

VANCOUVER AIRPORT AUTHORITY
2012 GOVERNANCE REPORT



Our Governance Process

The Airport Authority's comprehensive governance procedures are contained in the *Board of Directors' Governance Rules and Practices Manual*, which is available on our [website](#). The Manual includes:

- Terms of Reference for the Board, Board Chair, President & CEO and Directors
- Conflict of interest guidelines
- Director compensation
- Accountability and transparency practices
- Guidelines, Terms of Reference and membership for each of the Board's committees: Finance and Audit, Governance, Human Resources and Compensation and Planning and Development.

Board of Directors

Our Board has up to 15 Directors with nine appointed by eight nominating entities with key ties to the local community. Up to five additional Directors may be appointed by the Board from the community at large. The President and Chief Executive Officer also serves as a Director.

Director	Representative Capacity (Nominating Entity)	Term Expiry	Committee Memberships (see key below)
Mary Jordan	Chair, Director At Large	2013	b, c
Larry Berg	President and Chief Executive Officer	n/a	
Brian Bentz	Institute of Chartered Accountants of British Columbia	2014	d
George Cadman	Government of Canada	2014	a, c
Joseph Caron	Director At Large	2014	b,d
John Currie ¹	Director at Large	2015	a
Ruston Goepel	Director At Large	2013	b, d
Kenneth Goosen	Association of Professional Engineers and Geoscientists of British Columbia	2014	d
Grayden Hayward	The Vancouver Board of Trade	2015	a, c
Howard Jampolsky	City of Richmond	2014	a, d
Carol Alter Kerfoot	The Law Society of British Columbia	2013	b, c
Wilson Parasiuk	Metro Vancouver (GVRD)	2014	a, d
Gerri Sinclair	Director At Large	2014	c, d
Tamara Vrooman	City of Vancouver	2014	a
Peter Webster	Government of Canada	2015	a, b,

- a Finance and Audit Committee
- b Governance Committee
- c Human Resources and Compensation Committee
- d Planning and Development Committee

¹ Mr. Currie joined the Board in December 2012.

The Executive Committee

The Airport Authority's senior executive team oversees the effective operation and management of Vancouver International Airport.

Larry Berg	President and Chief Executive Officer
Don Ehrenholz	Vice President, Engineering
Tony Gugliotta	Senior Vice President, Marketing and Business Development
Steve Hankinson	Vice President, Operations
Glenn McCoy	Vice President, Finance and Chief Financial Officer
Michele Mawhinney	Vice President, Human Resources
Kevin Molloy	Vice President, Simplified Passenger Travel and Chief Information Officer
Anne Murray	Vice President, Community and Environmental Affairs
Michael O'Brien	Corporate Secretary and Vice President, Strategic Planning and Legal Services

Subsidiaries

YVR PROJECT MANAGEMENT

YVR Project Management (YVRPM) is a wholly owned subsidiary of Vancouver Airport Authority established in 2005 to oversee major expansion projects at YVR.

VANTAGE AIRPORT GROUP

[Vantage Airport Group](#) (Vantage) markets the expertise, operating philosophies and leading-edge systems developed at YVR. Vantage is jointly owned by Vancouver Airport Authority and Citi Infrastructure Investors (CII). Vantage's portfolio consists of 11 airports in six countries and its network of airports welcomed more than 34.9 million passengers in 2012.

Our Planning Process

The Airport Authority has a five-tiered planning process to guide airport operations and development in the short, medium and long terms. The Strategic Plan provides the fundamental direction—the Mission, Vision and Values—for the organization.

The Master Plan looks forward 20 years to ensure the best allocation of YVR resources. The Master Plan process includes a significant public consultation program and evaluates potential airside, terminal, and ground access and parking development options based on comprehensive sustainability criteria that are divided into four areas: Governance, Economic, Environmental and Social. The Airport Authority's most recent Master Plan and accompanying Land Use Plan, *YVR: Your Airport 2027 Master Plan* is available on our [website](#).

