



Notice of Annual Meeting of Shareholders

March 28, 2022



Management Proxy Circular



A STAR ALLIANCE MEMBER 



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LETTER FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

February 7, 2022

Dear Fellow Shareholders,

We are pleased to invite you to our annual meeting, which will take place on Monday, March 28, 2022 at 10:30 a.m. (Eastern time). In light of the timing of this year's meeting, we are doing so in a virtual only format via live webcast at <https://aircanada.com/AGM>. We look forward as the effects of the COVID-19 pandemic subside to a time soon when we can engage and connect in person with you and so many other stakeholders, including so as to celebrate our 85th anniversary together.

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 approach to executive compensation, as well as Air Canada's environmental, social and governance (ESG) practices. Detailed instructions on how to participate in our virtual meeting can be found in the notice of annual meeting of shareholders and the management proxy circular.

At the meeting, we will present management's report for 2021 and discuss our corporate priorities for 2022. The turbulence of the past two years has been a challenge. Yet, despite significant financial losses and operational disruptions caused by the COVID-19 pandemic crisis, our airline is making good progress and is now recovering. We have recalled employees, added new routes and frequencies to our network, restored services, and improved liquidity. All of these actions position the airline to be competitive over the long term.

The disruption caused by the pandemic did not distract us from serving our customers and meeting broader community needs. Our employees welcomed our customers with care and brought them safely to their destinations. We continued to lead the industry in biosafety protocols and the development and use of science-based tools, including participating in large-scale vaccination campaigns across Canada. We also shared our experience and knowledge with other Canadian companies as they scaled up similar initiatives.

We leveraged our strong culture to adopt strategic programs that will be foundational to our long-term success. This included completing the implementation of our new reservation system and the launch of the transformed Aeroplan loyalty program. Air Canada Cargo expanded its offering and moved essential goods within Canada and around the world. We further renewed our fleet, removing older and less fuel-efficient passenger aircraft while introducing new, more customer-friendly, efficient Airbus A220 and Boeing 737 MAX aircraft. These improvements will benefit customers, employees and other stakeholders, provide meaningful revenue-generating opportunities, and yield efficiencies in the post-pandemic market.

Fleet renewal also leads to a reduction in our carbon footprint. In this way, it has been key to our sustainability achievements and will remain at the heart of our ongoing ESG goals and initiatives. Last year, we adopted an ambitious and meaningful climate action plan that will support Canada's



position on climate change. Already, we have started to act on our plan, which commits us to a goal of net-zero GHG emissions from all operations globally by 2050, with ambitious 2030 absolute mid-term GHG net-reduction targets as well. Our sustainability strategy is complemented by other important new initiatives to build on our efforts regarding diversity, equity and inclusion.

Our response to the pandemic owes much to the durability of the strong culture built at our company during the last decade. In the same way, our culture will continue to serve as a foundation to rise in the post-pandemic world and realize our goal to rebuild ourselves into a sustainably profitable and leading global carrier. We are confident that leveraging all our competitive strengths, including our people and culture, will translate over time into a greater recovery in our equity value.

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

Thank you for your continued support and trust in Air Canada.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vagn', with a long, sweeping flourish extending upwards and to the right.

Vagn Sørensen
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Michael Rousseau', with a long, sweeping flourish extending to the right.

Michael Rousseau
President and Chief Executive Officer



NOTICE OF 2022 ANNUAL MEETING OF SHAREHOLDERS

NOTICE OF MEETING

WHEN

Monday, March 28, 2022,
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, 2021, including the auditors' report;	page 13 of the circular and our 2021 consolidated financial statements
2 Election of directors who will serve until the end of the next annual shareholder meeting;	page 13, and pages 17 to 30 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 January 31, 2022.



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.

This year, we will hold our meeting in a virtual only format, which will be conducted via live webcast. We have taken appropriate steps, such as simultaneous translation, to enhance the participant experience and to ensure that 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. We remain committed to ensuring future meetings, whether held virtually, in-person or in a hybrid format, encourage shareholder participation and engagement. Following the meeting, we welcome any feedback from shareholders on how we may further enhance the shareholder experience.

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, TSX Trust Company, 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 TSX Trust Company 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
February 7, 2022



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 March 28, 2022 (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 February 7, 2022, unless otherwise indicated or where the context may otherwise require. Financial information on Air Canada and its subsidiaries provided in this circular is consistent with the financial information provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2021.

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 \$56,000 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, subject to the approval of its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2021, 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".

Carolyn M. Hadrovic
Vice President and Corporate Secretary

Montréal, Québec
February 7, 2022



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

This year, 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 proxyholders who are duly appointed as per the instructions described below under “How to vote – registered shareholders – By proxy”; “How to vote – non-registered shareholders – By proxy” or “How to vote – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada – By proxy”, 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 “AC2022” (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 “How to vote – non-registered shareholders – By proxy” for additional information on appointing yourself as a proxyholder and registering with TSX Trust Company.

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 March 28, 2022, 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 (third-party proxyholder). If you appoint someone else, he or she must attend the meeting online to vote your shares.

Registered shareholders who wish to appoint a third-party proxyholder to represent them at the meeting, and non-registered shareholders who wish to appoint themselves as proxyholder, MUST



follow the instructions described below under “How to vote – registered shareholders – By proxy”; or “How to vote – non-registered shareholders—By proxy” or “How to vote – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada – By proxy”, (as applicable) to register that proxyholder with TSX Trust Company.

If you are a non-registered shareholder and wish to attend and vote online 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 below. 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 TSX Trust Company. 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: TSX Trust Company, 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 March 24, 2022 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 TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (international).

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 (international), 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 March 25, 2022**. A list of addresses for the principal offices of TSX Trust Company is set forth on page 106 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.

Registered shareholders who wish to appoint a third party as a proxyholder other than the individuals designated by Air Canada on the form of proxy to represent them at the meeting **MUST** submit their form of proxy, appointing that proxyholder AND register that proxyholder with TSX Trust Company **by calling 1-866-751-6315 (toll free in Canada and the United States) or 212-235-5754 (international) or complete the online form at <https://www.tsxtrust.com/control-number-request> not later than 4:00 p.m. (Eastern time) on**



March 25, 2022, 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. Registering your proxyholder is an additional step to be completed AFTER you have submitted your form of proxy so that TSX Trust Company may provide the proxyholder with a control number via email. 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 "Attending the Virtual Only Meeting" for additional information on how to login to the 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 TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (international).

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.

Non-registered shareholders who wish to appoint themselves as proxyholder or a third-party proxyholder to represent them at the meeting **MUST** submit their voting instruction form, appointing that proxyholder by the voting deadline **AND** register that proxyholder with TSX Trust Company by **calling 1-866-751-6315 (toll free in Canada and the United States) or 212-235-5754 (international) or complete the online form at <https://www.tsxtrust.com/control-number-request> not later than 4:00 p.m. (Eastern time) on March 25, 2022**, 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. Registering your proxyholder is an additional step to be completed AFTER you have submitted your voting instruction form so that TSX Trust Company may provide the proxyholder with a control number via email. 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 “Attending the Virtual Only Meeting” for additional information on how to login to the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on March 24, 2022.

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 March 24, 2022.**

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, TSX Trust Company, 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. TSX Trust Company will provide you with a control number by email after the proxy voting deadline has passed, provided you have been duly appointed and registered with TSX Trust Company. 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 “How to vote – non-registered shareholders – By proxy” for additional information on appointing yourself as proxyholder and registering with TSX Trust Company.

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 (international).

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 by the voting deadline **AND** register that proxyholder with TSX Trust Company by calling **1-866-751-6315 (toll free in Canada and United States) or 212-235-5754 (international) or complete the online form at <https://www.tsxtrust.com/control-number-request> not later than 4:00 p.m. (Eastern time) on March 25, 2022** 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. Registering your proxyholder is an additional step to be completed **AFTER** you have submitted your voting instruction form so that TSX Trust Company may provide the proxyholder with a control number via email. 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 "Attending the Virtual Only Meeting" for additional information on how to login to the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on March 24, 2022.

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 March 24, 2022.**

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 TSX Trust Company. 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 "Attending the Virtual Only Meeting" for additional information on how to login to the meeting and "How to vote – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada – By proxy" 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. 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, TSX Trust Company, 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, TSX Trust Company, counts and tabulates the votes.

VOTING SHARES AND QUORUM

As of December 31, 2021, being the latest date as of which such information was made available to the Corporation, there were 274,944,350 Class B voting shares and 82,897,507 Class A variable voting shares outstanding. Shareholders of record on January 31, 2022 are entitled to receive notice of and vote at the meeting. As at February 7, 2022, being the date of this circular, there were an aggregate of 357,842,822 Class B voting shares and Class A variable voting shares outstanding. 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, TSX Trust Company, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec.

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 online or represented by proxy 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 February 7, 2022, to the knowledge of the directors and 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, 2021, 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, 2021, 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.

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 29, 2021, Air Canada shares representing 92.37% 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 7.63% 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, 2021 and December 31, 2020 to PricewaterhouseCoopers LLP and its affiliates are \$4,509,873 and \$5,111,065 respectively, as detailed in the following table:

	Year ended December 31, 2021 (\$)	Year ended December 31, 2020 (\$)
Audit fees	2,722,500	2,901,400
Audit-related fees	1,106,294	1,155,572
Tax fees	233,595	296,563
All other fees	447,484	757,530
Total fees	4,509,873	5,111,065

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 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 2021 annual shareholder meeting, shareholders expressed 71.31% support for Air Canada's approach to executive compensation, as compared to 94.77% at the 2020 meeting. Prior to the 2021 meeting and since 2013, shareholder support consistently exceeded 86%.

For 2020, the Board of Directors did not approve any award under the AIP due to the severe impact of the COVID-19 pandemic on the business. However, the goals, priorities and objectives having in that year changed towards weathering the crisis, the Board approved a targeted COVID-19 pandemic mitigation bonus for over 900 employees. Our President and CEO and all our Executive Vice-Presidents at the time voluntarily chose to return that bonus after we received feedback, in addition to having forfeited all of the Share Appreciation Units (SAUs) which had been granted to them in 2020 as part of their agreement to accept salary reductions between April and December 2020.

The Human Resources and Compensation Committee reviewed the results of the 2021 say-on-pay vote, evaluated investor feedback (including feedback received from meetings with shareholders) 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, the relationship between risk-taking and incentive compensation, and our commitment in 2021 to the Government of Canada under credit agreements entered into through the Large Employer Emergency Financing Facility (LEEFF) program to cap total annual compensation for each named executive officer at \$1 million, as further discussed in the Executive Compensation section of this circular. As announced in November 2021, Air Canada's improved liquidity position and ongoing recovery from the pandemic allowed us to terminate these credit agreements, which had remained unused. The Committee has taken all of these factors and developments into account and has reaffirmed the elements of our executive compensation policies and programs going forward.

The Corporation's executive compensation philosophy, policies and programs are intended to align the interests of our executive team with those of our shareholders and other long-term stakeholders. 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 2022 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, 2021 attendance record, independence, their areas of expertise and voting results at the 2021 annual meeting of shareholders held on June 29, 2021. The information on each director nominee is current as of February 7, 2022.

This section also includes each nominee's equity ownership in the Corporation as of February 7, 2022 and May 6, 2021, 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 February 7, 2022, which was \$23.68 per share, and on May 6, 2021, which was \$24.16 per share.



Amee Chande



Los Altos, California,
United States
Age: 48
Director since June 25, 2020
Independent

Amee Chande is a corporate director and strategy consultant. Ms. Chande is 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. She has also served as a director of Signature Aviation plc.

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):

	2021 Attendance
Board of Directors	23 of 23
Audit, Finance and Risk Committee	5 of 5
Safety, Health, Environment and Security Committee	4 of 4

2021 Annual Meeting:

Voting Results in
Favour: 95.45%

Public Board Memberships (past five years):

Signature Aviation plc	2018 – 2021
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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⁾
February 7, 2022	14,508	2,480.83	\$402,295	\$585,000
May 6, 2021	8,687	Nil	\$209,878	\$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: 68
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 an Emeritus 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):

	2021 Attendance
Board of Directors	23 of 23
Audit, Finance and Risk Committee (Chair)	5 of 5
Governance and Nominating Committee	5 of 5

2021 Annual Meeting:

Voting Results in Favour: 95.17%

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⁾
February 7, 2022	73,010	31,188.19	\$2,467,413	\$585,000
May 6, 2021	73,010	27,614.12	\$2,431,079	\$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):

	2021 Attendance
Board of Directors	23 of 23
Human Resources and Compensation Committee	7 of 7
Safety, Health, Environment and Security Committee	4 of 4

2021 Annual Meeting:

Voting Results in
Favour: 94.82%

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⁾
February 7, 2022	Nil	17,831.09	\$422,240	\$585,000
May 6, 2021	Nil	14,156.02	\$342,009	\$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 Chairman 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 (97% overall):

	2021 Attendance
Board of Directors	22 of 23
Safety, Health, Environment and Security Committee (Chair)	4 of 4
Human Resources and Compensation Committee	7 of 7

2021 Annual Meeting:

Voting Results in
Favour: 95.01%

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⁾
February 7, 2022	Nil	32,626.42	\$772,594	\$585,000
May 6, 2021	Nil	25,633.68	\$619,310	\$585,000

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



Michael M. Green



East Hampton, New York, USA
 Age: 63
 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 (94% overall):

	2021 Attendance
Board of Directors	22 of 23
Human Resources and Compensation Committee	6 of 7
Safety, Health, Environment and Security Committee	4 of 4

2021 Annual Meeting:

Voting Results in
 Favour: 89.64%

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⁾
February 7, 2022	88,771	42,204.64	\$3,101,503	\$585,000
May 6, 2021	88,771	37,651.44	\$3,054,366	\$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: 60

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):

	2021 Attendance
Board of Directors	23 of 23
Governance and Nominating Committee	2 of 2
Safety, Health, Environment and Security Committee	4 of 4

2021 Annual Meeting:

Voting Results in
Favour: 93.99%

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⁾
February 7, 2022	31,098	223,984.66	\$6,040,357	\$585,000
May 6, 2021	31,098	220,643.69	\$6,082,079	\$585,000

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



Madeleine Paquin, C.M., FSCMA



Montréal, Québec, Canada

Age: 59

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 December 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):

	2021 Attendance
Board of Directors	23 of 23
Governance and Nominating Committee	5 of 5
Safety, Health, Environment and Security Committee	4 of 4

2021 Annual Meeting:

Voting Results in
Favour: 99.73%

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⁾
February 7, 2022	6,500	51,367.65	\$1,370,306	\$585,000
May 6, 2021	6,500	47,358.48	\$1,301,221	\$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). 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. He is also a member of the Board of Governors of the International Air Transport Association.

