



Air Canada

Notice of Annual Meeting of Shareholders

June 29, 2021



Management Proxy Circular



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LETTER FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

May 6, 2021

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Tuesday, June 29, 2021 at 10:30 a.m. (Eastern time). This year, due to the ongoing impact of COVID-19 and in consideration of the risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will once again hold our annual meeting in a virtual only format, which will be conducted via a live webcast online at <https://aircanada.com/AGM>. At this website, shareholders will be able to hear the meeting live, submit questions and vote their shares on all items of business while the meeting is being held.

We hope that hosting a virtual meeting helps enable greater participation by our shareholders by allowing shareholders that might not otherwise be able to travel to a physical meeting to attend online while minimizing the health risk that is associated with large physical gatherings. The vast majority of our shareholders vote in advance of the meeting by proxy using the various available voting channels and these voting channels will continue to be available. We encourage shareholders to continue to vote in advance by proxy.

Detailed instructions about how to participate at our virtual meeting and a description of the items of business to be considered at the meeting can be found in the notice of annual meeting of shareholders and the accompanying management proxy circular. Registered shareholders will be able to sign into the meeting using the control number provided with meeting materials. Beneficial shareholders can appoint themselves or a proxyholder to participate in the online meeting. Please carefully read the steps required to first appoint yourself or a proxyholder and then contact our transfer agent in order to receive your online meeting credentials as fully described in the circular.

As a shareholder of Air Canada, you have the right to vote your shares on all items that come before the meeting. You can vote your shares either by proxy or online at the meeting. The management proxy circular will provide you with information about these items and how to exercise your right to vote. It will also tell you about the director nominees, the proposed auditors, the compensation of directors and certain executives, our corporate governance practices and our approach to executive compensation.

At the meeting, we will present management's report for 2020 and discuss our corporate priorities for 2021. This past year was an extremely turbulent one, by any measure. Despite significant financial losses caused by the COVID-19 pandemic crisis and the travel restrictions imposed, Air Canada continued to come to the forefront in terms of identifying and executing difficult decisions to preserve liquidity, leading the industry in biosafety protocols and positioning itself to remain competitive over the long term.

After several years of record results behind us, we started 2020 with a strong liquidity position of close to \$7.4 billion and had to quickly pivot in reaction to the severe and abrupt impact of the COVID-19 pandemic and government-imposed travel and border restrictions and quarantine requirements.

We took decisive actions and had to make difficult decisions to manage expenses, reduce fixed costs, rationalize our route network and preserve liquidity. Through our company-wide fixed cost reduction, capital reduction and deferral program, we achieved savings or deferrals of \$1.7 billion for 2020. We also raised an additional \$6.8 billion in liquidity from our own resources to sustain us through the COVID-19 pandemic and ended 2020 with over \$8 billion of unrestricted liquidity.



The liquidity program completed in April 2021 with the Government of Canada provides an additional layer of insurance, if required, to rebuild our business to the benefit of all stakeholders and remain a key contributor to the Canadian economy. With this program, we will maintain our workforce, re-enter regional markets, and resolve customer refunds of non-refundable tickets. Air Canada has also revised its booking policies for all future travel to provide more certainty and flexibility, so our customers can book their future travel with greater confidence.

As vaccine deployments ramp up, we continue to work with the Government of Canada on the evolution of safe and science-based test and quarantine relief measures with a view to safely restarting our sector. We know that Canadians are looking forward to re-connecting with friends and family and taking those long-awaited vacations and business trips. We will be ready for takeoff and delighted to welcome our customers as they set to explore the world again.

We are very proud that Air Canada continued to focus on its key cultural and other strengths in many different ways. We led the way in science-based biosecurity measures, served our customers professionally and transported them safely. Employees looked after each other, our customers, and their communities. We operated hundreds of repatriation flights to bring Canadians home, carried essential goods and personal protective equipment, and transported vaccines to and across Canada. We continued to develop new revenue opportunities such as the expansion of our Cargo division by re-engineering its business model and network. We also successfully completed key programs that are expected to be foundational to our long-term success, including a new reservation system and the launch of the transformed Aeroplan program. These improvements, amongst others, will benefit customers, employees and other stakeholders, provide meaningful revenue generating opportunities and generate efficiencies in the post-pandemic marketplace.

One could argue that the pandemic is the first global sustainability crisis the world has seen. While we know that some of the effects of COVID-19 will be transitory, we also recognize that sustainable development is the cornerstone of our future success. Building on our ongoing sustainability efforts and achievements, we have recently committed to an even more ambitious and meaningful climate plan that will support Canada's leadership position on climate change.

Our courage, resilience and tenacity have been made possible by our talented and dedicated senior management team and employees who embraced our core values and rich culture, that of a nimble, entrepreneurial, and solutions-driven company. This deeply embedded culture was enhanced under the strong and visionary leadership of Calin Rovinescu, who retired earlier this year. On behalf of the Board, the shareholders, and the entire Air Canada family, we wish to extend our sincere gratitude for his outstanding contributions during his years with us and for the incredible flight path he has set for the company's future. We know that tomorrow is in good hands and we have full confidence in today's strong leadership team.

We look forward to your participation at our annual shareholder meeting. If you are unable to attend the meeting online, please complete and return a proxy by the date indicated on your form.

Sincerely,

Vagn Sørensen
Chairman

Michael Rousseau
President and Chief Executive Officer



NOTICE OF 2021 ANNUAL MEETING OF SHAREHOLDERS

NOTICE OF MEETING

WHEN

Tuesday, June 29, 2021,
10:30 a.m. (Eastern time)

WHERE

Virtual meeting via live
webcast available at
<https://aircanada.com/AGM>

THE FOLLOWING ITEMS ARE PLANNED TO BE BROUGHT BEFORE THE MEETING:

	For more details, please see
1 Placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2020, including the auditors' report;	page 13 of the circular and our 2020 annual report
2 Election of directors who will serve until the end of the next annual shareholder meeting;	page 13, and pages 16 to 29 of the circular
3 Appointment of auditors;	page 14 of the circular
4 Consideration and approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of the accompanying management proxy circular, in respect of Air Canada's approach to executive compensation; and	page 15 of the circular
5 Consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.	

You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on May 3, 2021.



Your vote is important.

As a shareholder of Air Canada, it is very important that you read this material carefully and vote your shares, either by proxy or online at the meeting.

The following pages tell you more about how to exercise your right to vote your shares and provide additional information relating to the matters to be dealt with at the meeting.

Due to the ongoing impact of the COVID-19 pandemic and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will hold our meeting in a virtual only format, which will be conducted via live webcast. Shareholders will have an equal opportunity to participate at the meeting online regardless of their geographic location. Shareholders will not be able to physically attend the meeting. As with prior years, shareholders are able to vote ahead of the meeting by proxy using the various available channels and we encourage you to continue to vote in this manner. Our holding of a virtual meeting does not require that you do anything additional this year, as it simply replaces our physical meeting.

Registered shareholders and duly appointed proxyholders will be able to attend, submit questions and vote at the meeting online at <https://aircanada.com/AGM>. Non-registered (beneficial) shareholders who have not duly appointed themselves as proxyholder will be able to attend the meeting as guests, but guests will not be able to vote or ask questions at the meeting.

Shareholders who wish to appoint a proxyholder other than the persons designated by Air Canada on the form of proxy or voting instruction form (including a non-registered shareholder who wishes to appoint themselves as proxyholder) must carefully follow the instructions in the management proxy circular and on their form of proxy or voting instruction form. These instructions include the additional step of registering such proxyholder with our transfer agent, AST Trust Company (Canada), after submitting their form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. Non-registered shareholders located in the United States must also provide AST Trust Company (Canada) with a duly completed legal proxy if they wish to vote at the meeting or appoint a third party as their proxyholder.

By Order of the Board of Directors

A handwritten signature in black ink that reads "Carolyn M. Hadrovic". The signature is written in a cursive style.

Carolyn M. Hadrovic
Vice President and Corporate Secretary
Montréal, Québec
May 6, 2021



MANAGEMENT PROXY CIRCULAR

In this management proxy circular (“**circular**”), *you* and *your* refer to the shareholder. *We, us, our, Air Canada* and the *Corporation* refer to Air Canada. Unless otherwise stated, all dollar amounts contained in this circular are expressed in Canadian dollars.

This circular is for our annual shareholder meeting to be held on June 29, 2021 (the “**meeting**”). As a shareholder of Air Canada, you have the right to vote your shares on the election of the directors, the appointment of the auditors, the non-binding advisory resolution on the Corporation’s executive compensation practices and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the director nominees, the proposed auditors, our corporate governance practices, the compensation of directors and certain executives, the non-binding advisory resolution on the Corporation’s executive compensation practices and other matters. The information in this document is current as at May 6, 2021, unless otherwise indicated. Financial information on Air Canada and its subsidiaries is provided in its consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2020.

Your proxy is solicited by or on behalf of the management of Air Canada for use at the meeting. In addition to solicitation by mail, our employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their names or in the names of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions.

This year, as permitted by Canadian corporate and securities regulators, Air Canada is using notice-and-access to deliver this circular to both our registered and non-registered shareholders. This means that the circular is being posted online for you to access, rather than being mailed out. Notice-and-access gives shareholders more choice, substantially reduces our printing and mailing costs, and has less environmental impact as it reduces materials, waste and energy consumption. You will still receive a form of proxy or a voting instruction form in the mail (unless you have chosen to receive proxy materials electronically) so you can vote your shares but, instead of automatically receiving a paper copy of this circular, you will receive a notice (“**Notice-and-Access Letter**”) with information about how you can access the circular electronically and how to request a paper copy.

Air Canada has retained Kingsdale Advisors, as its shareholder advisor and proxy solicitation agent, to solicit proxies from shareholders and has agreed to pay a fee of \$61,600 for proxy solicitation services plus additional fees for other services provided. If you have any questions regarding the voting procedures or completing your proxy form or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272, or by email at contactus@kingsdaleadvisors.com.



APPROVAL OF THIS CIRCULAR

The board of directors of Air Canada (the “**Board of Directors**” or “**Board**”) approved the contents of this circular and authorized it to be provided to each shareholder who is eligible to receive notice of, and vote his or her shares at, our annual shareholder meeting, as well as to each director and to the auditors.

A handwritten signature in black ink that reads "Carolyn M. Hadrovic". The signature is written in a cursive style.

Carolyn M. Hadrovic
Vice President and Corporate Secretary

Montréal, Québec
May 6, 2021



VOTING YOUR SHARES

YOUR VOTE IS IMPORTANT

As a shareholder of Air Canada, it is very important that you read the following information on how to vote your shares and then vote your shares, either by proxy or online at the meeting.

ATTENDING THE VIRTUAL ONLY MEETING

Air Canada is committed to the health and safety of all its stakeholder community. This year, due to the ongoing impact of the global COVID-19 pandemic, and with the health and safety of our communities, shareholders, employees and other stakeholders in mind, we will once again hold our meeting in a virtual only format, which will be conducted via live webcast. Shareholders will not be able to physically attend the meeting.

Registered shareholders and duly appointed proxyholders will be able to attend, participate and vote at the meeting online at <https://aircanada.com/AGM>. Such persons may enter the meeting by clicking "I have a control number" and entering a valid control number and the password "AC2021" (case sensitive) before the start of the meeting. Guests, including non-registered (beneficial) shareholders who have not duly appointed themselves as a proxyholder, can login to the meeting by clicking "I am a guest" and completing the online form. Guests will be able to listen to the meeting, but will not be able to ask questions or vote at the meeting. See "Voting" for additional information on voting at the meeting and on appointing yourself as a proxyholder and registering with AST Trust Company (Canada).

If you attend the meeting online, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. You should ensure you have a strong, preferably high-speed, internet connection wherever you intend to participate in the meeting. The meeting will begin promptly at 10:30 a.m. (Eastern time) on June 29, 2021, unless otherwise adjourned or postponed. Online check-in will begin one hour prior to the meeting, at 9:30 a.m. (Eastern time). You should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the meeting, please call 514-422-6644.

VOTING

You can attend the online meeting or you can appoint someone else to vote for you as your proxyholder. A shareholder entitled to vote at the meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. Voting by proxy means that you are giving the person named on your form of proxy or your voting instruction form ("**proxyholder**") the authority to vote your shares for you at the meeting or any adjournment thereof.

The persons who are named on the form of proxy or voting instruction form are directors or officers of the Corporation and will vote your shares for you. You have the right to appoint someone else to be your proxyholder to represent you at the meeting (a "third-party proxyholder"). If you appoint someone else, he or she must attend the meeting online to vote your shares.

Shareholders who wish to appoint themselves or a third-party proxyholder to represent them at the meeting MUST submit their form of proxy or voting instruction form (as applicable), appointing themselves or that third-party proxyholder AND register themselves or that third-party proxyholder,



as described below. Registering yourself or your third-party proxyholder is an additional step to be completed AFTER you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest.

Step 1: Submit your form of proxy or voting instruction form: To appoint yourself or a third-party proxyholder, insert your or such person's name in the blank space provided in the form of proxy or voting instruction form and follow the instructions for submitting such proxy or voting instruction form. This must be completed prior to registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or voting instruction form.

Step 2: Register your proxyholder: To register **yourself or a third-party proxyholder, shareholders must call 1-866-751-6315 (toll free in Canada and the United States) or 212-235-5754 (other countries) or complete the online form at <https://lp.astfinancial.com/controlnumber> not later than 4:00 p.m. (Eastern time) on June 25, 2021**, or, if the meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed meeting, and provide AST Trust Company (Canada) with the required proxyholder contact information so that AST Trust Company (Canada) may provide the proxyholder with a control number via email. Without a control number, proxyholders will not be able to vote or ask questions at the meeting but will be able to participate as a guest.

If you are a non-registered shareholder and wish to vote at the meeting, you have to insert your own name in the space provided on the voting instruction form sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary AND register yourself as your proxyholder, as described above. By doing so, you are instructing your intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your intermediary.

If you are a non-registered shareholder located in the United States and wish to vote at the meeting or, if permitted, appoint a third-party as your proxyholder, you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you, or contact your intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to AST Trust Company (Canada). Requests for registration from non-registered shareholders located in the United States that wish to vote at the meeting or, if permitted, appoint a third-party as their proxyholder must be sent by courier to: AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1 and must be labeled "Legal Proxy" and received not later than the voting deadline of 4:00 p.m. (Eastern time) on June 25, 2021 or, if the meeting is adjourned or postponed, by not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed meeting.

How to vote – registered shareholders

You are a registered shareholder if your name appears on your share certificate.

If you are uncertain whether you are a registered shareholder, please contact AST Trust Company (Canada) ("AST") at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).



By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at 1-866-781-3111 (toll free in Canada and the United States) or 416-368-2502 (other countries), or return it in the business reply envelope we have provided or by delivering it to one of AST's principal offices in Montréal, Toronto, Calgary or Vancouver **for receipt not later than 4:00 p.m. (Eastern time) on June 25, 2021**. A list of addresses for the principal offices of AST is set forth on page 112 of this circular.

If you return your proxy by facsimile or mail, you can appoint a person other than the directors or officers named in the form of proxy as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions, and date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the online meeting.

Please see the section titled "Completing the form of proxy" for more information.

Online at the meeting

You do not need to complete or return your form of proxy.

Simply login to the meeting and complete a ballot online during the meeting. The control number located on the proxy form or in the email notification you received is your control number for purposes of logging in to the meeting. See "Attending the Virtual Only Meeting" for additional information on how to login to the meeting.

How to vote – non-registered shareholders

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution (your "**nominee**") holds your shares for you.

If you are uncertain whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

By proxy

Your nominee is required to ask for your voting instructions before the meeting. Please contact your nominee if you did not receive a request for voting instructions with the Notice-and-Access Letter.

On the Internet

Go to the website at www.proxyvote.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need the 16 digit Control Number found on your voting instruction form.

If you are submitting your proxy voting instructions via the Internet, you can appoint a person other than the directors or officers named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the website. Make sure that the person you appoint is aware that he or she has been appointed and attends the online meeting.

Shareholders who wish to appoint a proxyholder other than the individuals designated by Air Canada on the form of proxy or voting instruction form to represent them at the meeting **MUST** submit their form of proxy or voting instruction form, appointing that proxyholder **AND** register that proxyholder with AST Trust Company (Canada) **by calling 1-866-751-6315 (toll free in**



Canada and the United States) or 212-235-5754 (other countries) or complete the online form at <https://lp.astfinancial.com/controlnumber> not later than 4:00 p.m. (Eastern time) on June 25, 2021. Registering your proxyholder is an additional step to be completed AFTER you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. See "Voting" for additional information on registering proxyholders.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on June 24, 2021.

By mail

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 4:00 p.m. (Eastern time) on June 24, 2021.**

Online at the meeting

You can vote your shares online at the meeting if you have instructed your nominee to appoint you as proxyholder. To do this, write your name in the space provided on the voting instruction form or on the website and follow the instructions of your nominee.

If you do not duly appoint yourself as proxyholder, then you will not be able to ask questions or vote at the meeting, but will be able to attend the meeting online as a guest. This is because we and our transfer agent, AST Trust Company (Canada), do not have a record of the non-registered shareholders, and, as a result, will have no knowledge of your shareholdings or entitlement to vote unless you appoint yourself as proxyholder. Guests will be able to listen to the meeting, but will not be able to vote or ask questions at the meeting. AST Trust Company (Canada) will provide you with a control number by email after the proxy voting deadline has passed and you have been duly appointed and registered with AST Trust Company (Canada). This control number is your username for purposes of logging in to the meeting. See "Attending the Virtual Only Meeting" for additional information on how to login to the meeting and "Voting" for additional information on appointing yourself as proxyholder and registering with AST Trust Company (Canada).

How to vote – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada

Shares purchased by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan and shares received by employees of Air Canada or its subsidiaries under the Employee Recognition Share Award Plan (collectively, "**Employee Shares**") are registered in the name of Computershare Trust Company of Canada ("**Computershare**"), as administrative agent in accordance with the provisions of such plans unless the employees have withdrawn their shares from the plan.

If you are uncertain whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries).

In the event that an employee holds any shares other than Employee Shares, he or she must also complete a form of proxy or voting instruction form with respect to such additional shares in the manner indicated above for registered shareholders or non-registered shareholders, as applicable.



By proxy

A voting instruction form is enclosed with the Notice-and-Access Letter which allows you to provide your voting instructions on the Internet or by mail.

On the Internet

Go to the website at www.investorvote.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need the 15 digit Control Number found on your voting instruction form.

If you are submitting your proxy voting instructions via the Internet, you can appoint a person other than Computershare as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the website. Make sure that the person you appoint is aware that he or she has been appointed and attends the online meeting.

Shareholders who wish to appoint a proxyholder other than Computershare on the voting instruction form to represent them at the meeting **MUST** submit their voting instruction form, appointing that proxyholder **AND** register that proxyholder with AST Trust Company (Canada) **by calling 1-866-751-6315 (toll free in Canada and United States) or 212-235-5754 (other countries) or complete the online form at <https://lp.astfinancial.com/controlnumber> not later than 4:00 p.m. (Eastern time) on June 25, 2021.** Registering your proxyholder is an additional step to be completed **AFTER** you have submitted your voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. See "Voting" for additional information on registering proxyholders.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on June 24, 2021.

By mail

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 4:00 p.m. (Eastern time) on June 24, 2021.**

Online at the meeting

You can vote your shares online at the meeting if you have instructed Computershare to appoint you as proxyholder. To do this, enter your name in the appropriate box on the website or write your name in the space provided on the voting instruction form and follow the instructions provided on the voting instruction form or on the website.

Shareholders who wish to appoint a proxyholder other than Computershare on the voting instruction form to represent them at the meeting **MUST** submit their voting instruction form, appointing that proxyholder **AND** register that proxyholder with AST Trust Company (Canada). Registering your proxyholder is an additional step to be completed **AFTER** you have submitted your voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, only being able to attend the meeting online as a guest. See "Voting" for additional information on registering proxyholders.

COMPLETING THE FORM OF PROXY

You can choose to vote "For" or "Withhold" with respect to the election of the directors and the appointment of the auditors, and "For" or "Against" with respect to the approval of an advisory,



non-binding resolution in respect of Air Canada's approach to executive compensation and the ratification of the renewal of the Corporation's shareholder rights plan. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares, please follow the instructions provided in the voting instruction form.

When you complete the form of proxy without appointing an alternate proxyholder, you authorize Vagn Sørensen, Michael Rousseau or Carolyn Hadrovic, who are directors and/or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the director nominees who are named in this circular, FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation and FOR approving an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation.

Management is not aware of any other matters which will be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the form of proxy enclosed with the Notice-and-Access Letter will vote in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy with respect to such matters.

If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders will vote your shares in favour of each item scheduled to come before the meeting and as he or she sees fit on any other matter that may properly come before the meeting.

You have the right to appoint someone other than the management proxy nominees to be your proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy. If you do not specify how you want your shares voted, your proxyholder will vote your shares as he or she sees fit on each item scheduled to come before the meeting and on any other matter that may properly come before the meeting.

If you are an individual shareholder, you or your authorized attorney must sign the form of proxy. If you are a corporation or other legal entity, an authorized officer or attorney must sign the form of proxy.

You must also complete the Declaration of Canadian Status contained in the form of proxy, voting instruction form or in the Internet voting instructions to inform the Corporation whether you are a (i) Canadian, (ii) non-Canadian holder authorized to provide air service or (iii) non-Canadian who is not a non-Canadian holder authorized to provide air service to enable Air Canada to comply with the requirements of the *Canada Transportation Act* and our articles. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian holder authorized to provide air service for purposes of voting at the meeting.

If you need assistance completing your form of proxy or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272.

CHANGING YOUR VOTE

In addition to revocation in any other manner permitted by law, a shareholder giving a proxy and submitting it by mail may revoke it by an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing and deposited either at the Montréal office of Air Canada's transfer agent, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec, or at



Air Canada's registered office, 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used. If the voting instructions were conveyed over the Internet, conveying new voting instructions by Internet or by mail within the applicable cut-off times will revoke the prior instructions. If you login to the meeting using your control number and you accept the terms and conditions, you will be revoking any and all previously submitted proxies and will be provided the opportunity to vote online by ballot.

VOTING REQUIREMENTS

The election of directors, the appointment of auditors and the approval of an advisory non-binding resolution on executive compensation will each be determined by a majority of votes cast at the meeting by proxy or online. If there is a tie, the chairman of the meeting is not entitled to a second or casting vote. For details concerning the Corporation's majority voting policy with respect to the election of its directors, please refer to the information under the heading "Election of Directors" at page 13 of this circular.

The Corporation's transfer agent, AST, counts and tabulates the votes.

VOTING SHARES AND QUORUM

As of May 3, 2021, the record date for the meeting, there were 249,753,009 Class B voting shares and 107,967,403 Class A variable voting shares outstanding. Shareholders of record on May 3, 2021 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montréal office of the Corporation's transfer agent, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec and at the meeting.

A quorum is present at the meeting if the holders of not less than 25% of the shares entitled to vote at the meeting are present or represented by proxy at the meeting, irrespective of the number of persons actually at the meeting. If a quorum is present at the opening of the meeting, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

If a body corporate or association is a shareholder of the Corporation, the Corporation shall recognize any individual authorized by a resolution of the directors or governing body of the body corporate or association to represent it at the meeting. An individual thus authorized may exercise on behalf of the body corporate or association all the powers it could exercise if it were an individual shareholder.

If two or more persons hold shares jointly, one of those holders present at the meeting may in the absence of the others vote the shares, but if two or more of those persons who are present at the meeting or by proxy, vote, they shall vote as one on the shares jointly held by them.

RESTRICTIONS ON VOTING SECURITIES

Foreign ownership limits under Air Canada's articles

The *Canada Transportation Act* requires that national holders of domestic, scheduled international and non-scheduled international licenses, such as Air Canada, be "Canadian". In 2018, the Government of Canada passed the *Transportation Modernization Act* that amended, among other things, the definition of "Canadian" under section 55(1) of the *Canada Transportation Act* to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian air carrier.



At the 2019 annual and special shareholder meeting, Air Canada received shareholder approval for a plan of arrangement under section 192 of the *Canada Business Corporations Act* to effect amendments to the Corporation's restated articles of incorporation to align the restrictions on the level of foreign ownership with those prescribed by the amended definition of "Canadian" under the *Canada Transportation Act*. The Quebec Superior Court subsequently issued a final order approving the plan of arrangement and Air Canada's amended articles became effective on May 8, 2019.

More specifically, the definition of "Canadian" under section 55(1) of the *Canada Transportation Act*, as amended by the *Transportation Modernization Act*, is as follows:

- (a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act*,
- (b) a government in Canada or an agent or mandatary of such a government, or
- (c) a corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where
 - (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and
 - (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person.

Restrictions on Class A variable voting shares

Air Canada has two classes of shares: (i) Class B voting shares and (ii) Class A variable voting shares. The Class B voting shares and the Class A variable voting shares are traded on the Toronto Stock Exchange ("TSX") under the single ticker "AC" and are also traded on OTCQX International Premier platform in the United States under the single ticker symbol "ACDVF".

The Class B voting shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. An issued and outstanding Class B voting share shall be converted into one Class A variable voting share, automatically and without any further act of Air Canada or the holder, if such Class B voting share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian. Each Class B voting share confers the right to one vote.

The Class A variable voting shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. An issued and outstanding Class A variable voting share shall be converted into one Class B voting share, automatically and without any further act of Air Canada or the holder, if such Class A variable voting share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

Each Class A variable voting share confers the right to one vote unless:

- (i) the number of Class A variable voting shares held by any single non-Canadian, either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of any single non-Canadian holder of Class A variable voting shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting, exceeds 25% (or any different



percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada);

- (ii) the number of Class A variable voting shares held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction ("**Non-Canadian Air Carrier**"), either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of one or more Non-Canadian Air Carrier holders of Class A variable voting shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada); or
- (iii) the number of Class A variable voting shares, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of holders of Class A variable voting shares at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each of their Class A variable voting shares will decrease proportionately and automatically without further act or formality such that the Class A variable voting shares held, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, do not carry more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast, as applicable, by or on behalf of any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, at any meeting do not exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Class A variable voting share will decrease proportionately and automatically without further act or formality such that the Class A variable voting shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting.

The holders of Class A variable voting shares and Class B voting shares will vote together as a single class at the meeting, and no separate meeting is being held for any such Class A variable voting shares or Class B voting shares.

Shareholders who vote by completing and delivering a proxy or a voting instruction form, or who attend and vote at the online meeting will be required to complete a Declaration of Canadian



Status in order to enable Air Canada to comply with the restrictions imposed by its articles and the Canada Transportation Act on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian holder authorized to provide air service for purposes of voting at the meeting. Such declaration is contained in the form of proxy enclosed with the Notice-and-Access Letter or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares under the Employee Share Ownership Plan or the Employee Recognition Share Award Plan of Air Canada, as well as in the Internet voting instructions.

The Corporation has adopted various procedures and processes to ensure that the non-Canadian ownership restrictions of voting shares under its articles are respected.

PRINCIPAL SHAREHOLDERS

On May 4, 2012, pursuant to an application by Air Canada, the *Autorité des marchés financiers*, as principal regulator, the Ontario Securities Commission and the securities regulatory authorities in the other provinces of Canada granted exemptive relief (the "**Decision**") from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer that acquires or holds beneficial ownership of, or control or direction over, 10% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis (or 5% in the case of acquisitions during a take-over bid). The Decision was subject to shareholder approval of related amendments to Air Canada's shareholder rights plan which were approved at Air Canada's annual and special meeting of shareholders held on June 4, 2012. The Corporation's shareholders ratified the renewal of the shareholder rights plan, for a period of three years at the annual shareholder meeting held on June 25, 2020.

As of May 6, 2021, to the knowledge of the directors or officers of the Corporation, no entity beneficially owns or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.



BUSINESS OF THE MEETING

The following items are planned to be brought before the meeting:

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2020, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting;
3. appointment of auditors;
4. consideration and the approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of this circular, in respect of Air Canada's approach to executive compensation; and
5. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

As of the date of this circular, management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

1. Placement of Air Canada's financial statements

The consolidated financial statements for the year ended December 31, 2020, including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com.

2. Election of directors

Twelve directors are to be elected to the Board. Please see the section under the heading "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting.

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation, except for Michael Rousseau who was appointed to the Board on February 15, 2021, the same day Mr. Rousseau was appointed as President and Chief Executive Officer of Air Canada.

The Board has adopted a majority voting policy to the effect that if a director nominee in an uncontested election receives a greater number of votes "withheld" than votes "for", he or she must immediately tender his or her resignation to the Board. The Governance and Nominating Committee will consider the director's offer to resign and make a recommendation to the Board whether to accept it or not. The Board shall accept the resignation unless there are exceptional circumstances, and the resignation will be effective when accepted by the Board. The Board shall make its final determination within 90 days after the date of the shareholder meeting and promptly announce that decision (including, if applicable, the exceptional circumstances for rejecting the resignation) in a news release. A copy of the news release shall be provided to the TSX in accordance with their majority voting requirements. A director who tenders his or her resignation pursuant to the majority voting policy will not participate in any meeting of the Board or the Governance and Nominating Committee at which the resignation is considered. The majority voting policy does not apply to the election of directors at contested meetings; that is, where the number of directors nominated for election is greater than the number of seats available on the Board.



If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the election of the director nominees who are named in this circular.

3. Appointment of auditors

The Board of Directors, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990. At the Corporation's annual meeting of shareholders held on June 25, 2020, Air Canada shares representing 94.09% of the votes cast at such meeting were voted in favour of the appointment of PricewaterhouseCoopers LLP as auditors of the Corporation, and Air Canada shares representing 5.91% of the votes cast at such meeting were voted to withhold their votes.

The auditors appointed at the meeting will serve until the end of the next annual shareholder meeting or until their successors are appointed.

Fees payable for the years ended December 31, 2020 and December 31, 2019 to PricewaterhouseCoopers LLP and its affiliates are \$5,111,065 and \$4,433,694 respectively, as detailed in the following table:

	Year ended December 31, 2020 (\$)	Year ended December 31, 2019 (\$)
Audit fees	2,901,400	3,060,000
Audit-related fees	1,155,572	707,065
Tax fees	296,563	97,367
All other fees	757,530	569,262
Total fees	5,111,065	4,433,694

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada.

Audit-related fees. Audit-related fees were paid for professional services related to the audit of the non-consolidated financial statements of Air Canada, pension plan audits, audits of subsidiary companies, where required, specified procedures reports, and other audit engagements not related to the consolidated financial statements of Air Canada.

Tax fees. Tax fees were paid for professional services for tax compliance and tax advice.

All other fees. Other fees were paid for translation services, advisory services and fees related to the auditors' involvement with offering documents, if any.

More information on Air Canada's Audit, Finance and Risk Committee is contained in the "Audit, Finance and Risk Committee" section of Air Canada's Annual Information Form filed by Air Canada on March 11, 2021 and which is available on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.



If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the appointment of PricewaterhouseCoopers LLP as auditors.

4. Approval of the advisory resolution on executive compensation – Annual say-on-pay

The Board believes that shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions made by the Board. At this year's meeting, the Corporation will present its annual non-binding advisory resolution on executive compensation as part of Air Canada's ongoing process of shareholder engagement. At the 2020 annual shareholder meeting, shareholders expressed a high level of support (94.77%) for Air Canada's approach to executive compensation.

The Human Resources and Compensation Committee reviewed the results of the 2020 say-on-pay vote, evaluated investor feedback and considered other factors used in assessing the Corporation's executive compensation policies and programs. These factors included the alignment of our executive compensation policies and programs with the long-term interests of our shareholders and the relationship between risk-taking and incentive compensation. After considering these factors, the Committee reaffirmed the elements of our executive compensation policies and programs.

