In 2015, five mobile information booths were constructed and introduced to the terminals to provide passenger information. These information booths enhance passenger navigation and are staffed by GTAA employees.

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

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

(a) **Check-in Kiosks:** Toronto Pearson has 208 self-service check-in kiosks in Terminals 1 and 3. These kiosks allow passengers to check-in with their airline and print their boarding pass and baggage tags. The GTAA expanded its check-in kiosk capability in 2015 by providing additional kiosks and baggage tag printers as more air carriers transition their check-in process to self-service kiosks. Currently, 13 air carriers, which collectively carry 93 per cent of Toronto Pearson's passengers, use the GTAA's common use self-service check-in kiosks.

(b) **Customs Kiosks:** Toronto Pearson provides four types of self-service customs clearance kiosks to expedite the flow of passengers through the Airport's customs halls in Terminals 1 and 3:

(i) **Canadian Customs Kiosks** — Canadian citizens and permanent residents as well as U.S. passport holders are able to clear Canadian Customs using the 42 self-service Automated Border Clearance ("ABC") kiosks. In addition, members of Nexus, a joint U.S./Canada trusted traveller program, are eligible to use the 34 Nexus kiosks.

(ii) **U.S. Customs Kiosks** — Most passengers departing to the United States are eligible to use the 80 self-service Automated Passport Control ("APC") kiosks to pre-clear U.S. Customs. In addition, members of Nexus and Global Entry are able to use the 40 Global Entry kiosks to pre-clear U.S. Customs.

In 2015, the ABC, APC and Nexus programs were expanded at Toronto Pearson. The ABC program, which was originally limited to Canadian citizens and permanent residents, was expanded to include U.S. passport holders. An additional 20 Nexus kiosks were added, bringing the total number to 34 kiosks. As well, 40 additional APC kiosks were introduced, bringing the total to 80 kiosks, and passenger eligibility was expanded to include members of certain U.S. immigration programs.

The self-service customs kiosks and self-service check-in kiosks have enabled the GTAA to add passenger processing capacity within the existing customs and check-in areas, and reduce check-in and customs clearance line-ups and wait times; this has significantly improved the passenger experience.

3. **International to Domestic Baggage Connections:**

In 2014, the GTAA implemented the first phase of an international to domestic baggage connection process aimed at streamlining the passenger experience and reducing connection times at the Airport. Passengers arriving on select international flights no longer collect and re-check their checked baggage at Toronto Pearson and instead see their baggage at their final destination in Canada. Since the first phase has proved very successful in creating a convenient and faster connection process, the program was expanded in 2015 to include all flights arriving from U.S. destinations, as well as London Heathrow. Additional facilities are currently being designed and constructed to allow for full implementation of the program, which will ultimately include passengers arriving from most international destinations.

4. **New Restaurants, Stores and Services:**

   In 2015, 21 new retail stores, restaurants and services were added at the terminals. New services have been introduced including spa services in a private setting and a concierge program that provides individualized assistance to/from gate to curb. In 2015, Toronto Pearson also opened the Skyhealth Medical Clinic and Pharmacy, providing passengers and employees access to on-site medical care and pharmaceutical products.

5. **Volunteer Program:**

   The GTAA implemented a Volunteer Program in 2014 to greet passengers, answer questions and provide wayfinding assistance in both the pre-and post-security areas of the terminals. The Volunteer Program provides an opportunity for the community to be local ambassadors and to help create a welcoming atmosphere for passengers and the public at Toronto Pearson. In 2015, the "Welcome Team" grew to over 150 active volunteers who provide over 600 volunteer hours weekly.

6. **Enhanced Free Wi-Fi:**

   To meet the increasing demand for Wi-Fi services, the GTAA enhanced its free Wi-Fi coverage in 2015 in both terminals for passengers who view Wi-Fi as an essential amenity.

7. **Ground Transportation:**

   New transportation services were added in 2014 and 2015 to improve access to the Airport and to facilitate parking.

   (a) **Uber Black Taxi/Limousine Service —** In 2014, the GTAA permitted Uber Black to pick up passengers departing from the Airport, provided that the service was pre-arranged.

   (b) **The Union Pearson Express Train —** In June 2015, Metrolinx, the Province of Ontario's regional transportation authority, commenced operation of the Union Pearson Express Train connecting Toronto Pearson to Union Station in downtown Toronto.

   (c) **Parking Initiatives —** In March 2015, the GTAA launched a parking reservations mobile site to offer passengers the convenience of pre-booking parking spaces on-line for the GTAA's parking facilities.

   (d) **Enhanced Transit Centre in Terminal 1 —** In 2015, the GTAA developed the Enhanced Transit Centre in Terminal 1 to provide a more comfortable and convenient waiting area for passengers and employees who use public transit. The Enhanced Transit Centre includes more waiting areas, heated shelters, area and route maps, fare machines, and digital wait-time screens. The Enhanced Transit Centre is available for users of GO Transit, TTC, and Brampton and Mississauga Transit.

8. **Assumption of Deicing Operations:**

   Prior to July 1, 2015, aircraft deicing services were provided directly to the air carriers by a third-party service provider. Effective July 1, 2015, due to its desire to exercise full control over an airport function that is critical to the efficient operation of the Airport during winter operations, the GTAA assumed the responsibility for the provision of deicing services, using GTAA staff, equipment and facilities. Air carriers pay a Deicing Facility Fee to the GTAA.

3.4 Three-Year History

3.4.1 Air Passenger Traffic

Change in Reporting the International Sector

International aviation protocol classifies all non-domestic passengers and activity as international passengers and activity. In 2015, the GTAA changed its reporting of international passengers and activity by incorporating transborder (Canada-U.S.) passengers and activity into the international sector and no longer separately reports transborder passengers and activity.

Passenger Growth

In 2015, Toronto Pearson experienced its second-largest annual increase in passenger growth. Passenger traffic at the Airport increased in 2015 by 6.4 per cent, from 38.6 million passengers in 2014 to 41.0 million passengers in 2015, representing an annual growth of 2.4 million passengers.

The following table sets out the annual passenger growth from 2014 to 2015 by sector.

2015 Passenger Growth by Sector
(in millions)

	2014	2015	Increase (%)
Domestic	**15.2**	**15.8**	**4.4**
International	**23.4**	**25.2**	**7.7**
Total:	**38.6**	**41.0**	**6.4**

3.4.2 Airline Industry Changes

Airline Profitability

The airline industry has become more profitable due to the benefits derived from consolidation and re-structuring, together with lower fuel costs attributable to lower oil prices and the introduction of more fuel-efficient aircraft.

Movement to Larger Aircraft

In keeping with global trends, there is a movement to larger passenger aircraft at Toronto Pearson. In 2015, as compared to 2014, the number of passenger aircraft movements increased by 2.1 per cent, whereas the number of arrived seats increased by 5.8 per cent. The movement to larger aircraft at Toronto Pearson can be attributed to airlines increasing the size of their aircraft to meet increasing passenger demand, and the increase in international service, which uses larger longer-range aircraft. See *"Seats per Movement"*.

3.4.3 Aeronautical Rates and Charges

To support its goal of aviation growth, the GTAA has reduced or maintained the aeronautical fees that it charges to air carriers for each of the past eight years. The GTAA's 2015 published aeronautical rates and charges for passenger aircraft were approximately 30 per cent lower than those charged in 2007 when measured as an average air carrier's cost per enplaned passenger (the amount that air carriers pay to the GTAA expressed as a per passenger rate).

Other than as discussed below with respect to Air Canada and WestJet, in 2015 the GTAA maintained its aeronautical fees at their 2013 levels, and has continued to maintain those aeronautical fee levels in 2016. The GTAA retains the right, however, to set its fees as required, and if circumstances should vary from the GTAA's expectations, the GTAA may alter its fees to ensure that its revenues are sufficient to cover its financial obligations.

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

Air Service Incentive Programs

In 2013, the GTAA created a single incentive program that targeted the attraction of new international air carriers to Toronto Pearson. This incentive program recognizes the additional costs for an airline to establish operations at Toronto Pearson and has been extended annually through 2016.

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

3.4.4 Other Developments

Government of Canada Indemnity

The indemnity that was provided by the Government of Canada as a result of the terrorist attacks of September 11, 2001 in favour of the Canadian aviation industry, including the GTAA, for any loss in excess of $50 million due to war, hijacking and terrorism has been extended to June 30, 2016, and will not be renewed on expiry. With the availability of Aviation War Risk insurance coverage returning to the insurance marketplace, the GTAA will be reviewing all coverage options to ensure compliance with the Ground Lease requirements for types and limits of coverage.

The Toronto Pearson Global Hub Economic Impact Study

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

4 Narrative Description of the Business

4.1 Introduction

Toronto Pearson is the largest airport in Canada, the second-largest international airport in North America as measured by the total number of annual international passengers, and the 30th-largest airport in the world as measured by the total number of annual passengers. The Airport includes five runways and associated taxiways, and airside, terminal, groundside and support facilities. Toronto Pearson is located approximately 29 kilometres northwest of Toronto's central business district. The Airport is connected to downtown Toronto and the balance of the GTA through an extensive network of expressways, arterial roads and public transit.