The Capital and Financial Plans determine the funding and timing of airport infrastructure developments. The annual Business Plan outlines the Airport Authority's objectives and initiatives for the coming year.

Corporate Governance Report

PART ONE - CORPORATE GOVERNANCE

I. Introduction

The Airport Authority's Board of Directors and management regard effective corporate governance as critical to the proper execution of its responsibilities. The Board's fundamental role is to ensure that the Airport Authority fulfills its objectives in a safe, efficient and reliable manner. Its responsibilities include oversight, review and approval of the Airport Authority's strategic plan, long-term financial plans and annual budgets. Maintaining the integrity of internal controls, assuring prudent plans are in place for Board renewal and management succession and making sure that there is a policy to enable effective communications with employees, business partners and the community are also critical Board functions.

II. Composition of the Board

Except for the President and Chief Executive Officer (CEO), all Directors are independent and have no direct or indirect material relationship with the company or its subsidiaries. Each is independent of management and free from any interest, business or other relationship that could, or could reasonably be perceived to, interfere materially with the Director's ability to exercise independent judgment and act with a view to the best interests of the Airport Authority. The Airport Authority's President and CEO is not independent by virtue of his position in management.

The Airport Authority's by-laws permit a maximum of 15 Directors. As described previously, nine Directors are appointed by Nominating Entities, up to five Directors are appointed by the Board from the community at large and one seat on the Board is held by the President and CEO of the Airport Authority.

The following organizations—Nominating Entities—appoint Directors:

- The Association of Professional Engineers and Geoscientists of British Columbia - One Director
- City of Richmond - One Director
- City of Vancouver - One Director
- Government of Canada - Two Directors
- Metro Vancouver - One Director
- The Institute of Chartered Accountants of British Columbia - One Director
- The Law Society of British Columbia - One Director
- The Vancouver Board of Trade - One Director

Directors normally serve a three-year term and are eligible for re-appointment subject to a limitation that no person may serve as a Director for more than nine years. To balance the need for renewal and continuity, there is a limited exception allowing a Director to serve for one additional year if otherwise the number of individuals ceasing to be Directors in a given year would be more than two.

III. Committees of the Board

The Finance and Audit Committee ensures that the Airport Authority has a rigorous system of internal controls and financial reporting and is in compliance with applicable laws and regulations as they relate to financial disclosure.

The Governance Committee is responsible for ensuring that Board governance practices enhance corporate performance and meet accepted levels of transparency and accountability.

The Human Resources and Compensation Committee oversees human resources and compensation policies and ensures that there is a plan for the development and orderly succession of executive and other key employees.

The Planning and Development Committee assists the Board in fulfilling its responsibility for long-range planning including strategic, master and capital plans. It reviews the plans, scope, schedule and budget for major capital projects.

In addition to the above Committees, the Board periodically establishes Task Forces. A Task Force is established for a specific period of time to undertake a specific assignment and is then disbanded.

IV. Code of Conduct for Directors

All Directors of the Airport Authority are required to comply with Rules Concerning Conflicts of Interest.

Every Director of the Airport Authority is required to file a disclosure statement upon becoming a Director. Thereafter, each Director must file an annual disclosure statement, which is reviewed by the Chair, the President and the Corporate Secretary and the Airport Authority's external auditors. In addition, any Director may review the statements upon request to the Corporate Secretary.

The Airport Authority's by-laws require that it report annually in writing on the Directors' compliance with its conflict of interest guidelines. The Airport Authority confirms that all Directors have complied in full with the Rules Concerning Conflicts of Interest.

PART TWO - EXECUTIVE AND BOARD COMPENSATION

I. Executive Compensation Philosophy

The objectives of the Airport Authority's executive compensation program are:

1. To remain competitive in the marketplace and attract and retain the caliber of executive required to ensure the Airport Authority remains a global leader; and
2. To motivate our executives to achieve business results and reinforce accountability to our customers and our community.