The Corporation's executive compensation philosophy, policies and programs are intended to align the interests of our executive team with those of our shareholders. This compensation approach allows us to attract, motivate and retain executives who will be strongly incented to continue with the transformation of the Corporation to create value for our shareholders, in the future, on a sustainable basis. For further information concerning Air Canada's approach to executive compensation, including the ongoing impacts from the COVID-19 pandemic and related measures adopted by the Human Resources and Compensation Committee, please refer to the sections under the heading "Compensation Discussion and Analysis".

The Board recommends that the shareholders vote in favour of the approval of the following advisory resolution, the text of which is also attached as Schedule "A" of this circular:

"BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2021 annual meeting of shareholders of Air Canada."

As this is an advisory vote, the results will not be binding upon the Board. However, the members of the Board and the Human Resources and Compensation Committee will review and analyze the results of the vote and, as appropriate, take into account such results when reviewing, in the future, executive compensation philosophy, policies, programs or arrangements.

If you do not specify how you want your shares voted, the persons named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the advisory, non-binding resolution in respect of Air Canada's approach to executive compensation.

5. Consideration of other business

We will also report on other items that are significant to our business and invite questions from shareholders.



THE NOMINATED DIRECTORS

Air Canada's articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board has resolved to have 12 directors effective upon the election of the directors at the meeting. Directors are elected each year at the annual meeting of shareholders, except that the Board can appoint directors in certain circumstances between annual meetings. Directors elected at the meeting will hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder.

This section sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors, their principal occupation, other principal directorships, committee memberships, 2020 attendance record, independence, their areas of expertise and voting results at the 2020 annual meeting of shareholders held on June 25, 2020. The information on each director nominee is current as of May 6, 2021.

This section also includes each nominee's equity ownership in the Corporation as of May 6, 2021 and May 4, 2020, consisting of shares and deferred share units ("DSUs"). The value of shares and DSUs was calculated using the closing price of Air Canada Class A variable voting shares and Class B voting shares on the TSX on May 6, 2021, which was \$24.16 per share, and on May 4, 2020, which was \$17.63 per share.



Amee Chande



Los Altos, California,
United States

Age: 47

Director since June 25, 2020

Independent

Amee Chande is a corporate director and strategy consultant. Ms. Chande is a director of Signature Aviation plc, as well as a senior advisor to leading companies in the mobility sector such as ChargePoint. In 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google's self-driving car project, where she was responsible for defining the overall strategy and laying the foundation for a strong commercial business. From 2015 to 2018, she was a Managing Director at Alibaba Group where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco, Staples and Wal-Mart in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company.

Ms. Chande serves on the Advisory Board of Livingbridge Private Equity and is an active volunteer with the World Association of Girl Guides and Girl Scouts where she recently completed her term as a member of the World Board.

Ms. Chande holds a Bachelor of Business Administration degree from Simon Fraser University, a Master of Science degree from the London School of Economics and a Master of Business Administration from Harvard Business School.

Areas of Expertise:

Global Business
Operational Experience
Finance & Accounting
Digital Transformation
Related Industry
Experience

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	8 of 8
Audit, Finance and Risk Committee	2 of 2
Safety, Health, Environment and Security Committee	2 of 2

2020 Annual Meeting:

Voting Results in
Favour: 99.96%

Public Board Memberships (past five years):

Signature Aviation plc	2018 – present
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Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	8,687	Nil	\$209,878	\$585,000
May 4, 2020	1,600	Nil	\$28,208	\$585,000

(1) Ms. Chande has until June 25, 2025 to meet Air Canada's share ownership requirements.



Christie J.B. Clark



Toronto, Ontario, Canada
Age: 67
Director since June 27, 2013

Independent

Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited and SNC-Lavalin Group Inc. and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP.

Mr. Clark is also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and a member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen's University. Mr. Clark has served as a director of Hydro One Limited, Hydro One Inc., Brookfield Office Properties Inc. and IGM Financial Inc.

Mr. Clark graduated from Queen's University with a Bachelor of Commerce degree and the University of Toronto with a Master of Business Administration degree. He is a Fellow Chartered Accountant. Mr. Clark is a former National Academic Director for the Institute of Corporate Directors' course entitled Audit Committee Effectiveness.

Areas of Expertise:

Accounting
Finance
Risk Management
Human Resources

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Audit, Finance and Risk Committee (Chair)	5 of 5
Governance and Nominating Committee	4 of 4

2020 Annual Meeting:

Voting Results in
Favour: 95.29%

Public Board Memberships (past five years):

Loblaw Companies Limited	2011 – present
Choice Properties Real Estate Investment Trust	2013 – present
SNC-Lavalin Group Inc.	2020 – present
Hydro One Limited	2015 – 2018

Securities Held or Controlled:

As at	Class B Voting Shares ⁽¹⁾	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽²⁾
May 6, 2021	73,010	27,614.12	\$2,431,079	\$585,000
May 4, 2020	73,010	22,616.27	\$1,685,891	\$585,000

(1) Mr. Clark holds 69,310 Class B voting shares indirectly through his spouse as permitted under Air Canada's share ownership requirements.

(2) Mr. Clark meets Air Canada's share ownership requirements.



Gary A. Doer, O.M.



Winnipeg, Manitoba, Canada
Age: 73
Director since April 30, 2018

Independent

Gary A. Doer is a corporate director. Mr. Doer is a director of Great-West Lifeco Inc., IGM Financial Inc. and Power Corporation of Canada. He is also Senior Business Advisor to the law firm Dentons Canada LLP. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees' Association. He was elected a member of the Legislative Assembly of Manitoba in 1986 and served as the 20th Premier of Manitoba from 1999 to 2009. In 2005, Premier Doer was named by Business Week magazine as one of the top 20 international leaders on climate change. From 2009 to 2016, he served as the Canadian Ambassador to the United States and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement.

Mr. Doer is a Canadian member of the Trilateral Commission and serves as Co-Chair of the Wilson Centre's Canada Institute, a non-partisan public policy forum focused on Canada-U.S. relations. In 2010, he became a Member of the Order of Manitoba and in 2011, he received a distinguished diplomatic service award from the World Affairs Council.

Areas of Expertise:

Global Business
Risk Management
Labour
Government Affairs &
Public Policy

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Human Resources and Compensation Committee	7 of 7
Safety, Health, Environment and Security Committee	2 of 2

2020 Annual Meeting:

Voting Results in
Favour: 98.71%

Public Board Memberships (past five years):

Great-West Lifeco Inc.	2016 – present
IGM Financial Inc.	2016 – present
Power Corporation of Canada	2016 – present
Barrick Gold Corporation	2016 – 2018
Power Financial Corporation	2016 – 2020

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	Nil	14,156.02	\$342,009	\$585,000
May 4, 2020	Nil	9,016.86	\$158,967	\$585,000

(1) Mr. Doer has until April 30, 2023 to meet Air Canada's share ownership requirements.



Rob Fyfe



Auckland, New Zealand

Age: 60

Director since
September 30, 2017

Independent

Rob Fyfe is a corporate director. Mr. Fyfe is a director of Michael Hill International Limited. He is also a Special Advisor to the Prime Minister of New Zealand on New Zealand's COVID-19 response and recovery plan and an honorary advisor to the Asia New Zealand Foundation. Mr. Fyfe is the former Chief Executive Officer of Air New Zealand where he was credited with driving an historic turnaround in the airline's strategy and culture and maintaining profitability during economic downturns. During his tenure from 2005 to 2012, the airline was named Airline of the Year by Air Transport World, as well as New Zealand's most attractive employer and most reputable company.

Mr. Fyfe has served as Chair of the Star Alliance Chief Executive Board and as a member of the Board of Governors of the International Air Transport Association. He has been recognized as New Zealand's Executive of the Year and Airline Chief Executive of the Year for the Asia Pacific region, amongst numerous awards.

Mr. Fyfe holds a Bachelor of Engineering (Mechanical) Honours degree and an Honorary Doctorate of Commerce degree from Canterbury University in Christchurch, New Zealand. He is a Distinguished Fellow of Engineering New Zealand. In January 2021, Mr. Fyfe was appointed a Companion of the New Zealand Order of Merit.

Areas of Expertise:

Global Business
Operational Experience
Human Resources &
Compensation
Safety, Health &
Environment
Airline Industry

Board/Current Committee Memberships Attendance (94% overall):

	2020 Attendance
Board of Directors	22 of 22
Safety, Health, Environment and Security Committee (Chair)	3 of 4
Human Resources and Compensation Committee	6 of 7

2020 Annual Meeting:

Voting Results in
Favour: 99.95%

Public Board Memberships (past five years):

Michael Hill International Limited	2016 – present
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Securities Held or Controlled:

As at	Class A Variable Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	Nil	25,633.68	\$619,310	\$585,000
May 4, 2020	Nil	15,855.16	\$279,526	\$585,000

(1) Mr. Fyfe meets Air Canada's share ownership requirements.



Michael M. Green



New York, New York, USA

Age: 62

Director since

March 30, 2009

Independent

Michael M. Green is Chief Executive Officer and Managing Director of Tenex Capital Management, a private investment firm. Mr. Green has a multi-industry investment and operations background in aerospace, transportation, telecommunications and software systems. Mr. Green was a Managing Director of Cerberus Capital Management, L.P. from 2004 to 2009. From 1999 to 2004, Mr. Green was the Managing Partner of TenX Capital Partners and joined Cerberus in 2004 when Cerberus acquired certain portfolio companies from TenX. Previously, Mr. Green was Chief Executive Officer of Trispan Solutions and Naviant Technology. Mr. Green began his career at General Electric Company where he worked in several operating departments and held positions in engineering, manufacturing, sales, marketing and general management.

Mr. Green holds a dual Bachelor of Science degree in Electrical Engineering and Physics from State University of New York, Buffalo and a Master of Science degree in Electrical Engineering from Villanova University.

Areas of Expertise:

Global Business
Operational Experience
Finance
Risk Management
Transportation

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Human Resources and Compensation Committee	7 of 7
Safety, Health, Environment and Security Committee	4 of 4

2020 Annual Meeting:

Voting Results in
Favour: 98.09%

Public Board Memberships (past five years):

None

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	88,771	37,651.44	\$3,054,366	\$585,000
May 4, 2020	88,771	32,979.48	\$2,146,461	\$585,000

(1) Mr. Green meets Air Canada's share ownership requirements.



Jean Marc Huot



Jean Marc Huot is a partner with the Canadian law firm Stikeman Elliott LLP. His practice is focused primarily in the areas of corporate finance, mergers and acquisitions, corporate governance and securities law matters. From 2001 to 2011, Mr. Huot was a member of the Advisory Committee of the *Autorité des marchés financiers* and, from 1998 to 2014, co-chair of Stikeman Elliott LLP's national Securities Law Group.

Mr. Huot holds a Bachelor of Arts degree and a Bachelor of Law degree from Laval University.

Montréal, Québec, Canada

Age: 59

Director since

May 8, 2009

Independent

Areas of Expertise:

Finance
Risk Management
Legal & Regulatory
Government Affairs &
Public Policy

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Human Resources and Compensation Committee	7 of 7
Safety, Health, Environment and Security Committee	4 of 4

2020 Annual Meeting:

Voting Results in
Favour: 98.38%

Public Board Memberships (past five years):

None

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	31,098	220,643.69	\$6,082,079	\$585,000
May 4, 2020	31,098	215,971.73	\$4,355,839	\$585,000

(1) Mr. Huot meets Air Canada's share ownership requirements.



Madeleine Paquin, C.M., FSCMA



Montréal, Québec, Canada

Age: 58

Director since

May 12, 2015

Independent

Madeleine Paquin is President and Chief Executive Officer and a director of Logistec Corporation, a North American marine and environmental services provider. She has held that position since January 1996. Ms. Paquin is a member of the Marine Industry Forum, and the Marine Transportation Advisory Council. Ms. Paquin currently holds a directorship in the Maritime Employers Association and is also a director and Chair of CargoM, the Logistics and Transportation Cluster of Montreal, and is Co-Chair of its Working Group I – L&T Development Opportunities.

Ms. Paquin has served as a director of Canadian Pacific Railway Limited, Sun Life Financial Inc., Aéroports de Montréal, the Chamber of Marine Commerce and the Board of Trade of Metropolitan Montreal.

Ms. Paquin graduated from the Richard Ivey School of Business at the University of Western Ontario with an Honors in Business Administration and from the École des Hautes Études Commerciales, Université de Montréal, with a Graduate Diploma in Administrative Sciences. In 2017, Ms. Paquin was appointed a Member of the Order of Canada for her role in leading innovation in supply chain practices and environmental protection, two major drivers of change in the Canadian Economy.

Areas of Expertise:

Global Business
Human Resources &
Compensation
Government Affairs &
Public Policy
Transportation
Labour

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Governance and Nominating Committee	4 of 4
Safety, Health, Environment and Security Committee	4 of 4

2020 Annual Meeting:

Voting Results in
Favour: 98.92%

Public Board Memberships (past five years):

Logistec Corporation	1987 – present
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Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	6,500	47,358.48	\$1,301,221	\$585,000
May 4, 2020	6,500	41,752.13	\$850,685	\$585,000

(1) Ms. Paquin meets Air Canada's share ownership requirements.



Michael Rousseau



Saint-Lambert, Québec, Canada
Age: 63
Director since
February 15, 2021

Not Independent

Michael Rousseau was appointed President and Chief Executive Officer in February 2021. He previously was Deputy Chief Executive Officer and Chief Financial Officer, a role held since January 2019. As Deputy Chief Executive Officer and Chief Financial Officer, Mr. Rousseau had oversight for several significant corporate initiatives and businesses including Air Canada Rouge, in addition to his responsibilities for the airline's overall financial strategic direction comprising all aspects of financial reporting and planning, investor relations, treasury and controller's operations, taxation, pension administration, internal audit, procurement and corporate real estate. From 2007 to 2018, Mr. Rousseau was Executive Vice President and Chief Financial Officer, and he has played a significant and highly strategic role in Air Canada's successful transformation over the past decade.

Prior to Air Canada, Mr. Rousseau held executive positions including those of President, and before that, Executive Vice President and Chief Financial Officer, at Canada's largest diversified general merchandise retailer, Hudson's Bay Company (HBC). He has also held senior executive financial positions at other large, international corporations, including Moore Corporation in Chicago, Silcorp Limited and the UCS Group (a division of Imasco Limited).

A graduate of York University, Mr. Rousseau has been a member of the Ontario Institute of Chartered Accountants since 1983. He holds the prestigious FCA and FCPA designations, conferred by CPA Ontario in recognition of his professional achievements and contributions. He was named Canada's CFO of the Year™ for 2017 by Financial Executives International Canada (FEI Canada), PwC Canada and Robert Half. Mr. Rousseau has been a director of Resolute Forest Products since 2010 and he has held several Board memberships of other public companies over the past 18 years.

Areas of Expertise:

Global Business
Operational Expertise
Finance & Accounting
Risk Management
HR, Compensation & Labour
Safety, Health &
Environment
Airline Industry
Retail Industry

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
N/A	N/A

2020 Annual Meeting:

Voting Results in
Favour: N/A

Public Board Memberships (past five years):

Resolute Forest Products	2010 – present
Chorus Aviation Inc.	2019 – 2020
Enercare Inc.	2011 – 2018

**Securities Held or Controlled:**

As at	Class B Voting Shares ⁽¹⁾	Deferred Share Units ⁽²⁾ and Restricted Share Units	Total Market Value of Securities	Minimum Shareholding Requirements
May 6, 2021	108,171	16,647 DSUs 37,351 RSUs	\$3,918,003 ⁽³⁾	N/A ⁽⁵⁾
May 4, 2020	108,171	41,474 RSUs	\$2,638,241 ⁽⁴⁾	3 times base salary (\$2,100,000)

(1) Mr. Rousseau holds 8,500 Class B voting shares indirectly through his spouse as permitted under Air Canada's share ownership requirements.

(2) Excludes deferred share units subject to performance-based vesting conditions.

(3) This amount represents the sum of the market value of the shares underlying vested DSUs or restricted share units and the market value of the shares as at May 6, 2021, which is comprised as follows: \$402,192 (vested DSUs); \$902,400 (restricted share units); and \$2,613,411 (shares).

(4) This amount represents the sum of the market value of the shares underlying restricted share units and the market value of the shares as at May 4, 2020, which is comprised as follows: \$731,187 (restricted share units); and \$1,907,055 (shares).

(5) As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives have been suspended for the period during which certain credit facilities made available by the Government of Canada in April 2021 remain outstanding. Absent such suspension, Mr. Rousseau would have been required to meet a share ownership requirement of five times his salary by February 15, 2026.



Vagn Sørensen



London, United Kingdom
 Age: 61
 Director since November 15,
 2006 Chairman since May 5,
 2017

Independent

Vagn Sørensen is a corporate director. Mr. Sørensen is Chairman of FLSmidth & Co. A/S and serves as a director of CNH Industrial N.V. and Royal Caribbean Cruises Ltd. He also represents the private equity fund EQT in some of their portfolio companies. Mr. Sørensen was previously President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System including Deputy Chief Executive Officer.

Mr. Sørensen is the former Chairman of British Midland Ltd. and a former director of Lufthansa Cargo AG. He has also served as Chairman of the Association of European Airlines and a member of the Board of Governors of the International Air Transport Association (IATA).

Mr. Sørensen holds a Master of Science degree in Economics and Business Administration from Aarhus School of Business, University of Aarhus, Denmark.

Areas of Expertise:

Global Business
 Finance
 Digital Transformation
 Airline Industry
 Transportation

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors (Chairman)	22 of 22
Governance and Nominating Committee	4 of 4

2020 Annual Meeting:

Voting Results in
 Favour: 90.35%

Public Board Memberships (past five years):

CNH Industrial N.V.	2020 – present
FLSmidth & Co. A/S	2009 – present
Royal Caribbean Cruises Ltd.	2011 – present
Scandic Hotels Group AB	2007 – 2018
SSP Group plc	2014 – 2020
TDC A/S	2006 – 2017

Securities Held or Controlled:

As at	Class A Variable Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	19,300	155,508.55	\$4,223,375	\$975,000
May 4, 2020	19,300	146,273.28	\$2,919,057	\$975,000

(1) The Chairman of the Board is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee. Mr. Sørensen meets Air Canada's share ownership requirements.



Kathleen Taylor, C.M.



Toronto, Ontario, Canada
Age: 63
Director since May 10, 2016
Independent

Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada, Vice-Chair of the Adecco Group and a director of the Canada Pension Plan Investment Board. She serves as Chair of Altas Partners, a Toronto-based private equity investment firm. Ms. Taylor is also the immediate past Chair and member of the Board of the SickKids Foundation, a member of the Board of Trustees for the Hospital for Sick Children and a Co-Chair of the SickKids Capital Campaign. Ms. Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts. During her 24-year career, she held a number of senior leadership roles and was instrumental in building the firm's global brand and its international portfolio of luxury properties.

Ms. Taylor is a member of the C.D. Howe Institute's National Council, Chair of their Human Capital Policy Council and a member of the Task Force on the Digital Economy. She serves on the Dean's Advisory Council of the Schulich School of Business and on the Principal's International Advisory Board of McGill University.

Ms. Taylor holds an M.B.A. from the Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) from the University of Toronto. She has also received an Honorary Doctorate of Laws from the University of Toronto, McGill University, York University and Trent University and an Honorary Doctorate of Humane Letters from Mount Saint Vincent University.

Areas of Expertise:

Global Business
Operational Experience
Finance
Human Resources &
Compensation
Hotel Industry

Board/Current Committee Memberships Attendance (100% overall):

	2020 Attendance
Board of Directors	22 of 22
Audit, Finance and Risk Committee	5 of 5
Governance and Nominating Committee	4 of 4
Human Resources and Compensation Committee	7 of 7

2020 Annual Meeting:

Voting Results in
Favour: 98.91%

Public Board Memberships (past five years):

Royal Bank of Canada	2001 – present
Adecco Group	2015 – present

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	10,000	40,848.38	\$1,228,497	\$585,000
May 4, 2020	10,000	33,351.51	\$764,287	\$585,000

(1) Ms. Taylor meets Air Canada's share ownership requirements.



Annette Verschuren, O.C.



Toronto, Ontario, Canada

Age: 64

Director since

November 12, 2012

Independent

Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops and manages energy storage products. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth from 19 to 179 Canadian stores and led its entry into China. Prior to joining The Home Depot, Ms. Verschuren was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco Ltd. and Executive Vice President of Canada Development Investment Corporation.

Ms. Verschuren is a director of Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc., and is Chair of both MaRS Discovery District and Sustainable Development Technology Canada (SDTC). In addition, she serves as Chancellor of Cape Breton University and is a director of the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton, and supports numerous non-profit organizations, including the CAMH Foundation as a board member. She is a founding member of the Rideau Hall Foundation. She co-chairs the Smart Prosperity Initiative, which is mapping out a course to a stronger, cleaner economy for Canada. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility and in 2019 became a companion in the Canadian Business Hall of Fame.

Ms. Verschuren holds honorary doctorate degrees from ten universities including St. Francis Xavier University where she also earned a Bachelor of Business Administration degree.

Areas of Expertise:

Global Business
Operational Experience
Risk Management
Government Affairs &
Public Policy
Digital Transformation

Board/Current Committee Memberships Attendance (97% overall):

	2020 Attendance
Board of Directors	21 of 22
Governance and Nominating Committee (Chair)	4 of 4
Audit, Finance and Risk Committee	5 of 5

2020 Annual Meeting:

Voting Results in
Favour: 99.44%

Public Board Memberships (past five years):

Saputo Inc.	2013 – present
Canadian Natural Resources Limited	2014 – present

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	62,168	55,643.54	\$2,846,327	\$585,000
May 4, 2020	62,168	50,645.69	\$1,998,905	\$585,000

(1) Ms. Verschuren meets Air Canada's share ownership requirements.



Michael M. Wilson



Michael M. Wilson is a corporate director. Mr. Wilson is Chair of Celestica Inc. and Suncor Energy Inc. Mr. Wilson is the former President and Chief Executive Officer of Agrium Inc., a position he held from 2003 until his retirement in 2013. He previously served as Executive Vice President and Chief Operating Officer. Mr. Wilson has significant experience in the petrochemical industry, serving as President of Methanex Corporation and holding various positions with increasing responsibility in North America and Asia with Dow Chemical Company.

Mr. Wilson holds a Bachelor of Science degree in Chemical Engineering from the University of Waterloo.

Bragg Creek, Alberta, Canada

Age: 69

Director from May 2008 to

May 2009, and since

October 1, 2014

Independent

Areas of Expertise:

Global Business
Operational Experience
Risk Management
Human Resources &
Compensation

Board/Current Committee Memberships Attendance (97% overall):

	2020 Attendance
Board of Directors	21 of 22
Human Resources and Compensation Committee (Chair)	7 of 7
Audit, Finance and Risk Committee	5 of 5

2020 Annual Meeting:

Voting Results in
Favour: 98.63%

Public Board Memberships (past five years):

Celestica Inc.	2011 – present
Suncor Energy Inc.	2014 – present
Finning International Inc.	2013 – 2017

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
May 6, 2021	7,468	82,318.42	\$2,169,240	\$585,000
May 4, 2020	7,468	72,322.60	\$1,406,708	\$585,000

(1) Mr. Wilson meets Air Canada's share ownership requirements.



TRUST ARRANGEMENT IN CONNECTION WITH PENSION MOU

Air Canada maintains several defined benefit pension plans. In July 2009, the Government of Canada approved pension funding relief pursuant to the *Air Canada Pension Plan Funding Regulations, 2009* (the "2009 Regulations") which were since repealed. The 2009 Regulations were adopted in coordination with pension funding agreements (the "Pension MOUs") reached with Air Canada's Canadian-based unions and a consultation process with its retirees and non-unionized workforce. Pursuant to the Pension MOUs, on October 26, 2009, Air Canada issued, to a trust (the "Trust"), 17,647,059 Class B voting shares. The Trust provides that the net proceeds of any sales of such shares by the Trust are to be contributed to the pension plans. For so long as the Trust continues to hold at least 2% of Air Canada's issued and outstanding shares, the trustee will have the right to designate one nominee to the Board of Directors (who shall not be a member or officer of any of Air Canada's Canadian-based unions), subject to completion by Air Canada of its usual governance process for selection and confirmation of director nominees.

CERTAIN PROCEEDINGS

To the knowledge of Air Canada, other than as disclosed below, none of the proposed nominees for election as directors of Air Canada: (a) is, as at the date hereof, or has been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) is, as at the date of this circular, or has been within 10 years before the date of this circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within the 10 years before the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee. Michael Rousseau was a director of Aveos Fleet Performance Inc. from March 12, 2010 until February 27, 2012 pursuant to a board nomination right held by Air Canada under a shareholders agreement. Aveos Fleet Performance Inc. sought protection from its creditors under the Companies' Creditors Arrangement Act (Canada) on March 19, 2012.

REMUNERATION OF DIRECTORS

The Board's compensation is designed to attract and retain experienced directors, leading to the long-term success of the Corporation. This requires that directors be adequately and competitively compensated. Air Canada measures its director compensation practices against the market practices of large Canadian based companies including those in the S&P/TSX 60 Index.

Each non-executive director is paid a flat annual fee to cover all of his or her responsibilities, attendance and work performed during the year. Directors are also reimbursed for expenses incurred for attendance at Board and committee meetings and for other meetings or business at the request of Air Canada. Non-executive directors do not receive stock options and do not participate in the Corporation's pension plans. Transportation privileges are provided to directors of Air Canada in line with airline industry practice.



The table below lists the annual retainer fees payable to non-executive directors of Air Canada. In 2020, in response to the impacts of the COVID-19 pandemic, the annual retainer fees were reduced by 25% during the period from April 1 to December 31. In addition, in connection with the debt financing agreements entered into with the Government of Canada in April 2021, Air Canada is subject to certain covenants that restrict the compensation of its senior executives as well as its directors, as required under the Large Employer Emergency Financing Facility program of the Federal Government. With respect to the compensation of directors, as described in “Message from the Human Resources and Compensation Committee (HRCC)”, such covenants require Air Canada not to increase the fees or any other compensation payable to non-executive members of the Board of Directors from the compensation rates in effect as at December 31, 2019.

Annual Retainers	(\$)
Board	195,000
Chairman (additional retainer)	220,000
Audit, Finance and Risk Committee Chair	25,000
Other Committees – Chair	20,000
Audit, Finance and Risk Committee Member	15,000
Other Committees – Member	10,000

The annual fees are payable in cash, DSUs under the Deferred Share Unit Plan for Non-Employee Directors or shares (acquired on the open market), or a combination thereof. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. Non-executive directors of Air Canada are required to receive a minimum of 50% of their annual Board retainer fee and Committee fees in DSUs and/or in shares of the Corporation.

**A MINIMUM OF 50% OF BOARD RETAINER AND COMMITTEE FEES
MUST BE PAID IN DSUs AND/OR SHARES –
DSUs MUST BE HELD UNTIL DIRECTORS LEAVE THE BOARD**

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries (see the “Executive Compensation” section starting on page 57 of this circular for additional details on the remuneration of the President and Chief Executive Officer). All of the current directors of the Corporation’s subsidiaries are also executive officers or members of senior management and receive no compensation as directors of any such subsidiary.



The table below shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2020 in respect of their memberships on the Board and its committees:

Name	Fees Earned			All other Compensation (\$) ⁽²⁾	Total (\$)	Allocation of Total Fees		
	Board retainer (\$)	Board Chair & Committee Chair retainer (\$)	Committee member retainer (\$)			In cash (\$)	In DSUs (\$)	In shares (\$)
Ameé Chande	73,125	Nil	9,375	Nil	82,500	Nil	Nil	82,500
Christie J.B. Clark	158,438	20,312	8,125	Nil	186,875	93,439	93,436	Nil
Gary A. Doer	158,438	Nil	18,437	Nil	176,875	79,594	97,281	Nil
Rob Fyfe	158,438	16,250	8,125	Nil	182,813	Nil	182,813	Nil
Michael M. Green	158,438	Nil	16,250	Nil	174,688	87,344	87,344	Nil
Jean Marc Huot	158,438	Nil	16,250	Nil	174,688	87,344	87,344	Nil
Madeleine Paquin	158,438	Nil	16,250	Nil	174,688	69,875	104,813	Nil
Calin Rovinescu ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	158,438	178,750	8,125	Nil	345,313	172,656	172,657	Nil
Kathleen Taylor	158,438	Nil	28,437	Nil	186,875	46,719	140,156	Nil
Annette Verschuren	158,438	16,250	12,187	Nil	186,875	93,439	93,436	Nil
Michael M. Wilson	158,438	16,250	16,562	Nil	191,250	Nil	191,250	Nil

(1) Former President and Chief Executive Officer of Air Canada. Mr. Rovinescu received no compensation in his capacity as a director of Air Canada or any of its subsidiaries.

(2) Share-based awards, option-based awards, non-equity incentive plan compensation, pension value, and all other compensation.

SHARE OWNERSHIP REQUIREMENTS FOR DIRECTORS

Under the Corporation's share ownership guidelines, non-executive directors are required to own a minimum of securities of Air Canada representing an amount equivalent in value to three times their annual Board retainer fee, through shares and/or DSUs, except in the case of the Chairman of the Board who is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee. The value of the securities is based on the market value of the shares, including the shares underlying DSUs. Such ownership must be achieved within five years of the date of the director's appointment.

The President and Chief Executive Officer is required to own a minimum of securities of the Corporation representing an amount equivalent in value to five times the annual base salary of the President and Chief Executive Officer, through shares, vested DSUs and/or restricted share units (options and performance share units are not included in the calculation of the President and Chief Executive Officer's share ownership requirements). The value of the securities is based on the sum of the market value of the shares underlying the vested DSUs or restricted share units and the market value of the shares. As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives have been suspended for the period during which certain credit facilities made available by the Government of Canada in April 2021 remain outstanding. Absent such suspension, Air Canada's new President and Chief Executive Officer, Michael Rousseau, would have been required to meet a share ownership requirement of five times his salary by February 15, 2026.



The following table shows the number of securities of Air Canada owned by individual directors and the market value of such securities as of the date hereof:

Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Market Value of Shares, DSUs and RSUs for Purposes of Guidelines ⁽¹⁾	Value of Shares, DSUs and RSUs Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Value Held as Multiple of Board Retainer or Base Salary
Amee Chande	8,687	Nil	\$209,878	\$585,000	June 25, 2025	1.1 times
Christie J.B. Clark	73,010 ⁽²⁾	27,614.12 DSUs	\$2,431,079	\$585,000	June 27, 2018	12.5 times
Gary A. Doer	Nil	14,156.02 DSUs	\$342,009	\$585,000	April 30, 2023	1.8 times
Rob Fyfe	Nil	25,633.68 DSUs	\$619,310	\$585,000	September 30, 2022	3.2 times
Michael M. Green	88,771	37,651.44 DSUs	\$3,054,366	\$585,000	August 6, 2016	15.7 times
Jean Marc Huot	31,098	220,643.69 DSUs	\$6,082,079	\$585,000	August 6, 2016	31.2 times
Madeleine Paquin	6,500	47,358.48 DSUs	\$1,301,221	\$585,000	May 12, 2020	6.7 times
Michael Rousseau	108,171 ⁽³⁾	16,647 DSUs 37,351 RSUs	\$3,918,003 ⁽⁴⁾	N/A ⁽⁵⁾	February 15, 2026 ⁽⁵⁾	N/A ⁽⁵⁾
Vagn Sørensen	19,300	155,508.55 DSUs	\$4,223,375	\$975,000 ⁽⁶⁾	May 5, 2022	21.7 times
Kathleen Taylor	10,000	40,848.38 DSUs	\$1,228,497	\$585,000	May 10, 2021	6.3 times
Annette Verschuren	62,168	55,643.54 DSUs	\$2,846,327	\$585,000	November 12, 2017	14.6 times
Michael M. Wilson	7,468	82,318.42 DSUs	\$2,169,240	\$585,000	October 1, 2019	11.1 times

(1) The amounts reported in this column, except as described below, represent the market value of the shares, including the shares underlying DSUs, based on the May 6, 2021 Toronto Stock Exchange closing price of Air Canada shares (\$24.16).

(2) Mr. Clark holds 69,310 Class B voting shares indirectly through his spouse as permitted under the Corporation's share ownership guidelines.