4.2 Economic and Demographic Factors

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

Greater Toronto Area

The GTA's large population base, well-balanced and diversified economy, and popularity as a business centre and tourist destination combine to provide a strong demand for air travel activity. The GTA is the most populated metropolitan area in Canada, and continues to be an area of choice for business and immigrants. The Ontario Ministry of Finance projects that the GTA's total population will increase from 6.5 million in 2014 to 9.4 million in 2041, making it the fastest growing region in the province.

4.3 Airport Activity Measures

An airport's activity is measured using the following five primary statistics: air passenger traffic (the number of passengers on arrived and departed aircraft), aircraft movements (the number of aircraft landings and take-offs), arrived seats (the number of seats on arrived aircraft), seats per movement (the average number of arrived seats per arrived aircraft) and air cargo (the tonnage of air cargo on arrived and departed aircraft). For information on the Maximum Take-Off Weight ("MTOW") of aircraft, refer to the Management's Discussion and Analysis. See *"Additional Information"*.

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) and 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; and international passengers travel between Canada and another country, including the United States.

Historical Total Passengers by Traffic Sector (in millions)

Year	Domestic	Change (%)	International	Change (%)	Total	Change (%)
2011	13.1	2.7	20.4	6.0	33.4	4.7
2012	13.6	4.3	21.3	4.5	34.9	4.4
2013	14.4	5.4	21.7	2.1	36.1	3.4
2014	15.2	5.6	23.4	7.6	38.6	6.8
2015	15.8	4.4	25.2	7.7	41.0	6.4

In 2015, the Airport carried 41.0 million passengers, a 6.4 per cent increase from the 38.6 million passengers carried in 2014. This represents an annual increase of 2.4 million passengers.

During the past five years, total passenger traffic at the Airport increased from 33.4 million passengers in 2011 to 41.0 million passengers in 2015. This represents a growth of 7.6 million passengers, or 22.8 per cent, and occurred at a compounded annual growth rate of 5.3 per cent.

Domestic

The number of domestic passengers at the Airport increased by 4.4 per cent, from 15.2 million passengers in 2014 to 15.8 million passengers in 2015. Domestic growth was driven by increased airline competition on Eastern Canadian routes which reduced average airfares, which stimulated higher passenger demand. Domestic growth also resulted from the increase in passengers from other Canadian cities connecting at the Airport to international destinations. In 2015, the Airport's domestic sector represented 38.7 per cent of total passengers. The domestic carriers that serve the Airport collectively offer non-stop scheduled and charter passenger service to 30 Canadian destinations.

International

The number of international passengers at the Airport increased by 7.7 per cent, from 23.4 million passengers in 2014 to 25.2 million passengers in 2015 and represented 61.3 per cent of total passengers at the Airport in 2015.

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

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

Historical World Distribution of Passengers

(in thousands) 2011 to 2015

Year	Canada	% Chg	USA	% Chg	Central & South America	% Chg	Europe & Middle East	% Chg	Asia & Australia	% Chg	Africa	% Chg	Total	% Chg
2011	13,079	2.7	8,979	4.1	4,346	4.2	4,894	9.4	2,137	10.7	—	—	33,435	4.7
2012	13,646	4.3	9,465	5.4	4,707	8.3	5,071	3.6	2,005	(6.2)	18	—	34,912	4.4
2013	14,385	5.4	9,838	3.9	4,762	1.2	5,014	(1.1)	2,014	0.4	95	434.2	36,107	3.4
2014	15,192	5.6	10,506	6.8	5,083	6.7	5,577	11.2	2,081	3.3	133	40.2	38,572	6.8
2015	15,859	4.4	11,154	6.2	5,544	9.1	6,062	8.7	2,280	9.5	137	3.4	41,037	6.4

(a) International to United States

The number of international passengers who travelled between Canada and the United States increased by 6.2 per cent, from 10.5 million passengers in 2014 to 11.1 million passengers in 2015. One of the primary reasons for this increase was the increased use by air carriers of Toronto Pearson as a hub airport to connect their U.S. passengers to domestic and other international destinations. Passengers travelling between Canada and the United States accounted for 27.2 per cent of total passengers at the Airport in 2015.

Originating and connecting traffic to the U.S. is facilitated by the provision of U.S. federal inspection pre-clearance facilities at Toronto Pearson. Passengers travelling from the Airport to U.S. destinations pre-clear U.S. Customs and Border Protection prior to leaving Toronto Pearson, thus allowing airlines to fly not only to U.S. international airports, but also to U.S. domestic airports that do not have customs and immigration services.

More passengers entered the U.S. from Toronto Pearson than any other foreign airport in the world in 2015, except Heathrow Airport in London, England.

(b) International to Other Countries

International passenger growth in 2015 was led by the recent introduction of new or expanded services to Shanghai, Dublin, Mexico City and Rio de Janeiro. There was an increase in passenger demand on well-established routes to Western Europe, notably Paris and Amsterdam, along with routes to/from the Caribbean, with various destinations in Cuba and Mexico recording strong growth. International traffic to non-U.S. destinations represented 34.2 per cent of total passengers at the Airport in 2015.

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

Origin and Destination Passengers and Connecting Passengers

There are two principal types of passengers: origin and destination passengers, and connecting passengers. An origin and destination passenger is a passenger initiating or terminating a trip at a specific airport, while a connecting passenger changes aircraft at that same airport en route to their final destination. Approximately 68.7 per cent of Toronto Pearson's total passenger traffic in 2015 was origin and destination passengers. The remaining 31.3 per cent of passengers were connecting passengers.

Toronto Pearson as a Connecting or Hub Airport

Toronto Pearson provides the opportunity for passengers to connect from one flight to another. The following are examples where passengers can connect at Toronto Pearson from one flight to another:

(a) Domestic to Domestic

- Halifax to Toronto to Edmonton

(b) Domestic to International

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

(c) International to International

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

The GTAA has implemented initiatives to make the connection process at Toronto Pearson more convenient and faster. In 2014, the GTAA introduced the International to Domestic Baggage Connections Process so that arriving U.S. passengers, and eventually arriving international passengers, are not required to collect and re-check their baggage at Toronto Pearson while connecting to a domestic flight. See "*Improving the Passenger Experience*".

Connecting traffic is beneficial in helping airlines build a critical mass of passengers, thus enabling an airline to use larger aircraft, increase the frequency on existing routes and introduce new routes.

The GTAA has determined that, over the past nine years, the percentage of Airport passengers that are connecting passengers has been increasing at the rate of approximately one per cent per year, from 23.1 per cent or 6.9 million connecting passengers in 2007, to 31.3 per cent or 12.8 million connecting passengers in 2015.

4.3.2 Aircraft Movements

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

Historical Aircraft Operations by Type of Activity (in thousands)

Year	Scheduled and Charter Airlines	General Aviation/Other	Total	Change (%)
2011	388.4	36.9	425.3	2.0
2012	396.8	36.6	433.4	1.9
2013	395.0	37.1	432.1	(0.3)
2014	397.6	37.0	434.6	0.6
2015	407.5	36.5	444.0	2.1

During the past five years, total aircraft movements increased from 425,300 movements in 2011 to 444,000 movements in 2015. This growth of 18,700 movements, or 4.4 per cent, occurred at a compounded annual growth rate of 1.1 per cent.

4.3.3 Arrived Seats

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

Historical Total Arrived Seats by Traffic Sector (in millions)

Year	Domestic	International	Total	Change (%)
2011	8.6	13.0	21.6	4.6
2012	8.8	13.5	22.3	3.5
2013	9.1	13.5	22.6	1.3
2014	9.5	14.1	23.7	4.6
2015	9.9	15.1	25.0	5.8

During the past five years, total arrived seats on scheduled and charter flights at the Airport increased from 21.6 million seats in 2011 to 25.0 million seats in 2015. This growth of 3.4 million seats, or 15.9 per cent, occurred at a compounded annual growth rate of 3.8 per cent.

4.3.4 Seats per Movement

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

Historical Arrived Seats per Arrived Movements
2011 to 2015

Year	Domestic	Change (%)	International	Change (%)	Overall	Change (%)
2011	103	(1.1)	117	5.6	111	2.7
2012	107	4.4	116	(1.0)	113	1.3
2013	109	1.9	118	1.8	115	1.7
2014	110	0.9	125	6.1	119	3.9
2015	112	1.3	131	4.6	123	3.2

The table shows the trend towards the use of larger passenger aircraft, especially on international flights, over the past five years. Domestic seats per movement increased by an annual average of 1.5 per cent, whereas international seats per movement increased by an annual average of 3.4 per cent. See *"Airline Industry Changes—Movement to Larger Aircraft"*.

4.3.5 Air Cargo

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

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

Year	Domestic	International	Total	Change (%)
2011	97.3	321.4	418.7	(6.4)
2012	100.6	316.5	417.1	(0.4)
2013	139.8	271.6	411.4	(1.4)
2014	106.9	341.8	448.7	9.1
2015	118.2	316.5	434.7	(3.1)

Air cargo is carried by passenger aircraft, which carry cargo in the aircraft's belly hold, and by dedicated all-cargo freighter aircraft. Belly hold cargo is especially beneficial to international air carriers using larger aircraft because it generates non-passenger revenue that supports the development and expansion of international passenger service to Toronto Pearson.

