

Staying the Course

Halifax International Airport Authority | 2020 Annual Report



HalifaxStanfield

Introduction

For those who work in aviation, adjusting to industry advancements, evolving safety and security protocols, and unexpected circumstances is not unusual.

The resilience of our industry has been tried and tested by external forces repeatedly over the past century. We witnessed this when the first test flights led to a successful take-off in Baddeck, Cape Breton in 1909, when the enhanced security protocols were implemented after the devastating events of 9/11, and when lessons were learned from the SARS illness in 2003, which have been leveraged throughout our most recent pandemic response.

When SARS COV-2 (COVID-19) first appeared in Canada in January, Halifax International Airport Authority (HIAA) began preparing for the possible impacts on our airport, but no one could have predicted the staggering effects the COVID-19 health crisis would have on air travel around the world.

Throughout it all, our vision of ourselves stayed constant and kept us on course. We continued to operate with an unrelenting focus on safety and a deep commitment to serving our communities.

HIAA, like other air transportation partners, regularly assesses potential risks and has robust business continuity and crisis management plans. We are prepared to respond to a myriad of issues that could take us off track.

The health and safety of everyone at Halifax Stanfield has always been, and remains, our top priority. New protocols such as mandatory masking, limiting access to the air terminal building, enhancing cleaning, and staying apart from others, have all contributed to our airport remaining a healthy and safe place to work and travel throughout this global health crisis.

It's been a difficult year of continuously adjusting on short notice to new aviation regulations, managing sudden and significant financial challenges faced by not only us but also our business partners, and making tough decisions that will leave a mark on our organization. Yet throughout it all, we remained focused on our people, our plans, and our purpose, just like we have done when faced with adversity in the past.

We are incredibly proud of everyone in the Halifax Stanfield community for their perseverance, both personally and professionally, as we collectively navigate immense uncertainty and unknown territory. We are working together with a vision of a brighter future.

We are staying the course.



Message from the Chair of the Board

Stephen Dempsey

There is an ancient proverb that says, “may you live in interesting times” and that could not have been a more appropriate reference to the timing of my appointment as Board Chair of Halifax International Airport Authority (HIAA), a challenge I was proud to accept in May 2020 just at the outset of the COVID-19 pandemic.

Halifax Stanfield is a significant economic driver for the region, contributing \$3.8 billion annually to the Nova Scotia economy. Prior to the pandemic, the airport was home to 120 organizations, supporting 5,600 on-site jobs, including ground handlers, firefighters, accountants, hotel employees, air crew, and so many others.

The COVID-19 pandemic has had a significant impact on many businesses and industries, and aviation and its workers have been especially hard-hit. This includes Halifax Stanfield, which has seen a dramatic decline in passenger and flight activity since the pandemic began. It is expected that overall, 50 per cent of aviation jobs, and even more in the tourism sector, will be lost because of COVID-19.

For many people at the airport, it has been a very difficult time. However, thanks to the incredible level of teamwork and dedication shown by everyone who is part of the tight-knit community at Halifax Stanfield, I am confident HIAA will remain on course for future recovery.

One of the ways this will be achieved is by having a plan - something HIAA does very well. From the COVID-19 Recovery Plan to the Annual Business Plan, the 5-Year Strategic Plan, and the 20-Year Master Plan, there is no shortage of thought and effort going into how to prepare for the future. In good times, we look at how well we’re performing against our plan, and in difficult times, we challenge ourselves and ask, is this the right plan for us? As we all know, we are in unparalleled times, but by having a plan, HIAA will be well-prepared for what’s to come.

We must also be mindful of the airport’s purpose. This is not difficult to do, after seeing how the airport was there for the thousands of Canadians who were repatriated from foreign countries in early 2020 or seeing the thousands of masks and vaccines arriving on cargo flights. Halifax Stanfield is a critical piece of transportation infrastructure that efficiently connects people and goods from across the region to places around the world. While there was less activity in 2020 than in years past, the work that’s done at Halifax Stanfield is vital to keeping our economy growing and communities connected. As we stay committed to that purpose, there will be better times ahead.

We have incredible people at HIAA, who help bring the airport’s plans to life, and deliver on the airport’s purpose, each and every day. To everyone at HIAA who has worked tirelessly through the COVID-19 pandemic, and who continue to contribute to Halifax Stanfield’s revival – thank you.



Thank you for working hard and for looking out for your community. Thank you as well to our community, government, and business partners for your ongoing support, and to my fellow directors on the Board who have supported the HIAA team as we continue to navigate this crisis.

On behalf of the Board of Directors, I would like to recognize a few special people whose leadership, vision and integrity continue to enable our airport to navigate the unique challenges caused by the pandemic.

Marie Mullally having served on the HIAA board for 11 years, and the past two as our board chair, has guided our airport authority with financial discipline, effective governance, and personal passion - providing a robust framework for HIAA's future development.

And finally, I would also like to extend our sincere appreciation to our President & CEO, Joyce Carter, and the Senior Leadership Team, for continuing to lead the organization with focus and fortitude.

I look forward to the challenges and opportunities of the coming year in my role as Board Chair and supporting Halifax Stanfield as we overcome today's obstacles and emerge even stronger than before.

These are indeed interesting times.

Message from the President & CEO

Joyce Carter

In the 20-years Halifax International Airport Authority (HIAA) has managed Halifax Stanfield, 2020 could easily be described as the most challenging year ever. The COVID-19 pandemic forever altered the world as we knew it and had an impact on every part of our business and community. Besides those clear implications, 2020 also brought unpredictable challenges and tragedies causing us to look to each other for support and reflect on how we can build back together.

Going into 2020, we expected to have a record year, but it became evident in the spring when COVID-19 arrived in Nova Scotia that we would have to change course. We took dozens of steps to make our airport environment safe and healthy for essential workers and travellers. We supported government travel advisories and told people to stay home – something I would never have imagined saying as an airport CEO.

As we learned more about the virus, and travel restrictions were implemented, it became clear COVID-19 would have an immediate impact on our business and thus our financial position. We closed sections of the terminal building, consolidated parking lots, and turned off equipment and lights where possible to reduce expenses. When that was not sufficient, we had to take the difficult step of reducing our workforce by 25 per cent. It is a decision we regret having to make, because our people have always been what makes Halifax Stanfield such a special place.

In fact, in 2020, we witnessed the perseverance of all aviation workers. While the industry is no stranger to navigating world-altering events, such as 9/11 or SARS, there has never been a crisis like COVID-19. Implementing public health protocols, adjusting to the new normal, and telling people not to travel was not easy, but doing so was important to help keep people safe. Seeing airport workers adapt and do what was needed to protect others was inspiring.

It was also inspiring to see how resilient Nova Scotians were when faced with adversity, which saw our communities dealing with the incredible sadness of the Portapique killings, and the disbelief of the Snowbirds and Canadian Armed Forces crashes, all while trying to manage through a global pandemic. One of our own, former airport firefighter Tom Bagley, was a victim of the tragic Portapique events. Yet in response to these horrific incidents, our province united under the umbrella of “Nova Scotia Strong” to weather the storm. It was powerful to see that sense of community at such a dark time.

Many of us were also shocked by stories of racist acts that were taking place in the U.S., but also here in Canada and in Nova Scotia. We then saw the Black Lives Matter movement bring much-needed attention to the inequality that has existed in our communities and organizations for far too long. Black Lives Matter shone a spotlight on the unconscious bias and systemic barriers that exist in our communities and our own organization.



We are reflecting on how we can do better. We will be intentional about a path forward, by setting goals and making equity, diversity, and inclusion a more prominent priority, strategically.

Although it was a challenging year, the power of staying positive cannot be underestimated. Every day, I am filled with gratitude for our airport community members, who continue to show up and look for ways to support one another. I am appreciative of the support we received from our partners, stakeholders, and governments as we work towards our recovery. And I am grateful to our Board of Directors, particularly our new Board Chair, Stephen Dempsey, for stepping up to the role, and our former Board Chair, Marie Mullally, for her significant contributions to our organization.

Halifax Stanfield has grown to be an important contributor to the region, a role we are proud to serve. Despite the impacts of COVID-19, our purpose remains the same. We see a future where we are connecting families and friends, welcoming new immigrants, helping local businesses grow and get products to market, driving the tourism sector, and supporting economic growth and development in the region. It is for this reason that I am confident we will get through this extremely challenging time, and be ready to serve again, when the time is right.

Staying Safe:

Our Response

We first felt the effects of the COVID-19 pandemic in late January when the virus was causing significant disruption in Asia, where there is a big appetite for Nova Scotia seafood, particularly live lobster. Cargo flights from the airport dropped, from an average of seven to eight weekly flights to only one. This was just the beginning, in terms of the impacts that COVID-19 would have not only on the airport, but also on our province, industry and citizens around the world.

Around the same time, Canada identified the first case of COVID-19, in Toronto. At Halifax Stanfield, safety is always our top priority and we had already activated our crisis management and business continuity plans. We had begun working with Nova Scotia public health and airport service delivery partners to enhance cleaning and increase communication around good hygiene to help limit the spread of the virus.

In mid-March, once COVID-19 cases were identified in Nova Scotia, the provincial government declared a State of Emergency. Anyone returning to the province was required to self-isolate for two weeks and then-Premier Stephen McNeil told all Nova Scotians to “Stay the Blazes Home.” The Government of Canada also implemented a two-week self-isolation period for anyone entering Canada. Both quarantine requirements remained in place for the remainder of 2020 and continue to be enforced in 2021.





Staying Safe



The Nova Scotia government also stationed inspectors at our airport in March, to assist with educating travellers on the new requirements and reminding them to stay home if they experienced any COVID-19 symptoms. These inspectors remained on-site at the airport for the remainder of 2020 and continue to be in place in 2021.

There were many actions we took at Halifax Stanfield even before the State of Emergency was declared, to prepare for what was coming. We asked employees who could work from home to do so.

We migrated many of our day-to-day duties, meetings, and other work activities to be done virtually, utilizing technology and programs like Microsoft Teams. With the support of HIAA's Information Technology team, many employees were set-up for remote work quickly and seamlessly.

Additionally, new protocols were put in place for employees who were required to continue working at the airport to maintain safe and efficient operations. Physical distancing, mandatory masking, increased cleaning, and hand sanitizing stations were all implemented to keep our front-line employees safe while at work. These on-site workers were critical to keeping the airport open for those who needed to come home or travel for essential reasons.

We implemented an enhanced cleaning program and hired additional cleaning staff, through our service provider, Bee Clean. The increased cleaning program included frequent sanitization of high touch and high traffic areas, such as washrooms, elevators, and other surfaces. Hand sanitizing stations were rolled out strategically around the terminal building and public seating was removed to allow for proper physical distancing.

These efforts were all to ensure that anyone at the airport, be it for essential travel, or on-site work, felt safe and comfortable while at our facility.





#WeAreHfxStanfield

"I'm the Senior Manager of Information Technology (IT) at HIAA and my team is responsible for IT infrastructure at the airport, including computers, servers, bag drops, kiosks, flight information screens, the public address system, and all applications. As senior manager, my role is to coordinate and facilitate the people, projects, and budgets that ensure these operations run smoothly.

Something people may not realize about IT is the diverse scope we are responsible for at the airport. If we are not effective, there could be major impacts on our air carriers, passengers, and all support staff.

I'm fortunate to have such a capable and hardworking team who I can trust to keep the technology operating efficiently.

It's rewarding to know what I do makes a difference for everyone who comes through the airport, whether they realize it or not. Without this technology, a lot of operations would be manual, causing delays and additional costs. Utilizing technology means travellers have a seamless, superior experience at our airport and we continue to explore ways to leverage touchless technology and processes in alignment with public health protocols.

The pandemic really put things into perspective. I learned to slow down, appreciate time with my friends and family, and to not take our health for granted. I'm missing the social aspect of pre-pandemic times, especially at work, but I'm proud we've provided the tools to stay connected virtually."

-Sheri Murphy,
Senior Manager,
Information Technology,
HIAA

Staying Home:

Our Challenges

In response to far fewer travellers, fewer bookings, and various border restrictions, our airline partners drastically cut back flight options and service frequencies. Domestic, International and Transborder services were all affected. April 1, 2020 was the final day for International or Transborder commercial passenger flights.