(3) Mr. Rousseau holds 8,500 Class B voting shares indirectly through his spouse as permitted under the Corporation's share ownership guidelines.

(4) This amount represents the sum of the market value of the shares underlying vested DSUs or restricted share units and the market value of the shares as at May 6, 2021, which is comprised as follows: \$402,192 (vested DSUs); \$902,400 (restricted shares units); and \$2,613,411 (shares).

(5) As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives have been suspended for the period during which certain credit facilities made available by the Government of Canada in April 2021 remain outstanding. Absent such suspension, Air Canada's new President and Chief Executive Officer, Michael Rousseau, would have been required to meet a share ownership requirement of five times his salary by February 15, 2026.

(6) Mr. Sørensen, who assumed the chairmanship of the Board on May 5, 2017, is subject to the share ownership requirement of five times the annual Board retainer fee, which he already meets based on the value of the Air Canada shares and DSUs he owned as of May 6, 2021.



STATEMENT OF GOVERNANCE PRACTICES

The Board and management believe that a strong, effective, independent board plays a crucial role in protecting the interests of stakeholders and maximizing the value they receive from their investment in the Corporation. The Board is committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs.

To comply with the applicable corporate governance standards and achieve those best practices, the Corporation has adopted a Corporate Policy and Guidelines on Business Conduct, as further described below in "Air Canada Code of Conduct". A copy of this document can be obtained on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.

The Board has extensively reviewed the Corporation's governance practices and concludes that the Corporation complies with or exceeds the requirements of *National Instrument 58-101*, "Disclosure of Corporate Governance Practices". The Corporation regularly reviews its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

BOARD OF DIRECTORS

Director Independence

The Charter of the Board of Directors provides that the Board shall at all times be constituted of a majority of individuals who are independent. Based on the information received from each director nominee and having taken into account the independence criteria set forth below, the Board concluded that all director nominees standing for election to the Board, with the exception of the President and Chief Executive Officer of Air Canada, Michael Rousseau, are independent.

Eleven of the 12 director nominees standing for election to the Board, namely, Ameer Chande, Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Michael M. Green, Jean Marc Huot, Madeleine Paquin, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are "independent" in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Michael Rousseau is not independent because of his position held as an officer of Air Canada.

Directorships of Other Reporting Issuers

Director nominees Ameer Chande, Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Madeleine Paquin, Michael Rousseau, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are currently directors of other public entities. Ameer Chande is a director of Signature Aviation plc. Christie J.B. Clark is a director of Loblaw Companies Limited and SNC-Lavalin Group Inc. and a trustee of Choice Properties Real Estate Investment Trust. Gary A. Doer is a director of Great-West Lifeco Inc., IGM Financial Inc. and Power Corporation of Canada. Rob Fyfe is a director of Michael Hill International Limited. Madeleine Paquin is a director of Logistec Corporation. Michael Rousseau is a director of Resolute Forest Products. Vagn Sørensen is Chair of FLSmidth & Co. A/S and a director of CNH Industrial N.V. and Royal Caribbean Cruises Ltd. Kathleen Taylor is Chair of the Royal Bank of Canada and Vice-Chair of the Adecco Group. Annette Verschuren is a director of Canadian Natural Resources Limited and Saputo Inc. Michael M. Wilson is Chair of Celestica Inc. and Suncor Energy Inc.

Please see the section under the heading "The Nominated Directors" in this circular for additional information relating to each director nominee standing for election, including other company boards on which they serve.



Competency Requirements and Other Information

The table below lists the top five areas of expertise and/or experience of the director nominees in areas that the Board considers important to Air Canada, together with their gender, age, tenure and residency. In addition to the competencies listed below, each director nominee has experience in governance and strategy, and shares a commitment to corporate social responsibility.

Name	GENDER		TENURE AT AIR CANADA			REGION				TOP FIVE COMPETENCIES												
	Female	Male	<60	≥60	0 - 5 years	6 - 10 years	>10 years	East/Central	West	U.S.	International	Global Business	Operational Experience	Finance & Accounting	Risk Management	Legal & Regulatory	HR/Compensation & Labour	Safety, Health & Environment	Government Affairs & Public Policy	Digital Transformation	Airline Industry Experience	Related Industries Experience ⁽¹⁾
Amee Chande	●		●		●					●		✓	✓	✓						✓		✓
Christie J.B. Clark		●		●		●		●				✓		✓	✓		✓			✓		
Gary A. Doer		●		●		●			●			✓				✓	✓	✓	✓			
Rob Fyfe		●		●		●					●	✓	✓				✓	✓			✓	
Michael M. Green		●		●						●		✓	✓	✓	✓							✓
Jean-Marc Huot		●		●				●						✓	✓	✓	✓		✓			
Madeleine Paquin		●		●		●		●				✓					✓	✓	✓			✓
Michael Rousseau		●		●		●		●				✓	✓	✓	✓						✓	
Vagn Sørensen		●		●							●	✓	✓	✓						✓	✓	
Kathleen Taylor		●		●		●		●				✓	✓	✓			✓					✓
Annette Verschuren		●		●		●		●				✓	✓		✓				✓	✓		
Michael M. Wilson		●		●		●		●				✓	✓		✓		✓	✓				

(1) Related industries include freight forwarders, logistics, cruise, hotel and distribution companies.

Chairman of the Board

The Chairman of the Board is appointed by resolution of the Board. The Chairman of the Board is Vagn Sørensen who is an independent director of Air Canada. The responsibilities of the Chairman of the Board are set out in a position description, which is described below under "Position Descriptions – Chairman of the Board".

Board Size

Air Canada's articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board will be comprised of 12 directors in the event all of the director nominees are elected. Please refer to the section under the heading "The Nominated Directors" in this circular for further details. The Board is of the view that this size and its composition are adequate and allow for the efficient functioning of the Board as a decision-making body.

Board Mandate

The Board has adopted a written charter which sets out, among other things, its roles and responsibilities. The Charter of the Board of Directors can be found as Schedule "B" to this circular.



Independent Directors' Meetings

At every regularly scheduled meeting, the independent directors of the Board meet without the presence of management and under the chairmanship of the Chairman of the Board. At all other meetings, the independent directors of the Board decide whether an *in-camera* session is necessary. During the year ended December 31, 2020, *in-camera* sessions were held at 14 of the 22 Board meetings, and the sole non-independent director, Calin Rovinescu and management were not in attendance for such sessions.

Board and Committee Meeting Attendance

The table below shows the record of attendance by directors at meetings of the Board and its committees during the 12-month period ended December 31, 2020.

Name	Board	Audit, Finance and Risk Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Safety, Health, Environment and Security Committee	Overall Attendance
Ameé Chande	8/8 (100%)	2/2	–	–	2/2	12/12 (100%)
Christie J.B. Clark	22/22 (100%)	5/5 (Chair)	4/4	–	–	31/31 (100%)
Gary A. Doer	22/22 (100%)	3/3	–	7/7	2/2	34/34 (100%)
Rob Fyfe	22/22 (100%)	–	–	6/7	3/4 (Chair)	31/33 (94%)
Michael M. Green	22/22 (100%)	–	–	7/7	4/4	33/33 (100%)
Jean Marc Huot	22/22 (100%)	–	–	7/7	4/4	33/33 (100%)
Madeleine Paquin	22/22 (100%)	–	4/4	–	4/4	30/30 (100%)
Calin Rovinescu	22/22 (100%)	–	–	–	–	22/22 (100%)
Vagn Sørensen	22/22 (100%)	–	4/4	–	–	26/26 (100%)
Kathleen Taylor	22/22 (100%)	5/5	4/4	7/7	–	38/38 (100%)
Annette Verschuren	21/22 (95%)	5/5	4/4 (Chair)	–	–	30/31 (97%)
Michael M. Wilson	21/22 (95%)	5/5	–	7/7 (Chair)	2/2	35/36 (97%)

POSITION DESCRIPTIONS

President and Chief Executive Officer

The Board has adopted a position description for Michael Rousseau, the President and Chief Executive Officer. As President and Chief Executive Officer (“CEO”), the CEO has full responsibility for the



day-to-day operations of the Corporation's business in accordance with its strategic plan and operating and capital budgets as approved by the Board. The CEO is accountable to shareholders, through the Board, for the overall management of the Corporation, and for conformity with policies agreed upon by the Board. The approval of the Board (or appropriate committee) is required for all significant decisions outside of the ordinary course of the Corporation's business. More specifically, the primary responsibilities of the CEO include the following: (i) developing, for the Board's approval, a strategic direction and positioning to ensure the Corporation's success; (ii) ensuring that the day-to-day business affairs of the Corporation are appropriately managed by developing and implementing processes that will ensure the achievement of financial and operating goals and objectives; (iii) fostering a corporate culture that promotes customer focus and service; (iv) keeping the Board aware of the Corporation's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments; and (v) ensuring, in cooperation with the Board, that there is an effective succession plan in place for the CEO and other key senior executive officer positions.

Chairman of the Board

The Board has adopted a position description for the Chairman of the Board. The Chairman, Vagn Sørensen, chairs Board meetings and establishes procedures to govern the Board's work. More specifically, as Chairman of the Board, the primary responsibilities include the following: (i) adopting procedures to enable the Board to conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings; (ii) developing the agenda for Board meetings, Board procedures and the composition of Board committees; (iii) providing the proper flow of information to the Board; (iv) being satisfied that the Board has access to such members of senior management as may be required by the Board; and (v) chairing every meeting of the Board and encouraging free and open discussion at meetings of the Board.

Chair of Each Standing Committee

The Chairs of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee are respectively, Christie J.B. Clark, Annette Verschuren, Michael M. Wilson and Rob Fyfe.

Position descriptions have been adopted by the Board for the Chair of each of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee. According to such position descriptions, the Chair of each committee shall, among other things: (i) be satisfied that the committee fulfills the objectives and responsibilities set out in its charter; (ii) be satisfied that enough time and attention is given to each aspect of the committee's responsibilities; (iii) be satisfied that members of the committee maintain the level of independence required by applicable legislation; (iv) review the annual assessment of the committee and take the appropriate measures to correct the weaknesses underlined by the assessment; (v) be satisfied that the other members of the committee understand the role and responsibilities of the committee; (vi) be satisfied that sufficient information is provided by management to enable the committee to exercise its duties; and (vii) carry out other duties as requested by the Board, depending on need and circumstances.

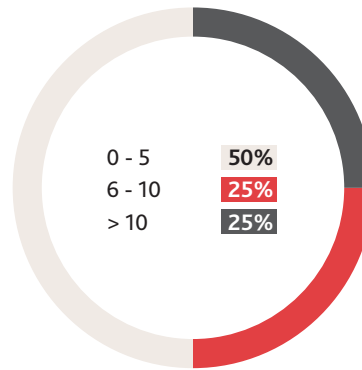
MECHANISMS OF BOARD RENEWAL

The Board's goal is to be a balanced board comprised of members with diverse backgrounds, experience and tenure. In furtherance of that goal, the Board has implemented three primary mechanisms of Board renewal, namely, director term limits, a retirement policy and an annual evaluation process, each of which are described below.



Over the past five years, five new directors have joined the Board and four directors have retired. The average tenure of the director nominees standing for election to the Board is 6.7 years. The following chart shows the number of completed years of Board service of the director nominees:

Completed Years of Board Service



Director Term Limits

Board members are elected annually for a one-year term of service. The policy of the Board, as reflected in the Charter of the Board of Directors, is that a director shall not stand for re-election after the director has served for 15 years from the later of: the date of the 2019 shareholder meeting and the date on which the director first began serving on the Board.

Retirement Policy

The retirement policy of the Board, as reflected in the Charter of the Board of Directors, is that no person shall be appointed or elected as a director of the Corporation if the person has reached 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his or her term beyond the regular retirement age, provided however that such extension is requested in one-year increments. No such exception is currently in place.

TERM LIMITS AND MANDATORY RETIREMENT

Assessment of Directors

It is the role of the Chair of the Governance and Nominating Committee to assess, on an annual basis, the effectiveness of the Board and the effectiveness of the committees. For this purpose, the Chair of the Governance and Nominating Committee oversees the evaluation process described below.

Each year directors are asked to complete a detailed evaluation survey on the effectiveness of the Board and its committees, as well as the effectiveness of the Chairman of the Board and each Committee Chair. The survey provides for quantitative ratings in key areas and seeks subjective comment in each of those areas. The survey is administered by the Vice President and Corporate Secretary and responses are reviewed by the Chair of the Governance and Nominating Committee and the Corporate Secretary. The results of the survey are evaluated with the objective of identifying areas in which the Board and its committees may improve.



After the completion of the annual evaluation process, a summary report is prepared and is presented to the Board. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. In addition, the Chair of the Governance and Nominating Committee meets with each Committee Chair to discuss the results of the survey on his or her effectiveness, and together with the President and CEO provides feedback to the Chairman on his assessment.

The Chairman of the Board conducts individual interviews with each director to discuss the director's contribution as a member of the Board and to obtain feedback from the director on his or her peers.

ANNUAL BOARD AND DIRECTOR EVALUATIONS INCLUDING PEER REVIEWS

NOMINATION OF DIRECTORS

The Governance and Nominating Committee, composed entirely of independent directors, recommends to the Board criteria for the composition of the Board, annually assesses the overall composition of the Board by considering the competencies, skills and personal attributes the Board needs to fulfill its responsibilities, and identifies individuals qualified to become director nominees. In so doing, it invites suggestions from other directors and management, and uses the resources of organizations and seeks advice from experienced and independent search consultants, where necessary. The Chair of the Governance and Nominating Committee leads the process and the CEO is included with a number of directors in the interview process. The Corporation maintains an evergreen list of potential director candidates. The Governance and Nominating Committee regularly considers potential candidates even when the Board does not have an immediate vacancy.

Competencies and Skills

The Governance and Nominating Committee determines the expected competencies and skill-set of new candidates by taking into account the existing strengths of the Board and the needs of the Corporation. The Governance and Nominating Committee also considers potential conflicts of interest and interlocking directorships of potential candidates. Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which the Corporation operates and the ability to satisfactorily represent the Corporation domestically and internationally. For more information concerning the skills possessed by the director nominees, please refer to the skills matrix contained under the heading "Competency Requirements and Other Information".

The Governance and Nominating Committee also reviews the qualifications, skill-set and experience of the candidate nominated by the trustee appointed under the Pension MOUs reached between Air Canada and its Canadian-based unions, the whole as was further detailed at page 30 of this circular under the heading "Trust Arrangement in connection with Pension MOU".

Other Considerations

Directors selected should be able to commit the requisite time for all of the Board's business. Board members are expected to possess the following characteristics and traits:

- (a) demonstrate high ethical standards and integrity in their personal and professional dealings;
- (b) act honestly and in good faith with a view to the best interest of the Corporation;
- (c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as committee members;



- (d) provide independent judgment on a broad range of issues;
- (e) understand and challenge the key business plans and the strategic direction of the Corporation;
- (f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each committee;
- (g) make all reasonable efforts to attend all Board and committee meetings; and
- (h) review the materials provided by management in advance of the Board and committee meetings.

Board Diversity Policy

The Board is committed to maintaining high standards of corporate governance in all aspects of Air Canada's business and affairs, and recognizes the benefits of fostering greater diversity, both in the boardroom and within our workforce in Canada. A fundamental belief of the Board is that a diversity of perspectives maximizes the effectiveness of the Board and decision-making in the best interests of the Corporation. This belief in diversity was confirmed in a written diversity policy first adopted by the Board in February 2015 and more recently amended in February 2020.

The diversity policy states that candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board including the representation of members of "designated groups" as defined in the *Employment Equity Act* (that is, women, members of visible minorities, Indigenous peoples and persons with disabilities). Accordingly, consideration of the number of women on the Board, along with consideration of whether other diverse attributes are sufficiently represented, is an important component in the search for and selection of candidates.

In furtherance of diversity, the Board established as its target that women represent at least 30% of the directors of Air Canada by 2020. The Corporation is a member of the 30% Club and a signatory to the Catalyst Accord 2022, whose objective is to increase the average percentage of women on boards and in executive positions in corporate Canada to 30% or greater by 2022. In addition, the Corporation is a signatory to the BlackNorth Initiative CEO Pledge which recognizes the need to create opportunities for Black people in Canada and as part of the Pledge, Air Canada committed to have, at a minimum, 3.5% of board and executive roles being held by Black leaders by 2025.

The Board has not adopted formal targets for any other designated groups, as the Board takes these personal characteristics into account in the process of selecting individual candidates.

Presently, four out of 12 directors (33%) are women and one out of 12 directors (8%) is a member of a visible minority. Following the shareholder meeting and assuming all director nominees are elected, four out of 12 directors (33%) will be women and one out of 12 directors (8%) will be a member of a visible minority. None of the current directors or nominees have self-identified as an Indigenous person or a person with a disability.

33% OF THE DIRECTOR NOMINEES ARE WOMEN

Annually, the Governance and Nominating Committee reviews this policy and assesses its effectiveness in promoting a diverse Board of Air Canada. It also reviews the Board's composition and any anticipated vacancies in light of the diversity policy and objectives.

ORIENTATION AND CONTINUING EDUCATION

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of Air Canada's business. Each new director is also asked to



review the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he or she is expected to play as a director and a committee member. Extensive documentation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.

As part of its mandate, the Governance and Nominating Committee is also responsible for providing a continuous education program for directors of the Board. The continuous education program provides directors with opportunities to develop skills that are essential to their directorship at Air Canada and to ensure that they are up to date in their awareness of company and industry issues and their duties and responsibilities as directors. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. In the past year, the Board of Directors participated in sessions on particular aspects of the aviation business, global developments and operations. The Board also participated in strategy sessions, receiving presentations from external consultants and management. In addition, directors have complete access to management to understand and keep up-to-date with Air Canada's business and for any other purposes that may help them fulfill their responsibilities.

The Corporation provides directors with regular reports on the operations and finances of Air Canada. Management periodically briefs the Board with up-to-date industry studies and benchmarking information. At each regular Board meeting, the directors are provided with updates and short summaries of relevant information on material developments that could affect Air Canada's business. Furthermore, aircraft operations centers and airport facility tours are available for directors so they can enhance their understanding of the operational aspects of Air Canada's business.



The following table provides details on certain director training initiatives undertaken in 2020.

Director Continuing Education 2020		
Topic	Presentation By	Directors Attending
Aircraft fleet developments	Senior Vice President, Finance, Air Canada	All directors
Airline loyalty programs and digital channels	Vice President, Loyalty and eCommerce, Air Canada Managing Director, Brand, Air Canada	All directors
Cargo business and opportunities	Deputy Chief Executive Officer and Chief Financial Officer, Air Canada	All directors
Global airline alliances	Vice President, Network Planning and Alliances, Air Canada	All directors
Accessible transportation for persons with disabilities regulations	Senior Director, Passenger Bill of Rights, Air Canada Managing Attorney, Customer Regulatory and Resolution, Air Canada	All members of the Audit, Finance and Risk Committee, and Jean Marc Huot, Madeleine Paquin, Calin Rovinescu, Vagn Sørensen
Recent trends in executive compensation	Independent consultant	All members of the Human Resources and Compensation Committee, and Madeleine Paquin, Calin Rovinescu, Vagn Sørensen, Annette Verschuren

AIR CANADA CODE OF CONDUCT

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the “Code”) which was last amended by the Board in February 2021. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com and on the Corporation’s website at www.aircanada.com. The Code addresses, among other things, conflicts of interest, use of company assets, confidential information, compliance with laws, fair dealing with other people and organizations, employment policies, computer, e-mail, internet and other authorized technologies, and reporting actual or potential misconduct or violations of the Code.

The Board, with the assistance of the Audit, Finance and Risk Committee, has the responsibility for monitoring compliance with the Code. The Code has been communicated or brought to the attention of all employees of Air Canada and its wholly-owned subsidiaries that have not adopted their own policies and guidelines. All new employees are required to complete an acknowledgment form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the



employees under their supervision fully comply with the Code. In addition, all directors of Air Canada and members of management are required to complete the acknowledgment form on an annual basis. The Code also includes a “whistle-blower policy” whereby employees can report violations of the Code on a confidential basis including through an anonymous reporting telephone hotline and online system administered by an independent third party. The Board has concluded that such measures are appropriate and sufficient. Since the adoption of the Code, Air Canada has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

The Code also provides that all employees, including executive officers, are required to disclose to the Corporation any and all business, commercial or financial interests or activities that may create a conflict of interest. As for directors, in addition to the relevant provisions of the *Canada Business Corporations Act*, the Charter of the Board provides that each director shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. The Charter of the Board also provides that a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

SHAREHOLDER ENGAGEMENT

Air Canada recognizes the importance of strong and consistent engagement with our shareholders and other stakeholders. The Board of Directors is mandated to ensure systems are in place for communication with the Corporation’s shareholders and other stakeholders. Air Canada maintains a phone number as well as email and regular mail addresses for stakeholder feedback and questions. Please refer to the section entitled “How to Request More Information” at page 113 of this circular.

In addition, the Corporation encourages shareholders to attend its annual meeting in person or via webcast. This year only the webcast will be available. The annual meeting provides a valuable opportunity to hear directly from management about the results of Air Canada’s business and operations, as well as our strategic plans. Members of the Board are in attendance at annual meetings, and the Chairman and the Chair of each committee are available to answer questions as appropriate. Senior management also hold quarterly conference calls and webcasts with the investment community to review Air Canada’s most recently released financial and operating results, and an Investor Day was held in February 2019 as well.

The Board recognizes that it is also important for the Board to communicate with shareholders on matters that are important to them. Shareholders may contact the Board through the Chairman via email at corporate.secretary@aircanada.ca or the following postal address: Air Canada, Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

In 2016, the Corporation began inviting major institutional investors to meet with the Chairman and other members of the Board on an annual basis. During 2020, shareholders who at that time collectively owned approximately 35% of Air Canada’s outstanding shares were invited to meet individually with the Chairman and the Chairs of the Governance and Nominating Committee and the Human Resources and Compensation Committee. The Executive Vice President and Chief Financial Officer and members of the senior management team regularly communicated with various stakeholders to listen to their opinions on matters important to them.



BOARD COMMITTEES

The Board has four standing committees:

- the Audit, Finance and Risk Committee;
- the Governance and Nominating Committee;
- the Human Resources and Compensation Committee; and
- the Safety, Health, Environment and Security Committee.

All committees of the Board are composed of independent directors. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed annually to ensure that they reflect best practices as well as applicable regulatory requirements. This section contains information about the members, objectives and responsibilities of each committee.

AUDIT, FINANCE AND RISK COMMITTEE

The Audit, Finance and Risk Committee shall be composed of not less than three directors, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board. The members of the Audit, Finance and Risk Committee shall have no relationships with management, the Corporation and its related entities that in the opinion of the Board may interfere with their independence from management and from the Corporation. In addition, an Audit, Finance and Risk Committee member shall not receive, other than for service on the Board or the Audit, Finance and Risk Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries.

The members of the Audit, Finance and Risk Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit, Finance and Risk Committee and in particular each member of the Audit, Finance and Risk Committee shall be “financially literate” and at least one member of the Audit, Finance and Risk Committee shall be a “financial expert” as defined by relevant securities legislation or regulations.

The purpose of the Audit, Finance and Risk Committee is as follows:

- To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation’s financial reporting and audit process;
- To maintain and enhance the quality, credibility and objectivity of the Corporation’s financial reporting and to satisfy itself and oversee management’s responsibility as to the adequacy of the supporting systems of internal financial and accounting controls;
- To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor;
- To monitor the performance of the internal financial and accounting controls and of the internal and external auditors;
- To provide independent communication among the Board, the head of corporate audit and advisory, and the external auditor;
- To facilitate in-depth and candid discussions between the Audit, Finance and Risk Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting; and
- To assist the Board in the discharge of its oversight responsibility in relation to the Corporation’s enterprise risk management process, except in regard to risks for which the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee have been delegated responsibility by the Board.



The responsibilities of the Audit, Finance and Risk Committee include the following:

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the head of corporate audit and advisory;
- Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related Management's Discussion and Analysis, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents;
- Review with management, the external auditor and legal counsel, the Corporation's procedures to be satisfied that it complies with applicable laws and regulations;
- Meet with the Corporation's external auditor to review and approve their audit plan;
- Review and approve estimated audit and audit-related fees and expenses;
- Review and approve the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of work;
- Review a report from the external auditor that describes any relationship between the external auditor and the Corporation and states that in the external auditor's professional judgment it is independent of the Corporation;
- Evaluate the performance of the external auditor;
- Review and approve the mandate, reporting relationships and resources of the corporate audit and advisory department to ensure that it is independent of management and has sufficient resources to carry out its mandate;
- Review significant emerging accounting and reporting issues;
- Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters;
- Review and approve the Corporation's public disclosure policy;
- Review with the corporate audit and advisory department and management all key enterprise risk exposures and the steps management has taken to monitor/control and mitigate those exposures;
- Review with management regular reports with respect to the Corporation's system of disclosure controls and procedures and internal controls over financial reporting;
- Review and approve all related party transactions as such term is defined in *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* of the *Autorité des marchés financiers* and Multilateral Instrument 61-101 issued by the Ontario Securities Commission;
- Monitor contingent liabilities of the Corporation and its subsidiaries;
- Periodically review any administrative resolutions adopted pursuant to the Corporation's by-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations;
- Review and approve the corporate donations policy and the annual corporate donations budget; and
- Monitor the Corporation's performance compared to budget for both its annual operating and capital plans.

The Audit, Finance and Risk Committee met five times during the period from January 1, 2020 to December 31, 2020.



The Audit, Finance and Risk Committee is currently composed of:

Christie J.B. Clark (Chair)
Amee Chande
Kathleen Taylor
Annette Verschuren
Michael M. Wilson

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee shall be composed of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable legislation).

The purpose of the Governance and Nominating Committee is as follows:

- To assist the Board in fulfilling its responsibilities by being satisfied that corporate governance guidelines are adopted, disclosed and applied including director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, and annual performance evaluation of the Board; and
- To identify individuals qualified to become new Board members and recommend to the Board the nominees for each annual meeting of shareholders.

The responsibilities of the Governance and Nominating Committee include the following:

- Review criteria regarding the composition of the Board and the committees of the Board;
- Review criteria relating to director tenure such as retirement age;
- Assess the effectiveness of the Board as a whole and its committees;
- Review the adequacy and form of director compensation in the context of the responsibilities and risks involved in being an effective director and make recommendations to the Board;
- Review and develop position descriptions for the Chairman, the Committee Chairs and the President and CEO;
- Recommend the types, charters and composition of the Board committees;
- Recommend the nominees to the chairmanship of the Board committees;
- Be satisfied that appropriate structures and procedures are in place so that the Board can function independently of management;
- Put in place an orientation and continuing education program for new and existing directors on the Board;
- Review and recommend any proposed amendments to the Corporation's by-laws;
- Review and recommend the Corporate Policy and Guidelines on Business Conduct and any amendments thereto;
- Review and recommend the annual corporate sustainability report and company policy relating to the Corporation's commitment to corporate social responsibility and any amendments thereto;
- Approve proposed outside directorships extended to officers of the Corporation;
- Assist the Board in determining what competencies and skills the Board, as a whole, should possess and what competencies and skills each existing director possesses;
- Assist the Board in determining the appropriate size of the Board, with a view to facilitating effective decision-making;
- Develop and review criteria regarding personal qualification for Board membership, such as background, experience, technical skill, affiliations and personal characteristics, and develop a process for identifying candidates;



- Review the Board diversity policy annually and make recommendations to the Board;
- Identify individuals qualified to become new Board members and recommend the nominees for each annual meeting of shareholders; and
- Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.

The Governance and Nominating Committee met four times during the period from January 1, 2020 to December 31, 2020.

The Governance and Nominating Committee is currently composed of:

Annette Verschuren (Chair)
Christie J.B. Clark
Madeleine Paquin
Vagn Sørensen
Kathleen Taylor

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee shall be composed of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The purpose of the Human Resources and Compensation Committee is as follows:

- To assist the Board in the discharge of its oversight responsibilities in the field of human resources and compensation including: (i) the Corporation's compensation philosophy and policies, and major compensation programs, (ii) the compensation for the CEO and members of executive management, (iii) succession plans for executive officers and key senior leadership roles, and (iv) key talent management strategies and practices;
- To assist the Board in the discharge of its responsibilities for the monitoring and oversight of the Corporation's retirement plans to ensure pension liabilities are appropriately funded as required, pension assets are prudently invested, the risk is managed at an acceptable level for the stakeholders, including financial risks defined by the statement of investment principles and beliefs, and retirement benefits are administered in a proper and effective manner; and
- To assist the Board in the discharge of its oversight responsibilities for risks related to human resources including talent management, employee conduct, succession planning, compensation and pension matters.

The responsibilities of the Human Resources and Compensation Committee include the following:

- Develop compensation philosophy and guiding principles;
- Review the compensation policies and major compensation programs of the Corporation and its subsidiaries against business objectives, operations and the risks to which the Corporation and such subsidiaries are exposed;
- Review the major compensation programs of the Corporation and its subsidiaries to ensure program design and payout align with sound risk management principles and practices;
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, taking into account market practices and comparator group benchmarks. The Chairman of the Board and the Chair of the Committee shall evaluate the CEO's performance in light of those goals, objectives and business performance measures, and based on this evaluation, the Committee shall make recommendations to the Board with respect to the CEO's compensation;



- Review the performance of other executive officers, as summarized by the CEO and recommend to the Board the compensation of the executive officers;
- Review the compensation of non-officer vice presidents;
- Review and make recommendations to the Board with respect to the design, payout and funding of the incentive compensation plan, equity-based plans and other major compensation plans, and any amendments thereto;
- Review executive compensation disclosure before public dissemination, including the review of the annual report on executive management compensation for inclusion in the circular, in accordance with applicable rules and regulations;
- Regularly review succession and contingency plans for executive management and key senior leadership roles;
- Review the talent management practices for critical skills required to execute the Corporation's strategic goals;
- Review the key measurable objectives of the Corporation's diversity action plan and monitor progress on the achievement of such objects;
- Unless otherwise referred to the Board by the Committee, approve all decisions to initiate, merge, split, terminate and/or otherwise fundamentally restructure any of the Corporation's retirement plans where the expected impact of such decisions on the Corporation is material, as defined in a policy on materiality of benefits changes approved by the Board;
- Approve, in concept, changes to plan provisions that affect the cost of retirement benefits in a material way;
- Review and recommend to the Board a governance structure for the retirement plans;
- Approve the appointment of the actuary for the pension plans;
- Approve the major actuarial assumptions for the valuation of the liabilities of the defined benefit pension plans;
- Approve on an annual basis the manner of funding of consent benefits, as provided under certain plan provisions, and determine on at least a quarterly basis to grant or deny consent benefits to members;
- Approve the contributions to the pension funds of the defined benefit pension plans in accordance with the actuarial valuation reports;
- Establish a statement of investment principles and beliefs with respect to managing the investments for defined benefit and capital accumulation plans;
- Approve the long-term asset mix policy for the defined benefit pension plans;
- Approve the broad nature of the investment program for the capital accumulation plans;
- Recommend a funding policy which sets out guidelines with respect to the valuation and funding of the liabilities of any supplemental executive retirement plan; and
- Approve any contributions to a supplemental executive retirement plan within the guidelines of the funding policy, subject to review by the Board.

The Human Resources and Compensation Committee met seven times during the period from January 1, 2020 to December 31, 2020.



The Human Resources and Compensation Committee is currently composed of:

Michael M. Wilson (Chair)
Gary A. Doer
Rob Fyfe
Michael M. Green
Jean Marc Huot
Kathleen Taylor

SAFETY, HEALTH, ENVIRONMENT AND SECURITY COMMITTEE

The Safety, Health, Environment and Security Committee shall be composed of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The purpose of the Safety, Health, Environment and Security Committee is as follows:

- To assist the Board in the discharge of its oversight responsibilities concerning safety, health, environment and security matters including in relation to (i) strategies, policies, systems and processes of the Corporation and its subsidiaries, (ii) management of risks relating to safety, health, environment and security matters, and (iii) compliance with statutory and regulatory obligations.