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

4.4 Air Passenger Service

In 2015, 74 airlines provided service at the Airport. Toronto Pearson provides direct flights to 30 Canadian cities and 144 international cities and serves as Canada's largest entry and departure point for international air service.

4.4.1 Share of Airline Activity

In 2015, the most significant air carrier at the Airport was Air Canada, including its leisure airline Rouge and Air Canada's regional affiliates, Air Canada Express, and Air Georgian, Jazz and Sky Regional, which are operated pursuant to capacity purchase agreements, which collectively accounted for more than half of the market share of total passengers carried at the Airport.

The next most significant air carrier in terms of market share in 2015 was WestJet and its Encore regional airline business unit, which collectively accounted for more than 15 per cent of the market share of total passengers carried at the Airport. The remaining passenger market share is distributed among all other airlines serving the Airport.

4.5 Other Airports

Regional System of Airports

To meet the growing future demand for aviation services in southern Ontario, it is critical that all of the airports in this region work together to form a coordinated regional air transportation system. The GTAA is developing a regional airport strategy by consulting with 10 other airports in the region to coordinate how each airport is able to contribute to a complementary regional system of airports. The airports involved are Windsor International Airport, London International Airport, John C. Munro Hamilton International Airport, Niagara District Airport, Region of Waterloo International Airport, Billy Bishop Toronto City Airport, Toronto Pearson International Airport, Lake Simcoe Regional Airport, Oshawa Executive Airport, Peterborough Airport and Kingston Norman Rogers Airport.

Other Airports Information

Billy Bishop Toronto City Airport ("Toronto City Centre Airport") is located 25 kilometres from Toronto Pearson just offshore of downtown Toronto, and provides scheduled passenger turboprop and general aviation services. Porter Airlines provides domestic and U.S. international scheduled services, and Air Canada provides service to Montreal, operated by Sky Regional Airlines, at this airport. This airport caters primarily to downtown Toronto business and leisure travellers. Toronto City Centre Airport reported 2,431,862 passengers in 2014, compared to 2,297,080 passengers reported in 2013.

Buffalo Niagara International Airport ("Buffalo Airport"), located in New York State, is 167 kilometres from Toronto Pearson, and reported 4.7 million passengers in 2015, compared to 4.8 million passengers reported in 2014 and 5.1 million passengers reported in 2013. While Buffalo Airport primarily serves the western New York State market, the presence of low-cost carriers such as JetBlue Airways and Southwest Airlines at this airport has historically resulted in some passengers from the Toronto Pearson catchment area using Buffalo Airport due to lower fares and lower government taxes and airline surcharges. This airport caters primarily to Western New York business and leisure travellers and southern Ontario families travelling to U.S. sun destinations.

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

Ground Lease – Major International Airport

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

4.6 Airport Facilities

4.6.1 Airfield Facilities

Toronto Pearson is designated to handle and capable of handling the world's largest commercial aircraft including the Airbus A380. The Airport has five runways. Full instrument landing systems are available that allow the Airport to remain open during most weather conditions.

Due to wind conditions, the Airport has three parallel runways in the east-west direction and two parallel runways in the north-south direction. The east-west runways offer a higher aircraft movement capacity than the north-south runways and are used more frequently because of the prevailing wind conditions. Since aircraft should land or take-off into the wind, the two parallel north-south runways permit operations when the wind is blowing in these directions.

Toronto Pearson has a total of 222 aircraft parking positions at various facilities. There are 158 active aircraft parking positions and 11 inactive aircraft parking positions available for aircraft parking at the GTAA's terminals and facilities. There are also 53 aircraft parking positions available within airline tenants' leased premises.

4.6.2 Terminal Facilities

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

Terminal 1

Terminal 1 serves 26 scheduled, charter and codeshare airlines. A codeshare is a business arrangement where two or more airlines share the same flight and a seat can be purchased on one airline but is actually operated by another airline.

Terminal 1 has 50 bridged gates, 24 regional aircraft parking positions, 17 remote (hardstand) aircraft parking positions and approximately 339,000 square metres of total floor area.

Terminal 3

Terminal 3 serves 31 scheduled, charter and codeshare airlines.

Terminal 3, which includes Pier A, has 35 bridged gates and 11 commuter aircraft parking positions, and has a total floor area of approximately 178,000 square metres. In 2015, Pier A (previously known as the Terminal 3 Satellite Facility and which was mothballed) was renovated and re-activated, which added an additional 8,723.9 square metres to Terminal 3. Pier A also added five bridged gates and four commuter aircraft parking positions to Terminal 3 when Pier A opened on June 9, 2015.

4.6.3 Groundside and Support Facilities

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

Parking Facilities

The GTAA provides approximately 22,000 parking spaces at the Airport in its four parking facilities.

Car Rental Companies

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

Air Cargo Facilities

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

General Aviation and Fixed Base Operator Facilities

The Airport provides two areas (the infield and Derry Road) where general aviation, fixed base operators and other non-scheduled operators are based. Three fixed base operators provide terminal and aircraft maintenance services for executive jets, professional sports team charters, government jets and medi-vac aircraft.

Hotels

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

Fuel Farm and Other Facilities

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

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

4.6.4 Land Acquisitions

Between 2006 and 2013, the GTAA purchased 43.6 hectares of vacant land at the south-west corner of Airport and Derry Roads from Boeing Canada after Boeing completed the environmental remediation of these lands. There remains approximately 2.1 hectares of land to be purchased from Boeing at an estimated cost of $2 million. The timing of the transfer of the remaining parcel is subject to Boeing's discretion, so long as the transfer is completed by 2025. The delay in transferring the remaining parcel does not impact the GTAA's development plans for this area of the Airport.

4.7 Airport Capital Programs

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

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

4.8 Airport Revenues

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

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

4.8.1 Aeronautical Revenues

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

Landing Fees

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

General Terminal Charge

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

Apron Fee

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

4.8.2 Non-Aeronautical Revenues

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

In 2015, the GTAA assumed the Airport's deicing operations that were previously provided by a third-party service provider. Commencing on August 1, 2015, the GTAA charges air carriers a Deicing Facility Fee based on the MTOW of all aircraft departing from the Airport.

4.8.3 Airport Improvement Fee

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

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

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

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

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

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

4.8.4 Long Term Aeronautical Fees Agreements

4.8.4.1 Air Canada

On October 17, 2013, the GTAA entered into a Long Term Aeronautical Fees Agreement with Air Canada (the "AC LTA"), effective January 1, 2014.

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

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

Fees — In lieu of the GTAA's landing fees, general terminal charges and apron fees, Air Canada pays a fixed annual aeronautical base fee (plus taxes) starting at approximately $270 million in 2014 and escalating by approximately one per cent annually. The fixed annual fee is adjusted proportionately if the GTAA adjusts, for any reason, its landing fee, general terminal charge or apron fee payable by other air carriers.

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

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

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

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

4.8.4.2 WestJet

In January 2016, the GTAA entered into a Long Term Aeronautical Fees Agreement with WestJet having similar parameters to the AC LTA. The WestJet agreement has an effective date of January 1, 2016 and covers an initial four-year renewable term.

4.9 Airport Expenses

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

4.9.1 Ground Rent

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

4.9.2 Goods and Services

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

4.9.3 Salaries, Wages and Benefits

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

4.9.4 Payments-in-Lieu of Real Property Taxes

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

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

4.9.5 Payments-in-Lieu of Development Charges

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

With respect to development undertaken by the GTAA at the Airport between 1996 and 2004, PWGSC paid PILDC in the amount of $0.8 million to the City of Mississauga and $4.1 million to Peel Region. As required under the Ground Lease, the GTAA reimbursed Transport Canada for such amounts in 2007. The City of Mississauga filed an application to increase the amount of the PILDC paid to it by PWGSC to $26.6 million, but in 2012 reduced the amount claimed to $4.6 million. The outcome of this application is not determinable at this time.

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

4.9.6 Interest and Financing Costs

Interest and financing costs include interest and related service charges paid on the GTAA's revolving bank credit facilities and interest on outstanding revenue bonds and medium term notes.

4.9.7 Amortization

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

4.10 Ground Lease

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

The Ground Lease governs the economic and operating relationship between the GTAA as tenant and Transport Canada as landlord for the term of the lease. The term of the Ground Lease is 60 years commencing on December 2, 1996 and expiring on December 1, 2056. The GTAA has an option to extend the term for a further 20 years to December 1, 2076. The GTAA is responsible for essentially all costs of operating the Airport, save for the costs of providing border control and inspection, immigration and related services that are the responsibility of the federal government, or the United States government, as appropriate, and save for certain components of the passenger and baggage screening costs that are the responsibility of the Canadian Air Transport Security Authority ("CATSA"). The GTAA is also obliged to construct offices and facilities for use by government inspection and law enforcement agencies, and provide such premises free of charge. Although NAV CANADA is responsible for the provision and cost of air traffic control at the Airport, the GTAA has undertaken the responsibility for the provision of apron control.

4.10.1 Ground Lease Rent

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

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

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

In 2013, 2014 and 2015, the GTAA's expense for ground rent was $127.9 million, $131.9 million and $126.9 million, respectively (excluding the amortization of land acquisition costs and excluding the deferred ground rent referred to below). The decrease in ground rent in 2015 was due to an agreed interpretation of the Ground Lease with Transport Canada.