Overall, in 2020, we served 76 per cent fewer passengers than we did in 2019. Even more staggering, two-thirds of our 2020 passengers went through between January and March. Passenger activity from April to December was down 91 per cent compared to the same period in 2019. At our lowest point during the pandemic, our airport served only nine flights a day.



fewer passengers
than we did in 2019



passenger activity from
April to December



of all 2020 passengers
went through between
January and March



flights a day served during
low point of pandemic
(compared to expected
200 daily flights in 2020)





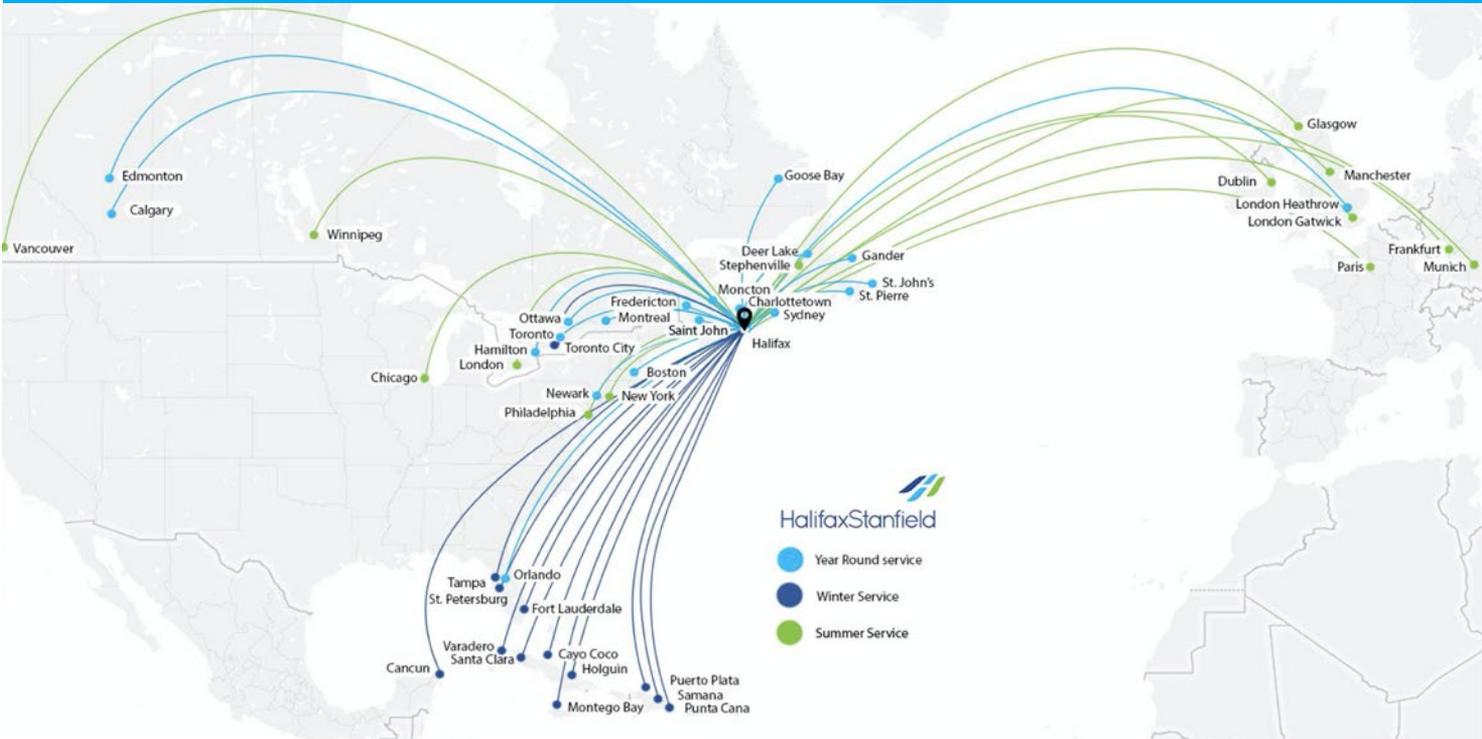
THE CRISPY LEAF

Domestic / International Departures
Départs - vols Intérieurs / Internationaux

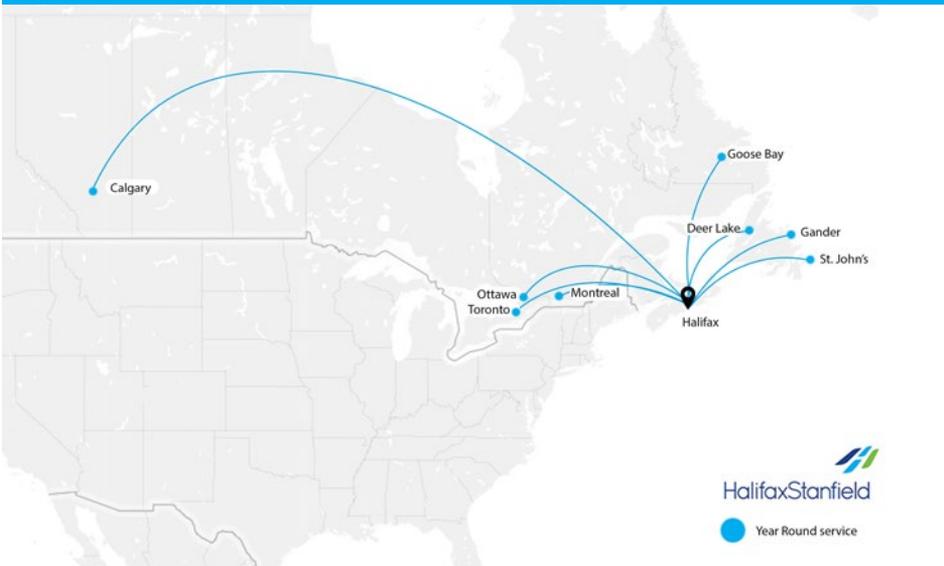
Staying Home

In 2020 we expected 200 flights a day, with 17 airlines, going to 46 destinations around the world. Two new destinations which we announced early in 2020 – Munich and Manchester – unfortunately never had the opportunity to come to fruition. Overall, the number of destinations connected to us was cut by over three-quarters in 2020.

2020 Air Service Forecast



2020 Air Service Actual



Many people fought hard to bring International and Transborder flights to Halifax Stanfield, but it could take years to regain them, if ever.

In July, we welcomed the introduction of the Atlantic Bubble, which allowed residents of Atlantic Canada, or tourists who completed a 14-day isolation in one of the four provinces, to move freely within the region.

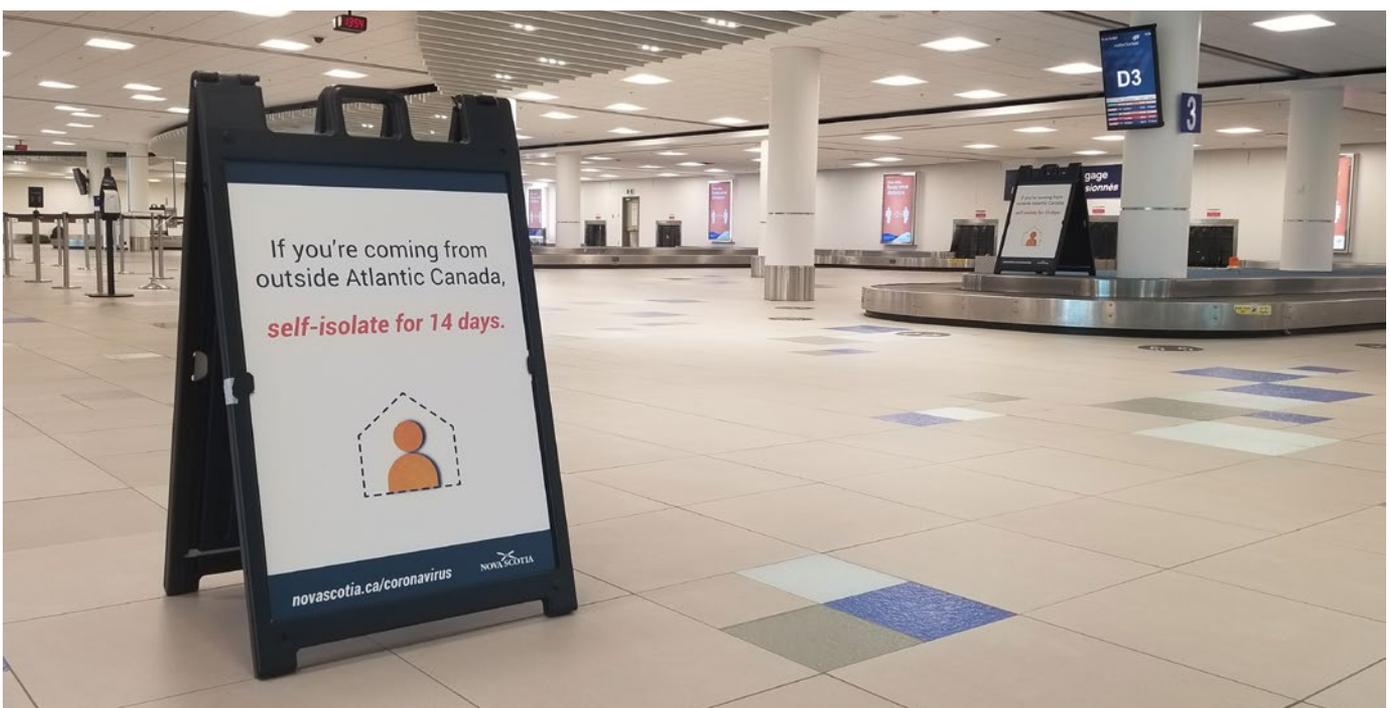
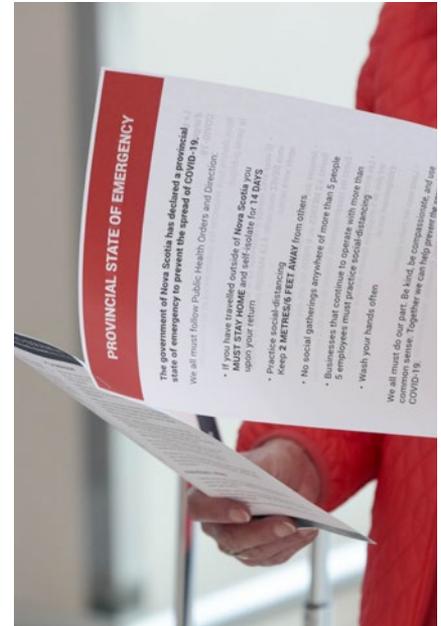
We, and other Atlantic Canadian airports, saw the Atlantic Bubble as a good first step towards easing travel restrictions into our province.

Although there was a slight increase in passenger activity in the summer months, which provided some relief, our business remained down roughly 80 to 90 per cent compared to previous years.

We were hopeful the provincial government would expand the Atlantic Bubble by opening Nova Scotia's borders up to the rest of Canada.

But, a second wave of the virus took off across Canada, keeping our region's borders closed to visitors. Then, in November, a spike of cases appeared in Atlantic Canada and the Atlantic Bubble was "popped" for the remainder of the year.

During the pandemic, we consolidated facility operations early on in an effort to reduce expenses while maintaining safe airport operations. The north and south ends of the Domestic/International departures area were shut down and operations were refocused on the central gates.



After the last flight to the U.S. departed on April 1st, the U.S. Preclearance facility was closed. That facility remained dark and quiet for the remainder of the year. Several parking lots were closed, escalators were shut down, and lights were dimmed when possible.

Unfortunately, these cost reductions were insufficient, and we were faced with reducing our workforce.