The responsibilities of the Safety, Health, Environment and Security Committee include the following:

- Review the strategies, policies, systems, standards and processes established by management to protect the Corporation's reputation as one of the world's safest and secure airlines, and to promote a culture of safety, health, security and environmental protection;
- Review and recommend to the Board for approval major corporate policies related to safety, health, environment and security matters;
- Review the effectiveness of the Corporation's risk management framework in relation to safety, health, environment (including climate change) and security matters;
- Through the receipt of periodic reports, review and discuss with management all key enterprise risk exposures related to safety, health, environment and security matters, and the steps management has taken to monitor/control and mitigate those exposures;
- Review the adequacy of safety, health, environment and security systems for the reporting of actual or potential accidents, breaches and incidents, as well as investigations and remedial actions;
- Receive regular reports on safety and environmental performance;
- Review the Corporation's compliance with all relevant statutory and regulatory obligations and its adoption of policies, standards and processes in accordance with best practices of the airline industry;
- Review reports on matters before the Corporate Safety Board and the Corporate Environment Board on performance, audit findings, remedial actions and regulators' recommendations or directives;
- Receive reports on the Corporation's oversight of the safety and security programs and processes of the Air Canada Express carriers;
- Receive reports on the Corporation's oversight of the safety and security processes maintained by code- share and joint venture partners; and
- Monitor plans and progress for improvement initiatives and ongoing development of organizational capability.



The Safety, Health, Environment and Security Committee met four times during the period from January 1, 2020 to December 31, 2020.

The Safety, Health, Environment and Security Committee is currently composed of:

Rob Fyfe (Chair)
Ameé Chande
Gary A. Doer
Michael M. Green
Jean Marc Huot
Madeleine Paquin



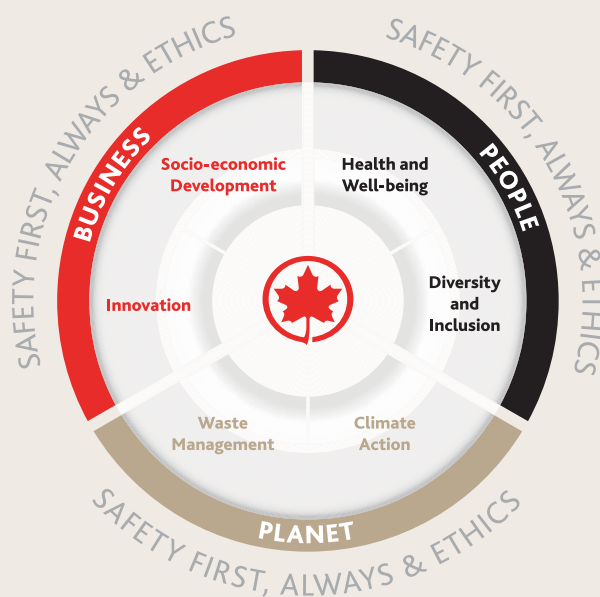
SUSTAINABILITY AND SOCIAL IMPACT

Air Canada’s vision for its recovery — to restore and rebuild towards its global champion ambition — is predicated on leveraging the solid foundation it has built over the past several years, which focuses on the following four core priorities to continuously improve the customer experience and employee engagement and to create value for shareholders, employees, customers, communities, and other stakeholders:

- pursuing profitable international growth opportunities and leveraging competitive attributes;
- engaging customers by continually enhancing their travel experience and by consistently achieving customer service excellence;
- identifying and implementing cost-reduction and revenue-enhancing initiatives; and
- fostering positive culture change.

These priorities continue to be important pillars of Air Canada, as it seeks to recover from the impact of the COVID-19 pandemic.

Air Canada also recognizes that a cornerstone of its success is sustainable development and that it must also be embedded in Air Canada’s culture. Culture enables and drives sustainability in various ways and at various levels: it influences long-term behaviours, builds identity, encourages innovation and contributes to sustainable management practices. Air Canada’s culture has also been critical to its agility — its ability to navigate, to quickly and continually adapt to the pandemic. Air Canada’s culture is what drives our plan of action for people, the business and the planet.



Environmental, social and governance (“ESG”) practices are integrated in Air Canada’s business. Corporate sustainability initiatives are identified and coordinated through a Corporate Sustainability Working Group and a Corporate Sustainability Steering Committee. The Corporate Sustainability Working Group, comprised of senior management subject-matter experts from diverse functions, is tasked with the oversight and monitoring of Air Canada’s corporate sustainability initiatives. The Corporate Sustainability Working Group reports on the progress of such initiatives to the Steering Committee, which includes several executives.

Air Canada’s social and environmental achievements are reported through its Corporate Sustainability Report “Citizens of the World” prepared in accordance with the Global Reporting Initiative (“GRI”)



standards. Internationally recognized as a leader in sustainability reporting standards, GRI standards help maintain transparency in corporate reporting related to performance on ESG matters. Seven indicators, including Scope 1 and 2 greenhouse gas (“GHG”) emissions, are verified by an independent external party, following internationally recognized standards. Information on Air Canada’s carbon footprint, targets and climate protection strategy have been reported through the Climate Disclosure Project (“CDP”) for the past 13 years. The CDP questionnaire incorporates and aligns with the Task Force on Climate-related Financial Disclosures (“TCFD”) framework. To access the CDP, please visit: www.cdp.net.

Air Canada is also committed to pursuing the sustainable development goals (“SDGs”) and has joined the UN Global Compact, an organization that encourages all businesses to adopt sustainable and socially responsible practices. The 17 SDGs are at the heart of the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015 and provide a shared blueprint for peace and prosperity for people and the planet, now and into the future.

Air Canada’s corporate sustainability reports, GRI Content Index (and related charts), and the 2019 United Nations Communication of Progress are available at www.aircanada.com/citizensoftheworld. Going forward, Air Canada will be incorporating the Sustainability Accounting Standards Boards (SASB) standards in its 2021 Corporate Sustainability Report and further aligning with the TCFD framework in climate-related reporting.

Continuously maintaining transparency and accountability, we have engaged a third party to perform an independent, limited assurance review on seven performance indicators. For information regarding the scope of the limited assurance and statement, please visit www.aircanada.com/citizensoftheworld.

Below is a brief overview of certain ESG achievements and objectives. A further discussion is available in our 2020 Annual Report and a more detailed ESG discussion will be provided in Air Canada’s 2020 Corporate Sustainability Report.

2020 ACHIEVEMENTS

Business

Air Canada accomplished the following in 2020, contributing to its long-term sustainable business plan:

Repatriation flights — Air Canada operated repatriation flights to bring nearly 10,500 Canadians home from abroad.

COVID-19 Mitigation and Recovery Plan — In 2020, focusing on safety, public health and well-being and, as a result of the pandemic, Air Canada:

- Developed and launched Air Canada CleanCare+, an industry-leading comprehensive biosafety program.
- Implemented health checks and face coverings in advance of any regulatory requirement to do so.
- Launched TouchFree Bag Check for flights departing Canadian airports.
- Established medical and testing collaborations (e.g., MHL Labs, BlueDot, Cleveland Clinic Canada).
- Introduced optional facial biometrics boarding for certain flights to Canada from the U.S.
- Offered special benefits and accommodation for Aeroplan Members in light of COVID-19, including complimentary Manulife COVID-19 insurance.
- Continued to respond to Transport Canada, IATA/IOSA requirements for audits and continuously ensured that risk to the organization is mitigated.
- Maintained approximately 50% of its workforce at the end of 2020 despite the severe impact of the COVID-19 pandemic, including the significant drop in customer traffic compared to the 2019 levels.



Air Canada quickly reacted to the pandemic by expanding and modifying its cargo operations, and more than 4,000 cargo-only flights were operated. In addition:

- An agreement was reached with ACPA (the union representing its pilots) to allow for expanded cargo operations.
- Aircraft were retrofitted and Transport Canada approval was received to convert passenger aircraft to all-cargo flights (including aircraft cabin).

Air Canada launched the transformed Aeroplan Loyalty Program, designed to put the member experience first.

Air Canada Vacations continued efforts with suppliers and hotel partners to reduce activities related to attractions involving dolphins and conducted sustainability practices audits with its hotel partners.

People

- In 2020, in response to the COVID-19 pandemic, Air Canada implemented or initiated:
 - COVID-19 rapid response screening facilities for office-based and operational employees at primary hubs.
 - A trial application of COVID-19 contact tracing technology in certain Toronto workplace facilities, using the Bluetooth-enabled TraceSCAN app and wearable technology developed by Canadian-based Facedrive Inc.
 - A telework policy for employees.
 - A COVID-19 Return to Work manual, providing up-to-date guidelines for employees when re-entering the workplace.
 - A Leadership in COVID-19 training series to support people managers and employees.
 - Weekly COVID-19 communications in collaboration with Cleveland Clinic Canada for all employees.
- The Virtual Reality Back Injury Prevention Program, leveraging technology to provide a new training experience for employees.
- The corporate safety pulse survey, with a response rate of above 30%.
- A ramp Gamification Program for hazard identification was introduced to training materials.
- A total of 125 digital learning courses for career and self-development and specific development opportunities were introduced through conversation sessions, online learning cohorts, and self-led online programs.
- Unlock the Best in You, Air Canada's Corporate Wellness Program, was expanded.
- Air Canada stepped up its diversity and inclusion initiatives and developed new partnerships:
 - Performed an employee survey and focus groups on Diversity and Inclusion.
 - BlackNorth Initiative CEO pledge.
 - Judy Cameron and Inspire scholarship awards.
 - Pinball Clemons Foundation bursary for people of colour.
 - Women in Aviation (WIA) — A Day in Aviation, an event where more than 30 young women from an all-girls school focused on science, technology, engineering and mathematics (STEM) to encourage them to consider the aviation industry as a career choice.
 - Air Canada Indigenous employees and members from the Diversity and Inclusion team met with over 600 Indigenous students at Soaring: Indigenous Youth Empowerment Gathering, an annual event organized by Indspire, to discuss and explore post-secondary and career opportunities that are available for students.



- Made history on March 5, 2020 with flight AC167 from Toronto to Edmonton — the first transcontinental flight operated by an all female crew to be guided by all-female Nav Canada Air Traffic Controllers from departure in Toronto to landing in Edmonton.
- Air Canada and the Air Canada Foundation engaged with and supported communities by distributing in-kind support, engaging in partnerships, carrying out fundraising initiatives and granting financial support to Canadian-registered charities.

Planet

Despite the financial impact of the global pandemic, Air Canada continued to advance its environmental initiatives and reduce its carbon footprint by:

- Installing electric chargers for ground support equipment (GSE) in Montréal.
- Receiving the YVR Green Excellence Award for a second consecutive year in recognition of Air Canada's efforts to reduce its energy and water consumption usage.
- Attaining IEnvA stage 2 certification for its Environmental Management System.
- Signing the Buckingham Palace Declaration and attaining International Air Transport Association (IATA) Illegal Wildlife Trade (IWT) certification for cargo operations.
- Achieving pre-pandemic, 2020 Corporate Waste Strategy targets.
- Repurposing 809 tonnes of Air Canada materials rather than sending them to landfills.
- Making socially responsible items available for sale through Aeroplan eStore.
- Reducing the number of printed brochures at Air Canada Vacations by 60% (year over year) and engaging with partners to do the same.

RECOGNITIONS

Airline Passenger Experience Association (APEX)

- 5-star rating
- Diamond Status Certification for Air Canada CleanCare+

GT Tested Reader Survey Awards (*Global Traveler*)

- Best Airline in North America
- Best Airline Cabin Cleanliness (inaugural award)
- Best Frequent-Flyer Award Redemption — Aeroplan
- Best Airline for Onboard Entertainment (second consecutive year)
- Best Airline, Premium Economy (second consecutive year)
- Best Airline, Onboard Menu — Business Class

The Trazees (aimed at travelers aged 25-40)

- Favourite Airline in North America (second consecutive year)

Wherever Awards (aimed at the modern travelling family) (*Global Traveler*)

- Best Family-Friendly Airline in North America (second consecutive year)
- Best Family-Friendly International Airline

Institutional Investor

- Top company for corporate leadership and investor relations expertise
- Highest ranked organization in the consumer business category.



Loyalty360 Awards

- Platinum Award — Innovation in Corporate Social Responsibility
- Bronze Award — Business Transformation

Canada's Top 100 Employers 2020 (Mediacorp) (seventh straight year)

Montréal Top Employers 2020 (Mediacorp)

Best Diversity Employers 2021 (Mediacorp) (sixth consecutive year)

Forbes' World's Best Employers 2020

Employment Equity Achievement Award

- Diversity & Inclusion from Employment and Social Development Canada (ESDC)

YVR Green Excellence Award (second consecutive year)

2021 OBJECTIVES PREVIEW

The following is an overview of programs to be initiated or continued in 2021:

BUSINESS

- Continue to promote Air Canada's Safety First, Always culture, through key objectives, focused on risk management and reporting, the safe reintroduction of the Boeing 737 MAX, cargo operations, and new routes, equipment, initiatives and projects.
- Continue to support and promote COVID-19 biosafety compliance and measures.
- Reduce lost-time injuries (per 10,000 flights) by 8% from 2020 levels.
- Build custom business apps for compliance monitoring of injury programs.
- Further sustainable procurement practices, through procurement policies and training.
- Act on Air Canada's 2020–23 Linguistic Action Plan to further Air Canada's official languages maturity.
- Air Canada Vacations will continue to enhance sustainable tourism practices with employee training and raise customer awareness about responsible excursions and via promotion and introduction of additional initiatives.
- Include SASB standards in 2021 Corporate Sustainability Report.
- Enhance the UN Communication of Progress accompanying the Corporate Sustainability Report and publish a Sustainable Development Goals index, identifying Air Canada's progress against each goal.

PEOPLE

- Continue to promote and improve resources, tools and programs for employees' development, engagement and well-being, especially in the face of the continued pandemic, including through:
 - Appropriate tools and continuous workplace safety measures.
 - New and continuous UBY offerings and other assistance programs.
 - Talent development plans.
- Engage with customers with adapted offerings, as the ability to travel gradually returns.
- Continue to help communities in need from coast to coast, through in-kind donations, employee volunteering, fundraising or special initiatives.
- Deepen community relations by supporting socio-economic development and by supporting organizations focused on innovation, health and wellness, diversity and inclusion, official languages and the environment.



PLANET

- Advance Air Canada’s climate change strategy and partnerships, focusing on the following ambitious goal and targets:
 - 2050 goal:
 - net-zero GHG emissions from all Air Canada operations
 - 2030 targets:
 - 20% absolute GHG reductions from flights compared to 2019
 - 30% absolute GHG reductions from ground operations compared to 2019
 - Investments in sustainable fuels and carbon compensation mechanisms
- Incorporate TCFD framework in climate-related reporting.
- Demonstrate commitment to the Buckingham Palace Declaration through specific activities designed to raise awareness of illegal wildlife trafficking.
- Continue advancing Air Canada’s IEnvA certified environmental management system.
- Evolve the next set of Corporate Waste Strategy targets.
- Implement a water conservation program.



EXECUTIVE COMPENSATION

This section describes our executive compensation philosophy and programs, and provides the details on the compensation of our named executive officers.

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MESSAGE FROM THE HUMAN RESOURCES AND COMPENSATION COMMITTEE (HRCC)

Dear fellow shareholders,

We can write 2020 as the bleakest year in the history of commercial aviation, after having reported several years of record results and record growth at Air Canada. The catastrophic impact of the COVID pandemic, which has deeply impacted all of our stakeholders, was ultimately handled with skill, professionalism, resilience and a focus on safety by the executive team and the many employees of Air Canada. In other words, our executive team, working with the Board of Directors, handled 2020 like one would expect from an industry leader like Air Canada. We have the company primed for a recovery when the COVID-19 pandemic recedes, although we know it will be a multi-year effort.

The details of our executive compensation program follow this letter in the Compensation Discussion & Analysis, in which we have provided detailed information and context for investors. There are three primary components to the CD&A as we examine 2020:

- Executive compensation was dramatically affected by the widespread financial wreckage caused by the COVID-19 pandemic. The Board of Directors and the executive team acted quickly in the spring of 2020 to implement voluntary base pay reductions for executives. As you will see in the CD&A, annual and long-term incentives for executives also reflect a year in which Air Canada's shareholders, along with other investors in the global airline industry, lost significant value in their holdings. Both of these decisions support our pay-for-performance philosophy, which always guides our decisions at the Board level.
- The Board also believes strongly that Air Canada's executive leadership put the company into an enviable position prior to the global pandemic. 2019 was a capstone year, and we were confident at the outset of 2020 that 2020 would continue an outperforming decade, where Air Canada was the highest performing stock on the TSX. It started that way, pre-pandemic. Despite this historically difficult year for Air Canada's finances, our leaders helped the company and its shareholders weather the storm and keep the business in strong financial position while maintaining respect for our brand and what it represents for Canadians and global travelers. We believe we must retain and motivate our senior leaders to help Air Canada recover as quickly as possible, and you will see some compensation decisions to support those goals.
- A change in the top leadership occurred for the first time in almost 12 years earlier this year. With the retirement of long-time President and CEO Calin Rovinescu effective February 15, 2021, then Deputy CEO and Chief Financial Officer Michael Rousseau succeeded him as part of a planned and orderly transition.

2020 CORPORATE PERFORMANCE THAT INFLUENCED NEO PAY

The following are highlights in four key categories of corporate performance that influenced pay for named executive officers: Financials, Share Price, COVID-19 Pandemic Mitigation and Recovery Plan and External Recognition.

Financials

The impact of the COVID-19 pandemic resulted in a 73% decline in passengers carried and an operating loss of nearly \$3.8 billion. Air Canada finished the year with an operating revenue totaling \$5.8 billion compared to \$19.1 billion in 2019, a negative EBITDA of \$(2,043) million and adjusted pre-tax income of \$(4,425) million, both down significantly from 2019.

EBITDA and adjusted pre-tax income are not recognized measures for financial statement presentation under generally accepted accounting principles in Canada (GAAP), do not have standardized meanings,



may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results.

Share Price

Over the course of 2020, Air Canada shares lost more than 50% of their market value (on January 2, 2020, Air Canada's shares on the TSX closed at \$50.00, and on December 31, the price closed at \$22.77). Not surprisingly, the share price started falling in late January and February when the COVID-19 pandemic started to restrict global travel. It's worth noting that Air Canada was one of the first airlines in the world to suspend service to China, on January 29, to help prevent the spread of the coronavirus.

By mid-March, the share price had fallen even more dramatically to a low of \$9.26 after Canada and other countries imposed unprecedented travel restrictions, border closures and social distancing requirements, essentially shutting down air travel in much of the world.

COVID-19 Pandemic Mitigation and Recovery Plan

Our senior executives, in consultation with the Board of Directors, reacted urgently, decisively and skillfully to mitigate the impact of the COVID-19 pandemic on the Company, raising significant liquidity from capital markets, significantly reducing costs and capital spending, suspending service to many cities, closing airport stations, retiring older aircraft from the fleet, deferring capital projects, reducing future aircraft commitments, and reducing staff by more than 20,000 through layoffs, mitigation programs and government programs — to soften the impact on the business, while preserving the Company's core assets and franchise.

And with equal vigor, the Leadership team played offense — implementing industry-leading personal safety and sanitary measures, ramping up cargo operations, investing in key customer facing technologies and initiatives such as the re-launch of Aeroplan and the introduction of a new passenger sales and service system and accelerating plans for a more carbon-friendly fleet — to position the company to recover as quickly as possible.

As part of its COVID-19 Mitigation and Recovery Plan, Air Canada has implemented or will be implementing the following measures:

Customer Service and Safety

Air Canada makes safety its first consideration in all that it does and has been continually updating its health and safety policies and procedures for travellers and employees in airports, onboard aircraft and in other workplaces to account for new information about COVID-19 as it becomes available. This includes a requirement for customers and crew to wear a protective face covering, as well as enhanced protective personal equipment for airport agents and crews, the reinforcement of safe practices such as frequent handwashing and collaborating with the Canadian federal government to screen passengers to help determine fitness for flying.

- To underscore its commitment to customer and employee safety, Air Canada introduced Air Canada CleanCare+. This program is designed to reduce the risk of exposure to COVID-19 through such measures as enhanced aircraft grooming, mandatory preflight customer temperature checks and facial coverings, in addition to required health questionnaires and providing all customers with care kits for hand cleaning and hygiene. In January 2021, Air Canada received the Diamond certification from the Airline Passenger Experience Association (APEX) Health Safety powered by SimpliFlying. The Diamond Certification recognized the airline for achieving hospital-grade levels of biosecurity across multiple passenger touchpoints. The certification program aims to create a global standard for health and safety measures focused on airline customers.
- Air Canada has introduced numerous touchless processes throughout the customer journey, including: TouchFree Bag Check for flights departing from Canadian airports, the ability to order



food directly in Maple Leaf Lounges from smartphones and tablets, touchless self-entry to the Air Canada Café for when it reopens, and provisioning of all newspapers and magazines in digital format via PressReader.

- Air Canada has undertaken several medical collaborations to continue advancing biosafety across its business, including with Cleveland Clinic Canada in Toronto, a renowned global healthcare leader, to provide additional science-based evidence in our ongoing COVID-19 response; with Ottawa-based Spartan Bioscience to explore rapid COVID-19 testing in an aviation environment; and, since early 2019, with Toronto-based BlueDot, a company that monitors infectious diseases globally in real time to provide accurate, relevant information to make business and safety decisions quickly.
- Air Canada partnered with McMaster HealthLabs and the Greater Toronto Airports Authority in a study of international travellers arriving at Toronto Pearson International Airport. Final results have been analyzed and submitted for publication by McMaster HealthLabs and the University of Toronto during the second quarter of 2021 and are currently accessible via MedRx preprint server. Of note, the study concludes a single arrival test will pick up two-thirds of individuals who will become positive, with most of the rest detected on the second test at day 7. These results support strategies identified through mathematical models that a reduced quarantine combined with testing can be as effective as a 14 day quarantine.
- Air Canada is finalizing an initial order of Abbott's ID NOW COVID-19 rapid response tests as part of its ongoing evaluation of COVID-19 testing technology and protocols, one of the first private sector companies to do so.
- Air Canada recently conducted a trial with the application of COVID-19 contact tracing technology in its workplace using the Bluetooth enabled TraceSCAN app and wearable technology developed by Canadian-based Facedrive Inc. Following an initial pilot, the use of this technology is being further expanded on a trial basis in other Air Canada workplaces.
- Air Canada is collaborating with Shoppers Drug Mart to provide Air Canada customers with the opportunity to take a pre-departure COVID-19 PCR test to support compliance with international travel requirements. The test is now available to travellers in Ontario, Alberta, and British Columbia.
- Air Canada is working with the Creative Destruction Labs rapid testing consortium on rapid antigen screening in the workplace starting with pilots in Toronto and Montréal.
- Air Canada is the first Canadian airline to offer its customers the safety and convenience of a new boarding option utilizing facial biometrics. The technology is now available for customers departing from San Francisco International Airport. The airline plans to expand biometric boarding options to other U.S. airports in the near future and is currently exploring options which could be viable at Canadian airports.

Capacity and Route Network

As a result of the impact of the COVID-19 pandemic and related travel restrictions, Air Canada reduced Available Seat Mile (ASM) capacity by 67 per cent in 2020 compared to 2019 and planned to reduce first quarter 2021 capacity approximately 84 per cent compared to the first quarter of 2019 (also represents a reduction of approximately 82 per cent compared to the first quarter of 2020). The airline will continue to dynamically adjust capacity and take other measures as required to adjust for demand, including as a result of health warnings, travel restrictions, quarantines, border closures and market and regulatory conditions.

Canadian travel and quarantine restrictions include the following:

- Travel bans prohibiting all foreign nationals from entering Canada by air under provisions of the Aeronautics Act and Quarantine Act under two different orders (one for United States arrivals and one for all other international arrivals), subject to limited exceptions (for example, for family members, compassionate reasons, and international students).



- 14-day quarantine requirements under the Quarantine Act for all travellers entering Canada, including Canadians.
- Interprovincial restrictions on travel and/or quarantines in numerous provinces, including Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Manitoba, and in the three territories – for all persons including Canadians.
- The Government of Canada also has a global travel advisory in place advising Canadians to avoid all nonessential travel outside of Canada.
- Effective January 7, 2021, the Government of Canada requires airline passengers five years of age or older entering Canada from an international destination to provide, prior to boarding a flight, a negative COVID-19 PCR test, subject to limited exceptions (for example, airline crews re-entering Canada and aircraft maintenance engineers). Despite a negative COVID-19 PCR test, all customers entering Canada are required to complete the full mandatory 14-day quarantine.
- On January 29, 2021, the Canadian Government announced the following additional restrictions and measures:
 - Effective February 4, 2021, all scheduled international passenger flights into Canada must land at the following four airports: Montréal-Trudeau International Airport, Toronto Pearson International Airport, Calgary International Airport, and Vancouver International Airport.
 - All Canadian airlines have suspended flight to Mexico and the Caribbean between February 1 and April 30, 2021.
 - All air travellers arriving in Canada, with limited exceptions, will be required to take a COVID-19 PCR test upon arrival and quarantine at a Government of Canada-approved hotel at their own expense while they await their results. If the result of the COVID-19 PCR test is negative, travellers will be able to complete the 14-day mandatory quarantine at a suitable location of their choice that allows them to observe their quarantine. If the COVID-19 PCR result is positive, travellers will have to complete the mandatory 14-day quarantine at a Government of Canada-supervised facility.

Financing and Liquidity

Air Canada concluded a series of financing transactions in 2020, totalling \$6.780 billion, to support the implementation of its planned mitigation and recovery measures in response to the COVID-19 pandemic and provide it with additional operational flexibility.

- In March 2020, Air Canada drew down its US\$600 million and \$200 million revolving credit facilities for aggregate net proceeds of \$1.027 billion.
- In June 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of \$16.25 per share, for aggregate proceeds of \$576 million, and a concurrent private placement of convertible senior unsecured notes due 2025 for aggregate proceeds of US\$748 million (\$1.011 billion).
- In June 2020, Air Canada completed a private offering of \$840 million aggregate principal amount of 9.00 per cent Second Lien Secured Notes due 2024, which were sold at 98 per cent of par.
- In June 2020, Air Canada completed a private offering of one tranche of Class C Enhanced Equipment Trust Certificates (“EETCs”) with a combined aggregate face amount of approximately US\$316 million (\$426 million), which were sold at 95.002 per cent of par.
- In September 2020, Air Canada concluded a private offering of two tranches of EETCs, the proceeds of which were used to purchase equipment notes issued by Air Canada and secured by three Boeing 787-9 aircraft, three Boeing 777-300ER aircraft, one Boeing 777-200LR and nine Airbus A321-200 aircraft. The two tranches of certificates have a combined aggregate face amount of US\$553 million (\$740 million) and a weighted average interest rate of 5.73 per cent. Air Canada used the proceeds



from this financing together with cash on hand to repay in full the US\$600 million (\$803 million) 364-day term loan originally put in place in April 2020 and discussed in Air Canada's second quarter 2020 MD&A.

- In September 2020, Air Canada concluded a committed secured facility totaling \$788 million to finance the purchase of the first 18 Airbus A220 aircraft. As aircraft are financed under this facility, the bridge financing of \$788 million put in place in April 2020 (and discussed in Air Canada's second quarter 2020 MD&A) will be repaid concurrently. At December 31, 2020, there were 15 Airbus A220 aircraft financed under this facility with the corresponding bridge financing repaid.
- In October 2020, Air Canada completed sale and leaseback transactions for nine Boeing 737 MAX 8 aircraft for total proceeds of US\$365 million (\$485 million). The nine aircraft were delivered to Air Canada in the past three years.
- In December 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of \$24 per share, for aggregate proceeds of \$850 million. In January 2021, the underwriters exercised their over-allotment option to purchase an additional 2,587,000 shares at a price of \$24 per share, for gross proceeds of \$62 million.
- Air Canada's unencumbered asset pool (excluding the value of Aeroplan, Air Canada Vacations and Air Canada Cargo) amounted to approximately \$1.7 billion at December 31, 2020. As part of Air Canada's ongoing efforts to maintain adequate liquidity levels, additional financing arrangements continue to be assessed and may be pursued.
- Air Canada suspended share purchases under its Normal Course Issuer Bid in early March 2020 and did not renew its issuer bid upon its expiry in the second quarter of 2020.

Cost Reduction and Capital Reduction and Deferral Program

- Air Canada completed a company-wide cost reduction and capital reduction and deferral program for 2020 which reached \$1.7 billion. On a capacity reduction of 67 per cent, 2020 operating expenses decreased \$7.872 billion or 45 per cent from 2019, reflecting the significant progress made on both managing variable costs and reducing fixed expenses. Air Canada continues to seek additional opportunities for cost reduction and cash preservation.
- Air Canada completed a workforce reduction of approximately 20,000 employees, representing more than 50 per cent of its workforce. This was achieved through layoffs, terminations of employment, voluntary separations, early retirements, and special leaves. In January 2021, Air Canada announced another workforce reduction of approximately 1,700 employees. The airline is working with its unions on mitigation programs.
- Air Canada adopted the Canada Emergency Wage Subsidy (CEWS) for most of its workforce effective March 15, 2020. The net benefit for employee wages under this program in 2020 was \$554 million, which has supported the airline in retaining a workforce well in excess of current capacity levels. In September 2020, the Government of Canada announced an extension of the program to June 2021. Air Canada intends to continue its participation in the CEWS program, subject to meeting the eligibility requirements.
- Air Canada is permanently retiring 79 older aircraft from its fleet – consisting of its less efficient Boeing 767, Airbus A319 and Embraer 190 aircraft. Their retirement will reduce Air Canada's cost structure, simplify the airline's overall fleet, and lower its carbon footprint.
- Air Canada concluded an amendment to the purchase agreement for Airbus A220-300 aircraft which became effective in early November 2020 and pursuant to which Air Canada has deferred 18 aircraft deliveries over 2021 and 2022. Also, Air Canada will not be purchasing the last 12 Airbus A220 aircraft from its original order of 45 aircraft.



- In early November 2020, Air Canada also amended its agreement with Boeing to cancel 10 Boeing 737 MAX 8 aircraft deliveries from its firm order of 50 aircraft and to defer its remaining 16 aircraft deliveries over the late 2021 to 2023 period.
- Through its fleet restructuring and other capital reduction initiatives, Air Canada lowered its planned capital expenditures by approximately \$3.0 billion for the 2020 to 2023 period compared to its projected capital expenditures at the end of 2019.

External Recognition

Air Canada continued to earn awards in 2020 in two key categories that reaffirm for us that the company is a global leader in the transportation industry:

- Those that recognized Air Canada as an airline, and
- Those that recognized Air Canada as an employer.

The awards are a testament to the leadership at Air Canada and the commitment of employees even during the extreme stress and headwinds of 2020.

Recognition as an Airline

- *5-Star rating* in the Global Airline category by the **Airline Passenger Experience Association (APEX)**, an honour based on passenger feedback and ratings.
- **Diamond status accreditation** from the Airline Passenger Experience Association (APEX) for its biosafety measures implemented to protect the flying public. Air Canada was one of the first airlines in the world to receive the highest possible accreditation from APEX.
- *Best Airline in North America* recognition by **Global Traveler** for the second straight year based on customer feedback. Additionally, the leading industry magazine also bestowed the following on Air Canada:
 - *Best Airline Cabin Cleanliness* (inaugural award)
 - *Best Frequent-Flyer Award Redemption* for transformed Aeroplan program
 - *Best Airline for Onboard Entertainment* for second consecutive year
 - *Best Airline, Premium-Economy* for second consecutive year
 - *Best Airline, Onboard Menu – Business Class*

Recognition as an Employer

- **Top 100 employers** in the *Forbes* World Employer ranking based on a survey of 160,000 workers from 58 countries asked to rate their employer and other employers in the same category.
- One of **Canada's Best Diversity Employers** for the fifth year in a row by Mediacorp Canada Inc. Mediacorp cited the company's continuing work to foster inclusiveness through numerous partnerships and success reaching out to diverse communities when recruiting and other initiatives.
- *Platinum Prize for Innovation in Corporate Social Responsibility* and the *Bronze Award for Business Transformation* by the customer loyalty association, **Loyalty360**.
- Top company for corporate leadership and investor relations expertise, and the highest-ranked organization in the Consumer business category from Institutional Investor.