Deferred Ground Rent

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

4.10.2 Other Provisions

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

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

4.11 Environmental Matters

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

4.11.1 Environmental Risk Oversight and Management

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

Environmental Policy and ISO Certification

Since 1999, the GTAA has been ISO 14001 certified for its Environmental Management Program. The GTAA's Environmental Management Program is being continuously improved.

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

The air carriers, concessionaires and other commercial businesses that operate at the Airport are required to comply with the environmental requirements contained in their leases or agreements with the GTAA, including compliance with the GTAA's Environmental Policy. The GTAA conducts scheduled inspections of tenants', operators' and contractors' premises and operations to ensure compliance.

4.11.2 Environmental Risk

The GTAA has an Environmental Management Program for identifying and ranking by severity and likelihood environmental risks at the Airport. Mitigation plans are then developed, implemented, monitored and continuously improved. The GTAA's Environmental Services division provides quarterly reports on environmental risks and mitigation plan monitoring to senior management, the ESSSR Committee and/or the Board.

Spills of Hazardous Substances

The principal environmental risks at the Airport are spills of jet fuel, glycol-based deicing fluid and other hazardous substances. Jet fuel is used, owned or handled by, or is within the care and control of, third parties operating at the Airport. The storage, use and transportation of hazardous substances are the responsibility of the owners of the hazardous substances and those having care and control of such substances. These parties are required to comply with the GTAA's Environmental Management Program and applicable environmental laws and regulations. With the assumption of deicing operations in 2015, the GTAA is responsible for the use of glycol-based deicing fluid. The GTAA has an extensive glycol recovery program. See *"Environmental Protection"*.

4.11.3 Trends and Uncertainties – Climate Change

The trend toward global warming is expected to result in a change in climate that may manifest itself in more severe weather events and changes to climatic averages. As part of its preparedness for more severe weather events and changing climatic averages, in 2014 the GTAA updated its stormwater-flood study to determine what improvements or changes to its operational practices could be considered to prevent Airport flooding during severe storms. In 2015, the GTAA began implementing the study's recommendations by creating and revising its processes and procedures associated with extreme weather events. In addition, the GTAA conducts a comprehensive review after each severe weather event to enhance its preparedness for future severe weather events.

The GTAA implemented its Greenhouse Gas Management Policy in 2009 to reduce levels of greenhouse gases at the Airport. In 2015, the GTAA was recognized for its Greenhouse Gas Management Policy by achieving a Level 2 Airport Carbon

Accreditation from Airports Council International, an international organization that establishes airport operational standards and best practices.

4.11.4 Noise Management Program

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

In June 2015, NAV CANADA and the Canadian Airports Council, an organization that represents the interests of Canadian airports, published the *Airspace Change Communications and Consultation Protocol.* This protocol describes how to engage with communities that may be affected when flight path changes are being considered.

4.11.5 Environmental Protection

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

The GTAA developed and implemented a stormwater management master plan for the Airport and constructed stormwater control facilities and related infrastructure to prevent stormwater run-off from runways and Airport lands from exceeding stormwater quality and quantity guidelines.

The second principal environmental protection measure implemented by the GTAA is the glycol recovery program. The glycol recovery program collects glycol-based deicing fluid after it has been sprayed on aircraft. The captured deicing fluid is treated at off-Airport locations. The purpose of the glycol recovery program is to ensure that the impact of glycol-based deicing fluid does not exceed environmental guidelines.

4.12 Human Resources

As at December 31, 2015, the GTAA employed 1,454 persons who were engaged in management, technical, administrative and general labour activities. This number includes 161 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 Firefighters Association ("PAPFFA").

The term of the collective agreement between the GTAA and Unifor Local 2002 expires on July 31, 2016. The term of the collective agreement between the GTAA and PAPFFA expired on December 31, 2014. The outstanding matters from contract negotiations with PAPFFA have been referred to interest arbitration for resolution commencing in May 2016.

5 Risks

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

The disclosure of risks is contained from time to time in the GTAA's publicly filed disclosure documents, including the Management's Discussion and Analysis. See "*Additional Information*".

6 Description of Capital Structure

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

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

The GTAA has issued an aggregate face value amount of $12.3 billion in debt securities, including medium term notes ("Notes"), pursuant to the Indenture, as supplemented, of which approximately $6.3 billion, including accrued interest and net of unamortized discounts and premiums, remained outstanding as at December 31, 2015. As at the same date, the GTAA held approximately $3.2 million in cash and cash equivalents and $500.4 million in total reserve funds.

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

6.1 Ratings

Standard & Poor's Rating Service ("S&P"), DBRS Limited ("DBRS") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "A," "A" and "Aa3", respectively, to the GTAA's Notes.

On February 8, 2016, Moody's upgraded its credit rating of the GTAA's Notes from "A1" to "Aa3" in recognition of the GTAA's improved financial metrics.

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

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

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

The "Aa3" rating assigned to the Notes by Moody's indicates that the Notes rank at the lower end of Moody's second-highest rating category. Moody's has nine rating categories, ranging from "Aaa" to "C", and uses "1", "2" and "3" designations for each rating category from "Aa" through "Caa" to indicate the relative standing of the obligation within a particular rating category. According to information made publicly available by Moody's, under the Moody's rating system, long-term obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

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

The GTAA has made, or will make payments in the ordinary course to the rating agencies in connection with the assignment of ratings on the Notes. As the rating agencies did not provide any other services to the GTAA in the past two years, the GTAA did not make any other payments to the rating agencies in 2014 and 2015.

6.2 Trustee

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

7 Corporate Governance

7.1 Members / Directors

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

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

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

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

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

7.2 Directors' Information

Name and Residence	Director Since	Term Expiry[1]	Principal Occupation
W. Douglas Armstrong[3,4] Ontario, Canada	2007	2016	Principal, Armstrong Associates (consulting firm)
Ian L.T. Clarke[2, 6] Ontario, Canada	2012	2018	Chief Financial Officer, Maple Leaf Sports and Entertainment Ltd. (sports and entertainment firm)
Paul W. Currie[2, 6] Ontario, Canada	2010	2016[8]	President, Currie Strategic Capital Inc. (investment and consulting firm)
Jeffrey P. Fegan[5, 6] Texas, USA	2014	2017	Chief Executive Officer, Jefffegan.com LLC (aviation consulting firm)
Shaun C. Francis[3, 5] Ontario, Canada	2007	2016	Chief Executive Officer, Medcan Health Management Inc. (health management services firm)
Stephen J. Griggs[3, 4] Ontario, Canada	2010	2018	Chief Executive Officer, Smoothwater Capital Corporation (private investment company)
Brian P. Herner[2, 4] Ontario, Canada	2009	2018	Corporate Director
Roger Mahabir[2, 6] Ontario, Canada	2013	2016[8]	President and Chief Executive Officer, Technology Innovations Inc. Chairman and Chief Executive Officer, Tracker Networks Inc. (information technology companies)
Kathy Milsom[4, 6] Ontario, Canada	2013	2016[8]	Corporate Director
Terrance F. Nord[3, 6] Ontario, Canada	2009	2018	President, Terry Nord Consulting Corporation (aviation consulting firm)
Terrie O'Leary[4, 5] Ontario, Canada	2016	2018	Interim President, Chief Executive Officer, Executive Vice President Operations, Invest Toronto (investment attraction agency)
Poonam Puri[2 ,5] Ontario, Canada	2008	2017	Professor of Law Osgoode Hall Law School
Michelle Samson-Doel[2, 5] Ontario, Canada	2014	2017	President, Samson-Doel Group Limited (investment company)
Danielle M. Waters[3, 5] Ontario, Canada	2010	2017	Principal, Water's Edge Consulting (management consulting firm)
W. David Wilson[7] Ontario, Canada	2011	2017	President, WDW Capital Inc. (investment holding company)

1. Terms expire at the annual public meeting in the year indicated.
2. Member of Audit Committee.
3. Member of Corporate Governance and Nominating Committee.
4. Member of Environment, Safety, Security and Stakeholder Relations Committee.
5. Member of Human Resources and Compensation Committee.
6. Member of Planning and Commercial Development Committee.
7. Board Chair and Ex-officio member of all above committees.

8. With respect to Messrs. Currie and Mahabir and Ms. Milsom whose term as directors expires in May 2016, the Board has passed a resolution re-appointing them as members provided that they continue to meet the eligibility requirements set out in the GTAA's By-Law. At the Members Meeting to be held in May 2016, the members will be asked to elect these three members as directors for a term to expire in May 2019.

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

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

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

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

Kathy Milsom was President and Chief Executive Officer of the Technical Standards and Safety Authority, a safety standards organization, from December 2004 to September 2012. Ms. Milsom also serves as the Chair of the Advisory Board of Direct Construction Limited, since September 2014, and Chair of the Standards Council of Canada, since May 2013.

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

7.2.1 Board of Directors

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

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

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

Board Mandate

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

Board Committees

The Board has five standing committees:

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

Corporate Governance and Nominating Committee

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

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

To assist the Board in enhancing its effectiveness, the Board has retained since 2013 an independent corporate governance consulting firm to develop and implement an annual assessment program for the Board, its committees and its directors. The consulting firm's methodology includes observing Board and committee meetings, administering a director peer assessment questionnaire, conducting initial and follow-up interviews with individual directors and providing recommendations for enhancing corporate governance. In 2015, a Board evaluation report was prepared by the consulting firm for the Board's consideration.