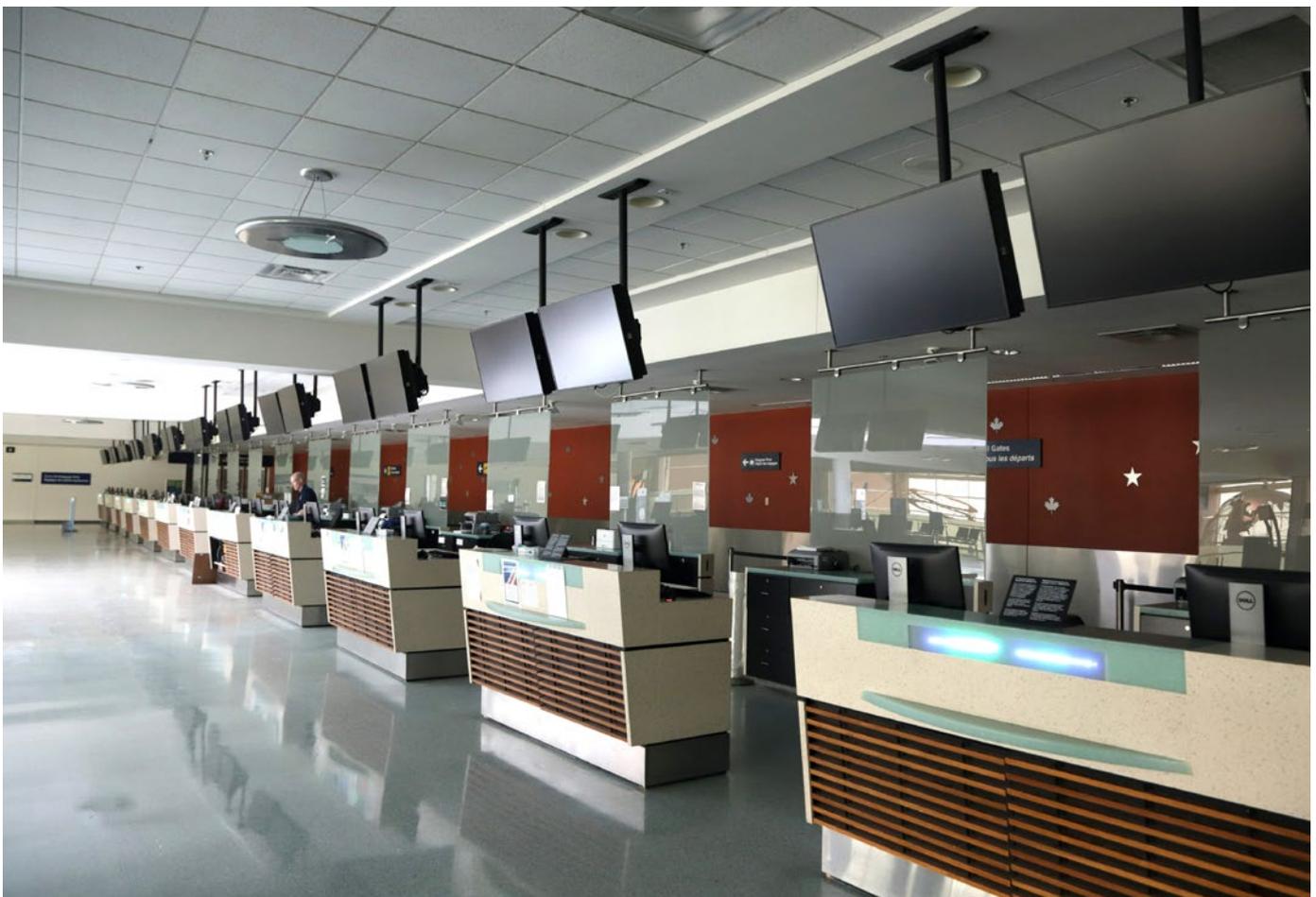
By the end of 2020, we had reduced the number of our employees by approximately 25 per cent.

We sincerely regret having to do layoffs – our people are a big part of the reason we are consistently recognized among the best airports of our size in the world. It was a tough time for the entire team.

Airport businesses and service providers have also been greatly impacted by the sudden and significant disruption in air travel. Seventy to ninety per cent of the businesses inside the terminal building remained closed for most of the year, due to lack of passenger demand.



The ongoing impact of COVID-19 on our industry is extraordinary, and our hearts go out to everyone affected by this pandemic, both personally and professionally.





#WeAreHfxStanfield

"I'm the General Manager of Hudson Group at Halifax Stanfield, which consists of seven stores, the office and the warehouse. Because of the COVID-19 pandemic, we've had only three stores open since March. This has resulted in a significant reduction in staff, so I've been working in the stores myself at the airport rather than in my usual support role in the office. At times I had to juggle opening and closing the pre and post-security locations over the course of the day to make sure travellers had access to what they needed before their flights.

I didn't realize how much I'd missed working with the public!

We aim to offer everything a traveller would need to make their journey more comfortable. Without our stores, travellers would not be able to buy the snacks, drinks, and souvenirs they love before boarding their flight. Something people would be surprised to learn is that we must come to work at 4 a.m. every morning to make sure the store is clean and ready to open in time for the first flights.

One thing I've noticed since the start of the pandemic is how patriotic people can be. There are so many customers who will buy products like our lavender hand sanitizer by Seafoam Lavender Farm and our Tartan masks, just because they are made here in Nova Scotia.

My favourite part of working at Halifax Stanfield is meeting all the different people who work here. Everyone is so friendly! It's a pleasure coming to work."

-Sally Blott,
General Manager,
Hudson Group

Staying Strategic:

Our Recovery Task Force

We recognized that the pandemic would undoubtedly have a significant negative impact not only on the economy, but also on the cost of air travel, and our ability to efficiently reconnect loved ones, businesses, and educational institutions when travel restrictions were eased.

To prepare for the new reality of air travel, and do our part to minimize this impact, we assembled a Recovery Task Force to determine what would be required to sustain our operations and support our passengers and airport partners in the coming days, months and years. This was not an easy task, given the considerable uncertainty about the pandemic's trajectory, and how government and the economy would respond.

The Recovery Task Force's mandate was to produce a Recovery Plan to guide how HIAA rebuilds passenger confidence and revenue while managing evolving operational and human resource requirements. The plan also looked at modelling the future, to understand not only the passenger recovery, but how the industry will respond in terms of regulations, technologies, and passenger processing models that establish a safe, secure, efficient, and financially responsible post-pandemic airport operating model.





Staying Strategic

At Halifax Stanfield, we are doing everything we can to ensure Nova Scotians remain connected to the rest of Canada and other destinations around the world when the pandemic subsides.

Overall, the three major factors that were impacting our industry's recovery were the federal and provincial border restrictions, travel advisories, and quarantine measures; the financial viability of airlines, airport businesses and airport authorities; and, declining consumer confidence in air travel.

As governments began to plan for economic recovery, we worked hard to advocate for airports to be part of the solution. We worked closely with the Canadian Airports Council to advocate the federal government to provide specific sectoral support.

We were pleased when the federal government announced the ground lease rent we pay to Transport Canada would be forgiven for the months of March through December of 2020. This rent is paid to Transport Canada as part of our long-term ground lease agreement to manage and operate the airport. In the 20 years that HIAA has existed, we have paid the government nearly \$100 million in rent. However, rent relief had a minimal impact on our bottom line because the rent is proportionately calculated based on our passenger activity. With so little activity, this provided the equivalent of a few week's operating expenses.

We continued to ask for our ground lease rent to be forgiven until we financially recover, low or interest free loans, and an extension of the Canada Emergency Wage Subsidy.

We remain hopeful that more support for airports is coming in the future.

We don't expect to see an increase in passenger activity until many more Nova Scotians and Canadians are vaccinated, and the 14-day self-isolation requirement for travellers arriving in Nova Scotia is lifted. Given the drastic reduction in passenger levels and the expected slow recovery, it is expected to be four to five years before we return to 2019 passenger levels and shift back into growth mode.



#WeAreHfxStanfield

"I develop and manage marketing initiatives, analyze data, and follow growth trends, flight schedules, and passenger behaviour. My colleagues work hard to secure new routes to serve our communities and enhance the passenger experience, and my job is to help make sure those efforts are successful.

An exciting project I worked on last summer, in partnership with Discover Halifax and WestJet, was Stopover Halifax. The program allows connecting passengers to visit our region at no additional airfare.

Leveraging transatlantic routes, the program tapped into a broader market we weren't accessing before.

This year was gearing up to be impressive, but COVID-19 travel restrictions meant putting a pause on our traditional marketing initiatives. The pandemic has also made it very challenging to plan because we can't rely on historical passenger trends due to the uncertainty around when border restrictions will be lifted.

I'm proud to work at Halifax Stanfield because while the East Coast may be perceived as small, our airport was recently named the most International airport of our size in North America. There are always new opportunities with transatlantic destinations, services to other Canadian hubs, and countless connections. It's great to see Halifax recognized as an important global gateway."

-Scott Singer,
Marketing Analyst, HIAA

Staying Healthy:

Our Commitment

When COVID-19 first arrived in Nova Scotia, our team responded swiftly by implementing health and safety measures that would help slow the spread of the virus. Enhanced cleaning, increased hand sanitizing stations and physical distancing measures were put in place promptly. As the pandemic evolved, and we developed a better understanding of the duration of the crisis, additional health and safety measures were also taken to support a long-term response.

In June, we launched our Stay Healthy campaign, which included print and digital signage, as well as a social media component, to remind everyone of the public health measures in place at the airport. Stay Healthy was an important part of our recovery efforts because it clearly communicated the new protocols and their objective to passengers, workers, and visitors.

That month, we also undertook a Passenger Expectations survey, to gauge what passengers wanted to see in place at the airport when it was time to travel again. The majority of respondents said hand sanitizing stations, physical distancing and masks were important for making travel feel safe.





ATTENTION

Stay Healthy | Restez en Bonne Santé



Wear a mask at all times.

Portez un masque en tout temps.



Wait outside for pick-up or drop-off.

Attendez dehors si vous venez chercher ou déposer des passagers.



Wash your hands frequently or use hand sanitizer.

Lavez-vous les mains souvent ou utilisez un désinfectant pour les mains.

halifaxstanfield.ca/stayhealthy

HalifaxStar

Staying Healthy

Eighty-six per cent of survey respondents believed we would take the necessary precautions to ensure health and safety at the airport. We were pleased to see the confidence our community members had in us and that passenger priorities aligned with the measures we were already taking.

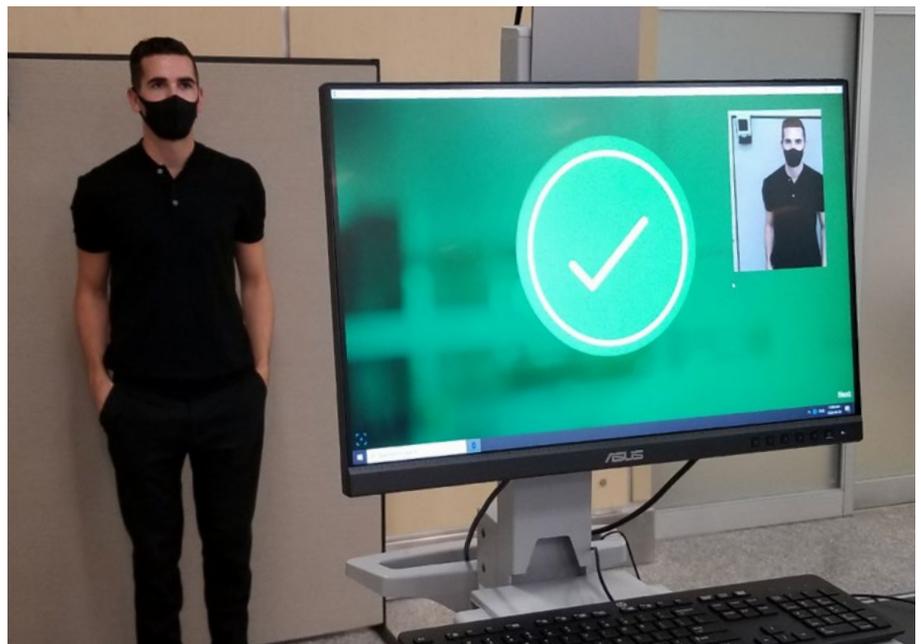
In another step that would help instill passenger confidence, we were proud to have our health measures accredited through the Airports Council International (ACI) Airport Health Accreditation program.



This new program was created during the pandemic to recognize airports that were providing a safe airport experience for all travellers by introducing recommended global health measures and industry best practices.

Like other airports, we looked for opportunities to change processes and implement solutions to increase passengers' confidence that flying during a pandemic can be safe. In the future, we expect to see an increase in the use of self-serve or touchless technology, to reduce unnecessary person-to-person interactions.

As airports and airlines adjust to the complexities of the COVID-19 pandemic, it is essential that Halifax Stanfield be part of a harmonized and consistent national approach to move towards recovery and growth in a post-pandemic world.



At Halifax Stanfield, we are already well-positioned, with our self-serve bag drop system and check-in kiosk system that are available throughout the airport.

It's possible some form of health screening or documentation could become a permanent feature of air travel, much like the pre-board security screening measures that were permanently heightened after 9/11.

For example, in September, the Canadian Air Transport Security Authority (CATSA) introduced temperature checks at Halifax Stanfield and other Canadian airports for departing passengers and airport workers entering the airport's secure area.