2020 COMPENSATION PROGRAM UPDATES AND DECISIONS

In response to the extraordinary pressure exerted on Air Canada by the COVID-19 pandemic, compensation for named executive officers was significantly affected in all three components of base pay, annual incentives and long-term incentives. You can find details in the CD&A, but the following is a high-level summary.



Base Pay

Then-President and CEO Calin Rovinescu and then-Deputy CEO and Chief Financial Officer Michael Rousseau both agreed to forego 100% of their salary from April 2020 to June 2020 and 20% for the remainder of the year. In the case of Mr. Rovinescu, this represented total forgone salary of \$490,000 and in the case of Mr. Rousseau, foregone salary of \$245,000. Other named executive officers and senior executives agreed to a reduction in their salaries of 50% for the second quarter and 20% respectively for the remainder of the year. At the end of the salary reduction period, share appreciation units (SAUs) were granted to each NEO based on the i) total salary reduction incurred and ii) the 5-day volume weighted average price of the Air Canada share price as at December 31, 2020; SAUs allow each recipient the possibility to recuperate some of their foregone salary based on, and subject to, the appreciation of Air Canada shares over a 2-year vesting period.

Short and Long-term Incentive Plans

By the end of the first quarter of fiscal 2020, it became clear that the Company's short-term and long-term business objectives would be drastically impacted by the COVID-19 pandemic crisis, thereby also impacting Air Canada's underlying variable compensation programs. Management's focus immediately shifted to short-term priorities to help manage the business through the crisis.

Annual Incentive Plan (AIP)

All AIP financial and non-financial objectives adopted in early 2020 were no longer applicable nor pertinent and it was decided to replace these goals with the key priorities and objectives that, as an organization, would aim to best weather the crisis and prepare the organization to be in the best position to have a successful turnaround of the business when the COVID-19 pandemic recedes.

The Board of Directors did not approve any award payable under the AIP for 2020 as the company was not profitable, nor did it achieve its adjusted pre-tax income target. The target AIP for 2020 would have been \$45M, in total, for the approximately 3,600 participants in the Plan.

COVID-19 Pandemic Mitigation Bonus

With the help of Management, we adopted an evolving list of new qualitative and quantitative objectives to focus management's response to the COVID-19 pandemic, as part of the Company's COVID-19 Pandemic Mitigation and Recovery Plan. The following are some of the main objectives that were on this list:

- Customer service and safety
- Financing and liquidity
- Cost reduction and capital reduction and deferral program
- Progressing special projects, such as Transat, new loyalty program (Aeroplan) and new reservations system (Altea)

In consultation with the independent compensation consultant, we determined that it was appropriate in the circumstances to use structured discretion to i) measure Management's performance on the execution and implementation of the qualitative and quantitative objectives in the COVID-19 pandemic Mitigation and Recovery Plan that were set to replace the AIP objectives in early 2020, and ii) address the impact of the COVID-19 pandemic on performance-based long-term incentives.

Considering Management's exceptional performance during this unprecedented period, we approved a COVID-19 pandemic mitigation bonus of \$20M, representing less than 50% of target AIP, of which \$10M was awarded to those individuals who were instrumental in the survival of the company during the COVID-19 pandemic.



Long-Term Incentives (LTI)

Performance-based LTI represents a significant portion of the total compensation of our executives. With the significant impact of the pandemic on airlines in particular, it was determined that the 2017, 2018, 2019 and 2020 Performance-based LTI would generate zero payouts or zero vesting levels.

Having three years of Performance-based LTIP not paying out and having the Air Canada share price dropping significantly shortly after the March 2020 grant such that the March 2020 stock options (issued at an exercise price of \$32.42) were under water shortly after the grant thereof, could potentially create an important “retention” issue thereby putting the organization at-risk at a time when we most need our key talents to ensure our survival and future recovery for the benefits of our shareholders.

It is for this reason that we decided that it was in the best interest of Air Canada to use our discretion and amend our 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant. Consequently, we also decided to cancel a portion of the in-flight PSUs and performance-based options for these years (1/3 in the case of PSUs and 1/4 in the case of performance-based options).

We feel that these measures were the best course of action for our shareholders and the organization.

Federal Government Financing Package

On April 12, 2021 Air Canada entered into a series of debt and equity financing agreements with the Government of Canada, which will allow Air Canada to access up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program. The financial package consists of fully repayable loans in the form of secured and unsecured credit facilities for an aggregate availability of up to \$3.975 billion (the “\$3.975 Billion Credit Facilities”), a separate unsecured credit facility of up to \$1.4 billion to support customer refunds of non-refundable tickets and an investment by the Government of Canada of \$500 million in Air Canada Class B voting shares, together with the issuance of warrants exercisable for the purchase of Air Canada shares.

As part of the financial package, Air Canada agreed to a number of commitments related to customer refunds, service to regional communities, restrictions on the use of the funds provided, employment levels and capital expenditures, as well as restricting dividends and share buybacks.

In addition, pursuant to the credit agreements with the Government of Canada governing the \$3.975 Billion Credit Facilities, Air Canada is subject to certain covenants that restrict the compensation of its senior executives, as required under the LEEFF program. Namely, for any fiscal year during which payment obligations remain outstanding under any of the \$3.975 Billion Credit Facilities, no Named Executive Officer of Air Canada may receive Total Compensation (as defined below) in an amount that exceeds the lesser of (i) \$1,000,000 and (ii) the Total Compensation received by the Named Executive Officer (or the individual who then held that position) in respect of the 2019 fiscal year.

For purposes of these executive compensation restrictions imposed by the Government of Canada, “**Total Compensation**” in respect of a fiscal year for an NEO means the sum of such NEO’s (i) base salary, (ii) AIP or other non-equity incentive plan compensation, (iii) grant date fair value of any share-based awards and option-based awards and (iv) all other compensation required to be reported in the Summary Compensation Table, excluding all compensation relating to severance and pension arrangements and any one-time option-based awards or share-based awards granted to an NEO as a condition to becoming an employee of Air Canada.

The covenants also require Air Canada not to increase the fees or any other compensation payable to non-executive members of the Board of Directors from the compensation rates in effect as at December 31, 2019.



Notwithstanding the commitments and restrictions which Air Canada is subject to thereunder, including the restrictions imposed on the total compensation of Air Canada's NEOs, the financial program announced on April 12, 2021 provides a significant layer of insurance for Air Canada. It enables Air Canada to better resolve customer refunds of non-refundable tickets, maintain its workforce and re-enter regional markets. Most importantly, the program provides additional liquidity, if required, to rebuild Air Canada's business to the benefit of all stakeholders and to remain a significant contributor to the Canadian economy through its recovery and for the long term.

At this time it is uncertain how long any of the foregoing credit facilities, including the \$3.975 Billion Credit Facilities and thus the covenants thereunder that restrict executive compensation, will remain outstanding and in effect. In the interim, the HRCC and the Board of Directors are focused on ensuring that the philosophy and design of Air Canada's executive compensation program continues to incentivize long term shareholder value creation and the successful retention of an exceptional management team within the restrictions noted above.

IN CONCLUSION

Executive compensation is a critical responsibility of the Board of Directors, and one that only increases in importance during a significant challenge like the past year. At our core, we on the HRCC remain fully committed to a thoughtful, well-governed executive compensation program, transparency in compensation decisions and productive engagement with shareholders.

Thank you for your investment in Air Canada.

Michael M. Wilson

Chairman of the Human Resources & Compensation Committee of the Board of Directors



COMPENSATION DISCUSSION AND ANALYSIS

Air Canada's principal objective is to be a sustainably profitable global champion. In pursuing this goal, we believe in rewarding our employees for helping to deliver excellent performance. Consistent with this objective, we must also have an executive team that is focused on the continuous improvement of customer experience, employee engagement and the creation of value for shareholders.

NAMED EXECUTIVE OFFICERS

This Compensation Discussion and Analysis section describes the philosophy, policies and components of our executive compensation program, as well as the compensation decisions of the HRCC and the Board of Directors for the following Named Executive Officers (NEOs) in 2020:

Named Executive Officer	Role
Calin Rovinescu ⁽¹⁾	President and Chief Executive Officer
Michael Rousseau ⁽²⁾	Deputy Chief Executive Officer and Chief Financial Officer
Lucie Guillemette	Executive Vice President and Chief Commercial Officer
Craig Landry	Executive Vice President, Operations
David Shapiro ⁽³⁾	Executive Vice President, International and Regulatory Affairs and Chief Legal Officer

(1) Mr. Rovinescu retired on February 15, 2021.

(2) Mr. Rousseau was appointed as President and Chief Executive Officer of Air Canada on February 15, 2021.

(3) Mr. Shapiro retired on May 1, 2021.

EXECUTIVE COMPENSATION PHILOSOPHY

Our executive compensation program plays a significant role in successfully attracting, motivating and retaining an exceptional management team. Our executive compensation philosophy has four fundamental tenets:

- Align the interests of executives with those of Air Canada shareholders;
- Reward executives for results based on Corporation performance in the short term and the long term;
- Design and maintain an executive compensation program that achieves the right mix of pay components, including performance-based "at-risk" pay (see Elements of the Executive Compensation Program on page 77);
- Provide compensation at the 50th percentile of our comparator group for the talent we want to attract and retain at Air Canada, with the opportunity for executives to reach up to the 75th percentile in specific circumstances and based on consistent performance that far exceeds goals and targets.



COMPOSITION AND RESPONSIBILITIES OF THE HRCC

The Human Resources and Compensation Committee (HRCC) administers the compensation program for all NEOs, as well as other executives within the Corporation. While Air Canada management provides input, it is the responsibility of the HRCC to evaluate, approve and oversee our executive compensation philosophy, plans, policies and programs.

The table below sets out the members of the HRCC in 2020 and the basis of their experience.

Committee Member	Member Since	Direct Experience	Basis of Experience
Michael M. Wilson, Chair	October 17, 2014	Yes	Former President and CEO, Agrium Inc.; Former President, Methanex Corporation; Chair, Celestica Inc. and Suncor Energy Inc.
Gary A. Doer	April 30, 2018	Yes	Director, IGM Financial Inc., Great-West Lifeco Inc. and Power Corporation of Canada; Senior Business Advisor to the law firm Dentons Canada LLP; Canadian member of the Trilateral Commission and Co-Chair of the Wilson Centre's Canada Institute.
Rob Fyfe	October 24, 2017	Yes	Former Chair and former CEO, Icebreaker; Director, Michael Hill International; Honorary Advisor, Asia New Zealand Foundation; Former CEO, Air New Zealand.
Michael M. Green	May 8, 2009	Yes	CEO and Managing Director, Tenex Capital Management; Former CEO, Trispan Solutions, Naviant Technology; Former Managing Director, Cerberus Capital Management; Former Managing Partner, TenX Capital Partners.
Jean Marc Huot	April 30, 2018	Yes	Partner with the law firm Stikeman Elliott LLP.
Kathleen Taylor	May 5, 2017	Yes	Chair, Royal Bank of Canada; Chair, Altas Partners, Vice-Chair, Adecco Group; Director, Canada Pension Plan Investment Board; immediate past Chair and member of the Board of the SickKids Foundation; Member, Board of the Trustees, Hospital for Sick Children; Co-Chair, SickKids Capital Campaign; Former President and CEO, Four Seasons Hotels and Resorts.



The following table outlines the steps the HRCC follows to ensure the total compensation for our NEOs is in line with the Corporation's compensation philosophy.

STEP 1	STEP 2	STEP 3
<p>At the beginning of each calendar year, management, including the President and Chief Executive Officer, provides recommendations to the HRCC on the compensation of the other NEOs.</p> <p>These recommendations take into consideration the competitive market pay data provided by the HRCC's independent compensation consultant, as well as an evaluation of the NEO's role, specific skills, abilities and experience, contributions and performance and impact in achieving Corporation performance.</p> <p>(See more below on the HRCC's independent compensation consultant.)</p>	<p>The HRCC considers these recommendations together with the input of its independent compensation consultant and subsequently makes recommendation to the Board on the NEOs' compensation, ensuring that the compensation is aligned with our compensation philosophy.</p> <p>All aspects of the President and Chief Executive Officer's compensation and resulting compensation decisions are approved by the Board following the recommendations of the HRCC, in consultation with the independent compensation consultant.</p>	<p>The HRCC:</p> <ul style="list-style-type: none"> • Reviews and approves performance metrics for the short- and long-term incentive plans • Establishes thresholds, targets and maximums • Determines weightings for each of the performance goals of the Corporation and those of the individual for the short- and long-term incentive plans based on recommendations provided by management. <p>These recommendations are based on the business plan for performance goals and specific financial targets.</p> <p>The HRCC strives to ensure that the incentive metrics are consistent with the financial, operational and strategic goals set by the Board of Directors, that the goals are sufficiently ambitious to provide meaningful incentives and that amounts paid, assuming target levels of performance are attained, will be consistent with the Corporation's overall executive compensation philosophy.</p>

ROLE OF THE COMPENSATION CONSULTANT

In 2020, the HRCC retained Willis Towers Watson as its independent compensation consultant to review executive compensation practices relative to its comparator group. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to Air Canada. The executive compensation consulting services provided by Willis Towers Watson include:

- A review of Air Canada's executive compensation practices and program design;
- Updates on ongoing and emerging trends in executive compensation and governance best practices;
- Perspective on appropriate total compensation mix and levels, based on competitive practice and Air Canada's performance;



- Review of materials in advance of committee meetings, and identification of discussion points and issues for the HRCC’s consideration when evaluating compensation design proposals; and
- Provided advice and peer examples on discretionary COVID-19 pandemic type short term bonus structures and adjustments to previously awarded long term compensation amounts.

The HRCC’s decisions with regard to compensation or the compensation programs for the President and Chief Executive Officer and other NEOs are its sole responsibility and may reflect factors and information other than information and recommendations provided by Willis Towers Watson. Willis Towers Watson was first engaged by Air Canada in 1980.

The following table details the aggregate fees incurred on behalf of the HRCC in consideration of the services provided by Willis Towers Watson:

Willis Towers Watson Services	2020	2019
Executive compensation-related fees	\$ 88,215	\$ 73,573
All other fees	\$ 0	\$ 0
Total Fees	\$88,215	\$73,573

COMPENSATION FACTORS AND GOVERNANCE

The Board of Directors evaluates many factors when designing and establishing executive compensation plans and targets. The following table outlines its key practices:

WHAT WE DO	WHAT WE DON'T DO
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Set aggressive short- and long-term performance metrics <input checked="" type="checkbox"/> Use long-term incentives to encourage management continuity <input checked="" type="checkbox"/> Tie a significant portion of executives’ pay to performance metrics critical to the business <input checked="" type="checkbox"/> Mitigate undue risk by using a cap on maximum payouts for short- and long-term plans and performing an annual internal risk assessment of compensation programs <input checked="" type="checkbox"/> Have stock ownership guidelines that reinforce alignment between shareholders and our NEOs <input checked="" type="checkbox"/> Impose a post-retirement holding period for the stock ownership requirements of our President and Chief Executive Officer <input checked="" type="checkbox"/> Maintain a clawback policy <input checked="" type="checkbox"/> Have an independent compensation consultant reporting directly to the HRCC 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Apply across-the-board base salary increases <input checked="" type="checkbox"/> Have tax gross-ups upon change in control <input checked="" type="checkbox"/> Allow hedging, short sales, option trading or pledging of shares <input checked="" type="checkbox"/> Reprice underwater stock options <input checked="" type="checkbox"/> Grant excessive perquisites



EVALUATION OF COMPENSATION RISK

The HRCC used quantitative analysis and best practices in analyzing executive pay together with discretion and judgment to identify risks arising from the Corporation's compensation policies and practices. The HRCC has not identified any risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse impact on the Corporation.

The HRCC performs the following to evaluate risk:

- Considers numerous factors when assessing executive pay, including:
 - Air Canada's strategy and priorities;
 - Compensation philosophy and objectives;
 - Competitive market;
 - Achievement of Air Canada's financial and operational objectives;
 - Shareholder value creation;
 - Individual performance;
 - Advice from the independent advisor to the HRCC; and
 - Sound risk management practices;
- Follows a rigorous process when establishing and setting objectives for different pay-at-risk programs, including short-term and long-term incentives;
- Reviews annual operational and strategic business plans to set objectives for executives and establish pay-at-risk programs;
- Oversees executive compensation clawback policy (see page 71); and
- Maintains policies and guidelines on business conduct which prohibits directors and executives of Air Canada from purchasing financial instruments (including, without limitation, options, puts, calls, forward contracts, futures, swaps, collars or units of exchange traded funds) that are designed to hedge or offset a decrease in the market value of securities of Air Canada, that are beneficially owned, directly or indirectly, by such directors and executives, or in the value of any Air Canada equity-based compensation award.

Compensation policies and practices are designed to promote financial performance year-over-year and a stable growth in shareholder return by **mitigating the potential for inappropriate behaviours and excessive risk-taking** only aimed at a short-term increase of the share price.

CLAWBACK POLICY

In 2011, the Board of Directors approved the adoption of a clawback policy concerning awards under Air Canada's annual and long-term incentive plans, which was amended on May 4, 2020 to include situations involving serious misconduct including non-compliance with laws and regulations, accounting fraud and failure to follow internal policies and procedures. Under this policy, which applies to all executives, the Board may, to the full extent permitted by applicable laws and to the extent it determines that it is in the best interests of Air Canada to do so, require reimbursement of all or a portion of annual or long-term incentive compensation received by an executive or former executive. The Board may seek reimbursement of full or partial compensation from an executive or former executive for situations involving:

- Serious misconduct including non-compliance with laws and regulations, accounting fraud or failure to follow internal policies and procedures; or



- A material error or misstatement of financial results and the executive or former executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement, and the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive or former executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

EXECUTIVE SUCCESSION PLANNING

The Board formally reviews, analyses and discusses appointments, development and monitoring for the executive succession planning with the President and Chief Executive Officer on an annual basis, or more if required. In particular, the Board reviews the succession plan status for all executive officers and assesses whether there is a readiness to fill potential vacancies, identifies the qualified individuals to fill such vacancies on both an immediate and longer-term basis and determines whether there are any gaps in readiness, as well as how to leverage succession planning as a tool to progress on the diversity of the management team and how executive succession planning process can be improved. The Board also focuses specifically on the succession of the Chief Executive Officer as well as development considerations for each potential successor candidate, such as lateral movements to diversify exposure or mentoring, and the performance of individual executives in their current roles.

The Board also meets with members of the executive management team through their participation in meetings and presentations to the Board, as well as occasionally through informal meetings throughout the year, which allows Board members to get to know members of the management team who are potential future leaders of the Corporation.

SHAREHOLDER INPUT AND ENGAGEMENT

The Board of Directors believes shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions. We are committed to providing shareholders with clear, comprehensive and transparent disclosure about executive compensation and to receive feedback from shareholders on Air Canada's executive compensation programs.

94.77%
SAY ON PAY
APPROVAL

For instance, the Chair and other members of the Board meet with major institutional shareholders every year to ensure a regular dialogue about alignment of executive compensation and shareholder interests. Additionally, the Board, HRCC and Air Canada Human Resources also use the "say on pay" vote at our annual meeting to gauge shareholder feedback on Air Canada's approach to executive compensation.

At the 2020 annual shareholder meeting, shareholders expressed a high level of support (approximately 94.77%) for Air Canada's approach to executive compensation.



COMPARATOR COMPANIES

Compensation and performance under Air Canada's executive compensation program are benchmarked against a comparator group of companies. In 2020, the comparator group was reduced from 25 to 24 through the removal of Transat A.T. and Westjet Inc, and the addition of Alaska Airlines. The 24 companies are selected and validated annually by the HRCC based on the following criteria:

- Large Canadian and U.S. airlines;
- Canadian companies in the transportation/aviation industry;
- Canadian companies with annual revenues exceeding \$5 billion;
- Canadian companies with an extensive customer service component;
- Canadian companies operating in a highly technological environment; and
- Canadian companies with a large asset base.

Air Canada's goal is to establish a compensation program for the NEOs that provides target total compensation opportunities at the 50th percentile of Air Canada's comparator group. However, in specific circumstances and based on performance, total compensation may be set below or above this percentile (but no higher than the 75th percentile for performance far exceeding goals and targets for the executive and Air Canada) depending on each executive's profile, experience and performance in their role. Air Canada's independent compensation consultant, Willis Towers Watson, completes an annual analysis of our NEO pay opportunities relative to prevailing market practices, based on our comparator group and information from published surveys of executive pay practices.

The comparative market data provided by Willis Towers Watson represents one factor considered by the HRCC when making executive pay decisions. However, the HRCC also considers other factors when setting executive pay, including individual skills, experience, tenure, performance and internal equity.

U.S. companies in the comparator group are limited to those representing large airlines similar to Air Canada, providing a view of executive compensation within this competitive industry.



AIR CANADA COMPENSATION COMPARATOR GROUP

The comparator group for 2020 was comprised of the following companies:

Company	Relevant Criteria					
	Large Airline	Transportation Sector or Aviation Related	Revenues Exceeding \$5 Billion	Extensive Customer Service	Highly Technological Environment	Large Asset Base
Alaska Airlines	✓			✓	✓	✓
American Airlines Group Inc.	✓		✓	✓	✓	✓
Bank of Montreal			✓	✓	✓	
BCE Inc.			✓	✓	✓	✓
Bombardier Inc.		✓	✓		✓	✓
CAE Inc.		✓			✓	✓
Canadian National Railway Corporation		✓	✓			✓
Canadian Pacific Railway Limited		✓	✓			✓
Canadian Tire Corporation, Limited			✓	✓		✓
Celestica Inc.			✓		✓	
Delta Air Lines, Inc.	✓		✓	✓	✓	✓
Domtar Corp.			✓			✓
Enbridge Inc.			✓			✓
EnCana Corp.			✓			✓
Nutrien Ltd.			✓			✓
Rogers Communications Inc.			✓	✓	✓	✓
Royal Bank of Canada			✓	✓	✓	
SNC-Lavalin Group Inc.			✓		✓	✓
Southwest Airlines Co.	✓		✓	✓	✓	✓
SunLife Financial Inc.			✓	✓	✓	
Telus Corporation			✓	✓	✓	✓
Toronto-Dominion Bank			✓	✓	✓	
TC Energy			✓		✓	✓
United Continental Holdings, Inc.	✓		✓	✓	✓	✓

Further to its annual validation, in the view of the HRCC and the Board, the components of Air Canada's executive compensation program comprised of executive base salaries, target bonuses, target grant of stock options and/or share units and group health, other benefits and executive pension plan are each in-line with remuneration practices of the above listed comparator group.



The table below shows how Air Canada compares to the comparator group in terms of revenue in 2020 and number of employees as of December 31, 2020.

	Analysis of Comparator group companies compared to Air Canada ⁽¹⁾	
	Revenue (\$B)	Employees
25 th Percentile	\$9,984	14,596
Median	\$17,755	25,238
75 th Percentile	\$39,268	63,184
Air Canada (2020)	\$5,833	21,100
(2019)	\$19,131	32,900

(1) Source: Willis Towers Watson

SUPPORTING OUR PAY-FOR-PERFORMANCE PHILOSOPHY

The aviation industry is highly competitive, subject to extensive and evolving regulation and may be impacted by multiple risks. In light of this, the importance of executive leadership cannot be overstated. Our executives must be motivated to achieve their near-term goals every year, as well as the longer-term goals set out by the Corporation, which the HRCC believes will lead to positive long-term results and value creation for our shareholders.

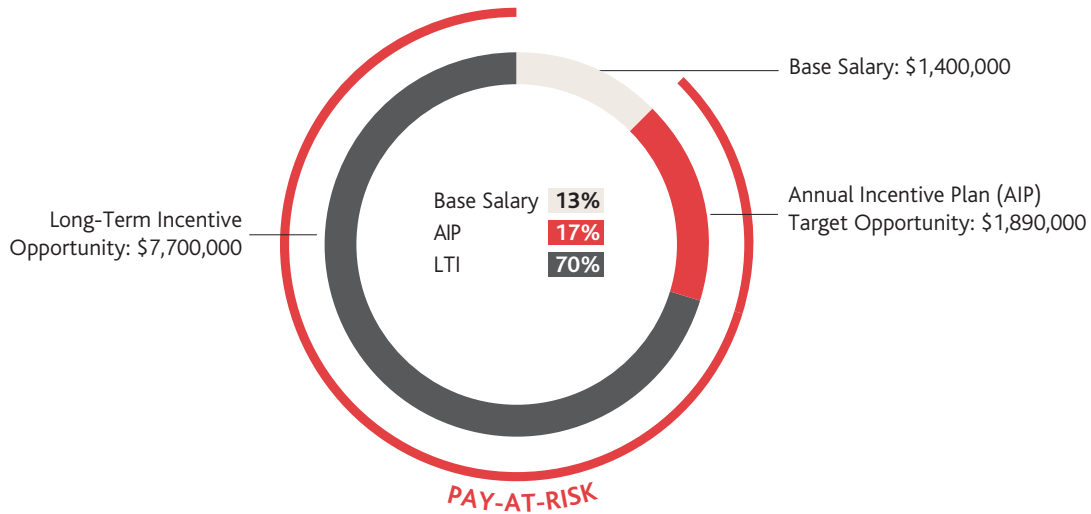
The compensation mix we provide named executive officers includes both annual and long-term elements of “at risk” pay in order to support our pay-for-performance philosophy.

For Mr. Rovinescu, 86% of his total direct compensation (base salary, target short-term incentive and target long-term incentive grants) is at risk, as shown in the chart below.

The majority of total compensation for our named executive officers — 86% for our President and CEO and on average 75% for our other named executive officers—is **“at risk” based on the achievement of specific performance goals.**



COMPONENTS OF OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER'S COMPENSATION



PRESIDENT AND CHIEF EXECUTIVE OFFICER PAY-AT-RISK

	\$0	\$1M	\$2M	\$3M	\$4M	\$5M
Annual Incentive Plan (AIP) \$1,890,000		60%	40%			
		Performance based on Adjusted Pre-tax Income, Leverage Ratio, Adjusted Cost per Available Seat Mile (CASM)	Performance based on non-financial components (see page 78)			
Time-based Equity \$3,598,913		Stock Options		Restricted Share Units (RSUs)		47% of LTI award
		4-year rateable vesting; 10-year term		3-year cliff vesting		
Performance-based Equity \$4,101,087		Performance Options		Performance Share Units (PSUs)		53% of LTI award
		4-year cliff vesting based on 4-year average Annual Operating Margin performance; 10-year term		3-year cliff vesting based on 3-year cumulative annual EBITDA performance		

Similar to the pay for the President and Chief Executive Officer, the pay of the other named executive officers is largely "at risk" and tied to the performance of Air Canada. Rewarding the achievement of results linked to short- and long-term performance (pay-for-performance) remains at the core of our executive compensation philosophy. See page 77 for a more detailed description of the pay for our named executive officers.



2020 President and Chief Executive Officer Pay Decisions

1. Base Salary: Mr. Rovinescu agreed to forego 100% of his salary between April to June, and 20% for the remainder of the year. His actual salary earned in 2020 was:	\$ 910,005
2. Bonus: Mr. Rovinescu received a COVID-19 pandemic mitigation bonus for his leadership during the airline's bleakest year in the history of commercial aviation. His bonus was:	\$ 723,000
3. LTIP: Following the Board's decision to cancel the 2020 financial performance year, one-third of PSUs and one-quarter of performance-based options were cancelled. Mr. Rovinescu's 2020 LTIP grant thus has a compensation value of:	\$6,493,382
4. Share Appreciation Units: Concurrent with the 2020 salary reduction, Mr. Rovinescu was granted share appreciation units which vest over a 2-year period and would allow him to recuperate any foregone salary based on share appreciation. The Black-Scholes valuation of these SAUs is:	\$ 168,396
5. Total Compensation	\$8,294,783

ELEMENTS OF THE EXECUTIVE COMPENSATION PROGRAM

The following chart highlights key elements of Air Canada's executive compensation program and how each is linked to the objectives of the executive compensation philosophy.

	Objective	Type of Compensation	Time Horizon	Key Features
Base Salary	Attract and retain executives in a competitive marketplace	Cash	1 year	<ul style="list-style-type: none"> Reflects individual skills, competencies and experience Influences short-term incentives, long-term incentives, pension and benefits
Short-Term Incentives – Annual Incentive Plan	Reward performance that contributes to the Corporation's annual profitability and growth	Cash	1 year	<ul style="list-style-type: none"> Ties performance-based rewards to corporate, department and individual performance Reflects annual achievement of the Corporation's financial performance against pre-established targets
Long-Term Incentives	Promote a focus on long-term business results Align the interests of executives with the interests of shareholders	Equity	Stock Options: 4-year rateable and cliff vesting Share Units: 3-year cliff vesting	<ul style="list-style-type: none"> Provides a mix of performance-based and time-based stock options and share units Gives executives the opportunity to participate in future growth Rewards long-term financial results that drive shareholder value creation Generates compensation linked to business results and long-term value creation Increases ownership in Air Canada Supports retention of executives
Deferred Share Unit Plan	Provide a vehicle for deferred compensation	Equity	Retirement, termination or death	<ul style="list-style-type: none"> Allows eligible participants to voluntarily receive all or part of their annual incentive award or annual PSU and/or RSU grant in DSUs Retains same vesting schedule as PSUs and RSUs DSUs are redeemed in cash following retirement, termination or death
Pension Plan	Retain executives by offering a valuable source of retirement income	Benefit	Retirement	<ul style="list-style-type: none"> Provides a lifetime retirement pension based on service and annualized base salary
Other Benefits	Offer a variety of benefits that support personal needs	Benefit	1 year	<ul style="list-style-type: none"> Offers a comprehensive benefits program that includes both care-based and financial protection benefits Flexible Perquisites Program that includes travel privileges, Maple Leaf Club Card, car lease support and health counselling



ANALYSIS OF 2020 COMPENSATION

Compensation packages for NEOs consist of base salary, short-term and long-term incentives. The Corporation maintains a flexible approach to compensation determinations based on specific strategic and financial goals deemed important to long-term success. The relationship of base salary and performance-based compensation aims to be properly balanced and provides an effective means to attract, motivate and retain named executive officers and to align their long-term interests with those of shareholders.

BASE SALARY

Base salaries of named executive officers provide a competitive foundation of earning potential and serve to recognize their skills, competencies and experience. Base salaries are determined and adjusted by the HRCC, based on comparable positions with similar responsibilities within the Corporation's comparator group.

2020 BASE SALARY DECISIONS

Then-President and CEO Calin Rovinescu and then-Deputy CEO and Chief Financial Officer Michael Rousseau both agreed to forego 100% of their salary from April 2020 to June 2020 and 20% for the remainder of the year. Other senior executives agreed to a reduction in their salaries from 50% to 20% for the same period. In 2020, Mr. Landry and Mr. Shapiro received a base salary increase to further align them with the Corporation's comparator group.

At the end of the salary reduction period, share appreciation units (SAUs) were granted to each NEO based on the i) total salary reduction incurred and ii) the 5-day volume weighted average price of the Air Canada share price as at December 31, 2020 (\$22.90). SAUs allow each recipient the opportunity to recuperate their foregone salary based on, and subject to, the appreciation of Air Canada shares over a 2-year vesting period. Example, in the case of Mr. Rousseau, if on December 31, 2022 the share price is \$23.90, the payout would be $10,699 \times (\$23.90 - \$22.90) = \$10,699$; if the share price is below \$22.90, the payout will be zero.