The key elements of our executive compensation program are base salary and incentive compensation. Incentive compensation is dependent on achieving the following corporate and individual performance objectives:

Incentive Measures

- Non-Aeronautical Revenues: To increase non-aeronautical revenues.
- Variable Operating Costs: To improve the Airport Authority's net operating margin which is defined as revenue (excluding airport improvement fees) less operating costs.
- Customer Care: To improve the annual satisfaction score on the customer satisfaction survey. The survey is based on passenger evaluations and is conducted quarterly by an independent external firm.
- Community Relations: To enhance the relationship with, and overall satisfaction levels from, our community. This is measured annually using survey results which rate the overall impression of the Vancouver Airport conducted by an independent external firm.
- Return on Capital Assets: To earn a reasonable level of return on capital assets.
- Excess Revenue over Expenses: To achieve a desired level of revenue and control over expenses to generate funds available for capital reinvestment or debt reduction.
- Trans-Pacific flights: the number of flights between YVR and Asia, excluding Australia and New Zealand.
- Trans-Pacific passengers: the number of passengers on flights between YVR and Asia, excluding Australia and New Zealand.
- Individual Objectives: Each executive has four stretch goals to achieve. The goals are established at the beginning of each year through consultation with the Chief Executive Officer.

Commencing in 2009, the executive incentive program also measures sustained performance over the longer term (three years) based on two key financial measures listed above: return on capital assets and excess revenue over expenses. In 2012, two longer term Gateway measures, listed above, were added to the program: Trans-Pacific flights and Trans-Pacific passengers.

Executive Compensation Peer Group

In determining executive pay levels, the Airport Authority is compared to select private sector companies from a variety of industries across Canada, including other major domestic and international airports. Where applicable, a size adjustment is made to the compensation data for the Airport Authority's revenue in relation to the comparator firms' revenues.

Market Positioning

The Airport Authority targets compensation at the median of the peer group with the opportunity for pay to exceed median when individual and corporate performance exceeds expectations.

II. Executive Compensation Review Process

The Airport Authority's policy is for the Human Resources and Compensation Committee to retain an independent compensation consultant to provide market compensation data, which is one factor used to inform compensation decisions, as well as assistance with incentive plan design and information on trends in executive pay. The Committee then recommends to the Board the compensation of the CEO and the executive team after considering the market data, as well as individual and corporate performance.

In 2009, the Board established a compensation task force to conduct a comprehensive review of executive pay. To assist with this review, the Airport Authority retained the services of an independent compensation consultant, Towers Watson. Based on the results of this review, the Human Resources and

Compensation Committee updated the compensation philosophy, developed a compensation framework and modified the incentive program to align more closely with the Airport Authority's business strategy.

In 2012, the incentive programs were aligned with the Airport Authority's new growth strategy with the addition of Gateway measures, specifically the growth of flights and passengers between YVR and Asia.

III. Executive Compensation

The salary range for the President is \$368,000 to \$552,000, with a midpoint of \$460,000. The President participates in a short-term incentive program that has a target opportunity of 55 per cent of base salary and a maximum opportunity of 83 per cent of base salary.

The salary range for Senior Vice Presidents is \$196,000 to \$294,000 with a midpoint of \$245,000. The salary range for the Vice Presidents is \$168,000 to \$252,000 with a midpoint of \$210,000. Vice Presidents participate in a short-term incentive program that has a target opportunity of 30 per cent of base salary and a maximum opportunity of 45 per cent of salary.

As indicated earlier, the executives have longer term performance plans based on two key financial measures and two measures aligned to achieving the Gateway growth strategy for YVR.

In 2012, the average increase for executives was three per cent in addition to adjustments to move some executive salaries closer to the salary range midpoint.

Executives also participate in post-retirement arrangements as reported in the Consolidated Financial Statements, footnote No.15.

IV. Directors' Remuneration

Directors' compensation is reviewed by the Governance Committee of the Board every two years with the assistance of an independent compensation consultant to provide market compensation data and advice on industry best practices. In 2012, the Board of Directors approved new compensation principles, set out below, which apply to setting the levels of compensation for Airport Authority Directors. The President and CEO, who is an employee of the Airport Authority, is not remunerated for services as a Director.