We hoped in 2020 to see a national approach to health screening including COVID-19 testing, through PCR testing or rapid testing, at more Canadian airports including Halifax Stanfield.

Our industry is advocating for a layered approach to safe travel. This means in addition to testing, measures such as physical distancing, touchless technology, mandatory masks, and others, will continue to be implemented until the risk has passed. Incorporating COVID-19 testing into air travel could help bring back some of the air service needed by our community members now, and in future.

By working with the federal and provincial governments, public health officials, airlines, CATSA and many other airport partners, we want to ensure every necessary precaution is being taken to create a safe and healthy airport environment for work and travel.



#WeAreHfxStanfield

"In my role, I've always worked to keep the terminal clean, but now with the COVID-19 pandemic, I must focus more on sanitizing for the safety of everyone at the airport, meaning visitors and all the people who work here as well.

The pandemic has had a huge impact on my job. Despite airport traffic seeing a drastic decrease, my work has increased considerably. My main job is sanitizing, which means I have to wipe down all the touch points around the airport. I'm also being trained to use our new electrostatic fogger to sanitize the seating areas, lounges, and other common areas.

My favourite part about working at Halifax Stanfield is, without a doubt, when people say, 'Thank you for keeping this place so clean and safe!'. I like to know that people appreciate my hard work as a front-line worker through all of this."

- Maria Ojeda,
Cleaner, Bee Clean

Staying Connected:

Our Community Commitment

Prior to the COVID-19 pandemic, 2020 was shaping up to be another year filled with events, partnerships, and connecting our communities.

We were proud, in January, when Halifax Stanfield received the 'RHF Accessibility Certified Gold' rating under the Rick Hansen Foundation Accessibility Certification (RHFAC) program, becoming the first Gold Certified facility in Nova Scotia. RHFAC is a national program and the first to rate meaningful access, based upon the holistic user experience of people with varying disabilities. This milestone was a testament to the ongoing efforts of HIAA's employees, partners, and our overall airport community towards inclusion for all.

Those efforts continued, as we worked to implement the Canadian Transportation Agency's new Accessible Transportation for Persons with Disabilities Regulations, which protect the rights of persons with disabilities to accessible transportation services. At Halifax Stanfield, we are committed to making every passenger feel welcome as they pass through our terminal. We want to ensure all individuals, regardless of their abilities, are treated fairly and with respect as they embark upon their journeys, connecting them to and from the world.





Staying Connected

We also remained focused on recognizing and celebrating the diversity of our communities. Early in the year, we celebrated Lunar New Year with traditional performances by the Nova Scotia Chinese Culture and Art Club. Then in partnership with the Africville Museum, we invited stakeholders, government officials and descendants of Africville to the airport for a special commemoration event on Heritage Day. Lastly, we hosted our 5th annual International Women’s Day breakfast, where we hosted members of our airport community for a morning of inspiration –our last public event before the pandemic was declared.

Once the virus arrived in Nova Scotia in March, many programs and activities were put on pause. Both our beloved Tartan Team Volunteer Host Program and the St. John Ambulance Therapy Dog Program were suspended while we assessed how these programs could work in a world with COVID-19. It was unfortunate timing, as 2020 marked the 20th anniversary of the Tartan Team and 5th anniversary of the St. John Ambulance Therapy Dog program.

Although in many ways the COVID-19 pandemic kept us apart, it also helped us connect with our communities in ways we had not done before.

We were disappointed we could not celebrate these milestones with our volunteers in person, but like so many Nova Scotians were required to do in 2020, we recognized these achievements with a virtual celebration.

While the Stanfield Way program conducted only two sessions in 2020, with 33 graduates before the program was put on hold, we began work to redevelop this program so in the future, it can be offered virtually to our airport community members.

We also looked for new ways to connect with our volunteer hosts from the comfort of their homes. In 2020, seven volunteers proudly joined the Order of the Tartan, which recognizes the outstanding service of those who can no longer volunteer, but who have made a valuable contribution to Halifax Stanfield.



20th

anniversary of
the Tartan Team





We showed our support for the Halifax Pride festival by painting the sidewalks outside the terminal building in rainbow colours for the first time.

Along with raising our Pride flags, it was another step taken in 2020 to reaffirm our support for people in the 2SLGBTQ+ community.

And, we reimagined our 2020 Holiday Sounds of the Season in a virtual format. From December 21-28, we played recordings from our 2019 performances, filmed by Eastlink, on the departures level. We were pleased to be able to offer some holiday enjoyment for our passengers and airport workers during these difficult times.

Despite all this change, we proudly stayed true to who we are: happy, helpful, courteous, caring, and kind.



#WeAreHfxStanfield

"I have been the airport Visitor Information Centre (VIC) Supervisor since 1992 and have been responsible for a diverse range of tasks during my time here. In a normal year, the VIC would welcome and serve travellers from all around the world. We take pride in acting as a guide to people arriving in our beautiful province and using our firsthand knowledge and experiences to ensure they get the most out of their visit. We do whatever we can to ensure they enjoy their stay, and then want to stay longer, and visit Nova Scotia again in the future.

Because of the COVID-19 pandemic, we've had to temporarily close the VIC at the airport. I miss the airport and the community deeply, but I am very grateful that Tourism Nova Scotia has redirected our work to allow us to focus on projects while working safely from home. Currently, these projects include helping the marketing team with tourism operator updates, reaching out and supporting the industry, and most recently, assisting the Nova Scotia Health Authority with calls. Being able to help the Department of Health during a pandemic is incredibly rewarding.

The COVID-19 pandemic has taught me to slow down, appreciate nature, and enjoy being in the moment with my family. Continuing to adapt to a change as big as this can definitely be seen in a positive light. I know there are better days ahead."

- Terrilynn Andrew, Supervisor,
Nova Scotia Visitor Information Centre

Air Service Summary 2020

Scheduled Passenger Services

Halifax has become an established gateway to the world, and at the start of 2020 was on track to be connected to 46 destinations with 17 passenger air carriers. Air service at airports around the world, including Halifax Stanfield, was significantly impacted due to the global COVID-19 pandemic. Given the drastic decline in global air travel demand, air carriers reduced service and frequencies to many destinations around the world beginning in late March, a trend that persisted through the remainder of the year. At the slowest point of flight activity in 2020, Halifax Stanfield was connected to just eight destinations in Canada, with as few as nine daily flights.

Below is an overview of all destinations served and air carriers, both passenger and cargo, that operated in some capacity at Halifax Stanfield in 2020.

18 Domestic Destinations

Calgary, AB
 Charlottetown, PE
 Deer Lake, NL
 Edmonton, AB
 Fredericton, NB
 Gander, NL
 Goose Bay, NL
 Hamilton, ON
 Moncton, NB
 Mont-Joli, QC**
 Montréal, QC
 Ottawa, ON
 Saint John, NB
 St. John's, NL
 Stephenville, NL*
 Sydney, NS
 Toronto City, ON*
 Toronto, ON

6 Transborder Destinations

Boston, Massachusetts*
 Ft. Lauderdale, Florida*
 Newark, New Jersey*
 Orlando, Florida*
 St. Petersburg, Florida*
 Tampa, Florida*

9 International Destinations

Cuba – Cayo Coco*, Holguin*, Santa Clara*, Varadero*
 Dominican Republic – Puerto Plata*, Punta Cana*
 Jamaica – Montego Bay*
 Mexico – Cancun*
 St. Pierre et Miquelon – St. Pierre*

Scheduled and Charter Air Carriers

13 Passenger Carriers

Air Canada
 Air Saint-Pierre*
 Air Transat*
 EVAS
 Jazz
 PAL Airlines
 Porter Airlines*
 Sky Regional
 Sunwing Airlines*
 Swoop
 United Airlines*
 WestJet
 WestJet Encore

10 Cargo Carriers

Air Canada
 Air Saint-Pierre
 ASL Airlines Belgium
 Cargojet
 EVAS
 Morningstar Air Express Inc. (FedEX)
 Korean Air Cargo
 Sky Lease Cargo
 Western Global Airlines
 WestJet

* Carrier did not operate passenger services after the first quarter of 2020.

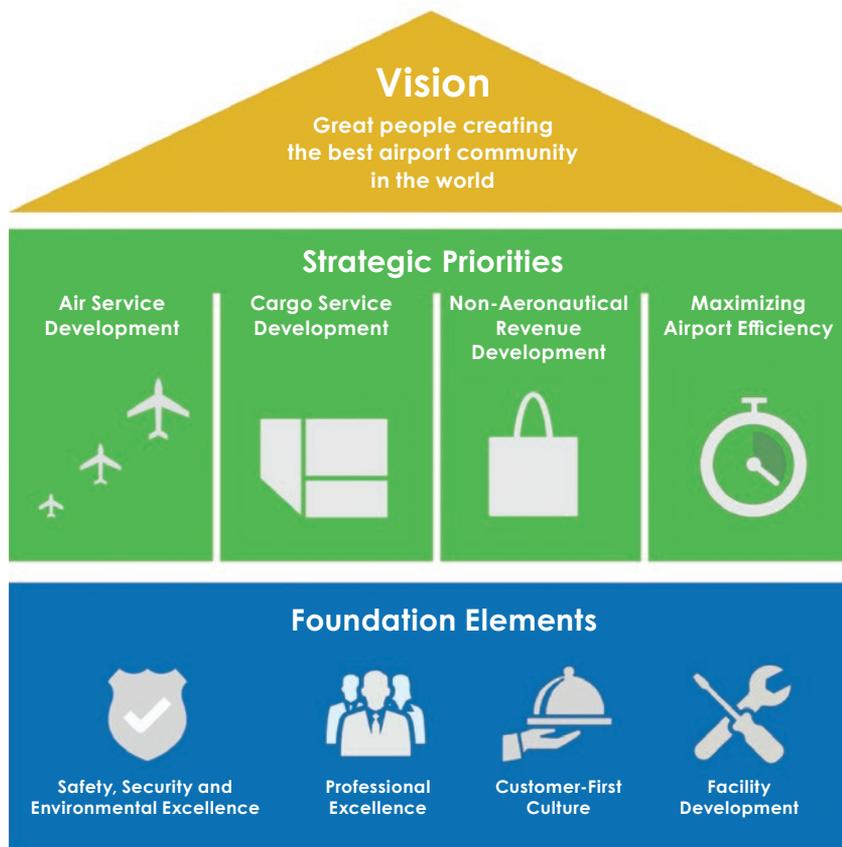
* Destination only served during the first quarter of 2020.

** Mont-Joli, QC operates out of PAL Aviation Services FBO

Business Strategies

The five-year strategic plan, covering the period 2017-2021, is designed to provide a blueprint for Halifax International Airport Authority (HIAA) to move towards its vision for the airport.

The following diagram highlights the key strategic priorities identified, the foundation elements that support them and their supporting role in achieving HIAA's corporate vision:



From that overarching plan, an annual business plan is developed each calendar year.

The COVID-19 pandemic had a significant impact on HIAA's business and thus its ability to achieve many of its 2020 annual business plan objectives, and ultimately, the five-year targets set out in the 2017-2021 plan. A new five-year strategic plan is currently being developed to guide HIAA's pandemic recovery.

Business Strategies (continued)

In 2020, HIAA's financial and human resources predominantly focused on pandemic response, recovery planning, expense reduction, and completion of required regulatory and safety initiatives. An overview of corporate activities in 2020 relating to the strategic priorities and foundation elements as described in the strategic plan and annual business plan are as follows:

Air Service Development

Objective: Continued service expansion as Atlantic Canada's gateway hub



Halifax Stanfield's passenger traffic declined by 76 per cent in 2020, with 995,426 passengers served compared to 4,188,443 in 2019. Although our industry has been significantly impacted by COVID-19 and air service recovery will take several years, HIAA remains committed to our hub development and expansion strategy in Atlantic Canada. Given our size, prime geographic location on Canada's East Coast and globally recognized focus on customer service, we are well-positioned for recovery and growth over the next few years. This will allow Halifax Stanfield to play a greater role in the recovery of tourism, trade, investment, and immigration throughout the region.

In alignment with the recovery trajectory for the global aviation industry, our planning activities anticipate the domestic travel market to recover first in 2021 once travel restrictions and quarantines are lifted, with strong demand coming from families who have been separated from their loved ones.

Domestic recovery is expected to be followed by leisure, transborder and international demand in the months to follow as the pandemic is brought under control in Canada and around the world.