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.

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):

	2021 Attendance
Board of Directors	20 of 20

2021 Annual Meeting:

Voting Results in
Favour: 99.69%

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 and Restricted Share Units	Total Market Value of Securities	Minimum Shareholding Requirements
February 7, 2022	108,171	37,351 RSUs	\$3,445,961 ⁽²⁾	N/A ⁽⁴⁾
May 6, 2021	108,171	16,647 DSUs 37,351 RSUs	\$3,918,003 ⁽³⁾	N/A ⁽⁴⁾

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

(2) 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 February 7, 2022, which is comprised as follows: \$884,472 (restricted share units); and \$2,561,489 (shares).

(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) As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives were suspended for the period during which the Executive Compensation Restriction applied. After giving effect to such suspension, Mr. Rousseau will have until February 15, 2027 to meet a share ownership requirement of five times his salary.



Vagn Sørensen



London, United Kingdom

Age: 62

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):

	2021 Attendance
Board of Directors (Chairman)	23 of 23
Governance and Nominating Committee	5 of 5

2021 Annual Meeting:

Voting Results in
Favour: 90.20%

Public Board Memberships (past five years):

CNH Industrial N.V.	2020 – present
FLSmidth & Co. A/S ⁽¹⁾	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 ⁽²⁾
February 7, 2022	19,300	162,112.80	\$4,295,855	\$975,000
May 6, 2021	19,300	155,508.55	\$4,223,375	\$975,000

(1) Mr. Sørensen is currently Chairman of FLSmidth & Co. A/S, but he will not be standing for re-election at the annual general meeting to be held on March 30, 2022.

(2) 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: 64
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):

	2021 Attendance
Board of Directors	23 of 23
Audit, Finance and Risk Committee	5 of 5
Governance and Nominating Committee	5 of 5
Human Resources and Compensation Committee	7 of 7

2021 Annual Meeting:

Voting Results in
Favour: 95.00%

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⁾
February 7, 2022	10,000	46,209.48	\$1,331,040	\$585,000
May 6, 2021	10,000	40,848.38	\$1,228,497	\$585,000

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



Annette Verschuren, O.C.



Toronto, Ontario, Canada

Age: 65

Director since

November 12, 2012

Independent

Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops and manages energy storage projects. 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 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 Liberty Mutual Insurance Group and the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton, and supports numerous non-profit organizations. 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 and is Vice Chair of the Ontario Energy Association Board. 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 (100% overall):

	2021 Attendance
Board of Directors	23 of 23
Governance and Nominating Committee (Chair)	5 of 5
Audit, Finance and Risk Committee	5 of 5

2021 Annual Meeting:

Voting Results in
Favour: 99.78%

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⁾
February 7, 2022	62,168	59,217.60	\$2,874,411	\$585,000
May 6, 2021	62,168	55,643.54	\$2,846,327	\$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: 70

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):

	2021 Attendance
Board of Directors	22 of 23
Human Resources and Compensation Committee (Chair)	7 of 7
Audit, Finance and Risk Committee	5 of 5

2021 Annual Meeting:

Voting Results in
Favour: 94.40%

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⁾
February 7, 2022	7,468	89,466.55	\$2,295,410	\$585,000
May 6, 2021	7,468	82,318.42	\$2,169,240	\$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 MOU) 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. In late 2021, a letter of intent was agreed to by Air Canada's Canadian based unions to permit certain other uses of proceeds of shares in Trust. If all conditions are met to consummate the transactions contemplated by the letter of intent, shares in the trust would be gradually sold over a period of up to 15 years with the net proceeds from the sales used to make lump sum payments to Canadian pensioners and to fund voluntary separation packages for senior unionized employees and non-executive employees, and the right to designate one nominee for election to the Board of Directors of Air Canada shall continue until the earlier of (i) January 1, 2030, or (ii) the date that Air Canada shares in Trust represent 2% or less of the issued and outstanding shares of Air Canada.

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.

In 2021, Air Canada and the Government of Canada concluded a credit support package through the Large Employer Emergency Financing Facility (LEEFF) program in order to provide insurance to Air Canada as it faced financial headwinds. These arrangements required that Air Canada not increase the fees or any other compensation payable to non-executive directors from the compensation rates in effect as at December 31, 2019. Air Canada complied with this requirement and did not increase the annual retainers discussed below, or any other compensation payable to non-executive directors from what was in effect as at December 31, 2019.

The table below lists the annual retainer fees payable to non-executive directors of Air Canada.

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. Such DSUs are vested on the date of grant. 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 58 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, 2021 in respect of their memberships on the Board and its committees:

Name	Fees Earned			All other Compensation (\$) ⁽³⁾	Total (\$)	Allocation of Total Fees		
	Board retainer (\$)	Board Chair & Committee Chair retainer (\$)	Committee member retainer (\$)			In cash (\$)	In DSUs (\$)	In shares (\$)
Amee Chande	195,000	Nil	25,000	Nil	220,000	Nil	Nil	220,000
Christie J.B. Clark	195,000	25,000	10,000	Nil	230,000	115,000	115,000	Nil
Gary A. Doer	195,000	Nil	20,000	Nil	215,000	96,750	118,250	Nil
Rob Fyfe	195,000	20,000	10,000	Nil	225,000	Nil	225,000	Nil
Michael M. Green	195,000	Nil	20,000	Nil	215,000	107,500	107,500	Nil
Jean Marc Huot	195,000	Nil	20,000	Nil	215,000	107,500	107,500	Nil
Madeleine Paquin	195,000	Nil	20,000	Nil	215,000	86,000	129,000	Nil
Michael Rousseau ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Calin Rovinescu ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	195,000	220,000	10,000	Nil	425,000	212,500	212,500	Nil
Kathleen Taylor	195,000	Nil	35,000	Nil	230,000	57,500	172,500	Nil
Annette Verschuren	195,000	20,000	15,000	Nil	230,000	115,000	115,000	Nil
Michael M. Wilson	195,000	20,000	15,000	Nil	230,000	Nil	230,000	Nil

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

(2) 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.

(3) 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 were suspended for the period during which the



Executive Compensation Restriction applied. After giving effect to such suspension, subject to final confirmation by the Board, Air Canada's new President and Chief Executive Officer, Michael Rousseau, will have until February 15, 2027 to meet a share ownership requirement of five times his salary.

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 (unless otherwise indicated):

Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Market Value of DSUs and RSUs as at December 31, 2021 ⁽¹⁾	Total Market Value of Shares, DSUs and RSUs for Purposes of Guidelines ⁽²⁾	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	14,508	2,480.83 DSUs	Nil	\$402,295	\$585,000	June 25, 2025	2.1 times
Christie J.B. Clark	73,010 ⁽³⁾	31,188.19 DSUs	\$631,605	\$2,467,413	\$585,000	June 27, 2018	12.7 times
Gary A. Doer	Nil	17,831.09 DSUs	\$348,595	\$422,240	\$585,000	April 30, 2023	2.2 times
Rob Fyfe	Nil	32,626.42 DSUs	\$635,785	\$772,594	\$585,000	September 30, 2022	4.0 times
Michael M. Green	88,771	42,204.64 DSUs	\$840,555	\$3,101,503	\$585,000	August 6, 2016	16.0 times
Jean Marc Huot	31,098	223,984.66 DSUs	\$4,707,182	\$6,040,357	\$585,000	August 6, 2016	31.0 times
Madeleine Paquin	6,500	51,367.65 DSUs	\$1,054,661	\$1,370,306	\$585,000	May 12, 2020	7.0 times
Michael Rousseau	108,171 ⁽⁴⁾	37,351 RSUs	\$789,227	\$3,445,961	N/A ⁽⁵⁾	February 15, 2027 ⁽⁵⁾	N/A ⁽⁵⁾
Vagn Sørensen	19,300	162,112.80 DSUs	\$3,374,811	\$4,295,855	\$975,000 ⁽⁶⁾	May 5, 2022	22.0 times
Kathleen Taylor	10,000	46,209.48 DSUs	\$935,304	\$1,331,040	\$585,000	May 10, 2021	6.8 times
Annette Verschuren	62,168	59,217.60 DSUs	\$1,223,867	\$2,874,411	\$585,000	November 12, 2017	14.7 times
Michael M. Wilson	7,468	89,466.55 DSUs	\$1,835,626	\$2,295,410	\$585,000	October 1, 2019	11.8 times

(1) The amounts reported in this column represent the market value of the shares, including the shares underlying DSUs or RSUs, as applicable, based on the December 31, 2021 Toronto Stock Exchange closing price of Air Canada shares (\$21.13).

(2) The amounts reported in this column represent the market value of the shares, including the shares underlying DSUs or RSUs, as applicable, based on the February 7, 2022 Toronto Stock Exchange closing price of Air Canada shares (\$23.68).

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

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

(5) As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives have been suspended for the period during which the Executive Compensation Restriction applied. After giving effect to such suspension, Air Canada's new President and Chief Executive Officer, Michael Rousseau, will have until February 15, 2027 to meet a share ownership requirement of five times his salary.

(6) Mr. Sørensen, who assumed the chairmanship of the Board on May 5, 2017, is subject to a 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 February 7, 2022.



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 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. 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 Chairman 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 (only until its upcoming annual general meeting on March 30, 2022) 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 and environmental, social and governance matters.

Name	GENDER		AGE			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, 2021, *in camera* sessions were held at 11 of the 23 Board meetings, and the sole non-independent director, Michael Rousseau and management were not in attendance for such sessions. As is apparent from the number of meetings held, the directors demonstrated a strong commitment to their roles and responsibilities throughout the year.

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, 2021.

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	23/23 (100%)	5/5	–	–	4/4	32/32 (100%)
Christie J.B. Clark	23/23 (100%)	5/5 (Chair)	5/5	–	–	33/33 (100%)
Gary A. Doer	23/23 (100%)	–	–	7/7	4/4	34/34 (100%)
Rob Fyfe	22/23 (96%)	–	–	7/7	4/4 (Chair)	33/34 (97%)
Michael M. Green	22/23 (96%)	–	–	6/7	4/4	32/34 (94%)
Jean Marc Huot	23/23 (100%)	–	2/2	5/5	4/4	34/34 (100%)
Madeleine Paquin	23/23 (100%)	–	5/5	–	4/4	32/32 (100%)
Michael Rousseau	20/20 (100%)	–	–	–	–	20/20 (100%)
Calin Rovinescu	3/3 (100%)	–	–	–	–	3/3 (100%)
Vagn Sørensen	23/23 (100%)	–	5/5	–	–	28/28 (100%)
Kathleen Taylor	23/23 (100%)	5/5	5/5	7/7	–	40/40 (100%)
Annette Verschuren	23/23 (100%)	5/5	5/5 (Chair)	–	–	33/33 (100%)
Michael M. Wilson	22/23 (96%)	5/5	–	7/7 (Chair)	–	34/35 (97%)



POSITION DESCRIPTIONS

President and Chief Executive Officer

The Board has adopted a position description for 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, 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.

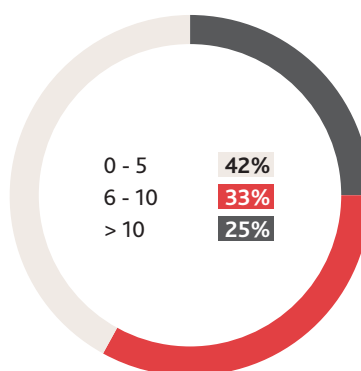


MECHANISMS OF BOARD RENEWAL

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 is described below.

Over the past five years, four 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 7.4 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 the Chair of



each committee. The survey provides for quantitative ratings in key areas and seeks subjective comments 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, the Chairman of the Board 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 the Chair of each committee and the Chairman of the Board to discuss the results of the survey on his or her effectiveness.

Each year the directors are also asked to complete a peer evaluation survey which provides for quantitative ratings on key characteristics and behaviours essential for Air Canada directors and seeks subjective comments on peer performance. The results are compiled by an independent third party and reported to the Chairman of the Board. The Chairman conducts individual sessions with each director to discuss the director's peer feedback and contribution as a member of the Board.

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. 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 31 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 and inclusion, both in the boardroom and within our workforce in Canada and around the world. 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 2022.

The diversity policy states that the search for and selection of candidates is based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity for 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). As part of the search process, initial slates of qualified candidates that include women and/or members of other designated groups will also be sought.

The Board has established as its objective that women represent at least 40% of the directors of Air Canada by 2025. The Board also takes other dimensions of diversity into account in the process of selecting individual candidates. Through its ongoing renewal it is the Board's aspiration that its composition will reflect the changing population demographics of Canada, recognizing the diversity of the customers and employees of Air Canada.

Air Canada 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 and foster inclusiveness for Black people and leaders in Canada. As part of the Pledge, Air Canada committed to have at least 3.5% of board and executive roles being held by Black leaders by 2025.



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 OUR 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, operations, corporate governance and executive compensation, financial strategy, and risk management. 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. In 2022, the Board of Directors will continue their continuous education program and receive regular updates and briefings on important areas of focus, such as developments and emerging practices regarding health and safety, sustainability in the airline industry, talent development, and ESG/diversity, equity and inclusion. As a matter of course, the Board will also be briefed on Air Canada's own ongoing programs and initiatives in these and other areas.

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, airline operations 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 2021.