Compensation Principles:

1. Compensation paid to Directors will neither unduly reward, nor unduly penalize, an individual for choosing to serve on the Airport Authority Board rather than on any other Board of Directors.
2. Every two years, the Board will review market data and set compensation at a level generally consistent with the mid-range of that being paid to Directors of BC corporations of similar size and responsibility and Canadian Airport Authorities (the Comparable Corporations --defined below).
3. To reflect both the inherent responsibilities and the variable time commitments, each Director will be paid through a combination of an annual retainer, and, fees for each meeting attended.
4. To reflect the additional time and responsibility of serving as Chair of a Committee or Task Force, these Directors will receive additional compensation in the form of an additional annual retainer.
5. To reflect the extra legal responsibilities and time commitments entailed in the role, the Chair of the Audit Committee's Additional Annual Retainer will be 125 per cent of the Additional Annual Retainer.

6. The Board Chair will be paid an annual retainer, calculated as 275 per cent of the average total annual compensation of the other Directors.
7. The Comparable Corporations are:
 - A. Airport Authorities of Toronto, Montreal and Calgary.
 - B. British Columbia's three major government transportation companies: Translink, BC Ferries and Port Metro Vancouver; and,
 - C. Twenty corporations in British Columbia, with assets greater than \$1 billion, whose shares are publically traded, adjusted to match the Airport Authority's size.
8. The Board will be guided by, but not bound by, the following calculation:

(a + b + c) divided by 3 = mid-range of Comparable Corporations

a = average of the average annual total compensation paid to Boards in group A;

b = average of the average annual total compensation paid to Boards in group B;

c = average of the average annual total cash compensation (stock options and other compensation are excluded) paid to Boards at the 50th per centile in group C.

The remuneration for non-management Directors is:

Annual Retainer	Chair	\$135,000
	Directors	\$25,000
Additional Retainer for Committee Chairs	Chair Finance and Audit Committee	\$8,000
	Chair other Board Committees	\$6,500
Board and Committee meeting attendance fee ²		\$1,250
Other meeting fee		\$ 625

Subject to approval from the Governance Committee, Directors are reimbursed for all reasonable out-of-pocket expenses. Out of town travel expenses incurred to attend to the business of the Airport Authority must be pre-approved by the Chair in the case of Directors and by the Governance Committee Chair in the case of the Chair. Travel expenses for attendance at Board and Committee meetings are not reimbursed unless the Director resides outside the Metro Vancouver Regional District.

The total remuneration paid during 2012³ to each Director was as follows:

M. Jordan ¹	\$135,000	G. Hayward	\$67,375
B. Bentz	\$53,250	H. Jampolsky	\$51,250

² The Chair receives an annual retainer only; the Chair does not receive any additional meeting attendance fees.

G. Cadman	\$67,750	C. Kerfoot	\$64,000
J. Caron	\$45,625	W. Parasiuk	\$59,375
John Currie ²	\$4,375	G. Sinclair	\$48,750
R. Goepel	\$47,500	T. Vrooman	\$43,750
K. Goosen	\$43,750	P. Webster	\$55,125

¹During the year, Ms. Jordan also received remuneration in the amount of \$24,500 from Vantage Airport Group for serving on its Board of Directors.

²Mr. Currie joined the Board in December 2012.

³ There were 38 meetings of Committees, Task Forces and the full Board in 2012.

In addition to the above remuneration, Directors were reimbursed for expenses totaling \$9,361.95 in 2012.

PART THREE - PURCHASING POLICIES

I. Conflict of Interest and Confidentiality

All Airport Authority employees and consultants must comply with the Airport Authority's Conflict of Interest Guidelines.

II. Environmental and Safety Considerations

The Airport Authority is committed to meeting or exceeding any laws or regulations concerning both environmental protection and workplace safety. During the purchasing process, suppliers are encouraged to offer, and the buyer will seek out, environmentally responsible products or services. Contractors and suppliers will be required to abide by all Airport Authority safety and environmental rules and regulations.