Audit Committee

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

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

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

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

Brian Herner (Chair) – Mr. Herner was the Senior Corporate Advisor, founder and past President and Chief Executive Officer of BIOREM Inc., a supplier of biofilters for air pollution control. Prior to founding BIOREM, he was President of General Chemical Canada, a chemical manufacturing business, Vice President of Zenon Pure Water Systems and General Manager and European Business Director of Calgon Canada. Mr. Herner has financial experience as President of General Chemical, and as a member of its Pension Fund Management Board. In addition, Mr. Herner has financing experience as President of General Chemical, which secured working capital debt financing, and as the founder of BIOREM, raising initial venture capital financing and taking the company through a public listing on the Toronto Stock Exchange.

Ian Clarke – Mr. Clarke is the Chief Financial Officer of Maple Leaf Sports and Entertainment Ltd. ("MLSE"), the owner of the Toronto Maple Leafs hockey franchise and other sports and entertainment businesses. Prior to 2004, he held other finance positions including Controller, Maple Leaf Gardens Limited, and Vice President, Finance and Administration at MLSE. Mr. Clarke has extensive experience in financial and accounting matters, including being an Audit Manager for KPMG, where he conducted the financial audits of private and public corporations, and in his current position as a key senior executive responsible for all areas of finance, administration, information technology and consumer products. Mr. Clarke is a Chartered Accountant who received his Chartered Accountant ("CA") designation in 1987, his Fellow of Chartered Accountants ("FCA") designation in 2011 and his ICD.D designation in 2014 from the Institute of Corporate Directors.

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

Roger Mahabir – Mr. Mahabir is the President and Chief Executive Officer of Technology Innovations Inc. and Chairman and Chief Executive Officer of Tracker Networks Inc., information technology software services and consulting firms. He is the founder and former Chairman and Chief Executive of Assurent Secure Technologies ("Assurent"), a provider of software security products and services. In these senior executive and owner capacities, Mr. Mahabir's responsibilities included the oversight of the preparation of the financial statements of these companies. He was responsible for the financial and business terms of the sale of Assurent to TELUS Corporation. He also served as a Managing Director of RBC Capital Markets and RBC Dominion Securities and as a member of the Audit Committee of the Board of Governors of the University of Waterloo. Mr. Mahabir has served on the boards or advisory boards of other private and public organizations in Canada and the United States.

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

Michelle Samson-Doel – Ms. Samson-Doel is the President of Samson-Doel Group Limited, an investment company. She is a Chartered Accountant and has extensive experience in financial and accounting matters. She has served as a member of the Audit Committees of Boralex Inc., a publicly traded renewable energy producer, the Ontario Lottery and Gaming Corporation, and Women's College Hospital Foundation. She has also held senior executive positions, including Executive Chair of Multi-Marques Inc., the largest manufacturer of bakery products in Quebec and Eastern Canada, and she structured and negotiated the merger of that company with Canada Bread Limited. She started her career at Deloitte, Haskins and Sells, Chartered Accountants. Ms. Samson-Doel graduated from the Directors Education Program at the Corporate Governance College and Joseph L. Rotman School of Management at University of Toronto. She holds the ICD.D designation from the Institute of Corporate Directors.

Other Board Committees

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

1. **Environment, Safety, Security and Stakeholder Relations Committee** – This committee's mandate includes providing oversight of matters relating to the environment, safety, security, Airport operations, emergency preparedness, corporate social responsibility practices and reporting, and the GTAA's relationships with governments, the community and the travelling public.
2. **Human Resources and Compensation Committee** – This committee's mandate includes overseeing matters relating to the GTAA's employment relationship

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

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

During 2015, the Board undertook an internal review of its risk management and oversight framework, policies and practices. To better align its risk governance level and to concentrate high-level resources on strategic and enterprise risks, the Board decided to situate enterprise risk oversight in a dedicated Board committee. The Environment, Safety, Security and Stakeholder Relations Committee will transform, effective May 2016, to the Risk Oversight Committee, responsible for enterprise risk oversight broadly, for specific oversight of environment, safety, security and operational risks, and for coordination of risk oversight among the Board committees.

Position Descriptions

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

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

Orientation and Continuing Education

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

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

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

Ethical Business Conduct

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

The Board monitors compliance with the Code. Each year, the Board requires that every director and officer sign an Annual Declaration, confirming that the signatory has read the Code and whether the signatory is in compliance with the Code. Where the signatory is not in compliance with the Code, the declaration states the reasons for the non-compliance. In February 2016, all directors and officers declared that they were in compliance with the Code. In addition, the Board has implemented "CARE" (Confidential Anonymous Reporting for Employees), which permits the anonymous reporting of unethical behaviour by an employee, officer or director.

Nomination of Members

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

The Corporate Governance and Nominating Committee is responsible for the nominating process. The following are the responsibilities of the Corporate Governance and Nominating Committee as they relate to the nomination of members:

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

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.

Directors

The GTAA's Board of Directors currently includes five women, or 33 per cent of the 15-member Board. This compares to three women, or 20 per cent, in 2013; and two women, or 13 per cent, in 2009. The Board is also diverse: seven of its directors, or 46 per cent, are women or members of a visible minority group.

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

1. the GTAA recognizes and embraces the benefits of having a Board that is diverse in its composition;
2. a diverse Board is one that makes good use of different skills, and industry and professional experience, and the composition thereof takes into consideration matters such as gender, sexual orientation, cultural background, race, ethnicity, age and other attributes of the directors;

3. when identifying potential directors, the Board's objective is to identify the most qualified and highest functioning candidates with due regard for the benefits of diversity in the Board's composition; and
4. as part of the annual performance evaluation of the effectiveness of the Board and Board committees, the Corporate Governance and Nominating Committee balances the skills, experience, independence and knowledge required, as well as the desirability of Board diversity.

It is the practice of the Board to include diversity—including gender—as one of its criteria when soliciting and considering director candidates. The Corporate Governance and Nominating Committee provides the governments and community organizations which play a role in appointing or nominating the GTAA's directors with a list of the experience, skills and abilities that the Board requires of its new directors. The Diversity Policy is also provided to the nominators (and any executive search firms retained) to encourage the nomination of diverse candidates.

In 2015, there were five potential director vacancies: four directors were eligible for reappointment, and one position was required to be filled as the incumbent had served the maximum term of nine years on the Board. After evaluating the four eligible directors' performance and contributions, and the experience, skills and abilities required of the Board, and having due regard to diversity considerations, the Board reappointed the four eligible directors. One new director, Ms. Terrie O'Leary was appointed by the Province of Ontario as a member on January 25, 2016 and was elected by the members as a director on March 1, 2016.

The Board's Diversity Policy does not establish a target number or percentage of women directors, as the Board believes that it is important to maintain flexibility in balancing the skills, experience and knowledge required of directors, with the desirability of Board diversity, independent of any pre-set target. The Government of Canada's Advisory Council for Promoting Women on Boards issued a report in June 2014 entitled "Good for Business: A Plan to Promote More Women on Canadian Boards." The report, which is based on best board practices, recommends that Canadian boards should aspire to have a 30 per cent female director representation over the 2014 to 2019 timeframe, with a long-term goal of achieving gender balance. As noted above, the GTAA's Board currently includes five women, or 33 per cent of the GTAA's 15-member Board.

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

Executive Officers

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

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

As part of its process for recruiting executive officers, the GTAA retains executive recruitment firms that are requested to procure a diversity of qualified candidates in terms of gender, cultural background, skills and experience, and other attributes. In January 2016, the GTAA appointed a new executive officer, Ms. Valerie Duffey as Vice President, Human Resources.

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

7.3 Officers

The following are the current officers of the GTAA:

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

1. **Valerie Duffey** was appointed Vice President, Human Resources effective January 18, 2016.
2. **Chad MacLean,** Treasurer, is an officer of the GTAA but is not an executive officer of the GTAA.

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

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

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

- **Martin Boyer** was the Director Principal, Project Management Office at Desjardins General Insurance from May 2013 to August 2014, and held the following executive positions at Air Canada: Senior Director, Boeing 787 Aircraft Program, from October 2011 to May 2013, and Senior Director, Operating Systems, from February 2009 to October 2011.
- **Craig B.M. Bradbrook** held the following executive positions at Airports Council International: Deputy Director General from January 2012 to October 2014, and Director, Security and Facilitations, from August 2006 to December 2011.
- **Scott Collier** was Chief Operating Officer, Pepsico Beverages Canada, from January 2011 to February 2012.
- **Valerie Duffey** was Vice President, HR Business Partner, at Aviva Canada Inc. from March 2010 to December 2013, and National HR Director at Torys LLP from 2013 to 2015.
- **Howard Eng** was Executive Director, Airport Operations, of the Hong Kong Airport Authority from January 2001 to March 2012.
- **Selma M. Lussenburg** was Chair and non-executive director of Ontario Capital Growth Corporation from February 2011 to February 2014.
- **Chad MacLean** was Divisional Vice President, Finance, with Sears Canada from July 2011 to February 2013.
- **Hillary E. Marshall** held the following executive positions: Vice President and Practice Lead from May 2014 to September 2014, and Vice President, Corporate and Financial Communications, from July 2013 to April 2014 at National Public Relations; Acting Director at Hill & Knowlton from March 2012 to July 2013; and Vice President, Communications, at Direct Energy from September 2008 to February 2012.
- **Jill N. Sharland** was Vice President, Finance, Wireless, Cable and Rogers Business Solutions, with Rogers Communications Inc., from August 2010 to June 2013.