Director Continuing Education 2021		
Topic	Presentation By	Directors Attending
COVID-19 and emerging variants	Independent consultant	All directors
Global airline industry	Independent consultant	All directors
Aircraft fleet developments	Senior Vice President, Network Planning and Revenue Management, Air Canada	All directors
Cargo business and opportunities	Vice President, Cargo, Air Canada	All directors
Climate action plan and strategic environmental initiatives	Senior Director, Environmental Affairs, Air Canada	All directors
Corporate opportunities	Executive Vice President and Chief Financial Officer, Air Canada	All directors
Customer experience program	Executive Vice President and Chief Operations Officer, Air Canada	All directors
Linguistic action plan	Official Languages Task Force, Air Canada	All members of the Governance and Nominating Committee, and Michael Rousseau
Recent trends in executive compensation	Independent consultant	All members of the Human Resources and Compensation Committee, and Christie J.B. Clark, Michael Rousseau, Vagn Sørensen

CODE OF CONDUCT

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the Code of Conduct) which was last amended by the Board of Directors in February 2021. The Code of Conduct 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. It 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 thereof. The Code of Conduct is available on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.



The Code of Conduct 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 of Conduct and will follow its terms, guidelines and principles, as well as take all reasonable measures to ensure that the employees under their supervision fully comply therewith. In addition, all directors of Air Canada and members of management are required to complete the acknowledgment form on an annual basis.

The Code of Conduct includes a “whistle-blower policy” whereby employees can report actual or potential misconduct or violations on a confidential basis including through an anonymous telephone and online reporting system administered by an independent third party. On a quarterly basis, the Head of Corporate Audit and Advisory presents a report to the Audit, Finance and Risk Committee that summarizes all cases logged on the hotline and investigated by the internal auditors and members of the Ethics Committee or their designates, as required. The Chief Human Resources Officer also presents a quarterly report to the Human Resources and Compensation Committee that summarizes complaints received and investigated by the Human Rights and Harassment Office. The Board has concluded that such measures are appropriate and sufficient. Air Canada has not filed any material change report pertaining to any conduct of a director or officer that would constitute a departure from the Code of Conduct since its adoption.

The Code also provides that all directors, officers and employees are required to disclose to the Vice President and Corporate Secretary any and all business, commercial or financial interests or activities that might create a conflict of interest. In addition to the relevant provisions of the *Canada Business Corporations Act*, the Charter of the Board specifically 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 further states 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.

RELATED-PARTY TRANSACTIONS

Pursuant to the Code of Conduct, all directors, officers or employees must disclose in writing all business, commercial or financial interests or activities that might create a conflict of interest to the Vice President and Corporate Secretary. In addition, pursuant to its charter, the Audit, Finance and Risk Committee reviews and approves all related-party transactions (as such term is defined from time to time 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, as may be amended from time to time), which would include, without limitation, transactions between Air Canada and a related party such as a director or officer of Air Canada; an affiliate; or a person who beneficially owns more than 10% of the Corporation’s common shares. In reviewing and making recommendations regarding related-party transactions, the Audit, Finance and Risk Committee will seek to ensure that the terms of any such transaction reflect those which would typically be negotiated between arm’s length parties, that any value paid in the transaction represents fair market value, and that the transaction is in the best interests of the Corporation.

To the best of the Corporation’s knowledge, no director, officer or other insider of Air Canada, 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.



SHAREHOLDER AND STAKEHOLDER 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 telephone 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 107 of this circular.

In addition, the Corporation encourages shareholders to attend its annual meeting in person or via live webcast. This year the meeting will be held via live webcast only, with simultaneous translation available in both official languages. 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 next Investor Day is currently planned for March 30, 2022.

The Board recognizes that it is also important for the directors 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. Shareholders who submit feedback or questions or who contact the Board may do so in French or English.

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 2021, shareholders who at that time collectively owned over 30% 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 shall be “financially literate” and at least one member 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 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;
- Oversee the development of environmental, social and governance (ESG) disclosures, processes and controls;
- 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, 2021 to December 31, 2021.



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;
- To identify individuals qualified to become new directors and recommend to the Board the nominees for each annual meeting of shareholders; and
- To monitor and evaluate progress on the Corporation's overall efforts with respect to sustainability including environmental, social and governance (ESG) matters.

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 amendments to the Corporation's articles and by-laws;
- 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, skills, 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;



- Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders;
- Monitor and evaluate progress on the Corporation's overall efforts with respect to sustainability including ESG matters and receive quarterly updates on key ESG performance targets, issues and opportunities, as well as key sustainability developments;
- Facilitate information sharing with other committees in respect of sustainability matters;
- Review and recommend to the Board the annual corporate sustainability report or ESG report;
- Receive periodic reports on the Corporation's sustainable procurement practices;
- Review and recommend to the Board the Corporate Policy and Guidelines on Business Conduct and any amendments thereto;
- Receive periodic reports on the assessment process related to compliance with the supplier code of conduct;
- Review and recommend to the Board the annual modern slavery and human trafficking statement; and
- Review the key measurable objectives of the Corporation's linguistic action plan and monitor progress on the achievement of such objectives.

The Governance and Nominating Committee met five times during the period from January 1, 2021 to December 31, 2021. The Governance and Nominating Committee is currently composed of:

Annette Verschuren (Chair)
Christie J.B. Clark
Jean Marc Huot
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, (iv) key talent management strategies and practices, and (v) workplace practices and labour relations;
- 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 and inclusion action plan and monitor progress on the achievement of such objectives;
- Receive periodic reports on workplace practices and labour relations;
- 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, 2021 to December 31, 2021.

The Human Resources and Compensation Committee is currently composed of:

Michael M. Wilson (Chair)
Gary A. Doer
Rob Fyfe
Michael M. Green
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 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 and recommend to the Board the five-year plans of Air Canada's climate action plan, and also monitor and evaluate progress on each of the five-year plans in achieving its goals, objectives and targets, through the receipt of regular reports including quarterly updates on key projects, initiatives and other developments;
- 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, 2021 to December 31, 2021.

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

ESG PRACTICES AT AIR CANADA

Being a global champion involves being a responsible corporate citizen and looking to do what is right for the longer-term interests of Air Canada and its shareholders, employees, customers, communities and other long-term stakeholders; it includes supporting research and development of innovative ways to reduce its environmental footprint and governing its business responsibly, safely and ethically.

The Board committees have responsibilities for different areas related to ESG:

- The Governance and Nominating Committee monitors and evaluates progress on Air Canada's overall efforts with respect to sustainability including environmental, social and governance (ESG) matters and receive quarterly updates on key ESG performance targets, issues and opportunities, as well as key sustainability developments. The committee facilitates information sharing with other committees regarding sustainability matters, and reviews and recommends the annual corporate sustainability report to the Board.
- The Audit, Finance and Risk Committee regularly provides insights to the Board and has specific oversight responsibilities on Air Canada's enterprise risks and also oversees the development of ESG disclosures, processes and controls. Risks that may be material to Air Canada are identified and monitored on an ongoing basis through Air Canada's Enterprise Risk Management (ERM) Program. Other committees also play a role in the oversight of specific risks within their mandates.
- The Safety, Health, Environment and Security Committee assists the Board in the discharge of its oversight responsibilities concerning safety, health, environment and security matters, such as strategies, policies, systems and processes of the Corporation and its subsidiaries. This committee is responsible for climate-related issues at Air Canada. The Committee meets at least quarterly and includes management oversight of key issues such as climate strategy, climate mitigation and climate resilience. It reviews the effectiveness of the Corporation's risk management framework in relation to safety, health, environment (including climate change) and security matters and compliance with statutory and regulatory obligations. In addition, this Committee reviews and recommends the five-year plans of Air Canada's climate action plan to the Board.
- The Human Resources and Compensation Committee assists the Board in the discharge of its responsibilities in the field of human resources and compensation. These include oversight of compensation philosophy and policies, major compensation programs, succession plans, key talent management strategies and practices, and certain employee and pension matters.

ESG practices are integrated in Air Canada's business and inform decision-making. Corporate sustainability initiatives are identified and coordinated through a Corporate Sustainability Working Group and a Corporate Sustainability Steering Committee. The Corporate Sustainability Working Group, comprising senior management subject matter experts from diverse functions, is tasked with the coordination and monitoring of Air Canada's corporate sustainability initiatives. The Working Group reports on the progress of these initiatives to the Steering Committee, which includes several executives.

At Air Canada, we aim to make meaningful connections and to care for and elevate one another, as Citizens of the World.



Air Canada’s social and environmental achievements are reported through its Corporate Sustainability Report “Citizens of the World” 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 governance, environmental and social matters. Continuously maintaining transparency and accountability, seven performance indicators including Scope 1 and 2 emissions are verified by an independent external party, following internationally recognized standards.

Air Canada is a signatory to the UN Global Compact and has also committed to pursuing its 17 sustainable development goals (SDGs). The UN Global Compact is an initiative 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 Report, GRI Content Index (and related charts) and the United Nations Sustainable Development Goals index are available at www.aircanada.com/citizensoftheworld.

Climate Action

Since 2007, information on Air Canada’s carbon footprint, targets and climate strategy has been reported through the CDP, a global disclosure system that has been in place for 20 years and is used to assist investors, companies, cities, states and regions in managing their environmental impacts. The CDP questionnaire incorporates elements of the TCFD framework. Air Canada holds a B- for its Climate Change 2021 CDP score report. To access Air Canada’s CDP response, visit www.cdp.net. Air Canada will be issuing its first Task Force on Climate related Financial Disclosures (TCFD) in 2022.

In March 2021, Air Canada released its new Climate Action Plan that includes ambitious milestones to achieve its long-term goal of net-zero emissions by 2050. In defining this pathway, Air Canada has set 2030 absolute mid-term GHG net-reduction targets:

- 20% GHG net reductions from our air operations by 2030 compared to our 2019 baseline.
- 30% GHG net reductions from our ground operations by 2030 compared to our 2019 baseline.
- Investment of \$50 million in sustainable aviation fuels (SAF) as well as in carbon reductions and removals.



Air Canada is committed to advancing climate change sustainability throughout its business and reporting on its progress. The ambitious net-zero goal will be realized through a series of five-year period climate action plans.

Since 2019, Air Canada has been reporting its annual CO₂ emissions to Transport Canada for the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), applicable to certain international flights and designed to achieve the aviation industry carbon neutral growth target.

Air Canada is a signatory, through NACC, to the Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation. This multi-party action plan between aviation industry stakeholders and the federal government outlines how the parties intend to reduce greenhouse gas emissions from aviation activities. This Action Plan forms the basis of the Government of Canada's national action plan submitted to ICAO and sets out measures to address international aviation emissions.

Air Canada is actively engaged with industry stakeholders in several initiatives to better understand, strategize and effect environmental protection locally and globally. Air Canada is a member of the IATA Sustainability and Environment Advisory Council (SEAC). In addition, it is chair of the National Airlines Council of Canada (NACC) Environmental Subcommittee and is involved with other environment committees and working groups with the Airlines for America (A4A), the Star Alliance® Sustainability Committee and is a member of Canadian Business for Social Responsibility (CBSR).

Through the National Airline Council of Canada (NACC), Air Canada has also participated in the formulation of domestic aviation carbon pricing, as part of the Canadian Government's Pan-Canadian Framework on Clean Growth and Climate Change.

Air Canada is a founding member of, and the first Canadian carrier to join, the Aviation Climate Taskforce (ACT), formed to tackle the challenge of rising CO₂ emissions from commercial aviation. The new, non-profit organization, made up of 10 global airlines and the Boston Consulting Group, was established in 2021 to accelerate research and advance innovation related to emerging decarbonization technologies, including through the development of sustainable aviation fuels.

Approach to Diversity, Equity and Inclusion

Over 21 years ago, Air Canada created a Diversity Policy for employees. The policy, which is updated as required, supports Air Canada's goal of achieving and maintaining a workforce at all levels of the Corporation that represents Air Canada's employees, shareholders, clients, business partners and other stakeholders in Canada and around the world. Four groups receive particular attention within our organization: women, persons with disabilities, Indigenous Peoples and members of visible minorities.

From promoting diversity and inclusion to building a workforce made up of people from a wide array of cultures, traditions and languages, Air Canada aims to reflect the country's cultural fabric — that of unity in diversity. Air Canada pursues a diversity management strategy with the goal of ensuring an inclusive and diverse workplace based on respect, where all employees feel they belong. This creates an environment in which they can best use their talents.

Key components of our diversity approach include:

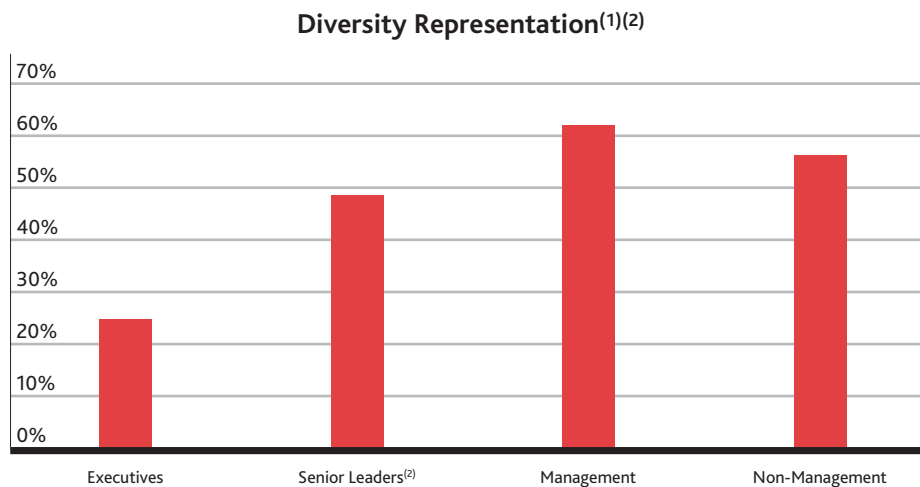
- Cross-functional employee groups focused on identifying and advancing diversity and inclusion initiatives throughout the Corporation.
- Increased awareness of the importance of a diverse and inclusive workforce in management training programs.
- Embedded diversity considerations in the hiring process, employee development, promotion process and succession planning.



- Campaigns to target the hiring of underrepresented groups, such as promotional material and appearances at Indigenous career fairs, in magazines aimed at Indigenous Peoples and other recruiting initiatives.

Of critical importance to Air Canada is that the 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 may come from senior leadership ranks, the Corporation's talent and engagement team pays a significant amount of attention to ensuring that diversity is reflected among multiple layers of senior leaders and that emerging leader programs comprise a diverse group of talent.