Named Executive Officer	2019 Salary	2020 Salary	Total Salary Reduction	Percent Change	SAUs Granted
Calin Rovinescu	\$1,400,000	\$910,005	\$490,000	(35)%	21,398
Michael Rousseau	\$ 700,000	\$ 455,010	\$ 245,000	(35)%	10,699
Lucie Guillemette	\$ 525,000	\$406,875	\$ 118,125	(24)%	5,159
Craig Landry	\$ 475,000	\$370,468	\$ 107,456	(22)%	4,693
David Shapiro	\$ 468,700	\$366,007	\$ 106,142	(22)%	4,636



SHORT-TERM INCENTIVES — ANNUAL INCENTIVE PLAN

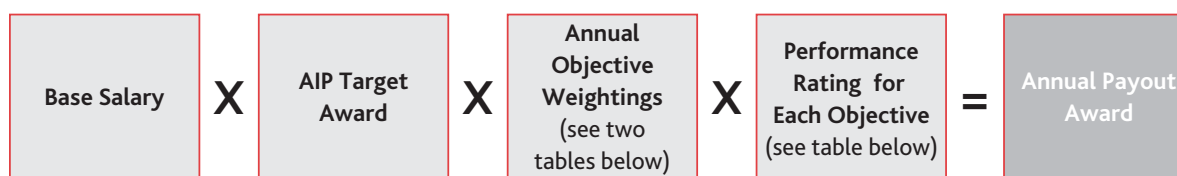
Air Canada's Annual Incentive Plan (AIP) is designed to reward named executive officers, as well as all eligible employees throughout the Corporation, for creating corporate profitability and growth. The target AIP award for each named executive officer is set at a market-competitive level with the actual payout based on annual achievements as reflected through Corporation performance, department performance and individual performance against objectives aligned with the Corporation's four key corporate priorities: international growth, cost control and revenue generation, customer engagement and culture change.

AIP rewards named executive officers for **creating corporate profitability and growth** as defined by annual objectives set at the start of the performance year.

After the completion of the year, the Board of Directors evaluates each NEO's performance against their annual objectives set at the beginning of the year and assigns a performance rating (ranging from 0% – 200% of their AIP target award) based on the Corporation's and the individual's performance.

Named Executive Officer	AIP Target As a % of Base Salary
Calin Rovinescu	135%
Michael Rousseau	100%
Lucie Guillemette	85%
Craig Landry	75%
David Shapiro	65%

The performance rating determines the actual payout as shown in the following AIP calculation:



Annual objectives, which consist of both financial and non-financial components, for each NEO are weighted as follows:

Named Executive Officer	Financial Component ⁽¹⁾	Non-Financial Components	Department-Specific Objectives	Individual Objectives
Calin Rovinescu	60%	40%		
Michael Rousseau	60%		20%	20%
Lucie Guillemette	60%		20%	20%
Craig Landry	60%		20%	20%
David Shapiro	60%		20%	20%

(1) Financial component includes Adjusted Pre-tax Income, Leverage Ratio, and Adjusted Cost per Available Seat Mile (CASM). Leverage ratio is calculated as net debt to trailing 12-month EBITDA. Leverage ratio, net debt, EBITDA, Adjusted Pre-tax Income and Adjusted CASM are non-GAAP financial measures. Such measures are not recognized measures for financial statement presentation under



GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's 2020 MD&A for a further discussion of such non-GAAP financial measures and a reconciliation of such measures to GAAP.

ANNUAL INCENTIVE PLAN OBJECTIVES AND OUTCOMES

The following table shows the President and CEO's previous year's AIP objectives, weighting and final rating for each objective as approved by the HRCC.

Portion of Award	AIP Objective	Weighting
60% Financial Component	Adjusted Pre-tax Income ⁽¹⁾	50%
	Leverage Ratio ⁽²⁾	5%
	Adjusted Cost per Available Seat Mile (CASM) ⁽³⁾	5%
40% Non-Financial Component	Special Projects	25%
	Employee Engagement and Talent	5%
	Customer Service, Operational and Safety Goals	10%
	Total Combined Rate	100%

(1) For purposes of the AIP, Adjusted Pre-tax Income is calculated before deducting expenses relating to the AIP and Long-Term Incentive Plan and using other adjustments, as discussed on page 81. Adjusted Pre-tax income is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under GAAP, does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's 2020 MD&A for a further discussion of such non-GAAP financial measure and a reconciliation of such measure to GAAP.

(2) Leverage ratio is calculated as net debt to trailing 12-month EBITDA. Leverage ratio and EBITDA are non-GAAP financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's 2020 MD&A for a further discussion of such non-GAAP financial measures and a reconciliation of leverage ratio and EBITDA to GAAP.

(3) Adjusted CASM is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under GAAP, does not have a standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada's 2020 MD&A for a further discussion of non-GAAP financial measures and a reconciliation of such measures to GAAP.



If Air Canada achieves	Corporate Financial Performance Rating
At least 15% above target Adjusted Pre-tax Income	200%
At least 7.5% above target Adjusted Pre-tax Income	150%
Target Adjusted Pre-tax Income	100%
No more than 7.5% below target Adjusted Pre-tax Income	50%
More than 15% below target Adjusted Pre-tax Income	0%

ADJUSTED PRE-TAX INCOME

Adjusted Pre-tax Income for purposes of the AIP is the consolidated income of Air Canada for the year, before income taxes and adjusted to remove the effects of gains or losses from:

- Foreign exchange
- Financial instruments recorded at fair value
- Sale and leaseback of assets
- Debt settlements and modifications
- Disposal of assets

As well as:

- Net financing income or expenses relating to employee benefits, including expenses relating to the AIP and Long-Term Incentive Plan
- Other special items as approved by the Board of Directors for special or extenuating circumstances.

2020 AIP Decisions

The Board of Directors did not approve any award payable under the AIP as the company was not profitable (net loss of \$(4,467) million), nor did it achieve its adjusted pre-tax income target (\$(4,434) million versus a target of \$1,381 million).

2020 COVID-19 Pandemic Mitigation Bonus

All financial and non-financial objectives adopted in early 2020 were no longer applicable nor pertinent in light of the COVID pandemic. The impact of the COVID-19 pandemic and government-imposed travel restrictions and quarantines required new and evolving goals, priorities and objectives that would align with those of the Corporation with a view to best weather the crisis and prepare the organization to be in the best position to have a successful turnaround when the COVID-19 pandemic recedes.

As described by the Chair of the HRCC on page 59, Management revised its focus in 4 different areas:

- 1) Customer Service and Safety: continually updated its health and safety policies and procedures for travellers and employees in airports, onboard aircraft and in other workplaces to account for new information about the COVID-19 pandemic as it became available. This included a requirement for customers and crew to wear protective face covering, as well as enhanced protective personal equipment for airport agents and crews, the reinforcement of safe practices such as frequent handwashing and collaborating with the Canadian federal government to screen passengers to help determine fitness for flying.
 - a. Introduced Air Canada CleanCare+, a program designed to reduce the risk of exposure to the COVID-19 pandemic.



- b. Received in January 2021 the Diamond Certification from the Airline Passenger Experience Association (APEX), which recognizes achieving hospital-grade levels of biosecurity across multiple passenger touchpoints.
 - c. Partnered with several entities on numerous fronts to advance passenger health and safety, such as Cleveland Clinic Canada, Spartan Bioscience, McMaster HealthLabs, Greater Toronto Airports Authority, Abbott, Shoppers Drug Mart and Creative Destructive Labs.
- 2) Financing and Liquidity: concluded a series of financing transactions in 2020, totaling \$6.780 billion, to support the implementation of its planned mitigation and recovery measures in response to the COVID-19 pandemic and provide it with additional operational flexibility.
- 3) Cost Reduction and Capital Reduction and Deferral Program
 - a. Completed company-wide cost reduction and capital reduction and deferral program which reached \$1.7 billion.
 - b. Completed workforce reductions of approximately 20,000 employees, through layoffs, terminations of employment, voluntary separations, early retirements and special leaves.
 - c. Adopted the Canada Emergency Wage Subsidy (CEWS) for most of its workforce.
 - d. Retired 79 older aircraft from its fleet which reduces the Company's cost structure, simplifying the airline's overall fleet and lowering its carbon footprint.
 - e. Amended its agreements for both Airbus A220 and Boeing 737 Max 8.
 - f. By restructuring its fleet and other capital reduction initiatives, Air Canada lowered its planned capital expenditures by approximately \$3.0 billion for the 2020 to 2023 period.
- 4) Other Accomplishments
 - a. Air Canada and Transat mutually agreed to terminate the Arrangement Agreement for the proposed acquisition of Transat, even though Transat shareholders approved the transaction at over 90%, the European Commission ("EC") would not approve the acquisition based on the current offer remedy package.
 - b. Successful launch of new Aeroplan loyalty program and a new passenger sales and service platform.
 - c. Pivot of Cargo to dedicated all-cargo flights – operating more than 4,000 flights.
 - d. Operated 48 flights, in collaboration with the Government of Canada, to repatriate over 11,000 Canadians.
 - e. Ensured an orderly transition for the outgoing President and CEO to the new incoming President and CEO.



The Board of Directors used structured discretion to i) measure Management’s performance on the execution and implementation of the qualitative and quantitative objectives in the COVID-19 pandemic Mitigation and Recovery Plan that were set to replace the AIP objectives in early 2020, and ii) address the impact of the COVID-19 pandemic on performance-based long-term incentives.

Named Executive Officer	Equity and non-equity incentive compensation / COVID-19 pandemic mitigation bonus
Calin Rovinescu	\$ 723,000
Michael Rousseau	\$ 420,000 ⁽¹⁾
Lucie Guillemette	\$ 267,750
Craig Landry	\$ 229,500
David Shapiro	\$ 198,900

(1) In the case of Mr. Rousseau, his COVID-19 pandemic mitigation amount was approved and awarded by the Corporation in the form of deferred share units under the Corporation’s DSU Plan. The amounts paid to all other named executive officers were paid in cash.

LONG-TERM INCENTIVE PLAN

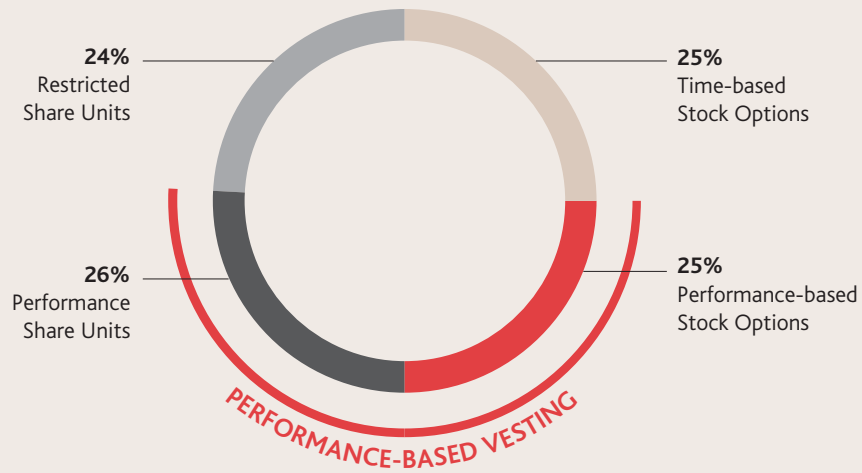
Air Canada’s Long-Term Incentive Plan (LTIP) is designed to attract, retain and motivate key talent, including our named executive officers, to align their interests with those of our shareholders and to reward performance and value creation over the longer term. LTIP awards are granted to named executive officers annually in the form of stock options and share units.

The table below shows each element of an annual grant, along with its link to performance requirements and vesting opportunity. The majority of each long-term incentive award is in performance-based equity where value creation depends on meeting metrics set for the performance period and increasing share price, which benefits all shareholders.

Long-term incentives reward named executive officers for **performance and value creation over the longer term**, aligning their interests with those of our shareholders.



Components of LTI Grants



	STOCK OPTIONS		SHARE UNITS	
AWARD ELEMENT	Time-based stock options	Performance-based stock options	Performance share units (PSUs)	Restricted share units (RSUs)
VESTING	Rateably each year over 4 years on anniversary of grant	Fourth anniversary of grant	Third anniversary of grant	Third anniversary of grant
PERFORMANCE MEASURE	Time	Annual Target Operating Margin over 4-year period	Cumulative Annual EBITDA over 3-year period	Time
PAYOUT OPPORTUNITY AT VESTING	Based on share price increase	Based on performance achieved	Based on performance achieved	Based on share price

Named executive officers are granted a mix of stock options and share units, based on their target grant opportunity.



Stock Options

Unless a particular employment agreement provides otherwise, the vesting of the options to purchase Air Canada shares granted under the LTIP is as follows:

- **50% of the stock options granted under the LTIP are time-based stock options** that vest in four equal installments (12.5% for each installment) on each anniversary of the grant, and
- **50% of the stock options granted under the LTIP are performance-based stock options** that vest at the end of 4 years and are exercisable if the 4-Year Average Annual Operating Margin goal set at grant is attained. See the Performance Stock Options Goal table at the right for more details on the vesting of performance-based stock options.

When vested, stock options give the named executive officer the right to purchase Air Canada shares at an exercise price based on the market price of Air Canada's shares at the time of the option grant. The exercise price equals the "volume-weighted average trading price" of the shares on the Toronto Stock Exchange (TSX) for the 5 trading days immediately preceding the grant date (calculated by dividing the total value by the total volume of shares traded during such period).

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have a maximum term of 10 years. In the event the expiration date for an option falls within a "black-out period" (being a period during which the executive cannot trade securities of the Corporation pursuant to its corporate policy respecting restrictions on employee trading) or within 9 business days following the expiration of a black-out period, such expiration date is extended until the 10th business day after the end of the black-out period.

PERFORMANCE STOCK OPTIONS GOAL	
4-YEAR AVERAGE ANNUAL OPERATING MARGIN GOAL	STOCK OPTIONS VESTED
100%	100%
95%	66%
90%	33%
85% or less	0%

Performance stock options vest on a straight-line basis between the reference points above. For example, if the Corporation's operating margin over the 4-year period equals 92.5% of the target operating margin, 50% of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null.



LONG-TERM INCENTIVE PLAN DETAILS

Each option under the Long-Term Incentive Plan is personal to the executive and may not be assigned or transferred, except by will or by the laws of succession of the domicile of a deceased executive.

Air Canada may amend the Long-Term Incentive Plan (or any option or share unit granted thereunder) at any time without the consent of the optionees or participants, provided that such amendment shall:

- Not adversely alter or impair any option or share unit previously granted;
- Be subject to any regulatory approvals including, where required, the approval of the TSX; and
- Be subject to shareholder approval where required by law or the requirements of the TSX, provided, however, that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to: (a) amendments of a “housekeeping nature”, (b) a change to the vesting provisions of any option or share unit, (c) the introduction of a cashless exercise feature payable in securities, (d) the addition of a form of financial assistance, and (e) the addition of a deferred or restricted share unit or any other provision which results in optionees or participants receiving securities while no cash consideration is received by the Corporation.

Notwithstanding the foregoing, Air Canada must obtain shareholder approval in order to enact any of the following amendments to the Long-Term Incentive Plan:

- Any change to the maximum number of shares issuable from treasury under the Long-Term Incentive Plan, including an increase to the fixed maximum number of shares or a change from a fixed maximum number of shares to a fixed maximum percentage;
- Any amendment which reduces the exercise price of any option previously granted or any cancellation of an option and its substitution by a new option with a reduced price or any cancellation of a share unit and its substitution by a new share unit;
- Any amendment that extends the term of options or share units beyond their original expiry;
- Any amendment which would permit any option or share unit to be transferable or assignable by any optionee or participant other than for normal estate settlement purposes;
- Any amendment which would permit a change to the eligible participants, including a change which would have the potential of broadening or increasing participation by insiders, including non-employee directors, in the Long-Term Incentive Plan;
- Any amendment which increases the maximum number of shares that may be issued in a one-year period to insiders of the Corporation and associates of such insiders or any one insider of the Corporation and associates of such insider under the Long-Term Incentive Plan or any other compensation arrangements described in the Long-Term Incentive Plan; and
- Amendments to the amendment provisions of the Long-Term Incentive Plan.

The Long-Term Incentive Plan also provides that the Board may advance the date on which any option may be exercised or any share unit may be payable or, subject to applicable regulatory provisions, and except in respect of options or share units that are held by an insider of the Corporation, extend the expiration date of any option or share unit provided that the period during which an option is exercisable or share unit is outstanding does not exceed 10 years in the case of options, and 3 years in the case of share units from the date such option or share unit is granted.

For the NEOs, in the event of a “change of control” (as defined in the Long-Term Incentive Plan) of the Corporation, any unvested options shall become exercisable and any unvested share units shall become payable immediately prior to the date of the change of control with respect to all of the shares subject thereto and all options must be exercised prior to their original expiry term.



Share Units

Share units granted under the Long-Term Incentive Plan are notional share units which are redeemable, on a one-to-one basis, for Air Canada shares or the cash equivalent, as determined by the Board of Directors. As such, the value of the share units tracks the value of Air Canada shares. Outstanding share units granted (prior to 2020) under the LTIP are comprised of a mix of:

- **Performance share units (PSUs)** that vest on the third anniversary of the grant if the 3-year Cumulative Annual EBITDA goal set at grant is attained. See the Performance Share Units Goal table at the right for the vesting opportunity.
- **Restricted share units (RSUs)** that vest on the third anniversary of the grant.

If PSUs vest based on achieving the performance targets set at grant, NEOs receive on the redemption date an amount equal to the “volume-weighted average trading price” of the Air Canada shares on that date, with payment being made with Air Canada shares or cash, at the discretion of the Board of Directors. See the Performance Share Units (PSUs) Goal table at the right for the vesting opportunity.

During the three-year term, the Corporation, as determined by the Board, may pay the participant in cash, at the same time that dividends are paid to holders of shares of the Corporation or, subject to the satisfaction of the applicable vesting conditions, on the last day of the three-year term, the aggregate amount which the participant would have received as dividends if the participant had held a number of shares of the Corporation equal to the number of share units credited to the participant’s account.

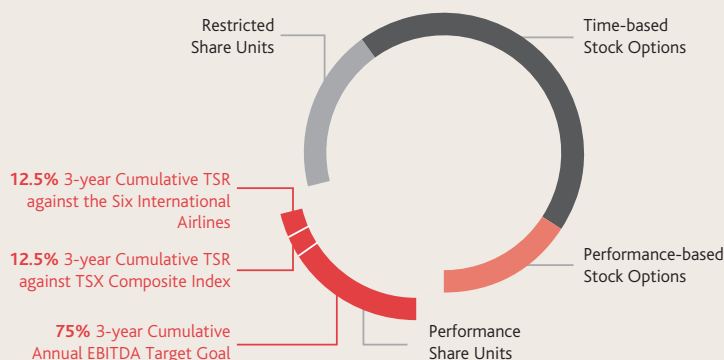
Each share unit under the Long-Term Incentive Plan is personal to the participant and may not be assigned or transferred, except by will or by the laws of succession of the domicile of a deceased participant.

PRE 2020 — PERFORMANCE SHARE UNITS (PSUs) GOAL	
3-YEAR CUMULATIVE ANNUAL EBITDA TARGET GOAL	PSUs VESTED
100%	100%
95%	66%
90%	33%
85% or less	0%
PSUs vest on a straight-line basis between the reference points above.	



PSU vesting requirements for grants made in 2020 and after

To better align our named executive officer's interests with those of our shareholders, we have added two new relative performance measures for the vesting of PSU grants, consistent with the majority of our comparator group companies.



(1) Six international airlines include: Delta Air Lines, American Airlines, United Airlines, British Airways (IAG-International Airlines Group), Lufthansa and Air France.

Launched with the 2020 grant, 25% of PSUs granted will vest on the third anniversary based on two new performance measures:

- 12.5% will vest based on 3-year cumulative TSR against the six international airlines, and
- 12.5% will vest based on 3-year cumulative TSR against the TSX Composite Index.

Vesting will be based on Air Canada's ranking on these new performance measures, with 100% of awarded PSUs vesting if Air Canada's TSR is at median. If Air Canada's 3-year cumulative TSR is negative, the number of PSUs that can vest will be below 100% of the PSUs granted, unless Air Canada's 3-year cumulative TSR ranks above the 50th percentile of the Toronto Stock Exchange Composite Index, in which case 100% of awarded PSUs will vest.

The remaining PSU grant (75%) will continue to vest based on the performance of the 3-year Cumulative Annual EBITDA compared to the goal set at grant.

See the Performance Share Units (PSUs) Goal tables at the right for the vesting opportunity for each element of the PSU grant.

2020 — PERFORMANCE SHARE UNITS (PSUS) GOALS

3-YEAR CUMULATIVE TSR AGAINST THE SIX INTERNATIONAL AIRLINES	12.5% OF PSUs VESTED
Rank 1	200%
Rank 2	167%
Rank 3	133%
Rank 4	100%
Rank 5	67%
Rank 6	33%
Rank 7	0%

3-YEAR CUMULATIVE TSR AGAINST TORONTO STOCK EXCHANGE COMPOSITE INDEX	12.5% OF PSUs VESTED
75th percentile and above	200%
50th percentile	100%
25th percentile	66%
Less than 25th percentile	0%

3-YEAR CUMULATIVE ANNUAL EBITDA TARGET GOAL	75% OF PSUs VESTED
100%	100%
95%	66%
90%	33%
85% or less	0%

PSUs will vest on a straight-line basis between the reference points above.



2020 LTIP Decisions

The financial impact of the COVID-19 pandemic on the 2020 financial year was so significant that it was determined that the 2017, 2018, 2019 and 2020 Performance-based LTI would generate zero payouts or zero vesting levels, which could potentially create an important “retention” issue thereby putting the organization at-risk at a time when we most need our key talents to ensure our survival and future recovery for the benefits of our shareholders. It is also important that Air Canada maintains an appropriate incentive compensation program as we recover from the impact of the COVID-19 pandemic.

It is for this reason that the Board of Directors decided to use its discretion and amend the 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant, and consequently, cancel a portion of the in-flight PSUs and performance-based options for these years (1/3 in the case of PSUs and 1/4 in the case of performance-based options). In addition, shortly after the March 2020 grant, the Air Canada share price dropped significantly and the stock options granted in March 2020 (issued at \$32.42) were under water shortly after the grant thereof. Such stock options are still under water as of the date of this circular.

As such, in respect to the 2017 performance-based stock options and 2018 performance share units, the 2020 financial year was excluded in determining whether the performance threshold was met, and vesting, at a reduced level/cap, was approved.

	Performance Measure	Performance Cycle	Target	Actual	Vesting Payout Percent
2017 Stock Option Grant	4-year average annual operating margin	2017, 2018, 2019 (excl 2020)	7.9%	8.9%	75%
2018 PSU Grant	3-year cumulative annual EBITDA	2018, 2019 (excl 2020)	\$6,820M	\$7,248M	66.67%

Named executive officers received grants of stock options and share units in 2020 as shown in the table below.

2020 Long-Term Incentive Award Grant

Named Executive Officer	Target Grant Opportunity	Fair Value At Grant			
		Stock Options	PSUs	RSUs	Total Grant
Calin Rovinescu	500%	\$3,368,747	\$1,450,723	\$1,673,912	\$6,493,382
Michael Rousseau	270%	\$875,002	\$376,813	\$434,784	\$1,686,599
Lucie Guillemette	265%	\$634,378	\$273,190	\$315,219	\$1,222,787
Craig Landry	245%	\$535,931	\$230,796	\$266,301	\$1,033,028
David Shapiro	165%	\$354,369	\$152,606	\$176,084	\$683,059



Securities Authorized for Issuance Under Equity Compensation Plan

Plan Category	Number of securities to be issued upon the exercise of outstanding options and redemption of share units ^{(1) (3)}	Weighted-average exercise price of outstanding options ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plan approved by security-holders ^{(1) (2)}	5,903,174	\$22.23	6,803,772

(1) As at December 31, 2020.

(2) The key features of the Air Canada Long-Term Incentive Plan (which provides for stock options and share units) are set out above under "Long-Term Incentive Plan."

(3) Does not include shares underlying an aggregate of 2,093,450 share units granted over various dates between 2018 and 2020 as these share units are currently redeemable for Air Canada shares purchased on the secondary market and/or equivalent cash rather than Air Canada shares issuable from treasury, subject to the discretion of the Corporation.

The following table sets out the number of Air Canada shares issued and issuable under Air Canada's Long-Term Incentive Plan and the number of Air Canada shares underlying outstanding options and share units and the percentage represented by each calculated over the number of Air Canada shares outstanding as at December 31, 2020. Options and share units granted under Air Canada's Long-Term Incentive Plan are exercisable or redeemable, as applicable, for Class A variable voting shares or Class B voting shares depending if the holder thereof is a non-Canadian or Canadian. With respect to the stock options, 19,381,792 Air Canada shares (which represented approximately 5.8% of the issued and outstanding shares of Air Canada on December 31, 2020) were authorized for issuance under the Long-Term Incentive Plan. As of December 31, 2020, 12,706,946 Air Canada shares (which represented approximately 3.8% of the issued and outstanding shares of Air Canada on December 31, 2020) remained available for issuance under the Long-Term Incentive Plan for outstanding stock options as of such date and for future issuance of equity awards. Share units are currently redeemable for Air Canada shares issuable from treasury, or for Air Canada shares to be purchased in the secondary market or for cash, subject to the discretion of the Corporation. Unlike prior years, in 2020, a portion of the share units (196,202 units) were granted on the understanding that they would be redeemable for shares to be issued from treasury. Other share units granted in 2020 and prior were granted under the understanding that they would be redeemable for shares to be purchased in the secondary market or for cash.

Shares issuable		Shares issued to date		Shares underlying outstanding options		Shares underlying outstanding share units		Shares underlying options granted in 2020		Shares underlying share units granted in 2020	
Number ⁽¹⁾	Dilution rate ⁽²⁾	Number ⁽³⁾	Dilution rate ⁽²⁾	Number	Dilution rate ⁽²⁾	Number ⁽⁴⁾	Dilution rate ⁽⁴⁾	Number	Dilution rate ⁽²⁾⁽⁵⁾	Number	Dilution rate ⁽⁴⁾
6,803,772	2.39%	6,674,846	2.34%	5,903,174	2.07%	2,038,231	0.00069%	1,428,322	0.50%	1,124,146	0.00069%

(1) This number represents the aggregate number of Air Canada shares underlying outstanding options and shares remaining available for future grants of options and share units under the Long-Term Incentive Plan and excludes shares issued to date in connection with the exercise of options and the redemption of share units granted under the Long-Term Incentive Plan.

(2) As of December 31, 2020, a total of 284,998,469 Air Canada shares were issued and outstanding.

(3) Represents the number of Air Canada shares issued to date under the Long-Term Incentive Plan in connection with the exercise of options and the redemption of share units.

(4) Represents the number of share units outstanding under the Long-Term Incentive Plan. 1,842,029 share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash, at the discretion of the Corporation. 196,202 share units are redeemable for shares to be issued from treasury.

(5) Dilution of options granted during the 2020 year compared to the total number of outstanding Air Canada shares on December 31, 2020.



The table below summarizes the dilution, overhang and burn rates in connection with Air Canada's Long-Term Incentive Plan as of December 31 for each of the last 3 years. Share units are currently redeemable for Air Canada shares issuable from treasury, or from Air Canada shares to be purchased in the secondary market or for cash, subject to the discretion of the Corporation.

	2020	2019	2018
Dilution ⁽¹⁾	2.14%	1.8%	2.2%
Overhang ⁽²⁾	4.53%	4.9%	5.5%
Burn Rate ⁽³⁾	0.57%	0.40%	0.47%

(1) Dilution represents: (total options and share units to be settled by treasury issuance outstanding) ÷ (total Air Canada shares outstanding).

(2) Overhang represents: (total Air Canada shares available for issue + options and share units to be settled by treasury issuance outstanding) ÷ (total Air Canada shares outstanding).

(3) Burn rate represents: (total options and share units to be settled by treasury issuance granted during the year) ÷ (average of total Air Canada shares outstanding).

MANAGEMENT DEFERRED SHARE UNIT PLAN

Named executive officers may voluntarily elect to receive in full or part Deferred Share Units (DSUs), from what otherwise would have been granted as PSUs or RSUs under the Corporation's Long-Term Incentive Plan, or from what otherwise would have been payable as an AIP cash award. In addition, subject to the terms of the DSU Plan, the Corporation may make additional DSU grants for retention or hiring purposes.

DSUs are settled entirely in cash following retirement, termination or death, based on the volume weighted average trading price of Air Canada shares on the Toronto Stock Exchange for the five consecutive trading days ending on the trading day immediately prior to the settlement date.

PENSION PLAN

The Corporation offers a pension plan to retain executives and provide them with a valuable source of retirement income based on service and annualized basic salary.

Some executives are eligible for a non-contributory, final average earnings defined benefit registered pension plan and a Supplementary Executive Retirement Plan (SERP) that provides retirement income beyond the limitations of the registered pension plan. Together, these plans:

- Provide for replacement income upon retirement, based on years of service with the Corporation;
- Offer benefits calculated by multiplying 2% of the final average salary during the executive's highest paid 36 successive months of company service, less 0.25% of the Canada/Québec pension plan's average annual maximum pensionable earnings during that period, by the executive's years of service (maximum 35 years);
- Offer executives the ability to retire with an unreduced pension at the earliest date where their age plus years of service equals the sum of 80, their age is at least 55, and they obtain the consent from the Corporation as administrator of the pension plan, or at age 65.

Some executives are eligible to participate in a non-contributory registered defined contribution pension plan and/or a non-contributory defined contribution SERP. Together, these plans:

- Provide for income upon retirement;
- Offer benefits provided by contributions made by the Corporation to individual defined contribution accounts, subject to the outcome of any investments on contributions.

See the Retirement Plan Benefits section on page 107 for more details.



SHARE OWNERSHIP REQUIREMENTS FOR EXECUTIVES

Air Canada maintains share ownership guidelines that require executives to own a minimum of securities of Air Canada representing an amount equivalent to a multiple of their annual base salary (ranging from 1 to 5 times) through shares and/or restricted share units and/or vested deferred share units. Options and performance share units are not included in the calculation of the share ownership requirements applicable to executives. Ownership requirements must be achieved by February 17, 2022, or within 5 years of the date of appointment of an executive, whichever occurs later.

The table below sets out the expanded share ownership guidelines for each named executive officer. In February 2019, the Board of Directors approved amendments relating to the manner by which the share ownership is valued for purposes of the guidelines. The amount representing the share ownership for purposes of Air Canada's share ownership guidelines is the sum of the market value of the Air Canada shares and the market value of the Air Canada shares underlying the restricted share units and vested deferred share units owned by the named executive officer. In connection with the series of debt financing agreements entered into with the Government of Canada on April 12, 2021, Air Canada is subject to certain covenants that restrict the compensation of its senior executives, as required under the LEEFF program, for any fiscal year during which payment obligations remain outstanding under any of the \$3.975 Billion Credit Facilities. Air Canada's share ownership requirements for executives have accordingly been suspended for the period during which the foregoing restrictions on executive compensation continue to apply.

Named Executive Officer	Total Number of Securities Owned	Total Value of Securities for the Purpose of Minimum Share Ownership Requirements ⁽¹⁾	Value of Securities Required to Meet Guidelines ⁽⁵⁾	Latest Date to Meet Share Ownership Requirements ⁽⁵⁾	Satisfies Ownership Requirements ⁽⁵⁾
Calin Rovinescu ⁽²⁾	437,940 Class B voting shares 77,160 restricted share units 49,904 deferred share units	\$13,650,497	5 times annual salary	February 15, 2022	Yes
Michael Rousseau ⁽³⁾	108,171 Class B voting shares 37,351 restricted share units 16,647 deferred share units	\$3,918,003	N/A	February 15, 2026	N/A
Lucie Guillemette	37,286 Class B voting shares 19,077 restricted share units 8,306 deferred share units	\$1,562,403	N/A	February 17, 2022	N/A
Craig Landry	16,568 Class B voting shares 28,083 restricted share units 19,552 deferred share units	\$1,551,144	N/A	January 1, 2024	N/A
David Shapiro ⁽⁴⁾	14,882 Class B voting shares 9,027 restricted share units 7,205 deferred share units	\$751,714	N/A	January 1, 2025	N/A

(1) This amount represents the sum of the market value of the shares, based on the closing price of the Air Canada shares on the TSX on May 6, 2021 (\$24.16), and the market value of the shares underlying the restricted share units and vested deferred share units as at May 6, 2021 described above. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements. The number of Class B voting shares held are as of May 6, 2021, with the exception of shares purchased under the Employee Share Ownership Plan, which are held as of December 31, 2020.