8 Compensation Discussion and Analysis

The following Compensation Discussion and Analysis outlines and explains the significant elements of compensation awarded to, earned by or paid to (i) the GTAA's President and Chief Executive Officer, (ii) the GTAA's Vice President and Chief

Financial Officer, and (iii) each of the GTAA's three most highly compensated executive officers other than the President and Chief Executive Officer and the Vice President and Chief Financial Officer, who were serving in such capacity on December 31, 2015 (collectively, the "Named Executive Officers").

The GTAA's Named Executive Officers in 2015 were Howard Eng, President and Chief Executive Officer; Jill N. Sharland, Vice President and Chief Financial Officer; Patrick C. Neville, Vice President, Airport Planning and Technical Services; Selma M. Lussenburg, Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary; and Martin Boyer, Vice President and Chief Information Officer.

8.1 Human Resources and Compensation Committee

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

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

8.2 Role of the Human Resources and Compensation Committee

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

8.3 Compensation Philosophy

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

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

1. **Competitive compensation** – Compensation should be structured at the level necessary to attract and retain the requisite talent to carry out the GTAA's strategies, while demonstrating sound fiscal management;
2. **Pay for performance** – Compensation should emphasize performance-based incentive awards that motivate and reward executives for meeting and exceeding key financial, strategic and operational measures that are integral to the success of the GTAA over the short, medium and long term;
3. **Acceptable risk** – Compensation structures should be analyzed in the context of financial, operational and reputational risks and ensure that inappropriate risks are not being unintentionally encouraged; and
4. **Internal equity** – Compensation must be fair to all employees and reflect differences in job responsibilities, expertise and the market value for the work done.

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

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

8.4 Compensation Comparator Group

The HR&C Committee periodically monitors comparative total compensation information, using data prepared by its independent compensation consultant, to ensure that the GTAA's target levels of overall executive compensation (base salary +

incentive compensation + retirement benefits + employee benefits + perquisites) are competitive with the GTAA's comparator peer group.

Due to the unique type and size of business operated by the GTAA, it is difficult to identify Canadian companies of comparable description for direct comparison purposes. In April 2015, the HR&C Committee reviewed the compensation comparator group and, with advice from its independent compensation consultant, developed a custom peer group comprised of six airports and port authorities, three crown corporations and 11 regulated public corporations. Most of the peer organizations are between one-third and three times the GTAA's size based on revenue and the GTAA is appropriately positioned at the 60th percentile of this comparator group in terms of its revenue size. This group provides an indication of the competitiveness of the GTAA's executive compensation relative to the general industries in which it competes for talent.

8.5 Compensation Risk

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

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

In 2013, the HR&C Committee retained Hay Group Limited ("Hay Group"), an independent compensation consultant that had provided executive and director compensation-related advice to the Board and the HR&C Committee from time to time since 2007, to conduct a risk assessment of the compensation policies and practices of the GTAA, especially with respect to the Short Term Incentive Plan and the Long Term Incentive Plan for executives, including the Named Executive Officers. Hay Group determined that there were no material compensation risks associated with the GTAA's executive compensation programs and practices. After taking into consideration the results of Hay Group's assessments, and its own observations, the HR&C Committee concluded that it has not identified any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on the GTAA. Hay Group recommended that a compensation risk assessment should be conducted every three years, or more frequently if material changes are made to compensation programs. A compensation risk review will be conducted in 2016.

8.6 Compensation Consultants

Meridian Compensation Partners Inc.

In October 2014, Meridian became the independent compensation consultant to the HR&C Committee and the Board. Prior to October 2014, the independent compensation consultant to the HR&C Committee and the Board was Hay Group. In 2014 and 2015, Meridian provided services only to the HR&C Committee and only with respect to director and executive compensation-related matters.

Compensation Consultants' Fees

The aggregate fees paid to the GTAA's compensation consultants for the fiscal years ended December 31, 2014 and December 31, 2015, were as follows:

(i) Executive Compensation-Related Fees	2015	2014
Hay Group Limited	$ Nil	$11,604
Meridian Compensation Partners Inc.	$98,727	$23,979
Total:	$98,727	$35,583
(ii) All Other Fees		
Hay Group Limited	$ Nil	$26,893
Meridian Compensation Partners Inc.	$ Nil	$ Nil
Total:	$ Nil	$26,893

8.7 Key Elements of Compensation

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

8.8 Base Salaries

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

8.9 Management Incentive Plans

The GTAA maintains a short-term incentive plan for all of its executive officers (the "Short Term Incentive Plan" or "STIP") and a long-term incentive plan for all of its executive officers (the "Long Term Incentive Plan" or "LTIP"). The STIP and the LTIP are collectively referred to as the "Management Incentive Plans".

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

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

8.10 Short Term Incentive Plan

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

In 2015, the target award for Mr. Eng was 50 per cent of base salary and for the other Named Executive Officers, the target award was 30 per cent of base salary. The maximum award for Mr. Eng was 85 per cent of base salary and the maximum award for the other Named Executive Officers was 45 per cent of base salary. Therefore, the maximum rating multiplier for Mr. Eng is 1.70 (the "CEO Multiplier") times target as compared to a maximum rating multiplier of 1.5 times target for the other Named Executive Officers. This reflects the fact that as President and Chief Executive Officer, Mr. Eng has overall responsibility for the achievement of key performance measures and, as a result, should have higher performance leverage.

Entitlement to the awards under the annual STIP is measured by comparing actual results against performance goals established at the beginning of the year.

2015 Short Term Incentive Plan: Corporate Performance Goals

For 2015, 70 per cent of the annual STIP payout for Mr. Eng and 50 per cent of the annual STIP payout for each of the other Named Executive Officers was earned on the basis of the following five corporate performance goals:

Weight (%)	Corporate Goal Category	Measure and Target
25	**Financial**	Achieve net income of $62 million.
25	**Customer Service**	Achieve performance targets in each of the following four areas: (a) Improved inbound baggage delivery (b) Reduce the number of arrival gate holds (c) Improve directional signage (d) Introduce new retail offerings

Weight (%)	Corporate Goal Category	Measure and Target
15	**Safety**	Achieve a 5 per cent reduction in lost time injuries from the number of 2014 lost time injuries with respect to the Toronto Pearson Safety Index, which comprises approximately 23,000 Airport employees.
15	**People**	Achieve an employee engagement score of at least 52 per cent on the AON Hewitt employee opinion survey.
20	**Growth**	Achieve performance targets in each of the following two areas: (a) Achieve passenger processing targets in the international to domestic baggage connections program. Introduce new international routes. (b) Finalize infrastructure planning for capacity enhancements.

2015 Short Term Incentive Plan: Individual Performance Goals

The remaining 30 per cent of the annual STIP payout for Mr. Eng and the remaining 50 per cent for the other Named Executive Officers was earned on the basis of the extent to which they realized their 2015 individual performance goals, each of which was aligned to the strategic imperatives in support of the GTAA's strategic plan.

During 2015, the STIP individual performance goals established for the Named Executive Officers related to, among other things:

1. **President and Chief Executive Officer** (Mr. Eng): Improve corporate culture and employee engagement survey scores; ensure that succession planning is advanced through Vice President and director level positions; complete phase 2 of the regional airports and ground transportation system strategies; and further develop relations with stakeholders and the business community.

2. **Vice President and Chief Financial Officer** (Ms. Sharland): Establish a long-term financial strategy for utilization of excess cash generation after capital expenditures; achieve Finance Department budget and realize savings through departmental efficiencies and contract renewal savings; improve corporate decision-making through a departmental role in decision-making support, business case analysis and development; establish an effective organization operating cycle for capital and business planning; and contribute to both departmental and corporate culture initiatives driving improvement in employee engagement.

3. **Vice President, Airport Planning and Technical Services** (Mr. Neville): Achieve the 2015 departmental operating plan and budget; implement the energy conservation and efficiency initiatives identified in the 2015—2019 Energy Master Plan; implement the Airport Facility Infrastructure Plan, including delivery of key facility capacity improvements; improve customer service through improved technical performance of key customer-facing systems; and achieve various departmental employee and safety-related targets.

4. **Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary** (Ms. Lussenburg): Achieve the annual departmental operating budget; identify savings or efficiencies in security while maintaining a

secure airport and meeting all regulatory compliance requirements; continue the improvement of corporate practices; continue to align Board practices and policies with strategic direction and enhance Board governance practices; and continue to develop a culture of safety at Toronto Pearson through the development of the Toronto Pearson Safety Program.

5. **Vice President and Chief Information Officer** (Mr. Boyer): Achieve operational budget; improve overall IT system performance; enhance the resiliency of IT systems; deliver the IT capital plan; define and commence the implementation of operational delivery model for IT services; and increase employee engagement.