Currently, three out of 20 members (15%) of Air Canada's Executives are women, and minorities represent one out of 20 (5%). There are no members of Air Canada's Executives that have identified as being Indigenous or as having a disability. As at December 31, 2021, out of 255 Senior Leaders, 91 (36%) are women, four (approximately two per cent) are disabled, two (under one per cent) are Indigenous and 39 (approximately 16%) are visible 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 Leaders category consists of employees at the Managing Director, Senior Director and Director levels, and it includes certain Vice Presidents that are not under the Executive category.

Ambitious goals have also been established, such as the target of having at least 30% women working as Senior Leaders by 2020 which has been met. While we focus on cultural transformation and inclusion for all groups as part of our Flight Path, future targets for women and other diversity categories are currently being assessed.

In 2021, and for the sixth consecutive year, the airline was selected by MediaCorp Canada Inc. for its ongoing commitment to inclusiveness through various initiatives and programs that promote equal opportunities for all people and a work environment where all employees feel respected and recognized.



More information about Air Canada's diversity, equity and inclusion achievements is available in its Corporate Sustainability Report at www.aircanada.com/citizensoftheworld.

Official Languages

Air Canada is proud to offer services in both official languages and determined to meet its linguistic commitments while adapting to constant and rapid changes. Air Canada is implementing its 2020-2023 Linguistic Action Plan and regularly reviews its practices with respect to the use of official languages. More information about our 2020-2023 Linguistic Action Plan is available at www.aircanada.com/LinguisticActionPlan.



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,

For Air Canada, 2021 appeared to be ending with many positive developments worth acknowledging and celebrating; however, the (then) new Omicron variant showed that we were still not quite done. The turbulence of the past two years has been a challenge. Yet, despite significant financial losses and operational disruptions caused by the COVID-19 pandemic crisis, our airline is making good progress and is now recovering. We have recalled employees, added new routes and frequencies to our network, restored services, and improved liquidity. Our Board and senior management remained optimistic throughout the worst of the COVID-19 pandemic and extended public health measures and travel restrictions, sometimes despite the prevailing sentiment. This now feels justified.

More passengers in seats, more airplanes at gates, more routes to Canadian and international destinations, more employees in uniform, more revenue on the books from Q2 through Q4 of 2021 — these are the unmistakable signs that the recovery is on its way.

For everyone who works at Air Canada, supplies goods and services to Air Canada, enjoys flying on or values shipping goods with Air Canada, or invests their money in Air Canada, this is a welcome development.

The decisions made in 2020 — for example to improve biosafety measures, expand cargo operations and to secure the financial foundation for the future — proved instrumental in the airline starting its recovery in 2021. Likewise, the decisions of 2019 — for example, to maintain a robust posture of liquidity, focus on customer engagement and invest in technology — were key to helping Air Canada weather the worst of 2020.

Leadership, and the decisions undertaken by leaders in any given year, are part of a continuum, and Air Canada has worked to maintain steady leadership at the controls for years.

Lastly, 2021 was a unique year because of the retirement of long-time President and CEO Calin Rovinescu in February 2021, and the appointment of then-Deputy CEO and Chief Financial Officer Michael Rousseau to President and CEO. This marked the first change of CEO leadership in almost 12 years and was made possible by years of succession planning by senior leaders and the Board of Directors.

As always, the Compensation Discussion & Analysis follows this letter. The CD&A provides the full details of our executive compensation program for named executive officers in 2021.

2021 CORPORATE PERFORMANCE THAT INFLUENCED NEO PAY

In determining named executive officer compensation, the Board of Directors considers four key strategic areas — Air Canada financial performance, share price, key initiatives undertaken or overseen by executives, and external recognition that demonstrates customer loyalty and employee engagement.

An additional factor in 2021 was Air Canada's commitment, under credit agreements entered into with the Government of Canada through the Large Employer Emergency Financing Facility (LEEFF) program, to limit the total annual compensation for each named executive officer in any fiscal year during which the credit agreements were outstanding, to \$1 million (excluding compensation relating to pension plans, which was not subject to this restriction) (the Executive Compensation Restriction). This restriction ceased to apply as of 2022 given that our improved liquidity position and ongoing recovery from the pandemic allowed us in November 2021 to withdraw from further Government of Canada



financial support. Air Canada's recovery continues, having recalled employees placed on layoff as well as hiring an additional 2,800 new employees, adding new routes and frequencies to the network and restoring services.

The four key strategic areas initially referred to are then viewed against our pay for performance philosophy.

Financials

In 2021, Air Canada reported an operating loss of about \$3.0 billion versus \$1.6 billion of operating income in 2019 and a \$0.7 billion improvement over the \$3.8 billion operating loss in 2020. In 2021, operating revenue of \$6.4 billion represented a decline of \$12.7 billion compared to 2019 and an \$0.6 billion improvement over the \$5.8 billion operating revenues in 2020. EBITDA¹ (earnings before interest, taxes, depreciation and amortization) in 2021 was about \$1.46 billion compared to negative \$2.043 billion in 2020.

Share Price

Our share price did not change appreciably throughout 2021, reflecting the continued strong pandemic-related headwinds that we faced throughout much of the year. On January 4, 2021, Air Canada's shares on the TSX closed at \$22.11, and on December 31, 2021, the price closed at \$21.13.

Key Initiatives

A number of significant initiatives were undertaken or ongoing in 2021 which are a testament to the dedication, tenacity and hard work of our talented teams across our company.

We highlight below some of those important initiatives for Air Canada.

Maintaining Safe and Effective Operations in Changing Operating Conditions

The past year has been marked by ever changing operating conditions, from the unprecedented financial pressures of its first half, to the operational challenges that the balance of the year presented, when at first increasing travel demand required increased levels of capacity, only to be disrupted by the effects of the Omicron variant. Even in those uncertain operating conditions, Air Canada looked ahead and continued to prepare for the long term as it preserved jobs through the pandemic, recalled furloughed colleagues, hired and trained thousands of new recruits to prepare for sustainable emergence after the pandemic, and committed itself to renew its fleet, removing older and less fuel-efficient passenger aircraft while introducing new, more customer-friendly, efficient Airbus A220 and Boeing 737 MAX aircraft.

Key Financing Initiatives

Government Financing Agreements. In April 2021, Air Canada and the Government of Canada entered into credit agreements, which provided Air Canada access to up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program.

¹ EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles in Canada (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. Please refer to the section entitled "Non-GAAP Financial Measures" of Air Canada's 2021 MD&A (which section is incorporated by reference herein), which is available under the Corporation's profile on SEDAR at www.sedar.com, for an explanation of the composition of this non-GAAP measure, an explanation of how this non-GAAP measure provides useful information to investors and the additional purposes for which management uses this non-GAAP financial measure, as well as a reconciliation to the most directly comparable GAAP measure.



In November 2021, in light of its improved liquidity position and the ongoing recovery from the pandemic, Air Canada withdrew from further Government of Canada financial support. At that time, Air Canada had only drawn on the credit facility dedicated to refunding customers' non-refundable tickets, while all other remaining credit facilities, totaling \$3.975 billion, were never accessed, remained unused and were cancelled in November 2021.

Market Financing Transactions

In the third quarter of 2021, Air Canada completed a series of market financing transactions generating gross proceeds of approximately \$7.1 billion, without any government involvement or financial support. These financing transactions provided substantial liquidity to Air Canada and extended debt maturities out until near the end of the decade. Specifically, as a result of these financing transactions, Air Canada's liquidity, net of related transaction fees, increased approximately \$4.4 billion, including available and undrawn lines of credit. Additional information about these financing transactions is available in Air Canada's 2021 MD&A which is available under the Corporation's profile on SEDAR at www.sedar.com. With the release of its fourth quarter results on February 18, 2022, Air Canada reported that as of December 31, 2021, its unrestricted liquidity was approximately \$10.4 billion and consisted of roughly \$9.4 billion in cash and cash equivalents, short-term and long-term investments, and about \$1.0 billion in available undrawn credit facilities.

Sustainability

Air Canada continued its leadership on environmental sustainability. In 2021, Air Canada committed to achieve net zero emissions by 2050 with absolute interim targets for 2030. Air Canada also joined the Aviation Climate Taskforce (ACT) as a founding member and the first Canadian carrier to do so. The ACT is a new non-profit organization established to accelerate research and advance innovation related to emerging decarbonization technologies. The taskforce is comprised of 10 global airlines and the Boston Consulting Group. Air Canada and Carbon Engineering Ltd. (CE) also announced a Memorandum of Understanding to identify potential opportunities in how CE's proprietary Direct Air Capture (DAC) technology, which captures carbon dioxide (CO₂) from the atmosphere, can advance aviation decarbonization. Additionally in 2021, we announced a partnership with the Edmonton International Airport to test emerging "green" technologies and collaborate on ways to reduce airport-based carbon emissions, and we unveiled our corporate LEAVE LESS Travel program that offers corporate customers effective options to offset or reduce greenhouse gas (GHG) emissions related to business travel and reduce their carbon footprint. See also the Sustainability and Social Impact section of this circular.

Social Impact

Air Canada's identity and aspirations are nourished by those of all Canadians. The business challenges of the last two years have not slowed Air Canada's efforts nor dimmed its commitment and enthusiasm for promoting a collaborative, diverse and inclusive culture and workplace as described in the Sustainability and Social Impact section of this circular. These aspirations are essential to the airline's recovery and its long-term success.

Rebuilding Capacity; Transforming Aeroplan

It has been no small feat to rebuild Air Canada's network of domestic and international routes from a fraction of its capacity in 2020 and the early months of 2021. Beginning in the summer and continuing through the remainder of the year, Air Canada dramatically increased its available seat miles (ASM) capacity over 2020 levels. Air Canada launched new routes internationally, including to Cairo and Doha, resumed regular international service to dozens of cities in the U.S., Mexico, South America, Europe and Asia, and started new service domestically to numerous cities. In addition to rebuilding capacity, Air Canada also created key partnerships (e.g., LCBO, Starbucks and Uber) for its Aeroplan loyalty business in order to continue to grow the customer base. We also completed the implementation of our new reservation system. We further renewed our fleet, removing older and less



fuel-efficient passenger aircraft while introducing new, more customer-friendly, efficient Airbus A220 and Boeing 737 MAX aircraft.

Growing Cargo Business

In 2020, Air Canada rapidly expanded its cargo operations to maximize revenue, and that continued into 2021. A new temperature-controlled facility in Toronto was built as part of an overall expansion of the airline's cold chain-handling capabilities, and the airline has refitted numerous aircraft to make them dedicated cargo planes. We reached \$1.5 billion in revenue in 2021 from cargo operations.

Health and Safety Measures

Safety is at the heart of what we do at Air Canada, such that health and safety have always been a leading priority of ours. The lessons we have learned from our response to the pandemic will inform our way of doing business, even after the pandemic has eased. Many of the health and safety measures we put in place in 2020 and 2021 through CleanCare+ will remain for the foreseeable future, including touchless check-ins, virtual queuing and touch-free bag checks.

External Recognition

Air Canada continued to earn awards in 2021 in two key categories that reaffirm us as 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 strain and headwinds of the past two years.

Recognition as an Airline

- *Skytrax Best Airline Staff in North America*
- *Skytrax Best Airline Staff in Canada*
- *Skytrax Best Business Class Lounge in North America*
- *Skytrax COVID-19 Airline Excellence*
- *Six Global Traveler Leisure Awards, including Favorite Airline in North America, Best Airline for Onboard Entertainment, Best Airline for Onboard Menu, Best Family-Friendly Airline in North America and Best Family-Friendly International Airline*
- *Global Traveler's Best Airline in North America*
- *Global Traveler's Best Airline Cabin Cleanliness*
- *APEX Five-Star rating reflects performance based on passenger feedback*
- *Business Traveler Magazine's Best North American Airline for International Travel*
- *Swept StudentUniverse's six Canadian travel awards voted in annual airline survey*

Recognition as an Employer

- One of the **World's Best Employers of 2021** by *Forbes World Best Employers*, a prestigious international employer accolade based on a survey of 150,000 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 sixth year in a row by Mediacorp Canada, which cited the company's continuing work to foster inclusiveness through numerous partnerships and success reaching out to diverse communities when recruiting and undertaking other initiatives.
- **50 Most Engaged Workplaces** from Achievers for the fifth consecutive year and special recognition as an "Elite 8" company within that list (Achievers is an employee social recognition company).



2021 COMPENSATION PROGRAM UPDATES AND DECISIONS

In early 2021 Air Canada and the Government of Canada concluded a credit support package through the Large Employer Emergency Financing Facility (LEEFF) program in order to provide insurance to Air Canada as it faced financial headwinds. These arrangements required that total compensation for the fiscal year ended December 31, 2021 of the NEOs be subject to the Executive Compensation Restriction, which they agreed to notwithstanding the terms of their employment arrangements. As announced in November 2021, Air Canada's improved liquidity position and ongoing recovery from the pandemic allowed us to terminate the relevant credit agreements, which had previously remained unused. You can read more details about the 2021 compensation beginning on page 75.

Base Pay

Both President and Chief Executive Officer, Michael Rousseau, and Executive Vice President and Chief Financial Officer, Amos Kazzaz, received a salary increase upon appointment to their new roles on February 15, 2021. Mr. Kazzaz was promoted to his current role from his previous role as Senior Vice President of Finance. No other NEO received a salary increase in 2021. However, as a result of the Executive Compensation Restriction, Mr. Rousseau's salary was capped at \$500,000 from what would otherwise have been a salary of \$1,150,000. All other named executive officers were able to receive their full base salary for 2021 in compliance with the Executive Compensation Restriction.

Annual Incentive Plan (AIP)

Due to the Executive Compensation Restriction, the NEOs did not receive any bonus pay under the Annual Incentive Plan for 2021.

Long-Term Incentives (LTI)

LTI grants made to each named executive officer in 2021 were limited in order to comply with the Executive Compensation Restriction. To see details on the grants, please refer to page 86.

IN CONCLUSION

Executive compensation is a critical responsibility of the Board of Directors, and that responsibility is even greater when the stakes are so high as they have been for Air Canada and its employees, shareholders and customers in 2020 and 2021. 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. For 2022, Air Canada intends to benchmark and realign executive compensation to market practices.

Thank you for your investment in Air Canada.