III. Insurance

No contractor shall commence work on the airport site until evidence of adequate insurance and WCB coverage is provided.

IV. Acquisition Methods

Best Value Purchasing

Best value purchasing is assessed in terms of legal and financial risks as well as timing of delivery, quality, pricing, life cycle costs including warranties, operating and maintenance costs, disposal and any other costs associated with ownership, function and use.

Competitive Submissions

In general, the procurement of goods and services will be awarded following a competitive process.

The Airport Authority will provide information to all proponents including:

- written competitive specifications;
- proposed terms and conditions;
- whether alternatives will or will not be considered;
- an indication of the evaluation criteria that will be used to assess the offers.

If a site visit or contractor meeting is required prior to submission closing time, the Airport Authority will ensure all proponents are invited. At the conclusion of the meeting, the Airport Authority will prepare and distribute minutes of the meeting, and issue in writing any required addenda to all contractors.

Submissions will be received in accordance with the instructions given by the Airport Authority. The Airport Authority reserves the right to accept or reject late or incomplete submissions. Following the submission closing time, submissions are opened by Purchasing and Contracting Services in the presence of a witness. All submissions are initialed, and date and time stamped at time of receipt and opening.

Exceptions

Exceptions to this policy may be made in the circumstances described in the list following the table in Part Four. The persons with the appropriate signing authority will state in writing upon what grounds the exception is being made.

PART FOUR - REPORT ON SINGLE-SOURCE CONTRACTS IN EXCESS OF \$100,000

The table below reports contracts for the purchasing of goods and services in excess of \$129,626 (\$100,000 in 2000 dollars) awarded during 2012, which were not awarded on the basis of a competitive process.

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$4,204,192	City of Richmond	Services	1
\$3,350,188	Team Eagle Ltd. (Eagle Airfield Ltd.)	Heavy equipment fleet	3
\$2,368,457	Kasian Architecture Interior Design and Planning Ltd.	Architectural professional services	3
\$2,142,171	Westguard Security Services (1986) Inc.	Multiple year contract: Wildlife management	7
\$2,065,860	MacAulay Trucking Ltd.	Multiple year contract: Snow and ice removal – aprons	7
\$1,830,000	Chevron Canada Ltd.	Multiple year contract: Fuel and lubricants	7
\$1,814,770	Compass Canada Support Services Ltd.	Additional janitorial services	3, 7
\$1,740,000	Vancouver Aquarium Marine Science Centre	Multiple year contract: Aquarium management	7
\$1,310,816	B.C. Ambulance Services	Multiple year contract: Paramedic services	1

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$1,188,631	Ledcor Construction Ltd.	Construction services	3, 7
\$982,821	Vanderlande Industries Canada Inc.	Baggage system design and replacement	3, 7
\$900,771	Corporate Express Canada	Cleaning supplies	7
\$782,300	PCL Constructors Westcoast Inc.	Tenant relocation construction	7
\$683,167	IBM Canada Ltd.	Software license and support	1
\$625,000	Gage-Babcock & Associates Ltd.	Multiple year contract: Building code review	3
\$613,247	Long View Systems Corporation	Multiple year contract: IT support services and equipment	1, 4
\$582,000	Booz & Company (N.A.) Inc.	Consulting services	4
\$557,603	Federal APD, Inc.	Multiple year contract: Parking equipment support and maintenance	1
\$495,000	Trecan Combustion Ltd.	Heavy equipment fleet	3
\$456,750	Airport Wildlife Management International	Multiple year contract: Wildlife control	1
\$454,807	Ledcor Technical Services (LTS)	Telecommunication Passive infrastructure	2
\$394,000	Habanero Consulting Group	Website development	7
\$385,400	Remsoft Consulting Inc.	Software	1
\$360,000	RFS Canada	Multiple year contract: Leasing of copiers and printers	5