Cargo Service Development

Objective: Facilitate cargo service expansion to support regional economic development



Cargo remains a strong sector for HIAA, however, it too was negatively impacted by the pandemic. Cargo volume processed in 2020 totaled 32,984 metric tonnes, a decrease of 19% when compared to 2019, which was a record year with 41,129 metric tonnes processed.

From an export perspective, cargo activity was affected by a decline in global market demand due to pandemic lockdowns, particularly in China, our top export destination. In 2020, total exports were valued at \$466 million, down from \$621 million in 2019. Seafood remains our dominant export commodity and specifically, highly sought-after Nova Scotia lobster. Live lobsters accounted for \$268 million in export value and 14,604 metric tonnes, once again, making it our top export in both value and volume.

Despite the challenges associated with the effects of the pandemic around the world, Halifax Stanfield saw a modest increase in cargo landings in 2020 with ASL Airlines Belgium choosing the airport as one of its technical stop bases. This new base moved crews previously stationed at JFK in New York to Halifax.

The new Air Cargo Logistics Park (ACLPL) continued to advance with the construction of new aircraft aprons and the cargo

warehouse facility. The cargo facility has been fully leased to our two tenants, Cargojet and First Catch Fisheries Ltd. The new cargo warehouse will be turned over to the tenants in late summer 2021 and is anticipated to be fully operational in late 2021. This new cargo facility will significantly increase cargo build and storage capacity at Halifax Stanfield and will include specialized seafood holding areas. Three of the five large cargo freighter parking aprons being developed as part of this project became operational in late November 2020, providing more flexibility to airlines operating in the market.

Non-Aeronautical Revenue Development

Objective: Use an entrepreneurial approach to diversify products and services in support of air service development



COVID-19 resulted in both temporary and permanent closures of numerous food, beverage, and retail outlets within the terminal building. At the end of the year, 70 per cent of terminal businesses remained closed with no set timeline for reopening.

We are taking time to reassess and rebuild our concessions program, which was developed over a multi-year period, to meet the needs of our passengers going forward. We will take this opportunity to ensure we have the right concepts and services, incorporating industry-leading health protocols and touchless technologies where possible as we build back services in accordance with the rate of passenger recovery volumes. Our reliance on non-aeronautical revenue has become more important than ever. We have started planning how to grow and sustain revenue that is not

completely dependent on passenger volumes, enabling us to maintain our competitive position in our marketplace. We remain committed to focusing on local concepts and creating a sense of place that is representative of the diversity of our region.

Maximizing Airport Efficiency

Objective: Use innovation to drive continuous improvement and cost containment



HIAA's operating cost per enplaned passenger was significantly higher compared to pre-pandemic. In 2020, the cost per enplaned passenger was \$78.34, compared to \$29.43 in 2019. The 76 per cent reduction in expected total passengers caused this result to be drastically skewed.

Although COVID-19 halted some of HIAA's planned operating and capital investments, several initiatives took place in 2020 to enhance airport efficiency and deliver on regulatory requirements.

Prior to the pandemic taking effect in Nova Scotia, we undertook a pilot project to analyze the efficiency of aircraft turn operations leveraging artificial intelligence. The data gathered during the trial will be useful in establishing our competitiveness as an efficient airport as we work to attract air service back to this market.

Our public address and digital display technologies were also integrated to provide visual paging throughout the airport. When public address announcements are made, they now appear on our digital signage in both official languages, enhancing the overall accessibility of our facility.

Business Strategies (continued)

In response to COVID-19, new contactless passenger processing technology for bag tag printing was introduced on our self-service check-in kiosks, increasing efficiency and passenger comfort.

A significant amount of time was also invested in the first phase of the Connections Program, a strategic Enterprise Resource Planning (ERP) initiative that will improve productivity, collaboration, and foster innovation across our corporate administrative functions within Finance, Procurement and Human Resources. The project, which began in late 2019, will be completed over multiple years given budget constraints.

Safety, Security and Environmental Excellence

Objective: Integrate safety, security, and environmental excellence in all aspects of the airport's business and operations



A broad-based sustainability plan originally scheduled to be completed in 2020 was postponed to 2021 as resources were reallocated to plan and implement new public health measures necessitated by COVID-19. HIAA has actively participated in Airports Council International's Airport Carbon Accreditation program since 2016 and continues to reduce the carbon footprint at Halifax Stanfield while developing strategies to support a long-term carbon reduction goal. Level 2 of the Airport Carbon Accreditation was maintained in 2020.

A number of safety and security initiatives were completed in 2020 including: continuously improving our crisis management and business continuity program through training/awareness;

developing crisis management plans and conducting desktop/practical exercises; safety initiatives were completed to engage employees and recognize efforts to further support enhancement of our safety culture; and, we continued to develop a security management system (SeMS), which increases awareness and allows for preventive and continuous improvements. We were pleased 95% of employees said HIAA was a safe place to work during the annual employee engagement survey.

Professional Excellence

Objective: Optimize employee engagement and performance



It was a tough year for all employees and HIAA leadership as difficult decisions had to be made in relation to our financial position and workforce needs throughout the pandemic and for the first few years of recovery. We said goodbye to several employees and eliminated term and vacant positions in an effort to reduce expenses.

We were pleased, however, that employees stayed engaged throughout the many challenges faced in 2020. Our annual employee engagement survey had a strong participation rate of 76%, and the best engagement scores achieved in the history of conducting the survey: 93% of employees agreed or strongly agreed that they would recommend HIAA as a place to work. This demonstrates the resilience and commitment of the entire team, of whom we are very proud.

HIAA values diversity and inclusion within the organization and recognizes we can do better. In light of Black Lives Matter, HIAA leadership conducted outreach to learn from Black leaders in the community about the presence of anti-Black discrimination and the steps HIAA could take to prepare for more diversity and better inclusion for all.

Human Resource business processes were also reviewed as part of the Connections Program, with the goal of making them more efficient for all employees. Pension administration was also streamlined in 2020 to reduce risk and achieve efficiencies.

Customer-First Culture

Objective: Strengthen our culture of superior service



Customer satisfaction and experience continue to be a priority at Halifax Stanfield. In 2020, we were proud to be the first facility in Nova Scotia to receive the Gold rating under the Rick Hansen Foundation Accessibility Certification program, as well as renew our Level 1 for the Airports Council International Customer Experience Accreditation program, highlighting the focus we have put on inclusion and accessibility for all at the airport.

COVID-19 resulted in the suspension of many of our customer service and community outreach programs, such as the Airport Service Quality (ASQ) customer satisfaction surveys and our volunteer programs. We are taking this time to rebuild and plan to relaunch our customer service programs, ensuring we continue with our world-recognized service expectations while keeping the focus on the health and well-being of our travellers and employees.

Facility Development

Objective: Develop airport infrastructure and services to efficiently support growth and enhance customer experience



COVID-19 led to significantly reduced capital investments in 2020, with a focus on completing work in progress and addressing safety and regulatory initiatives. As part of HIAA's approved capital program, \$22.9 million was invested in the maintenance and improvement of the airport's infrastructure in 2020. This included completion of the fourth year of the Airfield Restoration Program and the replacement of a passenger boarding bridge; continued construction of the Air Cargo Logistics Park with new concrete aprons in service and construction of the new cargo building underway; and improvements to the ventilation and cooling systems in the domestic holdroom.

Development of the new 20-Year Airport Master Plan was suspended in 2020 given the COVID-19 pandemic created significant uncertainty in multi-year passenger and flight activity forecasts. The consultation process for the new Master Plan will carry forward with the new plan scheduled for completion in 2021.

Financial Overview

The COVID-19 pandemic and associated travel restrictions resulted in significant financial challenges faced by businesses in the Canadian aviation sector, including Halifax International Airport Authority (HIAA). The collapse in air travel demand following the emergence of the pandemic severely limited HIAA's ability to generate revenue in 2020.

As a critical piece of transportation infrastructure, airport operations needed to continue, and arguably step-up on the cargo side, to support our communities while adhering to all safety and regulatory requirements. The financial stress placed on the organization was significant, as we worked to ensure airport employee and passenger safety while keeping passenger and cargo air service available for our communities.

Total revenue in 2020 was \$41.3 million, down \$73.0 million from 2019 as all revenue streams at HIAA were impacted by the deterioration in travel demand. Aeronautical revenue derived from flight activity decreased rapidly as air carriers withdrew capacity from our market in response to the dramatic drop in demand. The significant decrease in passenger activity also resulted in substantial reductions in passenger driven non-aeronautical revenues, such as parking and concession sales.

Many of our concession partners were forced to cease or drastically curtail operations to reduce their own costs while they waited for passenger and flight activity to rebound. Airport improvement fee revenue, which is directly tied to passenger activity, decreased dramatically and this in turn had a direct impact on HIAA's ability to deliver on the scope of its capital investment plans in 2020.

HIAA took immediate steps to reduce operating expenses as activity levels declined, however much of the operating costs at Halifax Stanfield are associated with operational readiness and adherence to safety and regulatory compliance, leaving limited flexibility to match the significant fluctuations in operating revenue. Total expenses were \$81.2 million compared to \$102.9 million in 2019. Capital investments to maintain existing facilities and support strategic initiatives fell to \$22.9 million in 2020, down from \$35.1 million in 2019.

Overall, expenses exceeded revenue by \$40.1 million in 2020, a staggering change from the surplus of \$7.5 million reported in 2019 and only the second annual financial loss ever reported by HIAA since it began operating Halifax Stanfield in 2000. This loss required the organization to access its existing credit facilities with Canadian Imperial Bank of Commerce to meet liquidity requirements during the year. In total, \$33 million was drawn from HIAA's credit facility in 2020.

The financial challenges faced by HIAA in 2020 were mirrored across the airport sector in Canada, as airports saw passenger traffic fall to less than ten percent of historic norms or in some cases, disappear all together. Government of Canada programs such as the Canada Emergency Wage Subsidy were available to most airports, including HIAA, and the requirement to pay ground lease rent was waived for HIAA from March 1 to December 31, 2020.

These measures were helpful to HIAA and amounted to \$7.6 million in expense savings for the year, however fell short of the support required to overcome such a significant drop in annual revenue.

Notwithstanding the financial headwinds facing the aviation sector in Canada, HIAA has taken the steps necessary to ensure it has adequate access to liquidity to continue to operate and provide service to the community until travel demand recovers and airport activity returns to a financially sustainable level. Long-term prospects for the airport sector remain strong and HIAA is actively planning for recovery, and will be ready to serve our community, our industry partners, and airport businesses when the time is right to travel again.

Five-Year Forecast

The following chart highlights HIAA's recent financial performance and the potential outlook over the next five years. Material uncertainty remains as to when a recovery in travel activity will begin and the pace of that recovery as the Canadian passenger aviation network looks to rebuild and return to pre-pandemic activity levels.

Year	Actual			Forecast *			
	2019	2020	2021	2022	2023	2024	2025
All amounts in \$000's							
Total Revenue	114,375	41,347	29,015	65,439	98,983	125,108	131,738
Operating Expenses	61,642	38,992	41,746	49,663	54,631	59,061	61,651
Capital Expenditures	35,090	22,948	19,340	27,140	32,144	40,956	46,016
Rent Payable to Transport Canada	8,449	347	–	4,035	6,719	9,311	9,974

* Forecast figures are uncertain and subject to change.

Financial Statements

Independent Auditors' Report

To the Directors of:

Halifax International Airport Authority

Opinion

We have audited the consolidated financial statements of Halifax International Airport Authority (the "Authority"), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated statements of operations and changes in equity and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Halifax International Airport Authority as at December 31, 2020, and the results of its consolidated operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Canada
March 26, 2021

The signature of Grant Thornton LLP is written in a cursive, handwritten style.