Michael M. Wilson

Chairman, Human Resources and Compensation Committee



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 2021:

Named Executive Officer	Role
Michael Rousseau ⁽¹⁾	President and Chief Executive Officer
Amos Kazzaz ⁽²⁾	Executive Vice President and Chief Financial Officer
Lucie Guillemette	Executive Vice President and Chief Commercial Officer
Craig Landry ⁽³⁾	Executive Vice President and Chief Operations Officer
Arielle Meloul-Wechsler ⁽⁴⁾	Executive Vice President, Chief Human Resources Officer and Public Affairs
Calin Rovinescu ⁽⁵⁾	Former – President and Chief Executive Officer

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

(2) Mr. Kazzaz was appointed Executive Vice President and Chief Financial Officer on February 15, 2021.

(3) Mr. Landry's title was changed on September 15, 2021 from Executive Vice President, Operations to Executive Vice President, Chief Operations Officer.

(4) Ms. Meloul-Wechsler's title was changed on February 15, 2021 from Executive Vice President, Chief Human Resources and Communications to Executive Vice President, Chief Human Resources and Public Affairs.

(5) Mr. Rovinescu retired on February 15, 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 and long term stakeholders;
- 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 74);
- 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 2021 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, Great-West Lifeco Inc., IGM Financial 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; Chairman, 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.
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 below for additional information 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 the Corporation's 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 applicable levels of performance are attained, will be consistent with the Corporation's overall executive compensation philosophy.</p>

ROLE OF THE COMPENSATION CONSULTANT

In 2021, 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
- Advice and peer examples on short-term bonuses and long-term incentive compensation.

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	2021	2020
Executive compensation-related fees	\$60,338	\$ 88,215
All other fees	\$ 0	\$ 0
Total Fees	\$60,338	\$88,215

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- 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 requirement 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 below); 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. The Board of Directors is 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.

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

At the 2021 annual shareholder meeting, shareholders support for Air Canada's approach to executive compensation was 71.31% as compared to 94.77% at the 2020 meeting. Prior to the 2021 meeting and since 2013, shareholder support consistently exceeded 86%. In 2020, the Board of Directors did not approve any award under the AIP due to the severe impact of the COVID-19 pandemic on the business. However, the goals, priorities and objectives changed towards weathering the crisis and the Board approved a limited COVID-19 pandemic mitigation bonus. Our President and CEO and all our Executive Vice-Presidents at the time voluntarily chose to return that bonus after we received feedback, in addition to having forfeited all of the Share Appreciation Units (SAUs) which had been granted to them in 2020 as part of their agreement to accept salary reductions between April and December 2020.



AIR CANADA COMPENSATION COMPARATOR GROUP

Compensation and performance under Air Canada's executive compensation program are benchmarked against a comparator group of companies. In 2021, the comparator group consisted of 24 companies. Air Canada continued to monitor the comparator group in 2021 for purposes of its compensation plans and policies. The 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.

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'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.



AIR CANADA COMPENSATION COMPARATOR GROUP

The comparator group for 2021 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. For the 2021 fiscal year, remuneration practices for NEOs were not competitive as compared to the comparator group due to the Executive Compensation Restriction which was applicable to Air Canada.



The table below shows how Air Canada compares to the comparator group in terms of revenue in 2021 and number of employees as of December 31, 2021. Exceptionally for 2020 and 2021, Air Canada's revenue and number of employees were severely impacted by the COVID pandemic. Nevertheless, the comparator group continues to be considered relevant for compensation purposes based on the other criteria indicated in the table above. In addition, starting in 2022 and onwards, the HRCC and the Board intend to provide total compensation to named executive officers that is once again competitive and that provides target total compensation opportunities at the 50th percentile of the comparator group.

	Analysis of Comparator group companies compared to Air Canada ⁽¹⁾	
	Revenue (\$B)	Employees
25 th Percentile	\$8,078	13,753
Median	\$15,585	23,791
75 th Percentile	\$30,613	68,996
Air Canada (2021) ⁽²⁾	\$6,400	26,100
(2020)	\$5,833	21,100
(2019)	\$19,131	32,900

(1) Source: Willis Towers Watson (data is from the most recent last twelve months to September 30, 2021)

(2) As of December 31, 2021

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.

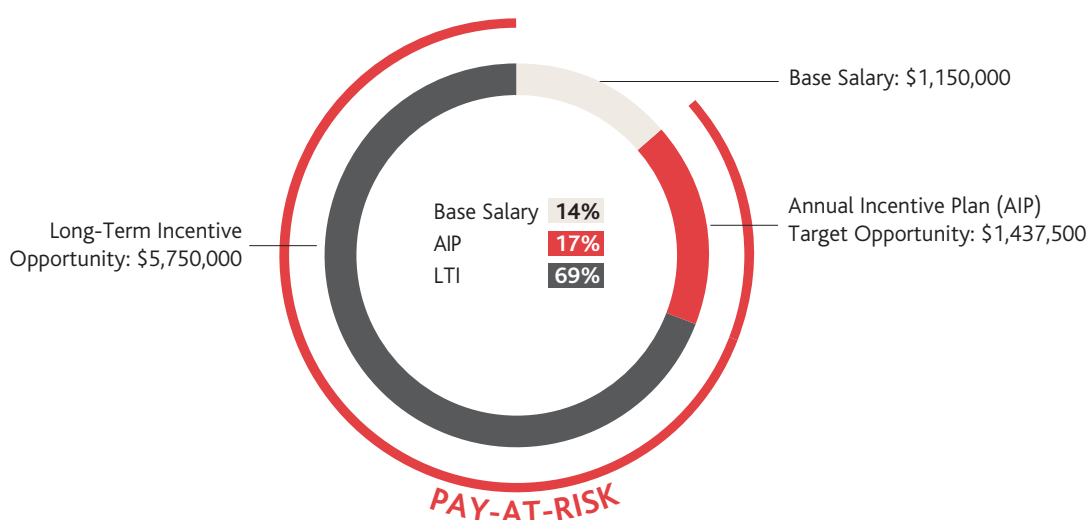
The compensation mix we provide named executive officers includes both annual and long-term elements of "at risk" pay in order to support our pay-for-performance philosophy.

The majority of total target direct 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 TOTAL TARGET DIRECT COMPENSATION

As shown in the chart below, Mr. Rousseau's total target direct compensation (base salary, target short-term incentive and target long-term incentive grants) would have been \$8,337,500 for the financial year ended December 31, 2021, of which \$7,187,500 would have been at risk and based on the Corporation's performance (representing 86% of such total target direct compensation). However, as explained throughout this circular, Mr. Rousseau's actual direct compensation for 2021 was limited to \$1,000,000 in accordance with the Executive Compensation Restriction. Accordingly, the information on total target direct compensation presented herein is only meant to illustrate approximately the extent to which total target compensation is intended to be "at risk" and tied to the performance of Air Canada for financial years during which the Executive Compensation Restriction no longer applies (starting in 2022).



PRESIDENT AND CHIEF EXECUTIVE OFFICER PAY-AT-RISK

The at-risk compensation of our President and CEO, which makes up 86% of his total target direct compensation, consists of target bonus awards under the Annual Incentive Plan (AIP), as well as performance and time-based stock option and share unit grants, as illustrated in the chart below.

	\$0	\$1M	\$2M	\$3M	\$4M	\$5M
Annual Incentive Plan \$1,437,500		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 \$2,687,500		Stock Options		Restricted Share Units (RSUs)		47% of LTI award
		4-year rateable vesting; 10-year term		3-year cliff vesting		
Performance-based Equity \$3,062,500		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 over 3-year period and 3-year TSR against (1) six Int'l airlines (2) TSX Composite Index		



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 74 for a more detailed description of the pay for our named executive officers.

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 2021 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.

2021 BASE SALARY DECISIONS

As a result of the Executive Compensation Restriction, base salaries were either maintained or reduced as compared to their salaries of record that would otherwise be payable, as follows:

Named Executive Officer	2020 Salary of Record (December 31, 2020)	2020 Actual Salary ⁽¹⁾	2021 Salary of Record (December 31, 2021)	2021 Actual Salary
Michael Rousseau	\$700,000	\$455,010	\$1,150,000	\$500,000 ⁽²⁾
Amos Kazzaz	\$375,000	\$332,814	\$475,000	\$462,500 ⁽³⁾
Lucie Guillemette	\$525,000	\$406,875	\$525,000	\$525,000
Craig Landry	\$510,000	\$370,468	\$510,000	\$510,000
Arielle Meloul-Wechsler	\$450,000	\$313,343	\$450,000	\$450,000

(1) Mr. Rousseau agreed to forego 100% of his 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.

(2) Due to the Executive Compensation Restriction, Mr. Rousseau's actual salary for 2021 was \$500,000 instead of his salary of record of \$1,150,000.

(3) Mr. Kazzaz's salary was adjusted on February 15, 2021 when he was appointed to Executive Vice President and Chief Financial Officer.

SHORT-TERM INCENTIVES — ANNUAL INCENTIVE PLAN

Air Canada's 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 traditionally 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.

2021 AIP DECISIONS

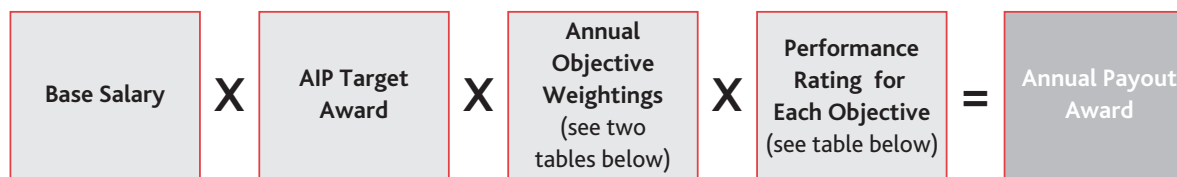
The NEOs did not receive any AIP payout for the fiscal year ended December 31, 2021, due to the Executive Compensation Restriction.

2022 AIP

Starting in 2022, the HRCC and the Board intend to provide compensation under the AIP to named executive officers that is generally aligned with the AIP parameters described below.

Named Executive Officer	AIP Target as a % of Base Salary
Michael Rousseau	125%
Amos Kazzaz	75%
Lucie Guillemette	85%
Craig Landry	75%
Arielle Meloul-Wechsler	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 ⁽²⁾	Department-Specific Objectives	Individual Objectives
Michael Rousseau	60%	40%	-	-
Amos Kazzaz	60%	-	20%	20%
Lucie Guillemette	60%	-	20%	20%
Craig Landry	60%	-	20%	20%
Arielle Meloul-Wechsler	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 2021 MD&A, which section is incorporated herein by reference, for a further discussion and definitions of such non-GAAP financial measures and a reconciliation of such measures to GAAP.
- (2) Non-Financial components are achievements from objectives such as special projects, employee engagement, and safety, sustainability and social impact goals. See table below for full components.

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 78. 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 2021 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 2021 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 2021 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.

LONG-TERM INCENTIVE PLAN

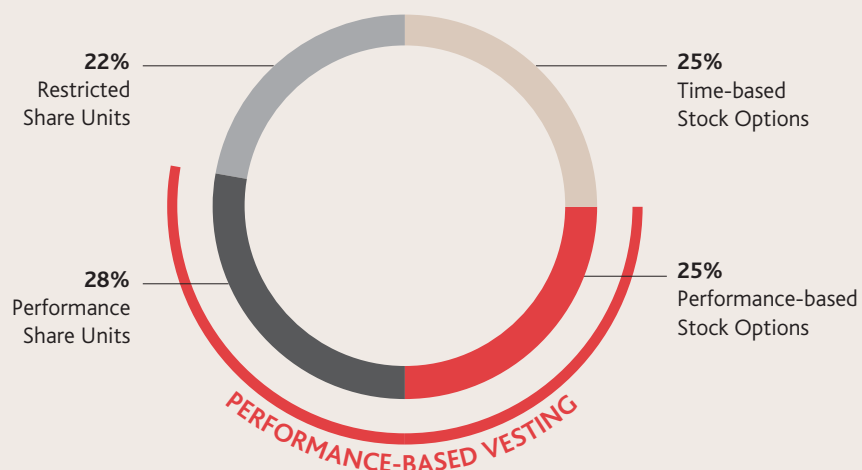
Air Canada's Long-Term Incentive Plan (LTIP) is designed to attract, retain and motivate key talent, including our named executive officers, to align their interests with those of our shareholders and to reward performance and value creation over the longer term. LTIP awards are granted to named executive 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 and 3-year TSR against (1) six Int'l airlines (2) TSX Composite Index	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.

The HRCC determines which employees are eligible to receive stock options or share units and the size of the awards of stock options or share units, with consideration given to: (i) the value of each eligible employee's present and potential future contribution to the Corporation's success, and (ii) any past grants to the employee in question.



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.



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.

PSU vesting requirements for grants made prior to 2020

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. For these purposes, Annual EBITDA is adjusted to exclude special items such as wage subsidies under the Canada Emergency Wage Subsidy program (CEWs). 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 share units vest (based on achieving the performance targets set at grant in the case of PSUs), 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.

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.

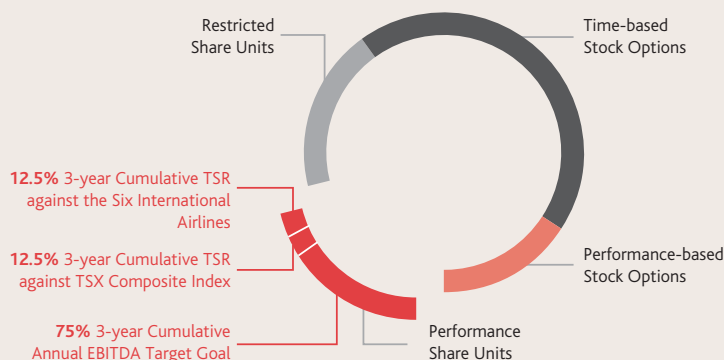
PRE 2020 — PERFORMANCE SHARE UNITS (PSUs) GOAL	
3-YEAR CUMULATIVE ANNUAL EBITDA TARGET GOAL	PSUs VESTED
100%	100%
95%	66%
90%	33%
85% or less	0%

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.

Beginning 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 based on Air Canada's TSR ranking is described in the tables on the right of this page.