Short Term Incentive Plan Results for 2015

The GTAA achieved the 2015 STIP's corporate performance goals. Accordingly, a performance multiplier of 1.25 was awarded for the Financial goal (1.35 for Mr. Eng); 1.30 for the Customer Service goal (1.42 for Mr. Eng); 1.50 for the Safety goal (1.70 for Mr. Eng); 1.50 for the People goal (1.70 for Mr. Eng); and 1.30 for the Growth goal (1.42 for Mr. Eng). The weighted average performance results is a corporate performance factor of 1.35 (1.50 for Mr. Eng).

As reflected in the tables set out below, for each of the eligible Named Executive Officers, the targets, performance results and the total payout (as a percentage of base salary and in dollar terms) actually awarded under the 2015 STIP are as follows:

2015 Performance Results – Short Term Incentive Plan

Name and Principal Position	Corporate Performance Targets			Individual Performance Targets			Combined Multiplier
	Weight (%) (a)	Multiplier (b)	Corporate Multiplier (c)=(a)×(b)	Weight (%) (d)	Multiplier (e)	Individual Multiplier (f)=(d)×(e)	(g)=(c)+(f)
Howard Eng, President and Chief Executive Officer	70.0	1.50	1.05	30.0	1.29	0.39	1.44
Jill N. Sharland, Vice President and Chief Financial Officer	50.0	1.35	0.67	50.0	1.20	0.60	1.27
Patrick C. Neville, Vice President, Airport Planning and Technical Services	50.0	1.35	0.67	50.0	1.14	0.57	1.25
Selma M. Lussenburg, Vice President, Governance Corporate Safety and Security, General Counsel and Corporate Secretary	50.0	1.35	0.67	50.0	1.18	0.59	1.26
Martin Boyer Vice President and Chief Information Officer	50.0	1.35	0.67	50.0	1.22	0.61	1.28

2015 Short Term Incentive Plan Payouts

Name and Principal Position	Target Bonus (% of Base Salary)	Maximum Bonus (% of Base Salary)	Combined Performance Multiplier	Actual Payout (% of Base Salary)	Actual Payout ($)
	(a)	(b)	(c)	(d)=(a)x(c)	
Howard Eng, President and Chief Executive Officer	50.0	85.0	1.44	71.8	375,000
Jill N. Sharland, Vice President and Chief Financial Officer	30.0	45.0	1.27	38.2	116,358
Patrick C. Neville, Vice President, Airport Planning and Technical Services	30.0	45.0	1.25	37.4	98,942
Selma M. Lussenburg, Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary	30.0	45.0	1.26	37.8	95,708
Martin Boyer, Vice President and Chief Information Officer	30.0	45.0	1.28	38.5	97,174

8.11 Long Term Incentive Plan

The objective of the LTIP is to provide incentives to all of the GTAA's executive officers to drive the long-term strategic direction of the GTAA, align compensation to prudent risk-taking and long-term risk outcomes, and promote greater alignment between the executives, the GTAA and its stakeholders over a three-year performance period. Potential awards under the LTIP are expressed as a percentage of base salary, and the target potential award for the participating Named Executive Officers was 30 per cent of their base salary (60 per cent of base salary for Mr. Eng) at the time the LTIP grant is awarded.

2013 Long Term Incentive Plan Grant

In 2013, the HR&C Committee awarded long-term incentive grants to the eligible Named Executive Officers of the Corporation employed during 2013, representing the three-year performance period from January 1, 2013 through December 31, 2015. Entitlements under the LTIP are determined on the basis of the Corporation's performance against a single financial metric, Return-on-Assets. This metric is calculated by dividing the average earnings before interest and taxes by the average net book value of fixed assets (being property, plant and equipment and investment properties), measured as the average year-end balance for each year of the 2013 LTIP grant (i.e., 2013, 2014 and 2015).

A multiplier is calculated for the Return-on-Assets Metric. If performance falls below Threshold, the multiplier will be zero per cent and payouts will be nil. For performance (i) equal to Threshold or Target, or (ii) at, or (iii) 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 2013 LTIP payout is computed by multiplying the calculated multiplier for the Return-on-Assets Metric by the 2013 target dollar amount allocated to each executive. The maximum LTIP payout is capped at 150 per cent of Target.

The 2015 Named Executive Officers who are eligible to receive a payout under the 2013 LTIP are Mr. Eng, Mr. Neville and Ms. Lussenburg. Since the remaining 2015 Named Executive Officers (Ms. Sharland and Mr. Boyer) joined the GTAA in 2014, they were not eligible to receive a payout under the 2013 LTIP.

2013 Long Term Incentive Plan Payouts

Name and Principal Position	Target Bonus (% of Base Salary)	Maximum Bonus (% of Base Salary)	Weighted Average Performance Multiplier	Actual Payout (% of Base Salary)	Actual Payout ($)
	(a)	(b)	(c)	(d)=(a)-x-(c)	
Howard Eng, President and Chief Executive Officer	60.0	90.0	1.5	90	450,000
Patrick C. Neville, Vice President, Airport Planning and Technical Services	30.0	45.0	1.5	45	109,403
Selma M. Lussenburg, Vice President, Governance Corporate Safety and Security, General Counsel and Corporate Secretary	30.0	45.0	1.5	45	108,000

8.12 Benefits

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

8.13 Summary Compensation Table

A breakdown of the components of total compensation earned by the Named Executive Officers during 2015 is shown below.

Name and Principal Position	Year	Salary ($)	Incentive Plan Compensation[1] ($)		Pension Value[2] ($)	All Other Compensation[3] ($)	Total Compensation ($)
			Annual Incentive Plan	Long Term Incentive Plan			
Howard Eng, President and Chief Executive Officer	2015	518,899	375,000	450,000	118,600	–	1,462,499
	2014	507,471	301,760	260,582	101,300	–	1,171,113
	2013	518,615	203,375	–	118,800	–	840,790
Jill N. Sharland,[4] Vice President and Chief Financial Officer	2015	303,393	116,358	–	46,200	25,000[5]	490,951
	2014	182,308	64,260	–	17,700	–	264,268
Patrick C. Neville, Vice President, Airport Planning and Technical Services	2015	261,798	98,942	109,403	42,100	–	512,243
	2014	251,340	80,701	44,265	37,800	16,000[6]	430,106
	2013	253,321	62,800	25,600	43,200	–	384,921
Selma M. Lussenburg,[7] Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary	2015	251,425	95,708	108,000	41,500	–	496,633
	2014	245,458	86,895	–	36,500	16,000[8]	384,853
	2013	229,950	60,600	–	40,400	—	330,950
Martin Boyer,[9] Vice President and Chief Information Officer	2015	251,885	97,174	–	32,000	30,000[10]	411,059
	2014	89,423	27,247	–	8,500	–	125,170

1. Incentive Plan Compensation is determined by the Board based on the achievement of targeted performance criteria. See "*Management Incentive Plans.*" Incentive Plan Compensation is separately disclosed as "Annual Incentive Plan" amounts, which are payouts under the 2015 Short Term Incentive Plan, and "Long Term Incentive Plan" amounts, which are payouts under the 2013 Long Term Incentive Plan.
2. Pension Value is derived from the "Compensatory" column of the Pension Plan Benefits table in Section 8.14.
3. All Other Compensation – Perquisites and other benefits do not exceed $50,000 or more than 10 per cent of the total annual salary for any of the Named Executive Officers. All Other Compensation includes special bonuses paid to the Named Executive Officers that are separate from the Annual Incentive Plan and Long Term Incentive Plan compensation. See footnote 5 for Ms. Sharland, footnote 6 for Mr. Neville, footnote 8 for Ms. Lussenburg and footnote 10 for Mr. Boyer.
4. Ms. Sharland was appointed Vice President and Chief Financial Officer effective May 26, 2014.
5. Consists of a one-time payment of $25,000 paid to Ms. Sharland as a signing bonus which she became eligible to receive after 12 months of employment with satisfactory performance.
6. Consists of a one-time payment of $16,000 paid to Mr. Neville as compensation for the additional responsibilities he undertook in 2014 to manage the Aviation Business Development Group until the Vice President, Aviation Services was appointed.
7. Ms. Lussenburg was appointed Vice President, Governance and Legal, General Counsel and Corporate Secretary (now Vice President, Governance, Corporate Safety and Security, General Counsel and Corporate Secretary), effective January 21, 2013.
8. Consists of a one-time payment of $16,000 paid to Ms. Lussenburg as compensation for the additional responsibilities she undertook in 2014 in respect of the Winter Operations Review including the meetings of the Ad Hoc Review Committee.
9. Mr. Boyer was appointed Vice President and Chief Information Officer effective August 23, 2014.
10. Consists of a one-time payment of $30,000 paid to Mr. Boyer as a signing bonus which he became eligible to receive after 12 months of employment with satisfactory performance.

8.14 Pension Plan Benefits

The GTAA maintains a defined contribution registered pension plan for the benefit of each of the executive officers (the "DC RPP for Executives"), which is a funded arrangement whereby the participant directs the investment of his or her account among a number of pooled funds selected by the GTAA. The DC RPP for Executives requires contributions of 6 per cent of base salary from both the participants and the GTAA, up to the maximum limits under the *Income Tax Act*, which was $25,370 in 2015, representing contributions of $12,685 from the participant and the corresponding matching contribution from the GTAA.