(2) Mr. Rovinescu retired on February 15, 2021 and is required to maintain the share ownership guidelines requirement for one year from the date of his retirement.

(3) Mr. Rousseau was appointed to President and CEO on February 15, 2021, and, absent the suspension of the share ownership requirements as further described in note (5) below, would have been required to meet a share ownership requirement of five times his salary by February 15, 2026.

(4) Mr. Shapiro met his two times requirement as the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer. On January 1, 2020, Mr. Shapiro was appointed to Executive Vice President, International and Regulatory Affairs and Chief Legal



Officer, and, absent the suspension of the share ownership requirements as further described in note (5) below, would have been required to meet a share ownership requirement of three times his salary by January 1, 2025. Mr. Shapiro retired on May 1, 2021.

- (5) In connection with the series of debt financing agreements entered into with the Government of Canada on April 12, 2021, Air Canada is subject to certain covenants that restrict the compensation of its senior executives, as required under the LEEFF program, for any fiscal year during which payment obligations remain outstanding under any of the \$3.975 Billion Credit Facilities. Air Canada's share ownership requirements for executives have accordingly been suspended for the period during which the foregoing restrictions on executive compensation continue to apply.

Air Canada's share ownership guidelines require that both the leaving President and Chief Executive Officer and the new President and Chief Executive Officer positions maintain their ownership requirements for one year following their retirement.

COST OF MANAGEMENT RATIO

The following table shows the total aggregate compensation awarded to the named executive officers for the last 3 years, expressed as a percentage of Adjusted Pre-tax Income and of EBITDA. The total aggregate named executive officer compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2018, 2019 and 2020 years.

	2018 ⁽¹⁾	2019 ⁽²⁾	2020 ⁽³⁾
Total aggregate named executive officer compensation (\$ millions) ⁽⁴⁾	18.6	21.5	18.7
Adjusted Pre-tax Income (\$ millions)	952	1,273	(3.892)
As a percentage of Adjusted Pre-tax Income	2%	1.7%	(0.48%)
EBITDA (\$ millions)	2,851	3,636	(2,043)
As a percentage of EBITDA	0.65%	0.59%	(0.92%)

(1) Named executive officers for the 2018 year consist of: Calin Rovinescu, Michael Rousseau, Benjamin Smith, Lucie Guillemette and David Shapiro.

(2) Named executive officers for the 2019 year consist of: Calin Rovinescu, Michael Rousseau, Lucie Guillemette, Craig Landry and David Shapiro.

(3) Named executive officers for the 2020 year consist of: Calin Rovinescu, Michael Rousseau, Lucie Guillemette, Craig Landry and David Shapiro.

(4) Total aggregate named executive officer compensation excludes pension value in respect of the named executive officers.

APPROACH TO DIVERSITY AND INCLUSION

Air Canada's most valuable resource is its people.

Our people, all the forms of diversity they represent and how they feel included and valued, are what will allow us to "Win as One Air Canada" as our Corporation's Flight Path calls for us to do. Succeeding in a hyper-competitive, global industry requires that our workforce mirrors our customer demographics and that we draw on a wide pool of diverse talent to achieve our business objectives.

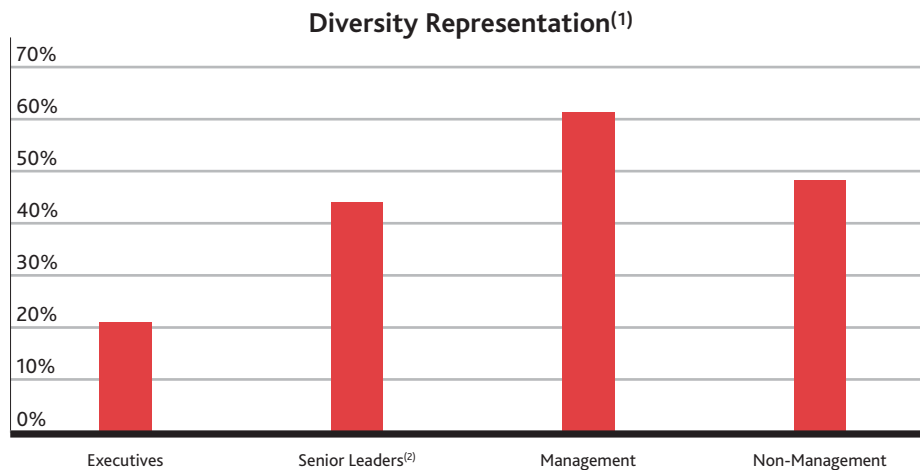
Over 20 years ago, Air Canada created a Diversity Policy for employees. The policy is updated as required, with the goal of achieving and maintaining a workforce at all levels of the Corporation that represents the external qualified workforce of Canada. Four groups receive particular attention within our organization: women, persons with disabilities, Indigenous people and members of visible minorities.

We have not achieved all that we want in our diversity representation, but as the table shows, Air Canada is making strides, particularly among the ranks of management and non-management employees, both of which exceeded 50% in diversity representation in 2020. Our employees work in more than 80 languages, and in 2020, we were named as one of **Canada's Best Diversity Employers**



for the fifth year in a row by Mediacorp Canada Inc., we received the inaugural award for **Diversity in Leadership at the Airline Strategy Awards**, recognizing our work in attracting, retaining and promoting diverse professionals into leadership roles within the airline industry, and received the **Employment Equity Achievement Awards**, which award is given by Employment and Social Development Canada (ESDC) — Government of Canada and recognizes Air Canada and many other employers across Canada for outstanding achievement in employment equity in their workplaces.

Currently, three out of 19 members (16%) of Air Canada’s Executives are women and minorities represent one out of 19 (5%). There are no members of Air Canada’s Executives that have identified as being Indigenous or as having a disability. Out of two hundred and forty-three Senior Leaders, eighty-six (35%) are women, one (under 1%) is disabled, two (1%) are indigenous and thirty-two (13%) are minorities. Data on the representation is obtained through voluntary self-identification.



(1) Diversity representation includes women, Indigenous peoples (First Nations, Inuit and Métis), persons with disabilities and members of visible minorities.

(2) The Senior Leader category is comprised of employees at the Managing Director, Senior Director and Director levels, and it includes certain Vice Presidents that are not under the Executive category.

Management Strategy

A key component of the Corporation’s Diversity Policy is a management strategy to ensure an inclusive, diverse and respectful workplace where all employees can fully utilize their talents. Air Canada’s strategy is a pivotal step toward cultural transformation and our ambition to be a sustainably profitable global leader. The strategy includes:

- A cross-functional employee task force with responsibility to champion diversity and Inclusion objectives throughout the Corporation
- Increased awareness on the importance of a diverse workforce in management training programs
- Embedded diversity considerations in the hiring process, employee development, promotion process and succession planning
- Campaigns to target the hiring of underrepresented groups, such as the promotional material and appearances at Indigenous career fairs, in magazines aimed at Indigenous people and other recruiting initiatives

Of critical importance to Air Canada is that our internal talent pool and development and promotion processes are equitable, balanced and diverse. This is true at all levels of the Corporation, including in leadership. Because many future executives will come from the Senior Leaders ranks, our talent and engagement team focuses a significant amount of attention on ensuring that diversity is reflected among multiple layers of Senior Leaders and that emerging leader programs include a diverse group of



talent. Ambitious goals have also been established, such as the target of having at least 30% women working as Senior Leaders by 2020 and that target has already been met. Targets are not established for Indigenous peoples, persons with disabilities and members of visible minorities. We do focus on cultural transformation and inclusion for all groups as part of our Flight Path.

Leadership commitment to Diversity and Inclusion

In 2020

Our CEO signed the BlackNorth Initiative CEO pledge: Air Canada has joined the BlackNorth Initiative, which is on a mission to end anti-Black systemic racism using a business-first mindset. Led by the Canadian Council of Business Leaders Against Anti-Black Systemic Racism, BlackNorth Initiative was launched with the signing of the CEO pledge at its inaugural summit in July. Since then, more than 300 organizations have signed the pledge, which commits business leaders and their organizations, from the public and private sectors including education, manufacturing and health care, to specific actions and targets designed to help BlackNorth Initiative fulfill its mission.

The company ran its first-ever Diversity and Inclusion survey. This survey was another step to better understand areas where we do well and areas to be improved. For diversity to be truly successful, it is important to establish a sense of belonging for all employees and create an inclusive environment where employees from every background can truly thrive, while feeling respected and recognized.

In 2020

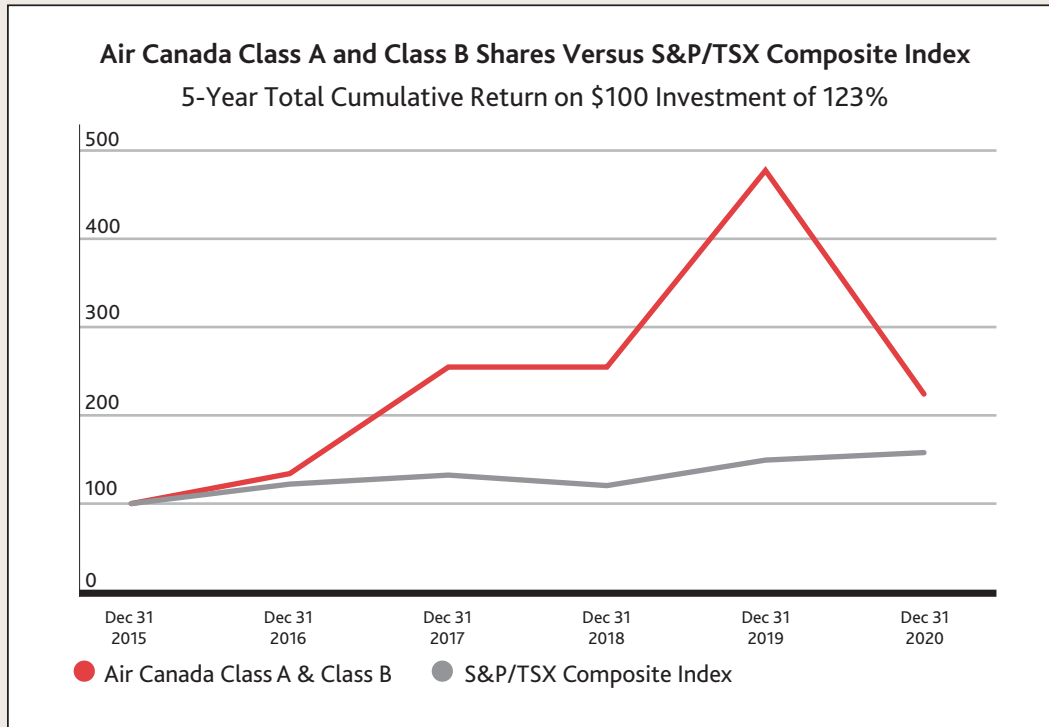
- For its first year, the **Captain Judy Cameron Scholarship** recognized and celebrated the achievements of four accomplished women studying in aviation. Air Canada offered each recipients a \$5,000 scholarship. The scholarship is being offered to young women pursuing non-traditional aviation careers as commercial pilots or aircraft maintenance engineers who may not have the financial means to do so.
- The Women in Aviation (WIA) — Operations Control chapter hosted an event where more than 30 young women from an all-girls school focused on science, technology, engineering and mathematics (STEM) to encourage them to consider the aviation industry as a career choice. The event, A Day in Aviation, highlighted the complexities involved within our industry from women in Air Canada. It showcased the various roles in System Operations Control (SOC), In-Flight Services and Maintenance and included a hangar tour and IFS-related activities. Senior leadership and female pilots spent time mentoring the girls, sharing their background, challenges and success in their careers.
- Additionally, for the fifth consecutive year this year, Air Canada featured a flight operated with all female pilots and cabin crews, and supported by female maintenance, dispatch, ramp, baggage, customer service and operations teams. Flight AC167 from Toronto to Edmonton on March 5, 2020 also made history by being the first transcontinental flight to be guided by all-female Nav Canada Air Traffic Controllers from departure in Toronto to landing in Edmonton.
- **Soaring: Indigenous Youth Empowerment Gathering** was attended by over 600 Indigenous students and their chaperones and included workshops and tradeshow booths that showcased the various post-secondary and career opportunities that are available for students. Two Indigenous employees took part in the event
- Air Canada Foundation and Diversity and Inclusion team is proud to announce a **new leadership bursary for people of colour**, in partnership with the Pinball Clemons Foundation, which provides marginalized youth with educational resources and options to integrate into the mainstream of society. This year, the program will support a Black youth enrolled in the Pinball Clemons Margins to Mainstream Bursary Program with a bursary to cover the cost of that student's education, books and mentors.



SHARE PERFORMANCE GRAPHS

Five-Year Total Shareholder Return Comparison

The following performance graph compares the total cumulative return of a \$100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2016 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2016 and ended December 31, 2020.

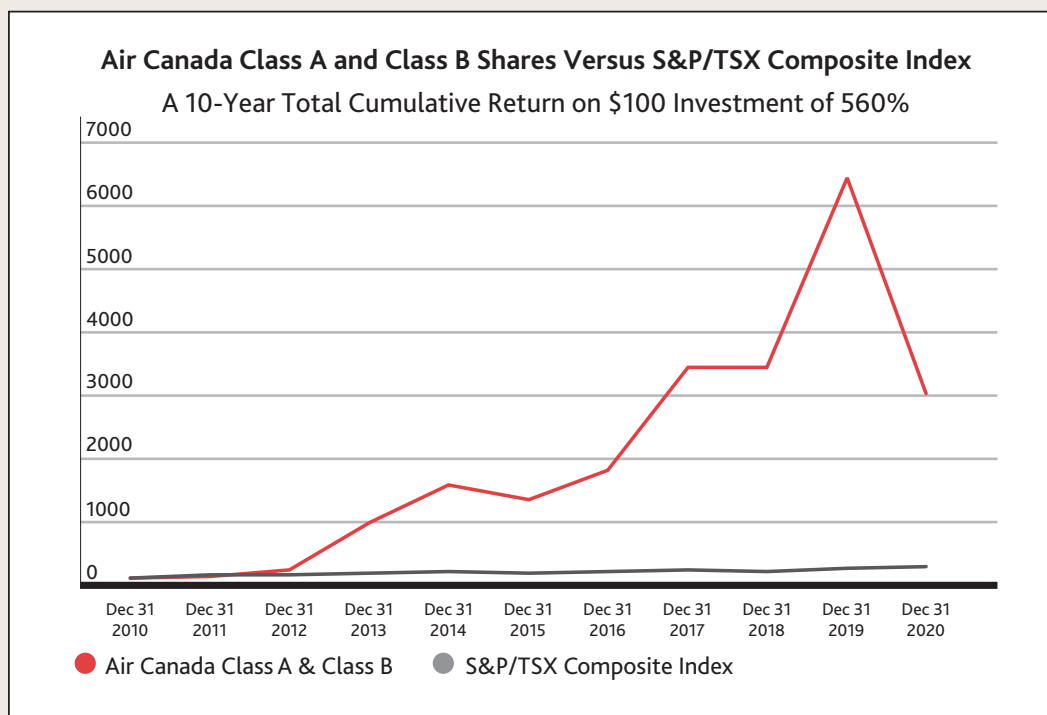


The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 123% from January 1, 2016 to December 31, 2020.



Ten-Year Total Shareholder Return Comparison

The following performance graph compares the total cumulative return of a \$100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2011, with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2011 and ended December 31, 2020.



The price of Air Canada’s Class A variable voting shares and Class B voting shares rose approximately 560% from January 1, 2011 to December 31, 2020.

The Corporation’s executive compensation program, which includes base salary and short-term and long-term incentive programs, is designed to align Air Canada’s financial and market performance with the value its named executive officers receive from these performance-based programs. The cash compensation of Air Canada’s named executive officers has reduced considerably relative to the Corporation’s Adjusted Pre-tax Income and EBITDA. Then-President and CEO Calin Rovinescu and then-Deputy CEO and Chief Financial Officer Michael Rousseau both agreed to forego 100% of their salary from April 2020 to June 2020 and 20% for the remainder of the year. Other senior executives agreed to a reduction in their salaries from 50% to 20% for the same period. No annual incentive bonus was paid, except for a discretionary COVID-19 Pandemic Mitigation Bonus paid to those individuals who were instrumental in the survival of the company during the COVID-19 pandemic, and under the long-term incentive plan where 1/3 of the in-flight PSUs and 1/4 of the in-flight performance-based stock options for the years 2017, 2018, 2019 and 2020 were cancelled. More details on the subject of performance vesting conditions linked to the performance of Air Canada can be found on page 77 of this circular under the heading “Elements of the Executive Compensation Program.”



COMPENSATION TABLES

SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2020, 2019 and 2018 by each named executive officer⁽¹⁾.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽³⁾	Option-based awards ⁽⁴⁾ /SAU ⁽⁵⁾ (\$)		Non-equity incentive plan compensation		All other compensation (\$) ⁽⁷⁾	Total compensation (\$)
						Annual incentive plans/COVID-19 pandemic mitigation bonus (\$) ⁽⁶⁾	Pension value (\$)		
Calin Rovinescu President and Chief Executive Officer	2020	910,005 ^{(2)(a)(b)}	3,124,635 ^{(2)(c)}	3,368,747 ^{(2)(c)}	168,396	723,000	964,200	Nil	9,258,983 ^{(2)(d)}
	2019	1,400,000	3,550,000	3,550,000	Nil	3,496,500	875,400	Nil	12,871,900
	2018	1,400,000	2,800,000	2,800,000	Nil	3,524,850	1,027,000	Nil	11,551,850
Michael Rousseau Deputy Chief Executive Officer and Chief Financial Officer	2020	455,010 ⁽⁶⁾	1,231,596	875,002	84,198	Nil	292,400	Nil	2,938,206
	2019	700,000	980,000	980,000	Nil	1,200,000	536,500	Nil	4,396,500
	2018	650,000	780,000	905,000	Nil	1,200,000	602,300	Nil	4,137,300
Lucie Guillemette Executive Vice President and Chief Commercial Officer	2020	406,875 ⁽⁹⁾	588,409	634,378	40,600	267,750	53,800	Nil	1,991,812
	2019	525,000	577,500	577,500	Nil	725,000	485,300	Nil	2,890,300
	2018	475,000	356,250	356,250	Nil	625,000	447,600	Nil	2,260,100
Craig Landry Executive Vice President, Operations	2020	370,468 ⁽¹⁰⁾	497,096	535,931	36,933	229,500	369,900	Nil	2,039,828
	2019	475,000	400,000	400,000	Nil	530,000	774,300	Nil	2,579,300
	2018	375,000	487,544	187,500	Nil	380,000	337,200	Nil	1,767,244
David Shapiro ⁽¹¹⁾ Executive Vice President, International and Regulatory Affairs and Chief Legal Officer	2020	366,007 ⁽¹²⁾	328,690 ⁽¹³⁾	354,369	36,484	198,900	325,900	Nil	1,610,350
	2019	468,700	250,000	250,000	Nil	420,000	157,100	Nil	1,545,800
	2018	455,000	227,500	227,500	Nil	420,000	254,200	Nil	1,584,200

(1) Due to the unprecedented impact of COVID-19 on the airline industry and Air Canada, the Board of Directors used its discretion to amend several aspects of the Corporation's compensation practices in 2020 which impacted each of the Named Executive Officers. Base salaries were voluntarily reduced, at varying levels as set out below. No annual incentive bonus was paid, except for a discretionary COVID-19 Pandemic Mitigation Bonus paid to those individuals who contributed significantly to the Corporation's survival and its Mitigation and Recovery Plan. The LTI was adjusted to exclude the 2020 year from all in-flight performance based LTI, thereby cancelling a portion of the in-flight PSUs and performance-based options for all affected years, including the 2020 year (1/3 in the case of PSUs and 1/4 in the case of performance-based options). Retroactive reductions to LTIP grants were implemented for the 2017, 2018 and 2019 years in addition to the reduction for the current year 2020.

Calin Rovinescu

(2) With respect to Mr. Rovinescu's compensation:

- (a) Mr. Rovinescu's base salary for 2020 remained unchanged since 2010 and 86% of his total direct compensation is "at risk" to support Air Canada's pay-for-performance philosophy. Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada or any of its subsidiaries;
- (b) Mr. Rovinescu agreed to a voluntary reduction of 100% of his base salary from April 1 to June 30, 2020 and of 20% for the rest of the year. The total amount of the salary reduction amounted to \$490,000;
- (c) Mr. Rovinescu's 2020 LTIP grant of \$6,493,382 reflects a reduced number of PSUs and Performance-based options, pursuant to Note 1 above. Prior to the reduction, he would have received Share-based awards and Option-based awards having an aggregate value of \$7,700,000;



- (d) Value of Mr. Rovinescu's compensation as at May 6, 2021: After giving effect to the reduction in Air Canada's share price as a result of the COVID pandemic, based on the closing price of the Air Canada shares on the TSX on May 6, 2021 (\$24.16), the value of Mr. Rovinescu's total compensation for 2020 would have been as follows:

Year	Salary	Share-based awards ^(e)	Option-based awards/SAU ^(f)	Annual Incentive Plans/ COVID-19 pandemic mitigation bonus	Pension value	Value of total compensation as at May 6
2020	\$910,005	\$2,328,539	\$26,961	\$723,000	\$964,200	\$4,952,705

- (e) The value attributed to the share-based awards granted in 2020 is based on the closing price of the Air Canada shares on the TSX on May 6, 2021 (\$24.16) and using the methodology described in note (3) below;
- (f) The value attributed to the options granted in 2020 represents the "in-the-money" value (nil in this case), based on the exercise price of the options of \$32.42 and the closing price of the Air Canada shares on the TSX on May 6, 2021 (\$24.16); the value attributed to the SAUs granted December 31, 2020, represents the "in-the-money" value, based on the grant price \$22.90 and the closing price of the Air Canada shares on the TSX on May 6, 2021 (\$24.16);

Note: Mr. Rovinescu retired on February 15, 2021.

- (3) The grant date fair value of the annual grant of share units awarded in 2020 under the Corporation's Long-Term Incentive Plan (LTIP), as reported in this table, reflects a valuation factor of 65% for the performance share units and 100% for the restricted share units based on time. The payout factor used is consistent with empirical testing of performance plan payouts, including the performance payout factor analysis provided to the Corporation by Willis Towers Watson which was based on the compilation of actual payouts for similar plans in the market. The payout factor was applied to the value of the award which was calculated using a share price of \$32.42 for the March 11, 2020 grants. The share price at the time of the grants is equal to the volume weighted average of the trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. These share units have a term of three years and those which are performance based may vest (1) upon the Corporation achieving its cumulative EBITDA target over such three-year period (75%) and (2) remaining 25% vest based on two new performance measures: 12.5% based on 3-year cumulative TSR against the six international airlines and 12.5% based on 3-year cumulative TSR against the TSX Composite Index. See "Long-Term Incentive Plan – Share Units" on page 87 of this circular for more details. In the case of Mr. Rousseau, the grant date fair value of his share units awarded in 2020 also includes a grant of DSUs made under the Corporation's DSU Plan. See "Management Deferred Share Unit Plan".

The accounting fair value of these share units was \$2,520,700 for Mr. Rovinescu, \$925,637 for Mr. Rousseau, \$474,682 for Ms. Guillemette, \$401,012 for Mr. Landry and \$265,160 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$603,935 for Mr. Rovinescu, \$305,963 for Mr. Rousseau, \$113,727 for Ms. Guillemette, \$96,084 for Mr. Landry and \$63,497 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is due to a forfeiture rate of 95% applied for accounting purposes versus the valuation factor of 65% in the case of the performance share units and 100% in the case of restricted share units applied for purposes of determining the grant date fair value.

- (4) The grant date fair value for options awarded in 2020 by the Corporation as reported in this table was calculated using the Black-Scholes grid, being the model used by the Corporation in the review of its compensation practices with respect to target grants of incentive awards under the Long-Term Incentive Plan (refer to the heading "Long-Term Incentive Plan – Stock Options" on page 85 of this circular for more details).

The grant date fair value for the options granted on March 11, 2020, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions:

- i. Black-Scholes factor: 27.3663%
- ii. Volatility: 33.3547%
- iii. Dividend yield: 0%
- iv. Expected life: 6.25 years (rated vesting); 7.0 years (cliff vesting)
- v. Term: 10 years
- vi. Vesting: 50% time based; 50% performance-based

The accounting fair value of these options was: \$4,324,404 for Mr. Rovinescu, \$1,123,222 for Mr. Rousseau, \$814,336 for Ms. Guillemette, \$653,718 for Mr. Landry and \$454,902 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$955,657 for Mr. Rovinescu, \$248,220 for Mr. Rousseau, \$179,958 for Ms. Guillemette, \$117,787 for Mr. Landry and \$100,533 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the use of different factors and assumptions.

- (5) In 2020, Mr. Rovinescu and Mr. Rousseau both agreed to forego 100% of their salary from April 2020 to June 2020 and 20% for the rest of the year. Ms. Guillemette, Mr. Landry and Mr. Shapiro agreed to a reduction in their salaries from 50% and 20% respectively for the same period. At the end of the salary reduction period, share appreciation units (SAUs) were granted to each NEO based on the i) total salary reduction incurred and ii) the 5-day volume weighted average price of the Air Canada share price as at December 31, 2020; SAUs allow each recipient the opportunity to recuperate their foregone salary based on, and subject to, the appreciation of Air Canada shares over a 2-year vesting period.



- (6) As a result of the pandemic, the Annual Incentive Plan (AIP) was not approved as the Company was not profitable. The Board of Directors used structured discretion to i) measure Management's performance on the execution and implementation of the qualitative and quantitative objectives in the COVID-19 pandemic Mitigation and Recovery Plan that were set to replace the AIP objectives in early 2020, and ii) address the impact of the COVID-19 pandemic on performance-based long-term incentives (refer to the heading "COVID-19 Pandemic Mitigation Bonus" on page 81 of this circular for more details).
- (7) In 2020, perquisites and other personal benefits did not equal \$50,000 or more and did not equal 10% or more of the amount of total salary for any of the named executive officers.

Michael Rousseau

- (8) As of April 1, 2020, Mr. Rousseau agreed to waive 100% of his base salary until June 30, 2020 and as of July 1, 2020 agreed to waive 20% until December 31, 2020, in each case as a result of the impact of COVID-19 pandemic on Air Canada. Mr. Rousseau was appointed as President and Chief Executive Officer of Air Canada on February 15, 2021.

Lucie Guillemette

- (9) As of April 1, 2020, Ms Guillemette agreed to waive 50% of her base salary until June 30, 2020 and as of July 1, 2020 agreed to waive 20% until December 31, 2020, in each case as a result of the impact of COVID-19 pandemic on Air Canada.

Craig Landry

- (10) As of April 1, 2020, Mr. Landry agreed to waive 50% of his base salary until June 30, 2020 and as of July 1, 2020 agreed to waive 20% until December 31, 2020, in each case as a result of the impact of COVID-19 pandemic on Air Canada.

David Shapiro

- (11) On January 1, 2020, Mr. Shapiro, formerly the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, was appointed Executive Vice President, International and Regulatory Affairs and Chief Legal Officer. Mr. Shapiro retired on May 1, 2021.
- (12) As of April 1, 2020, Mr. Shapiro agreed to waive 50% of his base salary until June 30, 2020 and as of July 1, 2020 agreed to waive 20% until December 31, 2020, in each case as a result of the impact of COVID-19 pandemic on Air Canada.
- (13) In 2020, at the election of Mr. Shapiro, 100% of his share-based awards were allocated in the form of DSUs.



LONG-TERM INCENTIVE PLAN AWARDS & INCENTIVE PLAN AWARDS TABLES

The following table details all unexercised options held by named executive officers as at December 31, 2020.

Name	Option-based awards			
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Calin Rovinescu ⁽³⁾	252,294	5.39	April 1, 2021	4,384,870
	158,436	12.64	April 1, 2022	1,604,957
	443,902	9.23	January 13, 2023	6,010,433
	68,498	9.41	June 22, 2026	915,133
	325,000	13.69	April 3, 2027	2,951,000
	49,098	17.69	June 1, 2027	249,418
	338,366	26.59	April 2, 2028	0
	344,521	33.11	March 11, 2029	0
	434,996	32.42	March 11, 2030	0
Michael Rousseau	55,000	12.64	April 1, 2022	557,150
	100,000	9.23	January 13, 2023	1,354,000
	68,498	9.41	June 22, 2026	915,133
	80,000	13.69	April 3, 2027	726,400
	49,098	17.69	June 1, 2027	249,418
	94,259	26.59	April 2, 2028	0
	17,331	22.53	July 27, 2028	4,159
	95,107	33.11	March 11, 2029	0
	112,986	32.42	March 11, 2030	0
Lucie Guillemette	8,500	12.64	April 1, 2022	86,105
	18,384	9.23	January 13, 2023	248,919
	35,000	13.69	April 3, 2027	317,800
	43,051	26.59	April 2, 2028	0
	56,045	33.11	March 11, 2029	0
	81,915	32.42	March 11, 2030	0
Craig Landry	17,000	9.23	January 13, 2023	230,180
	19,000	13.69	April 3, 2027	172,520
	22,658	26.59	April 2, 2028	0
	38,819	33.11	March 11, 2029	0
	69,204	32.42	March 11, 2029	0
David Shapiro	33,946	5.39	April 1, 2021	589,981
	21,500	12.64	April 1, 2022	217,795
	26,000	9.23	January 13, 2023	352,040
	19,500	13.69	April 3, 2027	177,060
	27,492	26.59	April 2, 2028	0
	24,262	33.11	March 11, 2029	0
	45,759	32.42	March 11, 2030	0



- (1) Due to COVID pandemic, the Board of Directors decided to use its discretion and amend the 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant, and thereby cancelling a portion of these in-flight awards and grants for all affected years (1/3 in the case of PSUs and 1/4 in the case of performance-based options). These reductions were approved and processed in February 2021. Mr. Rovinescu's 2020 grant was reduced from 434,996 stock options to 380,621 stock options; Mr. Rousseau's 2020 grant was reduced from 112,986 stock options to 98,863 stock options; Ms. Guillemette's 2020 grant was reduced from 81,915 stock options to 71,676 stock options; Mr. Landry's 2020 grant was reduced from 68,204 stock options to 60,553 stock options; and Mr. Shapiro's 2020 grant was reduced from 45,759 stock options to 40,039 stock options.
- (2) Based on the closing price of the Air Canada shares on the TSX (\$22.77) on December 31, 2020. This value will be reduced due to the reduction of the Inflight performance-based stock options (see note 1).
- (3) In connection with Mr. Rovinescu's retirement in 2021, all of his unexercised stock options that vested on or prior to his retirement date shall expire on the earlier of (i) their respective original expiry date or (ii) March 1, 2026.

Share Appreciation Units (SAUs):

Name	Option-based awards – Share Appreciation Units ⁽¹⁾			
	Number of securities under SAUs (#)	SAUs exercise price	SAUs expiration date	Value of unexercised in-the-money SAUs (\$) ⁽²⁾
Calin Rovinescu	21,398	\$22.90	December 31, 2022	Nil
Michael Rousseau	10,699	\$22.90	December 31, 2022	Nil
Lucie Guillemette	5,159	\$22.90	December 31, 2022	Nil
Craig Landry	4,693	\$22.90	December 31, 2022	Nil
David Shapiro	4,636	\$22.90	December 31, 2022	Nil

- (1) To compensate the salary reduction period, share appreciation units (SAUs) were granted to each NEO based on the i) total salary reduction incurred and ii) the 5-day volume weighted average price of the Air Canada share price as at December 31, 2020; SAUs allow each recipient the opportunity to recuperate their foregone salary based on, and subject to, the appreciation of Air Canada shares over a 2-year vesting period.
- (2) Based on the closing price of the Air Canada shares on the TSX (\$22.77), on December 31, 2020 (refer to the heading "Base Salary – 2020 Base Salary Decisions" on page 102 of this circular for more details).