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.

2021 — 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.



LONG-TERM INCENTIVE PLAN DETAILS

Each option or share unit granted 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 applicable 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 implement 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, except in cases of an extension due to a black-out period;
- 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 requirements and shareholder approval, 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.

The consequences resulting from other types of termination from employment on the entitlements granted under the Long-Term Incentive Plan are described below.



Special Circumstances

The below table summarizes the effects of changes of employment status on outstanding (vested and unvested) Stock Options and Share Units.

Events	Vesting of Stock Options and Exercise Limitations*	Vesting of Share Units and Payment Limitations*
Retirement	Rights to vesting continue to accrue. Any options or unexercised part must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Resignation	Rights to vesting do not continue to accrue and any unvested options are forfeited. All vested options must be exercised within 30 days from the date of the resignation	Forfeiture of unvested share units
Termination without cause	Rights to vesting do not continue to accrue and any unvested options are forfeited. All vested options must be exercised within 30 days from the termination notice date for reasons other than cause	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Termination for cause	Forfeiture of all unexercised options	Forfeiture of all unvested share units
Death	Rights to vesting do not continue to accrue and any unvested options are forfeited. All vested options at the time of death must be exercised by his/her heirs by the earlier of: (i) one year of his/her death and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term



Events	Vesting of Stock Options and Exercise Limitations*	Vesting of Share Units and Payment Limitations*
Termination due to injury or disability	Rights to vesting continue to accrue. Any options or unexercised part must be exercised by the earlier of: (i) three years after the cessation of employment and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Voluntary leave of absence	Rights to vesting continue to accrue. Any options or unexercised part must be exercised by the earlier of: (i) one year after the commencement of the leave of absence and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Reassignment to a non-eligible LTIP position	Rights to vesting do not continue to accrue and any unvested options are forfeited. Any vested options or unexercised part must be exercised within 90 days or prior to the expiration of the original term of the option, whichever occurs earlier.	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service in eligible position during the share unit term, divided by (ii) the total number of months in the share unit term

* Unless otherwise provided for in an individual's employment agreement with the Corporation and except as otherwise may be determined by the Board.
For Retirement, Termination without cause, Death and Termination due to injury or disability, vested share units will be redeemed in cash at the end of their term.

2021 LTIP Decisions

As detailed below, 348,243 performance-based stock options and 174,447 PSUs vested in 2021 pursuant to the terms of the Long-Term Incentive Plan.

With the severe impact of the pandemic on the Corporation's 2020 financial results, it was determined that 2017, 2018, 2019 and 2020 Performance-based LTI, in respect of which applicable performance measures were established prior to the COVID-19 pandemic, would generate zero payouts or zero vesting levels. As executives have had to shift their focus from performance targets towards weathering the crisis, employee safety, liquidity and other pandemic-driven concerns, some adjustment of performance measures was considered warranted, in the best interests of the Corporation, to reflect that the performance of the company in respect of performance targets established prior to the pandemic was not attributable to the performance of its executive team.



The HRCC analyzed carefully what was necessary to incentivize and retain the named executive officers and reached the conclusion that, without making the adjustments described herein to account for the severe impact of the pandemic on the Corporation's 2020 financial results, the Corporation ran a risk of not properly incentivizing and compensating its named executive officers at a time when their dedication was (and remains) more important than ever to maintain business stability in the face of events entirely outside their control. This issue was compounded by the fact that the stock price of the Corporation's shares had declined by more than 56% as compared to pre-pandemic levels and named executive officers have experienced a substantial decrease in the value of their compensation due to the heavy weighting of executive compensation towards equity-based incentive compensation. It was therefore determined that, in the best interests of Air Canada, the 2020 year be excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.

2021 Corporate Performance linked to the Long-Term Incentive Plan

	Performance Measure ⁽¹⁾	Performance Cycle	Target	Actual	Vesting Payout Percent
2018 Stock Option Grant	4-year average annual operating margin	2018, 2019, 2021 (excl 2020)	-3.7%	-0.7%	75%
2019 PSU Grant	3-year cumulative annual EBITDA	2019, 2021 (excl 2020)	\$916M	\$2,677M	66.67%

(1) As explained above, the 2020 year was excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.

2021 Long-Term Incentive Award Grant

In March 2021, a reduced LTIP grant was made to our NEOs as a result of the Executive Compensation Restriction which was applicable to the 2021 fiscal year.

Named Executive Officer	Target Grant Opportunity	Fair Value at Grant			Total Fair Value at Grant
		Stock Options	PSUs	RSUs	
Michael Rousseau	500%	\$250,000	\$0	\$250,000	\$500,000
Amos Kazzaz ⁽¹⁾	245%	\$193,750	\$0	\$343,750	\$537,500
Lucie Guillemette	265%	\$237,500	\$0	\$237,500	\$475,000
Craig Landry	245%	\$245,000	\$0	\$245,000	\$490,000
Arielle Meloul-Wechsler	165%	\$275,000	\$0	\$275,000	\$550,000

(1) Included in Mr. Kazzaz's actual LTIP is a special RSU award granted on February 15, 2021 when he was appointed to Executive Vice President and Chief Financial Officer. The award's grant date fair value was \$150,000.



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)}	4,330,993	\$25.84	6,868,598

(1) As at December 31, 2021.

(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 2,001,781 share units granted over various dates between 2019 and 2021 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, 2021. 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 5.4% of the issued and outstanding shares of Air Canada on December 31, 2021) were authorized for issuance under the Long-Term Incentive Plan. Notwithstanding the foregoing, the number of Air Canada shares reserved for issuance for share units granted under the Long-Term Incentive Plan shall not exceed 500,000 shares. As of December 31, 2021, 6,868,598 Air Canada shares (which represented approximately 1.9% of the issued and outstanding shares of Air Canada on December 31, 2021) 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. 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 2021		Shares underlying share units granted in 2021	
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⁾
6,868,598	1.91%	8,182,201	2.28%	4,330,993	1.21%	2,197,983	0.61%	988,997	0.28%	1,106,028	0.31%

(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, 2021, a total of 357,841,857 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. 2,001,781 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 2021 year compared to the total number of outstanding Air Canada shares on December 31, 2021.

The aggregate number of Air Canada shares reserved for issuance at any time to any one eligible participant shall not exceed five percent (5%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

The aggregate number of Air Canada shares issued to any one insider and the associates of such insider under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period shall not exceed five percent (5%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

The aggregate number of Air Canada shares (i) issued to insiders and their associates under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period and (ii) issuable to insiders and their associates at any time under the Long-Term Incentive Plan or any other share compensation arrangement, shall in each case not exceed ten percent (10%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

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. Only share units which were granted on the understanding that they would be redeemable for shares to be issued from treasury are included in the table below.

	2021	2020	2019
Dilution ⁽¹⁾	1.29%	2.14%	1.8%
Overhang ⁽²⁾	3.24%	4.53%	4.9%
Burn Rate ⁽³⁾	0.28%	0.57%	0.40%

(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 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.

See the Retirement Plan Benefits section on page 101 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, 2023, or within 5 years of the date of appointment of an executive, whichever occurs later. The share ownership requirements for senior executives were suspended for the period during which the Executive Compensation Restriction applied. After giving effect to such suspension, subject to final confirmation by the Board, Air Canada's new President and Chief Executive Officer, Michael Rousseau, will have until February 15, 2027 to meet a share ownership requirement of five times his salary.

The table below sets out the share ownership guidelines for each named executive officer. 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. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.

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	Latest Date to Meet Share Ownership Requirements	Satisfies Ownership Requirements
Michael Rousseau ⁽²⁾	108,171 Class B voting shares 37,351 restricted share units	\$3,445,961	5 times annual salary	February 15, 2027	No
Amos Kazzaz ⁽³⁾	9,087 Class B voting shares 29,451 restricted share units	\$912,580	2 times annual salary	February 1, 2023	Yes
Lucie Guillemette	38,178 Class B voting shares 19,077 restricted share units 8,306 deferred share units	\$1,552,484	3 times annual salary	February 17, 2023	Yes
Craig Landry	17,440 Class B voting shares 15,451 restricted share units 19,552 deferred share units	\$1,241,850	3 times annual salary	January 1, 2025	No
Arielle Meloul-Wechsler	9,162 Class B voting shares 24,275 restricted share units 4,984 deferred share units	\$909,809	3 times annual salary	January 1, 2026	No
Calin Rovinescu ⁽⁴⁾	437,807 Class B voting shares 77,160 restricted share units 49,904 deferred share units	\$13,376,145	5 times annual salary	February 15, 2022	Yes

(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 February 7, 2022 (\$23.68), and the market value of the shares underlying the restricted share units and vested deferred share units as



at February 7, 2022 described above. The number of Class B voting shares held are as of February 7, 2022, with the exception of shares purchased under the Employee Share Ownership Plan, which are held as of December 31, 2021.

- (2) Mr. Rousseau was appointed as President and CEO on February 15, 2021 and, subject to final confirmation by the Board, will be required to meet a share ownership requirement of five times his salary by February 15, 2027. Up to February 15, 2021, Mr. Rousseau had satisfied the applicable ownership requirement of three times his salary in his previous position as Deputy Chief Executive Officer and Chief Financial Officer.
- (3) Although Mr. Kazzaz was appointed to Executive Vice President and Chief Financial Officer on February 15, 2021, he is required to maintain compliance with a share ownership requirement equal to two times his salary in his prior position.
- (4) Mr. Rovinescu retired on February 15, 2021 and was required to maintain compliance with the share ownership guidelines requirement for one year from the date of his retirement. As of February 15, 2022, Mr. Rovinescu is no longer subject to the share ownership guideline.

Air Canada's share ownership guidelines require that the President and Chief Executive Officer continue to comply with the 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 three years, expressed as a percentage 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 2019, 2020 and 2021 years.

	2019 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
Total aggregate named executive officer compensation (\$ millions) ⁽⁴⁾	21.5	18.7	5.8
EBITDA (\$ billions)	3.64	(2.04)	(1.46)
As a percentage of EBITDA	0.59%	N/A ⁽⁵⁾	N/A ⁽⁵⁾

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

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

(3) Named executive officers for the 2021 year consist of: Michael Rousseau, Amos Kazzaz, Lucie Guillemette, Craig Landry, Arielle Meloul-Wechsler and Calin Rovinescu (former President and CEO).

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

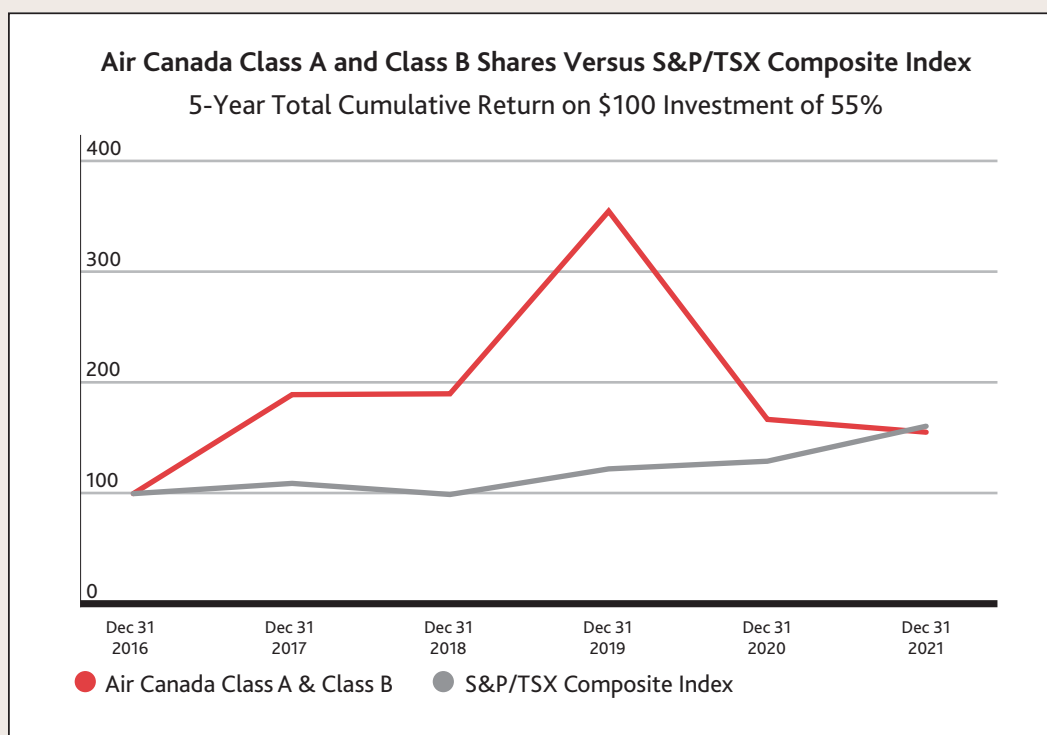
(5) Total aggregate named executive officer compensation as a percentage of 2020 and 2021 EBITDA is not applicable as EBITDA results for those years were negative.



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, 2017 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2017 and ended December 31, 2021.



The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 55% from January 1, 2017 to December 31, 2021.

A significant proportion of NEO compensation is granted in the form of long-term equity-based incentives, which are calculated based on grant date fair values, despite the fact that actual values will be realized only to the extent that any applicable performance targets are met and the Corporation's share price increases. In the longer term, NEO compensation is directly affected by the Corporation's share price performance, both negatively and positively, as evidenced by the forfeiture of performance-based stock options and performance-based share units granted between 2006 and 2008, and conversely, in-the-money options and vesting of stock options and share units granted in and after 2009. Stock option, RSU and PSU awards directly correlate to the share price and are therefore aligned with shareholder returns. At any time after the grant date, stock options may be well out of the money and units may vest at 0% or have little to no value. Accordingly, caution should be exercised when comparing TSR performance and total NEO compensation.

Moreover, although the graph compares Air Canada's TSR performance to that of market indices, the Corporation believes five-year TSR is not currently a meaningful measure for a company severely affected by a major multi-year pandemic crisis. Stock price performance is affected by various factors and trends, many of which are unrelated to Air Canada's financial and operational performance, such



as economic uncertainty and industry trends related to the COVID-19 pandemic, oil price movements, macroeconomic growth rates, and geopolitical developments, among other factors.