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

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

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

Name (a)	Accumulated Value at Start of Year ($) (b)	Compensatory ($) (c)	Accumulated Value at Year End ($) (d)
Howard Eng	**353,300**	**118,600**	**502,000**
Jill N. Sharland	**26,000**	**46,200**	**89,800**
Selma M. Lussenburg	**96,500**	**41,500**	**157,500**
Patrick C. Neville	**542,200**	**42,100**	**616,000**
Martin Boyer	**11,400**	**32,000**	**59,400**

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

8.15 Employment Agreements

The GTAA has employment agreements with each of the Named Executive Officers that provide for payments in connection with a termination of employment.

Howard Eng

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

1. Termination of Employment Without Cause

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

(i) the base salary he was receiving at the date of termination for the period commencing on the date of termination and ending on the earlier of 24 months thereafter or March 31, 2020 (the "Notice Period");

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

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

(iv) his Short Term Incentive Plan payments for the year of termination, based on target performance and pro-rated for the period prior to the date of termination; and

(v) his Long Term Incentive Plan payments based on a fully vested basis at their target value.

The estimated incremental payment that would have been payable to Mr. Eng in the event of termination of his employment without cause, assuming termination on December 31, 2015, is $2,627,141.

2. Termination Due to Change in Control

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

The estimated incremental payment that would have been payable to Mr. Eng in the event of termination due to a change in control that results in a material adverse change in the terms and conditions of his employment, assuming that the triggering event took place on December 31, 2015, is $2,627,141.

3. **Termination Due to Disability**

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

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

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

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

(iv) cease participating in the disability benefit plans.

The estimated incremental payment that would have been payable to Mr. Eng in the event of deemed termination due to disability, assuming that the triggering event took place on December 31, 2015, is $476,167.

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

Jill N. Sharland

Ms. Sharland's employment agreement provides that if the GTAA terminates her employment without cause, the GTAA will provide her with reasonable notice of termination in accordance with common law, or payment in lieu of notice.

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

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, 2015, is $523,596.

Selma M. Lussenburg

Ms. Lussenburg's employment agreement provides that if she terminates her employment agreement due to a change in control of the GTAA that results in a material change in the terms and conditions of her employment and her date of termination is within 12 months after the change in control, the GTAA is obligated to pay her 12 months' base salary at the rate in effect at the date of termination if the date of termination occurs within five years of her date of employment, or 24 months' base salary if the date of termination occurs after five years of her date of employment. The estimated incremental payment that would have been payable to Ms. Lussenburg in the event of termination due to a change in control that results in a material change to the terms and conditions of her employment, assuming termination on December 31, 2015, is $251,425.

Martin Boyer

Mr. Boyer'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.

In addition to a general obligation of confidentiality, Mr. Boyer'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.

8.16 Compensation of Directors

The GTAA's directors receive remuneration commensurate with their duties, together with reimbursement for all reasonable expenses incurred in fulfillment of their duties, including travelling expenses. The Board retained Hay Group between 2005 and 2014 to periodically provide advice as to the appropriateness of directors' compensation and any adjustments that may be appropriate having regard to market competitive practices. No adjustments to the directors' compensation have been made since Meridian Compensation Consultants became the compensation consultants to the HR&C Committee and the Board of Directors in October 2014.

The following describes the remuneration earned by directors in 2015.

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

Planning and Commercial Development Committee, $8,500. During the fiscal year ended December 31, 2015, directors earned directors' fees totaling $1,246,943 for their services as directors.

During 2015, there were eight meetings of the Board; five meetings of the Audit Committee; seven meetings of the Corporate Governance and Nominating Committee; four meetings of the Environment, Safety, Security and Stakeholder Relations Committee; four 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 2015 and their compensation earned in 2015.

Director Attendance and Compensation

Name	Board Meetings Attended	Board Fees Earned[1] ($)	Committee and Other Meetings Attended	Committee and Other Meeting Fees Earned[2] ($)	Total[3] ($)
W. Douglas Armstrong	8/8	53,000	12/13	27,396	80,396
Ian L.T. Clarke	8/8	53,000	12/12	29,000	82,000
Paul W. Currie	7/8	51,500	12/14	37,507	89,007
Jeffrey P. Fegan	7/8	51,500	8/8	18,000	69,500
Shaun C. Francis	7/8	51,500	7/10	19,099	70,599
Stephen J. Griggs	8/8	53,000	15/15	34,899	87,899
Brian P. Herner	7/8	52,000	13/13	44,500	96,500
Vijay Kanwar (term ended May 6, 2015)	4/4	59,409	8/11	—	59,409
Roger Mahabir	8/8	53,000	10/10	25,000	78,000
Kathy Milsom	8/8	52,500	10/10	25,604	78,104
Terrance F. Nord	8/8	53,000	13/13	28,896	81,896
Poonam Puri	8/8	52,000	9/9	24,947	76,947
Michelle Samson-Doel	7/8	51,000	9/9	21,299	72,299
Danielle M. Waters	8/8	53,000	13/13	29,604	82,604
David Wilson	8/8	130,419	19/21	11,364	141,783
Total Fees Earned		869,828		436,524	1,246,943

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

9 Auditors: Interest of Experts

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

External Auditor Fees

The aggregate fees (excluding out-of-pocket disbursements) paid to PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2015 and December 31, 2014, were as follows:

	2015 ($)	2014 ($)
Audit Fees[1]	622,570[4]	731,905[5]
Audit-Related Fees[2]	153,930	169,075
Tax Fees[3]	5,000	4,750
All Other Fees	—	—
Total	781,500	905,730

1. Audit Fees were paid for professional services rendered by the external auditor for the audit of the GTAA's annual financial statements; consultations arising during the course of the audit or review; translation services; prospectus or other securities work, including due diligence, comforts and consents; the annual Canadian Public Accountability Board fee; and the review of the GTAA's interim financial statements.
2. Audit-Related Fees were paid for consultations not arising as part of the audit or review. Audit-Related Fees were paid for professional services related to the bond buy-back program, hedge accounting and 52-109 internal controls over financial reporting certification. The following services previously recorded as 2014 All Other Fees have been re-classified as Audit-Related Fees: GTAA's Ground Lease regulatory filing, the audit of the financial statements of the GTAA's pension plans, and the audit of the Fire and Emergency Services Training Institute.
3. Tax Fees were paid for professional services related to tax compliance and tax advice, including the filing of the GTAA's income tax returns. See *"Non-Audit Services"*.
4. Audit Fees for 2015 incorporate estimated costs, as final invoices have not yet been received, and exclude out-of-pocket disbursements.
5. Audit Fees for 2014 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 each of 2014 and 2015, PricewaterhouseCoopers LLP did not perform any non-audit services, other than the tax services noted above.

10 Additional Information

Additional information relating to the GTAA, including the GTAA's audited Financial Statements and Notes for the years ended December 31, 2014 and December 31, 2015, together with the auditors' report therein and accompanying Management's Discussion and Analysis ("MD&A"), and Interim Financial Statements and Notes and accompanying MD&A, is filed with the Canadian Securities Administrators and may be accessed through SEDAR at www.sedar.com or obtained upon written request to the Vice President, Stakeholder Relations and Communications, Greater Toronto Airports Authority, P.O. Box 6031, 3111 Convair Drive, Toronto AMF, Ontario, L5P 1B2.

APPENDIX "A"

GREATER TORONTO AIRPORTS AUTHORITY

TERMS OF REFERENCE

OF

THE BOARD OF DIRECTORS

(Board approved effective September 26, 2012)

A. GENERAL

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

B. COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

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

C. ROLES AND RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

   (a) appointing and removing Members of the Corporation;

   (b) constituting committees of the Board;

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

   (d) issuing securities;

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

   (f) appointing officers;

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

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

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

(j) approving the compensation paid to directors;

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

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

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

(a) determining the remuneration of the external auditors;

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

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

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

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

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

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

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

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

4. The Board shall annually prepare and provide to the Corporate Governance and Nominating Committee a report describing the names of the advisors who provided services to the Board during the year, the compensation paid to them and the nature of the services they provided.

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

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

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

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

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

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

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

APPENDIX "B"

GREATER TORONTO AIRPORTS AUTHORITY

AUDIT COMMITTEE CHARTER
(Board approved March 11, 2015)

A. MANDATE

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

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

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

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

B. COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

8. The Committee shall meet periodically with Management (including, at a minimum, the Corporation's CFO), the head of the internal audit and the external auditors in separate

sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. Such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without Management present.

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

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

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

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

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

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

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

C. **COMMITTEE RESPONSIBILITIES**

The Committee's responsibilities shall include to:

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

    (a) review with the external auditors and with Management the audited year-end financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the Corporation's Annual Information

Form and any financial information of the Corporation contained in any prospectus of the Corporation, all prior to recommending to the Board the approval of such financial information for public disclosure;

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

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

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

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

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

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

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

   iv. any change in accounting principles;

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

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

   vii. the specifics of any unrecorded audit adjustments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) review the adequacy of resources of the internal audit function and ensure that internal auditors have unrestricted access to all functions, records, property and personnel of 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 the Corporation's risk management system, including receiving and reviewing annually with senior management and, as necessary, the Corporation's internal auditors and external auditors:

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

(b) the risk appetite, tolerances and risk philosophy;

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

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

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

D. REVIEW OF CHARTER

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