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$350,000	KPMG LLP	Project management services	2
\$333,279	Ambius Canada	Multiple year contract: Indoor plant maintenance	7
\$297,288	Sierra Systems Group Inc.	IT project management	1
\$291,025	Studio One Architecture Inc.	Multiple year contract: Architectural and design consulting services	3, 4
\$278,688	Sabre Inc.	Multiple year contract: Software licenses	1
\$257,352	Brent Kelly Farms	Multiple year contract: Snow and ice removal - aprons	7
\$252,389	Mannington Mills	Carpet	7
\$250,000	InterVistas Consulting Inc.	Multiple year contract: Customer satisfaction surveys	4
\$237,987	Mainroad Lower Mainland Contracting Ltd.	Multiple year contract: Snow and ice removal - aprons	7
\$236,250	Omnivex Corporation	Multiple year contract: Software support renewal	1
\$219,436	Qlik Tech Corporation	Software	1
\$217,477	Hydea S.R.L.	Architectural consulting services	3
\$212,713	Stantec Architecture Ltd.	Multiple year contract: Architectural and design consulting services	4, 5
\$212,600	MCW Consultants Ltd.	Engineering services	4
\$208,313	Compugen Inc.	Computer hardware	3

Aggregate Contract Value	Contractor	Description of Contract	Reasons *
\$198,000	International Air Transport Association (IATA)	Multiple year contract: Aviation consulting services	5
\$197,460	CEM Systems Ltd.	Multiple year contract: Access control support renewal	1
\$177,641	Aeroplan Canada Inc.	Aeroplan contract program	1
\$171,466	Action Data Communication Ltd.	Multiple year contract: Server room relocation	3
\$168,600	Babcock Airports	Baggage and system support	1
\$167,879	Intersystems USA Inc.	Multiple year contract: Software support renewal	1
\$165,000	PMG Engineering Inc.	Planning and design services	4
\$164,155	Hobart Ground Power	Apron drive bridge equipment	1
\$156,271	Ultra Electronics	Software	4
\$144,029	Bruel & Kjaer EMS Inc.	Software support renewal	1
\$142,600	Kerr Wood Leidal Associates Ltd.	Engineering consulting services	3
\$139,100	Securiguard Services Ltd.	Security services	1
\$134,977	Hewlett Packard (Canada) Co	Multiple year contract: Server support renewal	1

**Reasons are explained below.*

Reasons for exceptions:

1. The goods or services are of a proprietary nature or there is only one qualified supplier;
2. The urgency of a safety, security or critical operating need so requires;
3. In compliance with a product or equipment standardization program;

4. When the supplier has satisfactorily performed previous related services that provided a cost saving to the Airport Authority;
5. The essential partnership of the transaction exists between a major third party (for example, airlines, hotels, cruise ship lines) and the supplier;
6. The value of the product or service does not warrant the cost and time required to invite competitive submissions;
7. The supplier has been awarded a contract for a similar product or service by the Airport Authority as the result of a competitive process within the previous five years.

PART FIVE - GUIDELINES FOR CORPORATE GOVERNANCE

The Airport Authority chooses to report against National Policy 58-201 Corporate Governance Guidelines and the accompanying National Instrument 58-101 Disclosure of Corporate Governance Practices.

The following table demonstrates how Vancouver Airport Authority meets these Corporate Governance Guidelines.