The Corporation's executive compensation program, which includes base salary and short-term and long-term incentive programs, is designed to be aligned with Air Canada's financial and market performance. For the fiscal years ended December 31, 2019, 2018 and 2017, the cash compensation of Air Canada's named executive officers has remained fairly aligned to the Corporation's Adjusted Pre-tax Income and then reported EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent). The cash compensation of Air Canada's named executive officers has remained largely unchanged over the fiscal years ended December 31, 2019, 2018 and 2017, taking into account salary progression resulting from internal promotions from our management team to a named executive officer position. For the fiscal year ended December 31, 2020, the cash compensation of Air Canada's named executive officers was 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, and no annual incentive bonus was paid. As mentioned earlier, the 2020 year was excluded from the determination of the performance vesting level for the 2018 performance-based stock option and 2019 PSU awards, and in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value. Compensation of each of Air Canada's named executive officers was capped at \$1 million for the fiscal year ended December 31, 2021 in accordance with the Executive Compensation Restriction. Accordingly, no annual incentive bonus was paid to any NEO for 2021, and LTIP awards were granted below target levels or reduced. More details on vesting conditions linked to the performance of Air Canada can be found on page 74 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, 2021, 2020 and 2019 by each named executive officer. The compensation provided in respect of the year 2021 complied with the \$1 million compensation cap for each NEO under the Executive Compensation Restriction ⁽¹⁾.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽²⁾	Option-based awards ⁽³⁾ (\$)	Non-equity incentive plan compensation	Pension value (\$)	All other compensation (\$) ⁽⁴⁾	Total compensation (\$)
					Annual incentive plans (\$)			
Michael Rousseau President and Chief Executive Officer	2021	500,000 ⁽⁵⁾	250,000 ⁽⁵⁾	250,000 ⁽⁵⁾	Nil	2,717,000 ⁽⁵⁾	Nil	3,717,000
	2020	455,010	1,231,596	875,002	420,000	292,400	Nil	2,938,206
	2019	700,000	980,000	980,000	1,200,000	536,500	Nil	4,396,500
Amos Kazzaz Executive Vice President and Chief Financial Officer ⁽⁷⁾	2021	462,500 ⁽⁶⁾	343,750 ⁽⁶⁾	193,750 ⁽⁶⁾	Nil	303,900	Nil	1,303,900
	2020	332,814	225,000	225,000	325,000	100,000	Nil	1,222,318
	2019	375,000	225,000	225,000	325,000	127,000	Nil	1,277,000
Lucie Guillemette Executive Vice President and Chief Commercial Officer	2021	525,000 ⁽⁷⁾	237,500 ⁽⁷⁾	237,500 ⁽⁷⁾	Nil	83,900	Nil	1,083,900
	2020	406,875	588,409	634,378	267,750	53,800	Nil	1,991,812
	2019	525,000	577,500	577,500	725,000	485,300	Nil	2,890,300
Craig Landry Executive Vice President, Chief Operations Officer	2021	510,000 ⁽⁸⁾	245,000 ⁽⁸⁾	245,000 ⁽⁸⁾	Nil	107,200	Nil	1,107,200
	2020	370,468	497,096	535,931	229,500	369,900	Nil	2,039,828
	2019	475,000	400,000	400,000	530,000	774,300	Nil	2,579,300
Arielle Meloul-Wechsler Executive Vice President, Chief Human Resources and Public Affairs ⁽¹⁰⁾	2021	450,000 ⁽⁹⁾	275,000 ⁽⁹⁾	275,000 ⁽⁹⁾	Nil	62,400	Nil	1,062,400
	2020	313,343	490,000	390,000	175,500	509,600	Nil	1,909,663
	2019	368,750	225,000	225,000	350,000	170,000	Nil	1,338,750
Calin Rovinescu Former – President and Chief Executive Officer ⁽¹⁰⁾	2021	175,000 ⁽¹⁰⁾	Nil	Nil	Nil	199,000	651,000 ⁽¹⁰⁾	1,025,000
	2020	910,005	3,124,635	3,368,747	723,000	964,200	Nil	9,258,983
	2019	1,400,000	3,550,000	3,550,000	3,496,500	875,000	Nil	12,871,900



- (1) In connection with credit agreements entered into with the Government of Canada in April 2021, Air Canada was subject to covenants under the LEEFF program that capped total compensation (excluding as related to pension plans) for each NEO at \$1 million in respect of any fiscal year during which the obligations under the applicable credit agreements remained outstanding. The 2021 pension value for each NEO was determined as of December 31, 2021 on an actuarial basis reflecting the NEO's pensionable salary, pension plan provisions and applicable economic and other assumptions. Details are provided in footnote (5) below in respect of Mr. Rousseau and additional information is provided in the Retirement Plan Benefits section on page 101 of this circular. No amendments to pension plan provisions made in 2021 increased pension plan benefits for any of the NEOs. The table below illustrates Air Canada's compliance with this Executive Compensation Restriction in respect of the fiscal year ended December 31, 2021:

Name	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Annual Incentive Plan (\$)	Other Compensation (\$)	Total compensation awarded in compliance with Executive Compensation Restriction under the April 2021 credit agreements with the Government of Canada (\$)
Michael Rousseau	500,000	250,000	250,000	Nil	Nil	1,000,000
Amos Kazzaz	462,500	343,750	193,750	Nil	Nil	1,000,000
Lucie Guillemette	525,000	237,500	237,500	Nil	Nil	1,000,000
Craig Landry	510,000	245,000	245,000	Nil	Nil	1,000,000
Arielle Meloul-Wechsler	450,000	275,000	275,000	Nil	Nil	1,000,000

- (2) The grant date fair value of the annual grant of share units awarded in 2021 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 \$25.39 for the March 1, 2021 grants. The share price at the time of the grants was 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) as to 75% upon the Corporation achieving its cumulative EBITDA target over such three-year period and (2) as to the remaining 25% 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 81 of this circular for more details.

The accounting fair value of these share units as planned for the year before the reduction as per the \$1 million executive compensation restriction was \$233,843 for Mr. Rousseau, \$181,236 for Mr. Kazzaz, \$222,158 for Ms. Guillemette, \$229,164 for Mr. Landry and \$257,236 for Mrs. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$16,158 for Mr. Rousseau, \$2,050 for Mr. Kazzaz, \$15,343 for Ms. Guillemette, \$15,836 for Mr. Landry and \$17,764 for Mrs. Meloul-Wechsler. 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.

- (3) The grant date fair value for options awarded in 2021 by the Corporation as reported in this table was calculated using the Black-Scholes grid, which is 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 80 of this circular for more details).

The grant date fair value for the options granted on March 1, 2021, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions:

- i. Black-Scholes factor: 42.0859%
- ii. Volatility: 55.0398%
- 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 as planned for the year before the reduction as per the \$1 million executive compensation restriction was: \$287,070 for Mr. Rousseau, \$220,113 for Mr. Kazzaz, \$249,037 for Ms. Guillemette, \$267,371 for Mr. Landry and \$315,776 for Mrs. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$37,070 for Mr. Rousseau, \$26,363 for Mr. Kazzaz, \$11,537 for Ms. Guillemette, \$22,371 for Mr. Landry



and \$40,776 for Mrs. Meloul-Wechsler. 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.

- (4) In 2021, 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

- (5) Mr. Rousseau was appointed as President and Chief Executive Officer of Air Canada on February 15, 2021. Mr. Rousseau's 2021 compensation as NEO was capped at \$1 million in accordance with the Executive Compensation Restriction. As a result, Mr. Rousseau was restricted to a base salary of \$500,000 (from his salary of record of \$1,150,000) and a \$500,000 LTIP value (from \$5,750,000). The 2021 pension value for Mr. Rousseau was determined as of December 31, 2021 on an actuarial basis reflecting his appointment to President and Chief Executive Officer on February 15, 2021, his pensionable salary in that new role, and applicable economic and other assumptions. The pension value was comprised of (a) \$424,000 for the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service, plus (b) \$2,293,000 which represents the actuarial present value of the estimated increase in his annual lifetime pension payable from his retirement date, resulting entirely from the effect of the increase in his pensionable salary in his new role as President and Chief Executive Officer, in accordance with the pension plan provisions. Please refer to the Retirement Plan Benefits section on page 101 of this circular for additional information.

Amos Kazzaz

- (6) On February 15, 2021, Mr. Kazzaz, formerly the Senior Vice President, Finance, was appointed Executive Vice President and Chief Financial Officer. Upon Mr. Kazzaz's new position becoming effective, his salary was increased to \$475,000 and he received a special share unit grant of \$150,000. Mr. Kazzaz's 2021 compensation as NEO was capped at \$1 million in accordance with the Executive Compensation Restriction and his LTIP value for 2021 was therefore reduced to \$387,000 (from \$1,163,750).

Lucie Guillemette

- (7) Ms. Guillemette's salary has not changed from the prior year. Ms. Guillemette's 2021 compensation as NEO was capped at \$1 million in accordance with the Executive Compensation Restriction and her LTIP value for 2021 was therefore reduced to \$475,000 (from \$1,391,250).

Craig Landry

- (8) Mr. Landry's salary has not changed from the prior year. Mr. Landry's 2021 compensation as NEO was capped at \$1 million in accordance with the Executive Compensation Restriction and his LTIP value for 2021 was therefore reduced to \$490,000 (from \$1,249,500).

Arielle Meloul-Wechsler

- (9) Mrs. Meloul-Wechsler was appointed to Executive Vice President, Chief Human Resources and Communications Officer on January 1, 2020 and to Executive Vice President, Chief Human Resources Officer and Public Affairs on February 15, 2021. Mrs. Meloul-Wechsler's 2021 compensation as NEO was capped at \$1 million in accordance with the Executive Compensation Restriction and her LTIP value for 2021 was therefore reduced to \$550,000 (from \$742,500).

Calin Rovinescu

- (10) Mr. Rovinescu's salary is in respect of the period up to the date of his retirement on February 15, 2021. Amounts under "All other compensation" represent consulting services provided after the date of his retirement to December 31, 2021. Although Mr. Rovinescu's compensation was not subject to the Executive Compensation Restriction, his 2021 compensation remained within the Executive Compensation Restriction.



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, 2021.

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⁾
Michael Rousseau	55,000	12.64	April 1, 2022	466,950
	100,000	9.23	January 13, 2023	1,190,000
	68,498	9.41	June 22, 2026	802,797
	70,000	13.69	April 3, 2027	520,800
	42,961	17.69	June 1, 2027	147,786
	82,477	26.59	April 2, 2028	0
	15,165	22.53	July 27, 2028	0
	83,219	33.11	March 11, 2029	0
	98,863	32.42	March 11, 2030	0
	23,444	25.39	March 1, 2031	0
Amos Kazzaz	13,500	12.64	April 1, 2022	114,615
	13,125	13.69	April 3, 2027	97,650
	18,505	26.59	April 2, 2028	0
	19,107	33.11	March 11, 2029	0
	22,244	32.42	March 11, 2030	0
	18,169	25.39	March 1, 2031	0
Lucie Guillemette	8,500	12.64	April 1, 2022	72,165
	18,384	9.23	January 13, 2023	218,770
	30,625	13.69	April 3, 2027	227,850
	37,670	26.59	April 2, 2028	0
	49,040	33.11	March 11, 2029	0
	71,676	32.42	March 11, 2030	0
	22,272	25.39	March 1, 2031	0
Craig Landry	8,500	9.23	January 13, 2023	101,150
	16,625	13.69	April 3, 2027	123,690
	19,826	26.59	April 2, 2028	0
	33,967	33.11	March 11, 2029	0
	60,554	32.42	March 11, 2029	0
	22,975	25.39	March 1, 2031	0
Arielle Meloul-Wechsler	3,085	9.23	January 13, 2023	36,712
	10,500	13.69	April 3, 2027	78,120
	4,375	12.83	May 5, 2027	36,313
	18,505	26.59	April 2, 2028	0
	19,107	33.11	March 11, 2029	0
	38,557	32.42	March 11, 2030	0
	25,788	25.39	March 1, 2031	0
Calin Rovinescu ⁽³⁾	42,961	17.69	March 1, 2026	147,786
	296,070	26.59	March 1, 2026	0
	301,456	33.11	March 1, 2026	0
	380,622	32.42	March 1, 2026	0



- (1) With the severe impact of the COVID-19 pandemic on the Corporation's 2020 financial results, it was determined that 2017, 2018, 2019 and 2020 performance-based LTI, in respect of which applicable performance measures were established prior to the pandemic, would generate zero payouts or zero vesting levels. As executives had to shift their focus from performance targets towards weathering the crisis, employee safety, liquidity and other pandemic-driven concerns, some adjustment of performance measures was considered warranted, in the best interests of the Corporation, to reflect that the performance of the company in respect of performance targets established prior to the pandemic was not attributable to the performance of its executive team. It was therefore determined that, in the best interests of Air Canada, the 2020 year be excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.
- (2) Based on the closing price of the Air Canada shares on the TSX (\$21.13) on December 31, 2021.
- (3) In connection with Mr. Rovinescu's retirement in 2021, all of his unexercised stock options shall expire on the earlier of (i) their respective original expiry date or (ii) March 1, 2026.

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, 2021.

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 (\$)
Michael Rousseau	17,881	Jan 1, 2020 to Dec 31, 2022	377,826	Nil
Amos Kazzaz	4,023	Jan 1, 2020 to Dec 31, 2022	85,006	Nil
Lucie Guillemette	12,964	Jan 1, 2020 to Dec 31, 2022	273,929	Nil
Craig Landry	10,952	Jan 1, 2020 to Dec 31, 2022	231,416	Nil
Arielle Meloul-Wechsler	6,974 ⁽³⁾	Jan 1, 2020 to Dec 31, 2022	147,361	Nil
Calin Rovinescu	68,843	Jan 1, 2020 to Dec 31, 2022	1,454,653	Nil

- (1) With the severe impact of the COVID-19 pandemic on the Corporation's 2020 financial results, it was determined that 2017, 2018, 2019 and 2020 performance-based LTI, in respect of which applicable performance measures were established prior to the pandemic, would generate zero payouts or zero vesting levels. As executives have had to shift their focus from performance targets towards weathering the crisis, employee safety, liquidity and other pandemic-driven concerns, some adjustment of performance measures was considered warranted, in the best interests of the Corporation, to reflect that the performance of the company in respect of performance targets established prior to the pandemic was not attributable to the performance of its executive team. It was therefore determined that, in the best interests of Air Canada, the 2020 year be excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.
- (2) Based on the closing price of the Air Canada shares on the TSX (\$21.13), on December 31, 2021.
- (3) 6,974 PSUs were allocated into DSUs.