Chartered Professional Accountants

Financial Statements

Consolidated Balance sheet

As at December 31

<i>[in thousands of dollars]</i>	2020 \$	2019 \$
ASSETS		
Current		
Cash and cash equivalents [note 4]	22,250	23,943
Accounts receivable	6,022	8,343
Inventories	1,129	1,219
Prepaid expenses	2,533	1,451
Total current assets	31,934	34,956
Capital assets, net [note 5]	410,320	413,905
Debt Service Reserve Fund [note 6]	7,427	7,427
Accrued benefit asset [note 9]	4,515	4,499
	454,196	460,787
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	18,818	26,301
Deferred revenue and deferred contributions [note 4]	21,045	12,917
Total current liabilities	39,863	39,218
Long term debt [note 6]	316,538	283,507
Security deposits	1,237	1,499
Total liabilities	357,638	324,224
Equity in capital assets [note 7]	96,558	136,563
	454,196	460,787

Implications of COVID-19 [note 2]

Commitments [note 8]

Contingencies [note 12]

Subsequent events [note 13]

See accompanying notes

On behalf of the Board:

Director



Director



Financial Statements

Consolidated Statement of Operations and Changes in Equity

Year ended December 31

<i>[in thousands of dollars]</i>	2020 \$	2019 \$
REVENUE		
Terminal and passenger security fees	7,020	20,413
Parking	4,822	15,745
Concessions	7,104	15,460
Landing fees	6,222	12,267
Rental	4,852	5,019
Interest [note 7]	481	705
Other	1,024	1,239
	31,525	70,848
Airport improvement fees [note 7]	9,822	43,527
	41,347	114,375
EXPENSES		
Salaries, wages and benefits	16,808	24,248
Amortization	26,644	26,269
Materials, services and supplies	15,993	21,619
Interest on long-term debt [note 6 and 7]	15,526	14,968
Ground lease rent	347	8,449
General and administrative	4,180	5,716
Property taxes	1,663	1,610
	81,161	102,879
(Deficiency) excess of revenue over expenses before pension plan loss	(39,814)	11,496
Defined benefit pension plan loss [note 9]	(271)	(3,983)
(Deficiency) excess of revenue over expenses for the year	(40,085)	7,513
Equity in capital assets, beginning of the year	136,563	128,970
Equity in capital assets	96,478	136,483
Amortization of deferred financing costs	80	80
Equity in capital assets, end of year [note 7]	96,558	136,563

See accompanying notes

Financial Statements

Consolidated Statement of Cash Flows

Year ended December 31

<i>[in thousands of dollars]</i>	2020 \$	2019 \$
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expense for the year	(40,085)	7,513
Add items not affecting cash		
Amortization	26,644	26,269
Accrued benefit asset	(16)	2,944
Net change in non-cash working capital balances related in operation	1,712	(1,234)
Cash (used in) provided by operating activities	(11,745)	35,492
FINANCING ACTIVITIES		
Drawings on credit facilities	33,000	–
Cash provided by financing activities	33,000	–
INVESTING ACTIVITIES		
Expenditures on capital assets	(22,948)	(35,090)
Cash used in investing activities	(22,948)	(35,090)
Net decrease in cash during the year	(1,693)	402
Cash and cash equivalents, beginning of the year	23,943	23,541
Cash and cash equivalents, end of year	22,250	23,943

See accompanying notes

[Tabular amounts are in thousands of dollars]

1. General

Halifax International Airport Authority [the "Authority" or "HIAA"] was incorporated on November 23, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. On February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Halifax Robert L. Stanfield International Airport [the "Airport" or "HSIA"]. In 2014, the Authority was granted an extension of the lease for an additional 20 years, extending the lease to January 31, 2080. The excess of revenue over expenses for the year is retained and reinvested in airport operations and development.

HSIA is a world-class airport creating prosperity for its region by connecting Atlantic Canada to the world through flight. The airport is the largest airport in Atlantic Canada, and the region's gateway to the world.

The Authority is governed by a Board of Directors whose members are nominated by the Halifax Regional Municipality, the Province of Nova Scotia and the Government of Canada, as well as the Halifax Chamber of Commerce. The nominated members can also appoint additional members who represent the interests of the community.

The Authority is exempt from federal and provincial income taxes, federal large corporation's tax, and Nova Scotia capital tax.

The Authority has one wholly owned subsidiary, Halifax Stanfield Services Inc. ["HSSI"]. HSSI provides aviation services to third parties.

2. Implications of COVID-19 on our Business

The aviation sector, including airport operators such as the Authority, has been dramatically impacted by the emergence and continuation of the COVID-19 pandemic. Demand for air travel has been substantially reduced and since the pandemic was declared in March 2020, HIAA's passenger volumes have not exceeded 13% of pre-pandemic levels.

The Authority has implemented several protocols to increase the safety and well-being of airport workers and the traveling public, including enhanced cleaning and sanitation measures, public health signage, employee remote working policies and procedures, temperature screening for departing passengers, reduced public access and strict facemask policies. The Authority has also worked closely with provincial health authorities to implement passenger screening procedures required to help educate and inform the public about provincial restrictions for arriving passengers. The Government of Canada stopped international flights from arriving at Halifax Stanfield in 2020, and the Province of Nova Scotia implemented a two-week quarantine requirement for most domestic arriving passengers, further reducing air travel demand for Nova Scotia.

The financial impact of the pandemic has been significant for the Authority; fiscal 2020 revenues fell \$73.0 million or 64% compared to the prior year. Operational measures to reduce expenses were implemented before the end of the first quarter, including facility consolidation, energy saving measures, staffing adjustments and adjusted maintenance activities. The Authority was able to reduce annual expenses, excluding amortization and interest charges, by \$22.6 million or 37% compared to the prior year. Included in these expense reductions were benefits from two government assistance programs implemented by the Government of Canada. The Canada Emergency Wage Subsidy ["CEWS"] program was utilized by the Authority and generated \$5.9 million in assistance during 2020. In addition, Ground Lease Rent for 2020 was waived for the period from March 1 to December 31, 2020 reducing operating expenses by a further \$1.7 million. While cost reduction initiatives were substantial, the savings provided could not match the reductions in revenues resulting in material financial losses that can be expected to continue until such time as passenger activity returns closer to pre-pandemic levels, which is expected to occur by 2024.

[Tabular amounts are in thousands of dollars]

2. Implications of COVID-19 on our Business (continued)

The Authority has taken steps to ensure adequate liquidity is available to maintain operational capabilities and continue necessary capital investments. In December 2020 the Authority completed a solicitation of its current bondholders who agreed to amend existing requirements to comply with certain financial covenants until after the year ended December 31, 2022. In addition, the approved amendments provide additional flexibility for the Authority to raise capital as necessary to support liquidity requirements while the Authority continues to have access to its existing credit facility.

Additional liquidity support is expected as the Government of Canada considers specific aviation sector assistance to be confirmed in 2021. The Government has already acted to confirm a waiver of ground lease rent for 2021 and the Authority will be able to continue to access the CEWS program through to its current expiry on June 30, 2021. In addition, the Authority may potentially benefit from funding under the Regional Air Transport Initiative announced in November 2020.

The Authority remains confident in its ability to continue operations during the temporary disruption in air travel demand and return to financially sustainable operations. The Authority has access to adequate liquidity support over the next year and beyond to ensure it is able to continue its mission of creating prosperity for its region by connecting Atlantic Canada to the world through flight.

3. Summary of Significant Accounting Policies

The Authority's consolidated financial statements have been prepared in accordance with Part II of the Chartered Professional Accountants ["CPA"] of Canada Handbook – Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and include the significant accounting policies described hereafter.

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

Principles of consolidation

The financial statements include the accounts of the Authority and its wholly-owned subsidiary HSSI. All inter-company balances and transactions have been eliminated on consolidation.

Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, and restricted cash are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition. Restricted cash relates to funding received from the Province of Nova Scotia to support air service growth and cargo logistics infrastructure development.

Government assistance

Amounts received or receivable resulting from government programs for capital development are reflected as reductions of the cost of the assets to which they relate when the Authority becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized. During the year, \$10.1 million [2019 – \$2.4 million] of government contributions were received or receivable that were applied to capital assets. Assistance for future air service support are applied to the related expenditure as the related air service activity is realized in accordance with agreed terms and conditions. During the year, \$13 thousand [2019 – \$1.7 million] of assistance was applied to expenditures.

Assistance received to cover current period expenses is applied to the related expenditures. During the year, \$5.9 million [2019 – Nil] was applied to salaries, wages and benefits.

[Tabular amounts are in thousands of dollars]

3. Summary of Significant Accounting Policies

(continued)

Inventories

Inventories consist of materials, parts and supplies and are stated at the lower of cost, determined on an average cost basis, and net realizable value.

Ground lease

The ground lease with Transport Canada is accounted for as an operating lease.

Capital assets

Capital assets are recorded at cost, including interest on funds borrowed for capital purposes, net of contributions and government assistance, and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer hardware and software	20% – 33%
Leasehold improvements	2.5% – 10%
Machinery, equipment, furniture and fixtures	5% – 20%
Vehicles	5% – 17%

Construction in progress is recorded at cost and is transferred to leasehold improvements when the projects are complete, and the assets are placed into service.

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized over the term of the debt.

Revenue recognition

Landing fees, terminal fees, parking revenue and passenger security fees are recognized as the airport facilities are utilized. Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenue is recognized over the terms of the respective leases, licenses and permits. Airport improvement fees ["AIF"] are recognized when originating departing passengers board their aircraft as reported by the airlines.

As a consequence of the COVID-19 pandemic, rent concessions were made with tenants during

the period up to December 31, 2020. Concessions offered were equivalent to total payments required under the original lease contracts for specified periods of time. During the year, the Authority has deferred a total of \$0.8 million in rent payments owing from tenants resulting from these concessions. The total amount of the deferral is included in accounts receivable at year-end. This receivable is due to be repaid no later than June 30, 2021 in its entirety.

Employee benefit plans

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. In valuing pension obligations for its defined benefit component, the Authority uses the accrued benefit actuarial method prorated on services and best estimate assumptions. Pension plan assets are valued at current market values. Defined contribution component amounts are expensed as incurred.

Actuarial gains and losses are recognized in full in the period in which they occur. Current service cost and the interest cost on the accrued benefit obligation are included in the results of the Statements of Operations and Changes in Equity. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Changes in Equity.

Financial instruments

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. Accounts receivable are accounted for at amortized cost. Cash and Cash Equivalents and the Debt Service Reserve Fund are recorded at fair value with realized and unrealized gains and losses reported in earnings in the period during which they arise. Accounts payable and accrued liabilities and long-term debt are accounted for at amortized cost with gains and losses reported in earnings in the period during which they arise. The Authority has no held-to-maturity or available-for-sale financial assets.

Transaction costs are capitalized and added to the cost of financial assets and liabilities not classified as held-for-trading.

[Tabular amounts are in thousands of dollars]

4. Cash and Cash Equivalents

Cash includes \$17.5 million [2019 – \$7.6 million] remaining from funds received in 2018 and 2020 from the Province of Nova Scotia to support air service growth initiatives. The funding is available for use at HIAA's sole discretion to support new service opportunities that meet predefined criteria. The funds must be committed by December 31, 2024 and fully discharged by March 31, 2027. Cash also includes \$2.3 million [2019 – \$4.5 million] from the Province of Nova Scotia to support the cargo logistics infrastructure development. The funding is available for offset a portion of the costs associated with the development as they are incurred.

5. Capital Assets

Capital assets consist of the following:

	2020			2019
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Computer hardware and software	23,778	17,560	6,218	3,579
Leasehold improvements	577,501	221,785	355,716	368,681
Machinery, equipment, furniture and fixtures	24,226	15,864	8,362	8,648
Vehicles	19,459	12,519	6,940	7,463
Construction in progress	33,084	–	33,084	25,534
	678,048	267,728	410,320	413,905

During the year, \$10.1 million [2019 – \$2.4 million] of government contributions were received or receivable that were applied to capital assets. The contributions relate to capital development.

6. Long-term Debt

Long-term debt consists of the following:

	2020 \$	2019 \$
CIBC Credit facilities	33,000	–
5.503%, non-amortizing Series A Revenue Bonds due July 19, 2041. Interest payable semi-annually in arrears on January 19 and July 19 of each year until maturity, which commenced on January 19, 2007.	150,000	150,000
4.888%, non-amortizing Series C Revenue Bonds due November 15, 2050. Interest payable semi-annually in arrears on May 15 and November 15 of each year until maturity, which commenced on May 15, 2011.	135,000	135,000
	318,000	285,000
Less transaction costs, net of accumulated amortization	1,462	1,493
	316,538	283,507

[Tabular amounts are in thousands of dollars]

6. Long-term Debt (continued)

Bond issues

In July 2006, the Authority completed its inaugural \$150.0 million Revenue Bond issue. The \$150.0 million 5.503% Series A Revenue Bonds are due on July 19, 2041. In November 2010, the Authority completed a \$135.0 million Revenue Bond issue. The \$135.0 million 4.888% Series C Revenue Bonds are due on November 15, 2050.