Vancouver Airport Authority Corporate Governance Disclosure	
Guideline	Disclosure
<p>1. The Board of Directors Disclose:</p> <ul style="list-style-type: none"> ➤ Independent Directors and whether or not majority are independent. ➤ Directors who are not independent and explain. ➤ If Independent Directors hold regularly scheduled meeting at which members of management are not in attendance. ➤ If the Chair of the Board is an Independent Director, the identity of the Chair and his or her responsibilities. ➤ Disclose the attendance record of Directors. 	<ul style="list-style-type: none"> ➤ All Directors are independent with the exception of the President and CEO, who as an employee and executive officer of the Airport Authority is not independent. ➤ Independent Directors held an <i>in camera</i> session, without the presence of management, at every regular Board and Committee meeting in 2012, i.e., at six regular Board meetings and 20 Committee meetings. In addition, the Finance and Audit Committee, which consists entirely of independent directors, holds separate <i>in camera</i> sessions with the External Auditor and the Internal Auditor at each meeting they attend. ➤ Mary Jordan, the Chair, is an Independent Director. The Chair’s Terms of Reference can be found at Tab 4 in the Board’s Governance Rules and Practices Manual. ➤ The Chair’s Terms of Reference are reviewed annually by the Governance Committee. ➤ Director attendance is reviewed annually by the Governance Committee. In 2012, there were 38 meetings of the full Board, Board Committees and Task Forces. Including all of these meetings, the Board had an overall average attendance rate of 94 percent.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline		Disclosure
2.	<p>Board Mandate</p> <ul style="list-style-type: none"> ➤ Disclose the text of the Board's written mandate. 	<ul style="list-style-type: none"> ➤ The Administrative Guidelines and Terms of Reference for the Board of Directors can be found at Tabs 2 and 3 respectively in the Board's Governance Rules and Practices Manual.
3.	<p>Position Descriptions</p> <p>Disclose:</p> <ul style="list-style-type: none"> ➤ Whether the Board has developed written position descriptions for the Chair, and the Chair of each Board Committee. ➤ Whether the Board and CEO have developed a written position description for the CEO. 	<ul style="list-style-type: none"> ➤ The Terms of Reference for the Chair (Tab 4), Guidelines for Committees (Tab 15b) and Terms of Reference for each individual Committee (Tabs 15c to 15f) can be found in the Board's Governance Rules and Practices Manual. The latter two effectively guide the Committee Chairs. ➤ The Terms of Reference for the President and CEO can be found at Tab 5 in the Board's Governance Rules and Practices Manual.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>4. Orientation and Continuing Education Briefly describe:</p> <ul style="list-style-type: none"> ➤ What measures the board takes to orient new Directors regarding the role of the Board, its committees and its Directors and the nature and operation of the corporation's business. ➤ What measures the Board takes to provide continuing education for its Directors and how the Board ensures its Directors maintain the skill and knowledge necessary to meet their obligations as Directors. 	<ul style="list-style-type: none"> ➤ The orientation and continuing education programs are described in Tab 8 Director Development and Education Plan in the Board's Governance Rules and Practices Manual. ➤ In 2011 the Board instituted a new <i>Aviation 101</i> course for all new directors including an introduction to the industry, presentations from each Vice President and an overview of key issues facing the Airport Authority in the near to medium term. In 2012, the Board added a briefing on the Airport Authority's executive compensation program to new directors' orientation program. An orientation checklist is prepared for each new Director and the completed list is circulated to the Governance Committee. The Education and Development program is reviewed annually by the Governance Committee.
<p>5. Ethical Business Conduct Disclose:</p> <ul style="list-style-type: none"> ➤ Whether the Board has adopted a written code of conduct; how an interested party may obtain a copy; and how the Board monitors compliance with its code. 	<ul style="list-style-type: none"> ➤ The Code of Conduct for Directors and Rules Concerning Conflicts of Interest can be found at Tab 7 in the Board's Governance Rules and Practices Manual. ➤ The Finance and Audit Committee is charged with ensuring that the conflict of interest guidelines are strongly maintained and reviews this matter annually. <p>Each Director is required to file an annual disclosure statement; the statements are reviewed by the Chair, President and Corporate Secretary and available for review by any Director upon request to the Corporate Secretary.</p> <p>The by-laws require an annual statement on Directors' compliance with its conflict of interest guidelines. See Part One, Section IV</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<ul style="list-style-type: none"> ➤ Any steps the Board takes to ensure Directors exercise independent judgment in considering transactions and agreements in respect of which a Director or executive officer has a material interest. ➤ Any other steps the Board takes to encourage and promote a culture of ethical business conduct. 	<p>of this report.</p> <ul style="list-style-type: none"> ➤ Should a Director engage in an activity which may be construed as a conflict, the Director must make full disclosure to the Chair who will rule on the conflict in writing. It would be a very rare occurrence for a Director or Executive to have a material interest in a transaction or agreement being considered by the Board; should this occur, the Director or executive will not receive written material and will recuse him or herself from the Board discussion and decision making. ➤ The Chair has appointed the Corporate Secretary to serve as the Designated Officer for the administration of rules for Airport Authority employees concerning Conflict of Interest. ➤ The Board adopted a formal Whistleblower Policy in 2004 and revised the policy in 2009; copies of the policy are available upon request to the Corporate Secretary. In addition to internal channels for reporting, the Whistleblower Policy includes an option to report via a third party hotline telephone number or website.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>6. Nomination of Directors Disclose:</p> <ul style="list-style-type: none"> ➤ The process by which the Board identifies new candidates. ➤ Whether or not the Board has a nominating committee composed entirely of Independent Directors. ➤ If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee. 	<ul style="list-style-type: none"> ➤ The Board may appoint up to five Directors from the Community at large. The Governance Committee, which is composed entirely of Independent Directors, acts as the Nominating Committee and is responsible for the recruitment and recommendation of Candidates to the Board for its consideration to fill at-large positions. ➤ The Governance Committee annually reviews a Director Composition Matrix to ensure that the matrix continues to be aligned with the strategic direction of the business. It then reviews the skills, knowledge and attributes of current Directors—as well as their length of tenure—in order to identify current and upcoming gaps. ➤ The Governance Committee may engage assistance from an external consultant to help with this process. ➤ For Director positions appointed by Nominating Entities, the Chair reviews the Board Matrix with the Entity and discusses the skills and experience currently required by the Board and requests that the Entity keep this in mind in making its appointment. ➤ The Governance Committee’s Terms of Reference can be found at Tab 15d in the Board’s Governance Rules and Practices Manual.