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 (\$)
Michael Rousseau	14,094	March 11, 2019 to March 11, 2022	297,806	Nil
	13,411	March 11, 2020 to March 11, 2023	283,374	
	9,846	March 1, 2021 to March 1, 2024	208,046	
Amos Kazzaz	3,236	March 11, 2019 to March 11, 2022	68,377	Nil
	8,638	June 1, 2019 to June 1, 2022	182,521	
	3,017	March 11, 2020 to March 11, 2023	63,749	
	6,929	February 15, 2021 to February 15, 2024	146,410	
	7,631	March 1, 2021 to March 1, 2024	161,243	
Lucie Guillemette	8,306 ⁽²⁾	March 11, 2019 to March 11, 2022	175,506	Nil
	9,723	March 11, 2020 to March 11, 2023	205,447	
	9,354	March 1, 2021 to March 1, 2024	197,650	
Craig Landry	5,753 ⁽³⁾	March 11, 2019 to March 11, 2022	121,561	Nil
	8,214	March 11, 2020 to March 11, 2023	173,562	
	9,649 ⁽³⁾	March 1, 2021 to March 1, 2024	203,883	
Arielle Meloul-Wechsler	3,236 ⁽⁴⁾	March 11, 2019 to March 11, 2022	68,377	Nil
	5,230	March 11, 2020 to March 11, 2023	110,510	
	5,787 ⁽⁴⁾	September 1, 2020 to September 1, 2022	122,279	
	10,831	March 1, 2021 to March 1, 2024	228,856	
Calin Rovinescu	51,056 ⁽⁵⁾	March 11, 2019 to March 11, 2022	1,078,813	Nil
	51,632	March 11, 2020 to March 11, 2023	1,090,984	

(1) Based on the closing price of the Air Canada shares on the TSX (\$21.13), on December 31, 2021.

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

(3) All 5,753 RSUs were allocated into DSUs; 2,412 of 9,649 RSUs were allocated into DSUs.

(4) 809 of 3,236 RSUs were allocated into DSUs; 5,787 RSU grant is a retention grant with a two-year vesting.

(5) 25,528 of 51,056 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, 2021 on the vesting date of such awards. As concerns non-equity incentive plan compensation, the table below summarizes the aggregate amount of such compensation received by each named executive officer during the year ended December 31, 2021 (being nil). 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 93 of this circular.

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⁾
Michael Rousseau	11,889	33.11	March 11, 2021	29.67	0	Nil
	14,124	32.42	March 11, 2021	29.67	0	
	11,782	26.59	April 2, 2021	27.10	6,009	
	10,000	13.69	April 3, 2021	27.10	134,100	
	6,137	17.69	June 1, 2021	27.21	58,424	
	2,166	22.53	July 27, 2021	25.18	5,740	
	35,347	26.59	Dec 31, 2021	21.13	0	
	6,499	22.53	Dec 31, 2021	21.13	0	
Amos Kazzaz	2,730	33.11	March 11, 2021	29.67	0	Nil
	3,178	32.42	March 11, 2021	29.67	0	
	2,643	26.59	April 2, 2021	27.10	1,348	
	1,875	13.69	April 3, 2021	27.10	25,144	
	7,931	26.59	Dec 31, 2021	21.13	0	
Lucie Guillemette	7,006	33.11	March 11, 2021	29.67	0	Nil
	10,240	32.42	March 11, 2021	29.67	0	
	5,381	26.59	April 2, 2021	27.10	2,744	
	4,375	13.69	April 3, 2021	27.10	58,669	
	16,144	26.59	Dec 31, 2021	21.13	0	
Craig Landry	4,853	33.11	March 11, 2021	29.67	0	Nil
	8,651	32.42	March 11, 2021	29.67	0	
	2,832	26.59	April 2, 2021	27.10	1,444	
	2,375	13.69	April 3, 2021	27.10	31,849	
	8,497	26.59	Dec 31, 2021	21.13	0	
Arielle Meloul-Wechsler	2,730	33.11	March 11, 2021	29.67	0	Nil
	5,509	32.42	March 11, 2021	29.67	0	
	2,643	26.59	April 2, 2021	27.10	1,348	
	1,500	13.69	April 3, 2021	27.10	20,115	
	625	12.83	May 5, 2021	24.35	7,200	
	7,931	26.59	Dec 31, 2021	21.13	0	
Calin Rovinescu ⁽⁴⁾	129,196	33.11	Feb 15, 2021	23.42	0	Nil
	217,498	32.42	Feb 15, 2021	23.42	0	
	84,592	26.59	Feb 15, 2021	23.42	0	
	6,137	17.69	Feb 15, 2021	23.42	35,165	
	126,887	26.59	Feb 15, 2021	23.42	0	



- (1) With the severe impact of the COVID-19 pandemic on the Corporation's 2020 financial results, it was determined that 2017, 2018, 2019 and 2020 performance-based LTI, in respect of which applicable performance measures were established prior to the pandemic, would generate zero payouts or zero vesting levels. As executives have had to shift their focus from performance targets towards weathering the crisis, employee safety, liquidity and other pandemic-driven concerns, some adjustment of performance measures was considered warranted, in the best interests of the Corporation, to reflect that the performance of the company in respect of performance targets established prior to the pandemic was not attributable to the performance of its executive team. It was therefore determined that, in the best interests of Air Canada, the 2020 year be excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.
- (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 an annual incentive plan bonus in respect of the year 2021 and corresponds to the amounts disclosed (being nil) in the Summary Compensation Table on page 93 of this circular under the heading "Non-equity incentive plan compensation — Annual incentive plans".
- (4) Mr. Rovinescu retired February 15, 2021. Upon his retirement, all of his time-based stock options vested immediately. In addition, all of his performance-based stock options and share units (on a prorated basis) granted before 2019 vested in accordance with their terms. His outstanding unvested performance-based stock options and share units granted in 2019 or after continue to vest according to the regular vesting schedule and the achievement of applicable performance targets.

The performance share units of the named executive officers that vested in 2021 are detailed in the table below and further described in the 2021 LTIP decisions on page 85 of the proxy circular.

Name	Share-based awards			
	Performance Share Units Vested ⁽¹⁾	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$) ⁽²⁾	Value vested during the Year (\$) ⁽³⁾
Michael Rousseau	18,793	December 31, 2021	21.44	402,922
Amos Kazzaz	4,315	December 31, 2021	21.44	92,514
Lucie Guillemette	11,074 ⁽⁴⁾	December 31, 2021	21.44	237,427
Craig Landry	7,671 ⁽⁵⁾	December 31, 2021	21.44	164,466
Arielle Meloul-Wechsler	4,315 ⁽⁶⁾	December 31, 2021	21.44	92,514
Calin Rovinescu	68,075 ⁽⁷⁾	December 31, 2021	21.44	1,459,528

- (1) With the severe impact of the COVID-19 pandemic on the Corporation's 2020 financial results, it was determined that 2017, 2018, 2019 and 2020 performance-based LTI, in respect of which applicable performance measures were established prior to the pandemic, would generate zero payouts or zero vesting levels. As executives have had to shift their focus from performance targets towards weathering the crisis, employee safety, liquidity and other pandemic-driven concerns, some adjustment of performance measures was considered warranted, in the best interests of the Corporation, to reflect that the performance of the company in respect of performance targets established prior to the pandemic was not attributable to the performance of its executive team. It was therefore determined that, in the best interests of Air Canada, the 2020 year be excluded from the determination of the performance vesting level for the 2018 performance-based stock option grants and 2019 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) were cancelled for no value.
- (2) Vesting remains subject to final confirmation by the Board.
- (3) The vesting of the performance share units was in the form of cash and/or vested as DSUs.
- (4) 11,074 PSUs were vested as DSUs.
- (5) 7,671 PSUs were vested as DSUs.
- (6) 1,079 of the 4,315 PSUs were vested as DSUs.
- (7) 34,037 of the 68,075 PSUs were vested as DSUs.



The restricted share units of the named executive officers that vested in 2021 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⁾
Michael Rousseau	13,969	April 2, 2021	26.39	368,642
Amos Kazzaz	3,134	April 2, 2021	26.39	82,706
Lucie Guillemette	6,380	April 2, 2021	26.39	168,368
Craig Landry	2,519	April 2, 2021	26.39	66,476
	12,632	October 30, 2021	22.63	285,862
Arielle Meloul-Wechsler	2,351	April 2, 2021	26.39	62,043
Calin Rovinescu	48,752 ⁽²⁾	April 2, 2021	26.39	643,283

(1) The vesting of the restricted share units was in the form of cash or shares.

(2) 24,376 of the 48,752 RSUs were vested in DSUs.

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, 2021.

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⁾				
Michael Rousseau	24.2500	399,600	418,800	5,539,700	2,717,000 ⁽⁸⁾	-462,300	7,794,400
Amos Kazzaz	11.6667	92,100	92,100	1,349,200	303,900	-90,900	1,562,200
Lucie Guillemette	34.4167	353,400	359,400	6,640,100	83,900	-528,500	6,195,500
Craig Landry	20.5000	196,000	334,700	4,403,600	107,200	-370,900	4,139,900
Arielle Meloul-Wechsler	16.0833	128,700	212,100	2,961,100	62,400	-226,900	2,796,600
Calin Rovinescu ⁽⁹⁾	28.8067	789,500	789,500	17,309,700	199,000	-3,926,900	13,581,800

(1) This column reflects the number of years of credited service for each named executive officer as of the year ended December 31, 2021, 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 and reflect his years of credited pensionable service as of his retirement date, March 1, 2021.

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, 2021. 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 their average annual salary during their highest paid 36 successive months of company service as of December 31, 2021 and their 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 2020 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 2.59%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2020 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 2020, 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 2020 year-end financial statement reporting purposes, including a discount rate of 2.84%. The amounts disclosed with respect to changes in salary reflect 2021 year-end assumptions. No amendments to pension plan provisions made in 2021 increased pension plan benefits for any of the named executive officers.

(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, 2021 and is based on 2021 year-end assumptions, assuming a going-concern basis. The 2021 assumptions used for determining the accrued obligation are the same as those used for 2021 year-end financial statement reporting purposes. In particular, a discount rate of 3.20% was used, which reflects corporate AA bond yields at the end of the year.



- (8) The compensatory change for Mr. Rousseau is comprised of \$424,000 for the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service, plus \$2,293,000 which represents the actuarial present value of the estimated increase in his annual lifetime pension payable from his retirement date, resulting entirely from the effect of the increase in his pensionable salary in his new role as President and Chief Executive Officer, in accordance with the pension plan provisions.
- (9) 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. These suspended pension payments related to his previous employment were accrued until Mr. Rovinescu's retirement on March 1, 2021 and have been paid in 2021. In November 2014, his employment agreement was modified to bring his pension closer to market competitive levels and to serve as a retention incentive. Mr. Rovinescu's two periods of employment were combined and his current salary was used in the calculation of the final average earnings, both being conditional on Mr. Rovinescu continuing to be actively employed by Air Canada as its President and Chief Executive Officer until at least December 31, 2017.

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 incremental value 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 2021:

Named Executive Officer	Cash Portion (\$) ⁽¹⁾	Value of Exercisable/Vested Options and Share Units (\$) ⁽²⁾⁽³⁾	Other Benefits (\$) ⁽⁴⁾	Total Value (\$)
Michael Rousseau	5,175,000	764,109	113,066	6,052,175
Amos Kazzaz ⁽⁵⁾	633,344	Nil	60,935	694,279
Lucie Guillemette	1,942,500	528,829	86,214	2,557,543
Craig Landry	1,785,000	Nil	88,124	1,873,124
Arielle Meloul-Wechsler	1,485,000	293,924	87,430	1,866,354

(1) Based on salary for the year ended December 31, 2021.

(2) Immediate vesting of all unvested options and unvested share units (on a prorated basis in the case of share units) for Mr. Rousseau, Ms. Guillemette and Ms. Meloul-Wechsler. Mr. Landry's and Mr. Kazzaz's entitlements specify that their options and share units will vest in accordance with the terms and conditions of the LTIP applicable upon retirement.

(3) Based on the December 31, 2021 closing price of Air Canada's shares on the TSX (\$21.13).

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

(5) Mr. Kazzaz's employment agreement provides that, in the event he is terminated without cause, he is entitled to receive a severance payment that is equal to sixteen months of his then current annual base salary.



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. Rousseau, Ms. Guillemette, Mr. Landry and Mrs. Meloul-Wechsler 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.



In such circumstances, each of Mr. Rousseau, Ms. Guillemette, Mr. Landry and Mrs. Meloul-Wechsler would become entitled to the same 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, they would be entitled to receive an additional 2 years of pensionable service, as shown in the following table:

Named Executive Officer	2-Year Pension Value (\$)⁽¹⁾
Michael Rousseau	590,000
Lucie Guillemette	120,000
Craig Landry	350,000
Arielle Meloul-Wechsler	350,000

(1) Pension value is in addition to the payments and benefits disclosed under the table on the prior page, and pensionable service is subject to a cap on service of 35 years of service as provided under the pension plans.



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, 2021 to October 1, 2022 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 February 7, 2022, 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.

MAIL SERVICE INTERRUPTION

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

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 2023 ANNUAL MEETING

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2023 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 November 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, 2021. Shareholders may request the following documents without charge:

- Annual report for the year ended December 31, 2021, including the 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, 2021.

Please contact 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 TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (international). To sign up, go to the website <https://ca.astfinancial.com/InvestorServices/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 TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (international). 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 (international). To sign up, go to the website www.computershare.com 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 2022 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.



268
TREES



8 kg
OF WATER
POLLUTANTS



81,481 L
OF WASTE
WATER



404 kg
OF SOLID
WASTE



52,254 kg
OF GREENHOUSE
GAS EMISSIONS



33,117 kWh
OF TOTAL
ENERGY

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