The net proceeds from these offerings were used to finance the capital plan and for general corporate purposes. These purposes included repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking pari passu with all other indebtedness issued under the Master Trust Indenture.

Credit facilities

The Authority has authorized credit facilities with the Canadian Imperial Bank of Commerce, which provide the Authority with a combined availability of \$94.5 million, comprised of a \$72.0 million Capex facility and a \$22.5 million revolving operating and letter of credit facility. These facilities are secured under the Master Trust Indenture and are available by way of overdraft, prime rates loans, or bankers' acceptances.

As at December 31, 2020 an amount of \$22.5 million [2019 – \$14.5 million] of the operating and letter of credit facility had been committed, with \$6.5 million [2019 – Nil] advanced as a prime rate loan, \$2.1 million designated to pension plan funding regulations and \$13.9 million [2019 – \$12.4 million] designated to the Operating and Maintenance Reserve Fund. The prime rate loan bears interest at 2.46% maturing on March 31, 2023 and may be repaid at any time prior to maturity. As at December 31, 2020 an amount of \$26.5 million [2019 – Nil] of the Capex facility had been committed and advanced as a prime rate loan bearing interest at 2.46%, maturing on March 31, 2023 and may be repaid at any time prior to maturity.

Reserve funds

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund. The balance within this fund must be equal to at least 50% of annual bond debt service costs. As at December 31, 2020, the Debt Service Reserve Fund included \$7.4 million [2019 – \$7.4 million] in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

The Authority is also required to maintain an Operating and Maintenance Reserve Fund. The balance in the Operating and Maintenance Reserve Fund must be equal to at least 25% of certain defined operating and maintenance expenses for the previous fiscal year.

Approximately \$9.2 million will be required to fund the Operating and Maintenance Reserve Fund in 2021. The Operating and Maintenance Reserve Fund may be satisfied by cash, letters of credit, or the undrawn availability under a committed credit facility.

7. Airport Improvement Fees

The AIF revenue is used to fund the cost of the Authority's capital program and related financing costs, along with debt and operational surpluses. Operational surpluses consist of excess of revenue over expenses before depreciation and interest. The AIF rate at December 31, 2020 was \$28 [2019 – \$28] and the Intra-Provincial rate was \$15 [2019 – \$15] and applies to each departing enplaned passenger. The AIF are collected by the air carriers for a fee of 7% under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs as jointly agreed with air carriers operating at the Airport. Effective January 4, 2021 the AIF rates have increased to \$35 and \$22.

[Tabular amounts are in thousands of dollars]

7. Airport Improvement Fees (continued)

A summary of the AIF collected and capital and related financing expenditures are as follows:

	2020 \$	2019 \$
AIF revenue [net]:		
AIF revenue	10,609	46,348
AIF collection costs	(787)	(2,821)
	9,822	43,527
Interest on surplus funds	481	705
Net funds received	10,303	44,232
Capital expenditures funded by AIF	22,948	30,424
Interest expense funded by AIF	15,526	14,968
	38,474	45,392
Excess of expenditures over AIF revenue	(28,171)	(1,160)
Excess of expenditures over AIF revenue, beginning of year	(360,255)	(359,095)
Excess of expenditures over AIF revenue, end of year	(388,426)	(360,255)

From January 1, 2001 to December 31, 2020, the cumulative capital expenditures funded by AIF totaled \$852.1 million [2019 – \$813.5 million] and exceeded the cumulative AIF revenue by \$388.4 million [2019 – \$360.3 million].

Equity in capital assets of the Authority is as follows:

	2020 \$	2019 \$
Equity in capital assets provided by AIF	12,276	44,142
Equity in capital assets provided by other operations	84,282	92,421
Equity in capital assets, end of year	96,558	136,563

The opening adjustment to equity in capital assets represents deferred financing costs amounting to \$2.8 million related to a cash flow hedge, which was discontinued before the end of the original hedge term. The balance of these costs was allocated to equity in capital assets on January 1, 2007, the date at which the hedge was discontinued.

The deferred costs are amortized over the remaining term of the previously hedged instruments. The amortization related to the current year amounts to \$0.1 million [2019 – \$0.1 million] and cumulative amortization to date amounts to \$1.2 million.

8. Commitments**Transfer agreement**

Effective February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada which provides for the Authority to lease the Airport. A 20-year extension was granted in 2014, extending the lease to January 31, 2080. Unless otherwise extended, the Authority is obligated to return control of the Airport to Transport Canada. Lease payments are based on a percentage of gross revenue on a progressive scale.

Due to implications of COVID-19 as described in note 2, rent payments owing to Transport Canada for the period January 1, 2021 to December 31, 2021 have been waived.

The estimated lease obligations over the next five years are approximately as follows:

	\$
2021	–
2022	4,035
2023	6,719
2024	9,311
2025	9,974

[Tabular amounts are in thousands of dollars]

8. Commitments (continued)**Long-term debt – bond issues**

The interest payable over the next five years on the Authority's Series A and Series C Revenue Bonds is as follows:

	\$
2021	14,854
2022	14,854
2023	14,854
2024	14,854
2025	14,854

Construction in progress

As at December 31, 2020, the Authority had outstanding contractual construction commitments amounting to approximately \$8.5 million [2019 – \$5.0 million].

9. Pension Plan

The Authority sponsors a pension plan [the "Plan"] on behalf of its employees, which has defined benefit and defined contribution components. An actuarial valuation has been prepared as at December 31 for both funding and measurement purposes. The responsibility for governance of the Plan including overseeing aspects of the Plan such as investment decisions lies with the Authority through a Pension Committee. The Pension Committee in turn has appointed experienced independent experts such as investment advisors, investment managers, actuaries and custodians for assets.

The Authority has adopted various policies in respect to the Plan:

- Plan assets are valued at fair value for the purpose of calculating the expected return on the Plan assets.
- At December 31, 2020, the plan assets were invested in various pooled funds.
- Due to the nature of the benefit promise, the Authority's defined benefit obligation cannot be accurately predicted. Gains and losses arise because of changes in assumptions and from experience differing

from what has been assumed. Under CICA Handbook section 3462, these gains and losses are recognized immediately in the Statements of Operations and Equity.

- Differences in the actual investment return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Changes in Equity.
- The last actuarial valuation for funding purposes was prepared as at December 31, 2020. The next scheduled actuarial valuation for funding purposes will be performed as at December 31, 2021.
- The Authority uses a December 31 measurement date.

The following table provides information concerning the assets, accrued benefit obligation, funded status and pension assets of the Plan as at December 31:

	2020 \$	2019 \$
Plan assets	25,997	23,017
Accrued benefit obligation	(21,482)	(18,518)
	4,515	4,499

The following table provides information concerning the components of the pension gain (loss):

	2020 \$	2019 \$
Employers' current service cost	(556)	(568)
Interest cost on accrued benefit obligation	(651)	(1,953)
Expected return on the assets	816	2,261
	(391)	(260)
Actuarial loss on accrued benefit obligation	(2,168)	(4,288)
Difference between expected and actual return on assets	1,556	6,167
Settlement premium (cost)	732	(5,602)
Pension loss	(271)	(3,983)

[Tabular amounts are in thousands of dollars]

9. Pension Plan (continued)

The significant actuarial assumptions adopted in measuring the Authority's accrued pension benefits, using the funding valuation basis, are as follows:

	2020 %	2019 %
Discount rate – year end benefit obligation	3.00	3.50
Discount rate – net benefit expense	3.50	4.00
Rate of compensation increase	3.25	3.25

Other information related to the Authority's defined benefit component is as follows:

	2020 \$	2019 \$
Employer's contribution	287	1,039
Employees' contributions	95	112
Benefits paid	506	1,659

	2020 %	2019 %
Equity securities	24	32
Fixed income securities	71	61
Real estate securities	5	7
	100	100

Pension expense amounted to \$1.1 million [2019 – \$1.0 million] for the defined contribution component for which the pension expense is equal to the contributions made by the Authority to the Plan during the year.

The pension loss for the defined benefit component in 2020 was \$0.3 million [2019 – \$4.0 million].

10. Capital Risk Management

The Authority is a corporation without share capital and, accordingly, is funded through operating revenue, AIF revenue, reserve funds, the debt capital markets and its bank credit facility. Aeronautical charges are set each year to cover the projected operating costs, after consideration of the projected air traffic and passenger activity and non-aeronautical revenue. Any funds generated by the Authority are used to cover costs within its mandate.

The Authority's objective for managing capital is to acquire and maintain sufficient capital to safely and effectively manage the Airport's operations. The Authority aims to manage capital to deliver world-class facilities and services to the travelling public. The capital managed by the Authority is composed of long-term debt. As at December 31, 2020, the balance outstanding, excluding any current portion, amounts to \$317.8 million [2019 – \$285.0 million].

The Authority's indebtedness is secured under the Master Trust Indenture and supplemented from time to time with established common security and a set of common covenants by the Authority for the benefit of its lenders. The covenants that the Authority must meet include two specific coverage tests for operating expenses and debt service payments. The gross debt service covenant states that the total revenue, including the revenue account balance at the beginning of the year, must at least cover operating expenses, including interest and principal payments. The debt service covenant states that the net revenue for that specific year must be at least 1.25 times the total interest and principal payments for that year.

Effective December 31, 2020 the Master Trust Indenture was amended to temporarily suspend the Authority's requirement to comply with these covenants for the years ended December 31, 2020, 2021 and 2022.

In accordance with the Master Trust Indenture, two reserve funds must also be maintained: a Debt Service Reserve Fund and an Operating and Maintenance Reserve Fund. As at December 31, 2020, the Authority satisfies the requirements for both of these reserve funds.

[Tabular amounts are in thousands of dollars]

11. Financial Instruments

Fair value

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, Debt Service Reserve Fund, accounts payable and accrued liabilities and long-term debt. The difference between the carrying values and the fair market values of the financial instruments, excluding long-term debt, are not material due to their short-term maturities. The fair value of the bonds as at December 31, 2020 is approximately \$422.4 million.

Risk management

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk, and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is subject to interest rate risk relating to its Debt Service Reserve Fund and credit facilities. The Authority manages its interest rate risk through the use of fixed-rate financing where applicable.

The Authority has entered into fixed-rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced.

However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt.

The Authority's most significant exposure to interest rate risk relates to its credit facilities. The Authority's Capex facility, which is in place for the financing of near-term construction costs related to the Authority's Capital Program, is subject to floating interest rates. Management believes that the impact of interest rate fluctuations on construction costs is not material.

The Authority's Debt Service Reserve Fund is subject to changes in interest rates. Management believes that the impact of interest rate fluctuations on the Debt Service Reserve Fund is not representative of the Authority's exposure to interest rate risk as interest income is not essential to the Authority's operations. These funds are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

If interest rates had been 50 basis points [0.50%] higher or lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would not have been significantly impacted.

Liquidity risk

The Authority manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. The Authority has ready access to sufficient financing as well as committed lines of credit through credit facilities with a major Canadian bank.

The future annual payment requirements of the Authority's obligations under its long-term debt are described in note 8.

[Tabular amounts are in thousands of dollars]

11. Financial Instruments (continued)

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable, which consist primarily of current aeronautical fees and AIF owing from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters)* Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. The majority of the Authority's accounts receivable are paid when they are due.

A significant portion of the Authority's revenue, and resulting receivable balances, are derived from air carriers. The Authority derives approximately 44% [2019 – 43%] of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 80% of the passenger traffic through the Airport is origin and destination traffic and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

12. Contingencies

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business and may enter into agreements that provide contingent support for new business. The Authority believes any liabilities arising from these matters would not reasonably be expected to have a material adverse effect on its financial position.

13. Subsequent Events

Subsequent to December 31, 2020 the Government of Canada imposed further COVID-19 related travel restrictions. These restrictions included the cancelling of air service to destinations in Mexico and the Caribbean, the imposition of new quarantine and testing requirements and the restriction of all flights coming from the United States and other international destinations to only the four largest Canadian Airports. These restrictions further reduced travel demand for international and domestic services and resulted in additional service reductions at the Halifax Stanfield International Airport.

The Authority anticipates that a prolonged period of more comprehensive travel restrictions will materially impact revenue streams in 2021 before the aviation sector begins a sustained recovery to historic trends and has drawn \$15 million from its existing credit facility capacity to support liquidity requirements in 2021. The Authority remains confident that on-going cost mitigation efforts and its ability to access additional liquidity will provide the necessary working capital to carry on normal operations until aviation activity returns to levels adequate to support sustainable operations.