The tables below detail the number and market value of unvested performance share units and unvested restricted share units held by the named executive officers as at December 31, 2020.

Performance Share Units (PSUs):

Name	Share-based awards			
	Number of PSUs that have not vested (#) ⁽¹⁾	Performance Cycle	Market or payout value of PSUs that have not vested (\$) ⁽²⁾	Market or payout value of vested PSUs not paid out or distributed (\$)
Calin Rovinescu	102,113 ⁽³⁾	Jan 1, 2019 to Dec 31, 2021	232,5113	Nil
	103,264 ⁽³⁾	Jan 1, 2020 to Dec 31, 2022	235,1321	
Michael Rousseau	28,189 ⁽⁴⁾	Jan 1, 2019 to Dec 31, 2021	641,864	Nil
	26,822 ⁽⁴⁾	Jan 1, 2020 to Dec 31, 2022	610,737	
Lucie Guillemette	16,611 ⁽⁵⁾	Jan 1, 2019 to Dec 31, 2021	378,232	Nil
	19,446 ⁽⁵⁾	Jan 1, 2020 to Dec 31, 2022	442,785	
Craig Landry	11,506 ⁽⁶⁾	Jan 1, 2019 to Dec 31, 2021	261,992	Nil
	16,428 ⁽⁶⁾	Jan 1, 2020 to Dec 31, 2022	374,066	
David Shapiro	7,191 ⁽⁷⁾	Jan 1, 2019 to Dec 31, 2021	163,739	Nil
	10,863 ⁽⁷⁾	Jan 1, 2020 to Dec 31, 2022	247,351	

(1) Due to COVID pandemic, the Board of Directors decided to use its discretion and amend the 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant, and thereby cancelling 1/3 of these in-flight PSUs. These cancellations were approved and processed in February 2021.

(2) Based on the closing price of the Air Canada shares on the TSX (\$22.77), on December 31, 2020. This value will be reduced due to the cancellation of a portion of these inflight PSUs that was approved and processed in February 21 (see note 1).

(3) 102,113 PSUs decreased to 68,075 PSUs and 34,037 were allocated into DSUs; 103,264 PSUs decreased to 68,843 PSUs and were all allocated into DSUs (see note 1).

(4) 28,189 PSUs decreased to 18,793 PSUs; 26,822 PSUs decreased to 17,881 PSUs (see note 1).

(5) 16,611 PSUs decreased to 11,074 and were allocated into DSUs; 19,446 PSUs decreased to 12,964 PSUs (see note 1).

(6) 11,506 PSUs decreased to 7,671 PSUs and were allocated into DSUs; 16,428 PSUs decreased to 10,952 PSUs (see note 1).

(7) 7,191 PSUs decreased to 4,794 PSUs; 10,863 PSUs decreased to 7,242 PSUs and were allocated into DSUs (see note 1).



Restricted Share Units (RSUs):

Name	Share-based awards			
	Number of RSUs that have not vested (#)	Performance Cycle	Market or payout value of RSUs that have not vested (\$) ⁽¹⁾	Market or payout value of vested RSUs not paid out or distributed (\$)
Calin Rovinescu	50,144 ⁽²⁾	April 2, 2018 to April 2, 2021	1,141,779	Nil
	51,056 ⁽²⁾	March 11, 2019 to March 11, 2022	1,162,545	
	51,632 ⁽²⁾	March 11, 2020 to March 11, 2023	1,175,661	
Michael Rousseau	13,969	April 2, 2018 to April 2, 2021	318,074	Nil
	14,094	March 11, 2019 to March 11, 2022	320,920	
	13,411	March 11, 2020 to March 11, 2023	305,368	
Lucie Guillemette	6,380	April 2, 2018 to April 2, 2021	145,273	Nil
	8,306 ⁽³⁾	March 11, 2019 to March 11, 2022	189,128	
	9,723	March 11, 2020 to March 11, 2023	221,393	
Craig Landry	3,359 ⁽⁴⁾	April 2, 2018 to April 2, 2021	76,484	Nil
	12,632	Oct 30, 2018 to Oct 30, 2021	287,631	
	5,753 ⁽⁴⁾	March 11, 2019 to March 11, 2022	130,996	
	8,214	March 11, 2020 to March 11, 2023	187,033	
David Shapiro	4,074	April 2, 2018 to April 2, 2021	92,765	Nil
	3,596	March 11, 2019 to March 11, 2022	81,881	
	5,431	March 11, 2020 to March 11, 2023	123,664	

(1) Based on the closing price of the Air Canada shares on the TSX (\$22.77), on December 31, 2020.

(2) 25,072 of 50,144 RSUs were allocated into DSUs; 25,528 of 51,056 RSUs were allocated into DSUs; all 51,632 RSUs were allocated into DSUs.

(3) All 8,306 RSUs were allocated into DSUs.

(4) 840 of 3,359 RSUs were allocated into DSUs; all 5,753 RSUs were allocated into DSUs.



INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

As concerns option-based awards, the table below provides information on the value that would have been realized if the named executive officer exercised the awards that vested during the year ended December 31, 2020 on the vesting date of such awards. As concerns non-equity plan compensation, the table below summarizes the aggregate amount of such compensation received by each named executive officer during the year ended December 31, 2020. For details with respect to the amounts set out in the “Non-equity incentive plan compensation” column below, please refer to the corresponding column of the “Summary Compensation Table” on page 98 of this circular².

Name	Option-based awards					Non-equity incentive plan compensation
	Options Vested ⁽¹⁾	Exercise Price (\$)	Vesting Date	Market (closing) Price of Shares on the Date of Vesting (\$)	Value Vested during the Year (\$) ⁽²⁾	Value Earned during the Year (\$) ⁽³⁾
Calin Rovinescu	55,487	9.23	Jan 13, 2020	52.09	2,378,216	723,000
	8,562	9.41	June 22, 2020	18.54	78,171	
	162,500	13.69	Dec 31, 2020	22.77	1,475,500	
	40,625	13.69	April 3, 2020	14.55	34,938	
	24,549	17.69	Dec 31, 2020	22.77	124,709	
	6,137	17.69	June 1, 2020	16.41	0	
	42,296	26.59	April 2, 2020	14.72	0	
	43,066	33.11	March 11, 2020	27.40	0	
Michael Rousseau	12,500	9.23	Jan 13, 2020	52.09	535,750	Nil
	8,562	9.41	June 22, 2020	18.54	78,171	
	40,000	13.69	Dec 31, 2020	22.77	363,200	
	10,000	13.69	April 3, 2020	14.55	8,600	
	24,549	17.69	Dec 31, 2020	22.77	124,709	
	6,137	17.69	June 1, 2020	16.41	0	
	11,783	26.59	April 2, 2020	14.72	0	
	2,167	22.53	July 27, 2020	16.33	0	
11,889	33.11	March 11, 2020	27.40	0		
Lucie Guillemette	3,677	9.23	Jan 13, 2020	52.09	157,596	267,750
	17,500	13.69	Dec 31, 2020	22.77	158,900	
	4,375	13.69	April 3, 2020	14.55	3,763	
	5,382	26.59	April 2, 2020	14.72	0	
	7,006	33.11	March 11, 2020	27.40	0	
Craig Landry	2,125	9.23	Jan 13, 2020	52.09	91,078	229,500
	9,500	13.69	Dec 31, 2020	22.77	86,260	
	2,375	13.69	April 3, 2020	14.55	2,043	
	2,832	26.59	April 2, 2020	14.72	0	
	4,853	33.11	March 11, 2020	27.40	0	
David Shapiro	3,250	9.23	Jan 13, 2020	52.09	139,295	198,900
	9,750	13.69	Dec 31, 2020	22.77	88,530	
	2,438	13.69	April 3, 2020	14.55	2,097	
	3,437	26.59	April 2, 2020	14.72	0	
	3,033	33.11	March 11, 2020	27.40	0	

(1) Due to COVID pandemic, the Board of Directors decided to use its discretion and amend the 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant, and thereby cancelling 1/4 of these in-flight performance-based stock options. These reductions were approved and processed in February 2021.



- (2) Calculated as the difference between the market (closing) price of the shares on the date of vesting and the exercise price payable in order to exercise the options.
- (3) Represents amounts paid as a COVID-19 Pandemic Mitigation Bonus in 2020 and corresponds to the amounts disclosed in the Summary Compensation Table on page 98 of this circular under the heading “Non-equity incentive plan compensation — Annual incentive plans/COVID-19 pandemic mitigation bonus”.

The performance share units of the named executive officers that vested in 2020, based on the achievement of the Corporation’s 3-year annual EBITDA target, are disclosed in the table below.

Name	Share-based awards			
	Performance Share Units Vested ⁽¹⁾	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year (\$) ⁽²⁾
Calin Rovinescu	66,858 ⁽³⁾	December 31, 2020	21.46	2,152,180
Michael Rousseau	18,625	December 31, 2020	21.46	599,528
Lucie Guillemette	8,507	December 31, 2020	21.46	273,830
Craig Landry	4,477 ⁽⁴⁾	December 31, 2020	21.46	144,125
David Shapiro	5,432	December 31, 2020	21.46	174,856

- (1) Due to COVID pandemic, the Board of Directors decided to use its discretion and amend the 2017, 2018, 2019 and 2020 in-flight Performance-based LTI to exclude the year 2020 from the determination of the performance vesting level for each specific award or grant, and thereby cancelling 1/3 of these in-flight PSUs. These reductions were approved and processed February 2021. Mr. Rovinescu’s 2018 performance share unit original amount was 100,288; Mr. Rousseau’s 2018 performance share unit original amount was 27,937; Ms. Guillemette’s 2018 performance share unit original amount was 12,760; Mr. Landry’s 2018 performance share unit original amount was 6,716; and Mr. Shapiro’s 2018 performance share unit original amount was 8,148.
- (2) The vesting of the performance share units was in the form of cash and/or vested as DSUs.
- (3) 33,429 PSUs were vested as DSUs.
- (4) 1,119 PSUs were vested as DSUs.

The restricted share units of the named executive officers that vested in 2020 are disclosed in the table below.

Name	Share-based awards			
	Restricted Share Units Vested	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year (\$) ⁽¹⁾
Calin Rovinescu	69,643	April 3, 2020	15.82	1,101,752
Michael Rousseau	20,714	April 3, 2020	15.82	327,695
Lucie Guillemette	12,143 ⁽²⁾	April 3, 2020	15.82	192,102
Craig Landry	4,821 ⁽³⁾	April 3, 2020	15.82	76,268
David Shapiro	8,829	April 3, 2020	15.82	139,674

- (1) The vesting of the restricted share units was in the form of cash or shares.
- (2) All RSUs were vested as Air Canada shares.
- (3) All RSUs were vested as Air Canada shares.



RETIREMENT PLAN BENEFITS

Air Canada provides some executives with a non-contributory, final average earnings defined benefit registered pension plan (the Defined Benefit Pension Plan). In addition, Air Canada also provides the same executives with a SERP integrated with the Canada/Québec pension plans. The defined benefit SERP is a funded supplemental arrangement that provides retirement income beyond the limitations of the Pension Plan.

Benefits under the Defined Benefit Pension Plan and SERP are calculated by multiplying (i) 2% of the final average annual salary (excluding bonuses, honoraria and special allowances) during the executive's highest paid 36 successive months of company service less an amount equal to 0.25% times the Canada / Québec pension plan's average annual yearly maximum pensionable earnings during the same 36-month period used to determine the executive's average annual salary, by (ii) the executive's years of service (maximum 35 years).

An executive is eligible to retire early (before age 65) with an unreduced pension if the following three conditions are met: (i) the executive is at least 55 years old, (ii) the executive has at least 80 points (combination of age and years of qualifying service) and (iii) the executive has obtained the consent of Air Canada as administrator of the pension plan.

The Corporation also sponsors a non-contributory defined contribution pension plan for some executives. Under the plan, the Corporation makes contributions into a registered defined contribution pension plan and/or into a defined contribution SERP.

The following table provides information on the Defined Benefit pension entitlements of each named executive officer calculated as of December 31, 2020.

Name	Number of years of credited service (#) ⁽¹⁾	Annual benefits payable (\$)		Accrued obligation at start of year (\$) ⁽⁴⁾	Compensatory Change (\$) ⁽⁵⁾	Non-Compensatory Change (\$) ⁽⁶⁾	Accrued obligation at year end (\$) ⁽⁷⁾
		At year end ⁽²⁾	Latest of age 65 and year end ⁽³⁾				
Calin Rovinescu ⁽⁸⁾	28.6400	797,800	797,800	14,331,800	964,200	2,013,700	17,309,700
Michael Rousseau	23.2500	311,700	340,800	4,806,300	292,400	441,000	5,539,700
Lucie Guillemette	33.4167	329,400	345,000	5,882,200	53,800	704,100	6,640,100
Craig Landry	19.5000	167,400	300,500	3,408,300	369,900	625,400	4,403,600
David Shapiro	23.4167	212,800	265,900	3,732,600	325,900	369,700	4,428,200

(1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2020, including, as the case may be, any additional pensionable service credited pursuant to the Named Executive Officer's individual employment agreement. In respect of Mr. Rovinescu, this column includes years of credited pensionable service in respect of his previous period of employment with the Corporation. In respect of his current period of employment, Mr. Rovinescu had 11.75 years of credited pensionable service as of December 31, 2020.

In addition, two of the above Named Executive Officers have been or will be credited with additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated, namely:

- A. Mr. Rousseau has been credited with an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau has also been credited with an additional 5 years of pensionable service in 2018 when he reached age 60. He also became entitled to an unreduced pension (with guaranteed consent) upon attainment of age 60.
- B. Mr. Landry will be credited with an additional 3 years of pensionable service on March 1, 2026. For the following four years, he will also be granted with an additional year of service on February 28th of each year, without exceeding 35 years of pensionable service. The pension benefits payable from Air Canada will be offset by a portion of the pension benefits he has earned at Aeroplan (for the employer-provided portion only).

(2) Annual unreduced pension benefits are based on the average annual salary during the Named Executive Officer's highest paid 36 successive months of company service and the credited service as of December 31, 2020. The payment of such unreduced pension benefit cannot commence earlier than the Named Executive Officer's unreduced early retirement date.



- (3) Projected annual pension benefits that would be payable to the Named Executive Officer at the latest of age 65 and year end, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2020 and his credited service being projected to the latest of age 65 and year end (subject to a maximum of 35 years).
- (4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2019 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum (plus merit scales), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 3.13%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2019 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service under individual employment agreements entered into prior to 2019, is spread equally over the Named Executive Officer's projected career with Air Canada, regardless of when the credited service is granted, except such projected career is limited to 35 years of pensionable service.
- (5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have retroactive impact. The service cost was calculated using the same assumptions that were used for 2019 year-end financial statement reporting purposes, including a discount rate of 3.20%. The amounts disclosed with respect to changes in salary reflect 2020 year-end assumptions.
- (6) The non-compensatory change in the accrued obligation for the Corporation's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year.
- (7) The accrued obligation at the end of the Corporation's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2020 and is based on 2020 year-end assumptions, assuming a going-concern basis. The 2020 assumptions used for determining the accrued obligation are the same as those used for 2020 year-end financial statement reporting purposes. In particular, a preliminary discount rate of 2.61% determined as at November 30, 2020 was used, which reflects corporate AA bond yields at the end of the year.
- (8) Mr. Rovinescu was entitled to an annual benefit payable of \$168,600 in relation to his previous period of employment with the Corporation. Effective November 1, 2009, all pension payments in relation to his previous employment with Air Canada were voluntarily suspended. Benefits related to his previous employment became payable to Mr. Rovinescu upon his retirement from Air Canada, together with the pension accrued from his most recent period of employment. In November 2014, his employment agreement was modified to bring his pension closer to market competitive levels and to serve as a retention incentive effective December 31, 2017, after expiry of the retention period. Mr. Rovinescu's two periods of employment were combined and his current salary was used in the calculation of the final average earnings.



TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL

Termination Without Cause Benefits

Air Canada has entered into employment agreements with each named executive officer. The agreements provide that in the event of termination without cause, they will be entitled to receive a severance payment equal to 2 years of their then current annual base salary and payment of the annual bonus award at target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or their re-employment with any other employer. The payments and conditions are subject to their compliance during the severance period with non-competition provisions (see table below).

The table below shows the estimated amount of cash that would become payable to each named executive officer in the event of the termination of employment by Air Canada without cause, as if it had occurred on the last business day of 2020:

Named Executive Officer	Cash Portion (\$) ⁽¹⁾	Value of Exercisable/ Vested Options and Share Units (\$)	Other Benefits (\$) ⁽²⁾	Total Value (\$) ⁽⁴⁾
Calin Rovinescu ⁽³⁾	6,580,000	12,376,684 ⁽⁴⁾	139,874	19,096,558
Michael Rousseau	2,800,000	2,450,009 ⁽⁴⁾	114,984	5,364,993
Lucie Guillemette	1,942,500	1,199,163 ⁽⁴⁾	91,172	3,232,835
Craig Landry ⁽⁵⁾	1,785,000	1,051,166 ⁽⁴⁾	96,316	2,932,482
David Shapiro ⁽⁶⁾	1,683,000	657,212 ⁽⁴⁾	96,132	2,436,344

(1) Based on salary for the year ended December 31, 2020.

(2) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period.

(3) Mr. Rovinescu retired on February 15, 2021. As a result, Air Canada's obligations under a 2014 retention arrangement to underwrite up to one-third of his equity securities in certain circumstances were terminated.

(4) Based on the December 31, 2020 closing price of Air Canada's shares on the TSX (\$22.77).

(5) Reflects termination arrangement approved in February 2020.

(6) Mr. Shapiro retired on May 1, 2021.

Change of Control Benefits

Air Canada is currently a party to change of control agreements with each named executive officer. Under these agreements, a "Change of Control" is generally defined as follows:

(i) any event or series of related events as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction, directly or indirectly, over thirty-five (35%) percent or more of all issued and outstanding voting securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding;

(ii) any event as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction over voting securities carrying twenty-five (25%) percent or more of the votes attached to all voting securities then outstanding followed



by a change in the composition of the Board such that, at any time within 2 years following thereafter, individuals who were members of the Board immediately prior to such event cease to constitute a majority of the Board;

(iii) a change in the composition of the Board, which occurs at a single meeting of the shareholders or upon the execution of a shareholders' resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board without the Board, as constituted immediately prior to such meeting or resolution, approving of such change; or

(iv) any event or series of related events as a result of or following which the beneficial ownership or control or direction over the assets of Air Canada has decreased by an amount of not less than forty (40%) percent of the assets of Air Canada (on a consolidated basis), as shown on a consolidated balance sheet for Air Canada at the end of the last completed quarter (prior to the event or the first of the series of related events) of the then current financial year or as at the end of the last completed financial year if the event or the first of the series of related events occurs during the first quarter of a financial year.

Notwithstanding the foregoing, the term "Change of Control" as defined in the agreement expressly excludes any event in which all the holders of the outstanding equity securities and voting securities with identical attributes in the same relative amounts in a company which acquires all of the equity securities and voting securities and the composition of the board of directors of such company is identical to the composition of the board of directors of Air Canada at the time of such event and further provided that the executive holds the same position with the same title and responsibilities at such company.

In order for the benefits under the change of control agreements to become payable to Mr. Rovinescu, Mr. Rousseau, Ms. Guillemette, Mr. Landry and Mr. Shapiro following the occurrence of a Change of Control (as summarized above), there must, within the subsequent 24-month period, be an involuntary termination (as defined in the agreements) of the respective executive's employment. In the event an involuntary termination of the respective executive's employment occurs within the subsequent 24-month period, the specified amounts would become payable under the agreement to such executive.

Each of Mr. Rovinescu, Mr. Rousseau, Ms. Guillemette, Mr. Landry and Mr. Shapiro would become entitled to the payments and benefits to which they are entitled under the terms of their respective employment agreement in the event of a termination without cause. Additionally, Mr. Rovinescu, Mr. Rousseau, Ms. Guillemette and Mr. Shapiro, will be entitled to receive an additional 2 years of pensionable service.

Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a "Hostile Change of Control", Mr. Rovinescu has the right at any time within 2 years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have the same effect as) a termination without cause under the terms of his Employment Agreement (the payments and benefits to which he would then be entitled having been summarized in the section above). Under this agreement, a "Hostile Change of Control" is defined as follows:

"A "Change of Control" (as was defined above) that results from the take-up of securities under a "take-over bid" (as such term is defined in Québec Regulation 62-104 respecting take-over bids and issuer bids ("62-104")) that is not exempt from the formal bid requirements set out in Part 2 of 62-104 including any acquisition of securities under a statutory right of compulsory acquisition or any second step business combination within the meaning of Québec Regulation 61-101 respecting



protection of minority security holders in special transactions, in each case within 120 days following the completion of such take-over bid, and such take-over bid:

(i) was not solicited, initiated, approved or recommended by the Board of Directors of Air Canada (a "Hostile Bid"),

(ii) was solicited, initiated, approved or recommended by the Board of Directors of Air Canada in response to or as an alternative to a Hostile Bid, or

(iii) was initially a Hostile Bid but was ultimately approved or recommended by the Board of Directors of Air Canada based on one or more modifications or variations to the take-over bid whether at the request or suggestion of the Board of Directors of Air Canada or otherwise."



OTHER IMPORTANT INFORMATION

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Air Canada maintains directors' and officers' liability insurance for the benefit of the directors and officers of Air Canada and its subsidiaries. The current policy is effective from October 1, 2020 to October 1, 2021 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As at May 6, 2021, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer are indebted to Air Canada or any of its subsidiaries. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no director, senior officer or other insider, as applicable, of the Corporation, nor any associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's last financial year that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

MAIL SERVICE INTERRUPTION

If there is a mail service interruption prior to the meeting, in order to return a completed proxy to AST, it is recommended that the shareholder deposit the completed form of proxy, in the envelope provided, at any of the following principal offices of AST:

Alberta

600 The Dome Tower
333 – 7th Avenue S.W.
Calgary, Alberta

British Columbia

1066 West Hastings Street
Suite 1600
Vancouver, British Columbia

Ontario

1 Toronto Street
Suite 1200
Toronto, Ontario

Québec

2001 Robert-Bourassa Boulevard
Suite 1600
Montréal, Québec

SHAREHOLDER PROPOSALS FOR OUR 2022 ANNUAL MEETING

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2022 annual shareholder meeting. Please send your proposal to the Vice President and Corporate Secretary of Air Canada at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4 by February 1, 2022.



HOW TO REQUEST MORE INFORMATION

Documents you can request

Financial information with respect to the Corporation is provided in its consolidated financial statements and Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") for the year ended December 31, 2020. Shareholders may request the following documents without charge:

- Annual report for the year ended December 31, 2020, including the annual consolidated financial statements together with the auditors' report and related MD&A;
- any interim consolidated financial statements and related MD&A; and
- Annual information form for the year ended December 31, 2020.

Please contact Air Canada Shareholder Relations at 514-422-6644, by email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4. These documents are also available on our website at www.aircanada.com and on SEDAR at www.sedar.com.

Receiving documents electronically

Shareholders may elect to receive corporate documents such as this circular and our annual report electronically. You will be notified by e-mail when they are available on our website.

How to sign up – registered shareholders

You are a registered shareholder if your name appears on your share certificate.

If you are uncertain whether you are a registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries). To sign up, go to the website ca.astfinancial.com/edelivery and follow the instructions.

How to sign up – non-registered shareholders

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution (your nominee) holds your shares for you.

If you are uncertain whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries). To sign up, go to the website www.investordelivery.com and follow the instructions.

How to sign up – employee shareholders

If you are uncertain whether you are holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries). To sign up, go to the website www.computershare.com/employee/ca and follow the instructions.



SCHEDULE "A" NON-BINDING ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

"BE IT RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2021 annual meeting of shareholders of Air Canada."



SCHEDULE “B”

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

This charter describes the role of the board of directors (the “Board”) of Air Canada (the “Corporation”). This charter is subject to the provisions of the Corporation’s articles of incorporation and by-laws and to applicable laws. This charter is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws and applicable laws. Directors are elected annually by the shareholders of the Corporation and together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Board.

II. ROLE

The Board is responsible for the stewardship of the Corporation and its business and is accountable to shareholders for the performance of the Corporation.

The Board establishes the overall policies for the Corporation, monitors and evaluates the Corporation’s strategic direction, and retains plenary power for those functions not specifically delegated by it to its Committees or to management. Accordingly, in addition to the duties of directors of a Canadian corporation as prescribed by applicable laws, the mandate of the Board is to supervise the management of the business and affairs of the Corporation with a view to evaluate, on an ongoing basis, whether the Corporation’s resources are being managed in a manner consistent with ethical considerations and stakeholder’s interests and in order to enhance shareholder value. In discharging their duties, directors must act honestly and in good faith, with a view to the best interests of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

III. COMPOSITION

Selection

The Board shall be comprised of that number of directors as shall be determined from time to time by the Board upon recommendation of the Governance and Nominating Committee.

The Governance and Nominating Committee maintains an overview of the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. The Governance and Nominating Committee reviews and recommends to the Board candidates for nomination as directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the industry and the geographical areas in which the Corporation operates. Directors selected should be able to commit the requisite time for all of the Board’s business.



Chairman

A Chairman of the Board shall be appointed by the Board.

Independence

A majority of the Board shall be composed of directors who must be determined to have no material relationship with the Corporation and who, in the reasonable opinion of the Board, must be unrelated and independent under the laws, regulations and listing requirements to which the Corporation is subject.

Criteria for Board Membership

Board members are expected to possess the following characteristics and traits:

- (a) demonstrate high ethical standards and integrity in their personal and professional dealings;
- (b) act honestly and in good faith with a view to the best interests of the Corporation;
- (c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as Committee members;
- (d) provide independent judgment on a broad range of issues;
- (e) understand and challenge the key business plans and the strategic direction of the Corporation;
- (f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;
- (g) make all reasonable efforts to attend all Board and Committee meetings; and
- (h) review the materials provided by management in advance of the Board and Committee meetings.

Board Tenure

Board members are elected annually for a one-year term of service. The policy of the Board is that a director shall not stand for re-election after the director has served for 15 years from the later of: the date of the 2019 shareholder meeting and the date on which the director first began serving on the Board.

Furthermore, no person shall be appointed or elected as a director if the person has reached 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his or her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

IV. COMPENSATION

The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.



V. RESPONSIBILITIES

Without limiting the Board's governance obligations, general Board responsibilities shall include the following:

- (a) discussing and developing the Corporation's approach to corporate governance, with the involvement of the Governance and Nominating Committee;
- (b) reviewing and approving management's strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans' assumptions, and reaching an independent judgment as to the probability that the plans can be realized;
- (c) monitoring corporate performance against the strategic and business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;
- (d) appointing the Corporation's Chief Executive Officer, satisfying itself that a succession plan is in place and developing his or her position description with the recommendation of the Governance and Nominating Committee;
- (e) reviewing, through the Human Resources and Compensation Committee, the compensation of the Chief Executive Officer;
- (f) identifying the principal risks of the Corporation and satisfying itself that the appropriate systems have been identified to manage these risks, through the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, and the Safety, Health, Environment and Security Committee;
- (g) satisfying itself that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;
- (h) satisfying itself with respect to the proper and efficient functioning of its Committees;
- (i) providing a source of advice and counsel to management;
- (j) reviewing and approving major corporate policies developed by management;
- (k) reviewing, approving and as required, overseeing compliance with the Corporation's disclosure policy by directors, officers and other management personnel and employees;
- (l) overseeing the Corporation's disclosure controls and procedures;
- (m) monitoring, through the Audit, Finance and Risk Committee, the Corporation's internal controls and information systems;
- (n) reviewing through the Human Resources and Compensation Committee succession and contingency plans for executive management;
- (o) satisfying itself that members of management possess the ability required for their roles, are adequately trained and monitored and that planning for their succession is ongoing;
- (p) satisfying itself that the Chief Executive Officer and the other members of management have the integrity required for their roles and the capability to promote a culture of integrity and accountability within the Corporation;
- (q) conducting, through the Governance and Nominating Committee, an annual assessment of the Board and the Committees;



- (r) selecting, upon the recommendation of the Governance and Nominating Committee, nominees for election as directors;
- (s) selecting a Chairman of the Board;
- (t) reviewing with the Governance and Nominating Committee that the Board as a whole, the Committees of the Board and the directors are capable of carrying out and do carry out their roles effectively; and
- (u) in respect of the retirement plans, ensuring that the plans are consistent with the goals and objectives of the Corporation, and that the plans are effectively governed and appropriately funded.

VI. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board.

Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

On the occasion of each Board meeting, non-management directors will hold an "in-camera" session under the chairmanship of the Chairman. Additional meetings may be held at the request of any director with notice to all members of the Board. The Chairman will forward to the President and Chief Executive Officer any questions, comments or suggestions of the directors.

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL

In addition to those specific matters requiring prior Board approval pursuant to the Corporation's by-laws or applicable laws, the Board will be responsible for approving the following:

- (a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;
- (b) strategic plans, business plans and capital expenditure budgets;
- (c) raising of debt or equity capital and other major financial activities;
- (d) hiring, compensation and succession for the Chief Executive Officer and other executives;
- (e) major organizational restructurings, including spin-offs;
- (f) material acquisitions and divestitures;
- (g) major corporate policies, and
- (h) in respect of the retirement plans, the Board shall be responsible for the following:

- (i) Plan Design

The Board shall approve a policy on materiality of benefit changes (the "Materiality Policy") which shall define materiality in the context of plan and benefit changes and assist in determining who is authorized to approve plan text amendments and other changes to the Corporation's retirement plans.



Unless otherwise referred to the Board by the Human Resources and Compensation Committee, such Committee shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally restructure any retirement plans, where the expected impact of such decisions on the Corporation is material, as defined in the Materiality Policy.

(II) Governance

The Board shall approve a governance structure for the retirement plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities.

(III) Valuation and Funding

The Board shall review the contributions to the pension funds of the defined benefit pension plans as approved by the Human Resources and Compensation Committee.

(IV) Supplemental Executive Retirement Plans

(i) *Initiation, Change and Termination* – The Board shall approve all decisions to initiate, terminate, and/or otherwise fundamentally restructure a supplemental executive retirement plan.

(ii) *Funding and Contributions* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a supplemental executive retirement plan and how those liabilities should be funded or secured. If the liabilities are to be funded, the Board shall approve a funding policy which sets out guidelines with respect to the valuation and funding of the plan's liabilities. The Board shall also review the contributions to the plan's trust fund as approved by the Human Resources and Compensation Committee.

VIII. BOARD COMMITTEES

There are four Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee. The roles and responsibilities of each Committee are described in the respective Committee charters.

Members of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee, and the Safety, Health, Environment and Security Committee shall be independent as required under the charter of each Committee and the laws, regulations and listing requirements to which the Corporation is subject.

IX. COMMUNICATION WITH THE BOARD

Shareholders and other constituencies may communicate with the Board and individual board members by contacting Shareholder Relations.

X. ADVISORS

The Board has determined that any director who wishes to engage a non-management advisor to assist on matters involving the director's responsibilities as a director at the expense of the Corporation should have its request reviewed by, and obtain the authorization of, the Chairman of the Board.



XI. OTHER MATTERS

The Board expects directors as well as executive officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the policies comprising the Corporate Policy and Guidelines on Business Conduct (the “Code of Conduct”). The Board, with the assistance of the Audit, Finance and Risk Committee, is responsible for monitoring compliance with the Code of Conduct.

Directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

Approved by the Board of Directors on February 15, 2019

At Air Canada, we believe that being accountable for the impact of our operations on the environment is one part of building sustainable, healthier communities. The adoption of notice-and-access to deliver this circular to our shareholders has resulted in significant cost savings and less impact on the environment. The environmental savings shown below have been estimated using the Environmental Paper Network's Paper Calculator and these savings have been quantified by comparing the difference between the paper and resources being used and those which would have been used had notice-and-access not been adopted.



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