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline	Disclosure
<p>7. Compensation Disclose:</p> <ul style="list-style-type: none"> ➤ The process by which the Board determines the compensation for Directors and officers. ➤ Whether or not the Board has a compensation committee composed entirely of Independent Directors. ➤ If the Board has a compensation committee, describe the responsibilities, powers and operation of the committee. ➤ If a compensation consultant or advisor has at any time since the beginning of the corporation's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's Directors and officers, disclose the identity of the consultant or adviser and summarize the mandate for which they have been retained. 	<ul style="list-style-type: none"> ➤ See Part Two - Executive and Board Compensation of this report. ➤ The Human Resources and Compensation Committee is composed entirely of Independent Directors. ➤ The Human Resources and Compensation Committee's Terms of Reference can be found at Tab 15d in the Board's Governance Rules and Practices Manual. ➤ Towers Watson was engaged by the Human Resources and Compensation Committee to provide independent compensation advice with regard to the executive compensation plan. The mandate is summarized in Section III of this report.
<p>8. Other Board Committees</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board has standing committees other than audit, compensation and nominating committees and describe their function. 	<p>The Board also has a Planning and Development Committee. Its Terms of Reference can be found at Tab 15f in the Board's Governance Rules and Practices Manual.</p>

**Vancouver Airport Authority
Corporate Governance Disclosure**

Guideline		Disclosure
9.	<p>Assessments</p> <ul style="list-style-type: none"> ➤ Disclose whether or not the Board, its committees and individual Directors are regularly assessed with respect to their effectiveness and contribution and describe the process used for the assessment. 	<ul style="list-style-type: none"> ➤ This is an annual process, which is set out in Tab 10 – The Board Evaluation Process in the Board’s Governance Rules and Practices Manual. ➤ The Board undertakes an overall review of Board and Committee effectiveness through the use of a questionnaire supplemented with interviews by a third party consultant engaged to conduct the annual review. ➤ The Board also completes an Individual Director Peer Evaluation Questionnaire annually; results are tabulated by a third party consultant and discussed with the individual Director and the Board Chair only.