Corporate Governance

Halifax International Airport Authority (Airport Authority) is governed by a Board of Directors consisting of a maximum of 14 directors nominated by the following entities:

NOMINATOR	NUMBER OF DIRECTORS
Government of Canada	2
Province of Nova Scotia	1
Halifax Regional Municipality	4
Halifax Chamber of Commerce	3
Airport Authority Board of Directors	4

Generally, a director may serve no more than a total of nine years. However, at any given time, by a vote of the Board, one director's term can be extended for three years, to a maximum total of 12 years. The Board regularly reviews the skills and experience of its board members to ensure the appropriate competencies are represented on the Board.

The Board has overall responsibility for the stewardship of the Airport Authority, overseeing governance and strategic direction. The Board also oversees management, who are responsible for the day-to-day conduct of the business, with the fundamental objective of ensuring that the Airport Authority meets its obligations and operates in a safe, efficient and responsible manner. The Board meets as often as is required to carry out its responsibilities and maintains three standing committees, which are accountable to the Board: Audit Committee, chaired by Ann MacKenzie; Capital Projects Committee, chaired by John Fitzpatrick; and Governance Committee, chaired by Rob Batherson. Prior to September 25, 2020 the Board also maintained an Executive Committee, which consisted of the Chair of the Board and Chair of each of the Board committees. The Executive Committee was dissolved on September 25, 2020 and its principal responsibilities were delegated to the Governance Committee. The purpose of each Committee is as follows:

Audit Committee

The Audit Committee's responsibilities include (i) approving the Airport Authority's quarterly unaudited financial statements and reviewing the annual audited financial statements; (ii) monitoring the integrity of the Airport Authority's financial reporting process and internal control system regarding financial reporting; and (iii) monitoring the independence and performance of the Airport Authority's external auditors. The Audit Committee acts in an advisory capacity to the Board except for approving the quarterly unaudited financial statements and the annual audit plan.

Capital Projects Committee

The Capital Projects Committee's responsibilities include (i) approving and reviewing the 10-Year Capital and Financial Plan and all proposed major capital projects; and (ii) monitoring the progress and results of approved projects against pre-established measures and targets.

Governance Committee

The Governance Committee assists the Board by providing a focus on governance that is intended to enhance the Board's performance as well as to add value and support to the Airport Authority in achieving its corporate objectives. As part of this mandate, the Governance Committee leads the Board nomination process and receives reports and makes recommendations on a variety of governance matters including (i) the Board Governance Framework, consisting of the Board Governance Policy and accompanying plans/programs; (ii) Board composition and effectiveness; and (iii) the terms of reference for each Board committee. As of September 25, 2020, the Governance Committee was delegated

Corporate Governance (continued)

responsibility for functions pertaining to the President and Chief Executive Officer (CEO) position, including performance review and succession planning.

The Airport Authority has adopted conflict of interest guidelines to govern the conduct of, and the disclosure and avoidance of conflicts of interest for, all officers and directors. These disclosures are updated as required.

During 2020, the Governance Committee of the Board reported that there were no breaches of the conflict of interest guidelines by any officer or director of the Airport Authority.

Board of Directors Compensation*

Chair: S. Dempsey (effective May 27, 2020)	\$ 42,551
Chair: M. Mullally (term completed May 26, 2020)	\$ 45,740
D. Bastow	\$ 15,520
R. Batherson	\$ 24,158
P. Boulter	\$ 14,920
J. Fiander	\$ 15,820
J. Fitzpatrick	\$ 23,558
D. Holland	\$ 15,820
A. MacKenzie	\$ 23,858
A. MacLean	\$ 18,160
B. Nycum	\$ 15,520
S. Porter	\$ 17,860

* Effective July 1, 2020 the Board approved a reduction in the remuneration for directors by 20 per cent as a result of the financial impact of COVID-19 on the Airport Authority. Additionally, on May 26, 2020, the position of Vice Chair was eliminated.

Executive Compensation

The salary range for the President & CEO and for the Vice Presidents of the Airport Authority during 2020 was \$165,000 to \$345,000. No annual performance incentives were paid in respect of 2020.

Contracts in excess of \$119,204

In accordance with its lease with Transport Canada, the Airport Authority is required to report all contracts in excess of \$119,204 (\$75,000 in 1994 dollars adjusted by the Consumer Price Index) that were entered into during the year and that were not awarded on the basis of a public competitive process. In 2020, the Airport Authority did not enter into any such contracts.

Board of Directors

Stephen Dempsey CHAIR

Retired Corporate Executive

Nominator and Date Appointed:

Halifax Regional Municipality
May 2011

Meeting Attendance*

Board (Chair)	6/6
Executive Committee (Chair)**	1/3

Robert Batherson DIRECTOR

Executive Vice President, PR,
Trampoline

Nominator and Date Appointed:

Halifax Regional Municipality
July 2013

Meeting Attendance*

Board	6/6
Executive Committee**	3/3
Governance Committee (Chair)	8/8

Doug Bastow DIRECTOR

Retired Airline Executive
Retired Airline Pilot

Nominator and Date Appointed:

Airport Authority
September 2016

Meeting Attendance*

Board	6/6
Capital Projects Committee	4/4

Pernille Fischer Boulter DIRECTOR

CITP
President & CEO, Kisserup International Trade Roots Inc.

Nominator and Date Appointed:

Federal Government
May 2019

Meeting Attendance*

Board	6/6
Governance Committee	6/8

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting. As Chair and Vice Chair, Mr. Dempsey's attendance at these committee meetings (other than the Executive Committee) is discretionary and therefore, the above table does not reflect his attendance at other Committee meetings.

** The Executive Committee was dissolved on September 25, 2020 and its principal responsibilities were delegated to the Governance Committee.

Board of Directors (continued)

Joe Fiander DIRECTOR

Retired Corporate Executive

Nominator and Date Appointed:

Federal Government
May 2019

Meeting Attendance*

Board	6/6
Audit Committee	4/4

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Daniel Holland DIRECTOR

Chief Executive Officer,
Community Foundation of NS

Nominator and Date Appointed:

Halifax Regional Municipality
January 2017

Meeting Attendance*

Board	6/6
Audit Committee	4/4

John Fitzpatrick DIRECTOR

QC, Partner, BOYNECLARKE LLP

Nominator and Date Appointed:

Halifax Regional Municipality
July 2014

Meeting Attendance*

Board	6/6
Executive Committee**	3/3
Capital Projects Committee (Chair)	4/4

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Ann MacKenzie DIRECTOR

CPA, CA, MEC, ICD.D
Retired Corporate Executive

Nominator and Date Appointed:

Airport Authority
March 2015

Meeting Attendance*

Board	6/6
Executive Committee**	3/3
Audit Committee (Chair)	4/4

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting. As Chair and Vice Chair, Mr. Dempsey's attendance at these committee meetings (other than the Executive Committee) is discretionary and therefore, the above table does not reflect his attendance at other Committee meetings.

** The Executive Committee was dissolved on September 25, 2020 and its principal responsibilities were delegated to the Governance Committee.

Ann MacLean

DIRECTOR

Former Mayor of New Glasgow
Retired Senior Administrator

Nominator and Date Appointed:

Province of Nova Scotia
February 2015

Meeting Attendance*

Board	6/6
Audit Committee	4/4
Governance Committee	8/8

Sherry Porter

DIRECTOR

Retired Corporate Executive

Nominator and Date Appointed:

Halifax Chamber of Commerce
March 2015

Meeting Attendance*

Board	6/6
Capital Projects Committee	4/4
Governance Committee	8/8

Benjamin Nycum

DIRECTOR

CEO, William Nycum & Associates Ltd

Nominator and Date Appointed:

Halifax Chamber of Commerce
March 2018

Meeting Attendance*

Board	6/6
Capital Projects Committee	4/4

* Ratio equals number of meetings attended / number of meetings eligible to attend. Excludes Annual Public Meeting. As Chair and Vice Chair, Mr. Dempsey's attendance at these committee meetings (other than the Executive Committee) is discretionary and therefore, the above table does not reflect his attendance at other Committee meetings.

Our People

Nadine Allen, Christopher Altass, Mark Amos, Leanna Anderson, Tom Antonio, Troy Appleby, Daniel Archibald, Curtis Bailey, Scott Baines, Todd Ball, Leah Batstone, Paul Baxter, Kenneth Bayers, Reginald Beeler, Jennifer Best-White, Steve Bezanson, Glen Boone, Dean Bouchard, Hayley Boutilier, Kevin Boutilier, Rick Boutilier, Shane Boutilier, Andrew Bowman, Jeff Bowman, Ryan Bowman, Steven Bradshaw, Chris Bresowar, Paul Brigley, Carl Brown, David Brown, Laurie Brown, Greg Bruce, Tim Bull, Nicole Burchell-Isenor, Victor Cadoret, Paula Cannon, Alan Carragher, Joyce Carter, Chris Cartwright, Jaime Cayaoyao, Daniel Chandler, Daniel Chaplin, Tiffany Chase, Kaushal Chauhan, Taras Chemerys, Anita Chisholm, Paul Chisholm, Joel Christie, Mike Christie, Darin Clarke, Drake Clarke, Robert Clarke, Steven Clarke, Sherrie Clow, Chris Collier, Ron Conway, Kelly Corbett, Darrell Corkum, Craig Cormier, William Cowan, Bill Crosman, Claude Cunningham, Paul Dalrymple, Todd D'Arcy, Chris de Man, Brandon Dearman, Wayne DeCoste, Shawn DeLong, Jennifer Delorey Lyon, Edward Dempsey, Adrian Doiron, Dustin Drew, Jamie Dwyer, Mike Eakins, Andrew Edwards, Doug Eisan, Paula Fisher, Tim Fisher, Mark Fletcher, Matthew Flynn, Derek Forrest, Jessica Fougere, Derek Fraser, Glenda Gillam, Brian Gillette, Rick Gooding, Stephanie Gorman, Rachel Griffiths, Twila Grosse, Keith Gurschick, Michael Hanson, Jeffrey Hauser, Jonathon Heffernan, Craig Henman, Robert Hewitt, Todd Hickey, Shawn Hicks, Terry Hilchey, Roxanne Hilchie, Peter Hilton, Paul Hood, Jason Howie, Danny Jennings, Mike Johnston, Robert Kelly, Danny Kennedy, Peter Khattar, Joshua Kolstee, Marcel Laforest, Andrea Landry, Kathryn Langridge, Brian LeBlanc, Melissa Lee, Tim Leeman, Dean Letto, Sarah Livingstone, Marc Lopez, Kellie Lunn, Alex Lyall, Allan MacDonald, Melissa MacDonald, Carol Mackie, Jeff MacMillan, Brodie MacNevin, Joseph MacPherson, Marie Manning, Chad Manuel, Kelly Martin, Donald Mattinson, Clayton Maynard, Elizabeth McCully, Matthew McDonald, Paul McLaughlin, Jo-Anne McLean, Tonya McLellan, Tony McMillen, Doug Meek, Robert Miller, Kyle Mohler, Kevin Mosher, James Moulton, Karen Murphy, Sheri Murphy, Tom Murray, Donald Myers, Laila Nargis, Deborah Newcombe, Jeremy Newton, Melissa Nguyen, Sandi Nicholson, Arthur Nowen, Kimberly Oakley, Kimberley Ottenbrite, Cathy Paget, Craig Paul, Jorge Perez, Malcolm Phippen, Kimberley Porter, Daniel Pride, Meaghan Ramsay, Michael Rantala, Scott Robertson, Leigh Robinson, Rachael Robinson, Howard Rose, Robert Rose, Norman Ross, David Rowe, Gerald Rygiel, Michael Samson, Jane Scott, Valerie Seager, Robert Silver, Craig Singer, Scott Singer, Amanda Smees, Jaan Soosaar, Kris Stevens, Ruth Stoddard, Will Sutherland, Myles Swain, Alexa Taggart, James Tanswell, Cory Teed, Kathy Temple, Brian Thomas, Melbourne Thomas, Cindy Tran, Erika Triff, William A Turple, William D Turple, Melissa Upton, Mark Urquhart, Tara Vidito, Mike Walker, Milly Walker, Chris Waugh, Jack Weir, Bill Wellwood, Don Welton, Melanie White, Scott White, Jamie Wilkins, Sheila Williams, Thomas Winsor, Arnold Wood, Burton Wright, David Wright, Rick Wyatt, Joseph Young, James Zinck (in 2020).



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