



NOTICE OF 2016
ANNUAL MEETING OF
SHAREHOLDERS AND
MANAGEMENT PROXY
CIRCULAR



WHAT'S INSIDE

NOTICE OF 2016 ANNUAL SHAREHOLDER MEETING	i
MANAGEMENT PROXY CIRCULAR	1
VOTING YOUR SHARES	2
BUSINESS OF THE MEETING	8
THE NOMINATED DIRECTORS	11
STATEMENT OF GOVERNANCE PRACTICES	27
COMMITTEES	37
REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE	43
AIR CANADA'S EXECUTIVE COMPENSATION PROGRAM	49
SUMMARY COMPENSATION TABLE	68
STOCK PERFORMANCE GRAPH	78
OTHER IMPORTANT INFORMATION	80
HOW TO REQUEST MORE INFORMATION	81
SCHEDULE "A" NON-BINDING ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION	A-1
SCHEDULE "B" CHARTER OF THE BOARD OF DIRECTORS	B-1

LETTER FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 24, 2016

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Tuesday, May 10, 2016 at 10:30 a.m. (Atlantic time), at the Canadian Museum of Immigration at Pier 21, 1055 Marginal Road, Halifax, Nova Scotia.

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 in person at the meeting. This management proxy circular will provide you with information about these items and how to exercise your right to vote. It will also tell you about the director nominees, the proposed auditors, the compensation of directors and certain executives, our corporate governance practices and our approach to executive compensation.

During the meeting, we will present management's report for 2015 and discuss our corporate priorities for 2016. The transformative changes we have made in recent years provide us with a cost structure, fleet and flexibility to respond, as we did in 2015, to competitive market conditions, currency fluctuations and to economic weakness. In the past year, we made substantial progress in executing on our strategy toward the goal of sustainable, long-term profitability. Along with initiatives for revenue generation and cost control, we continue to build our international network through ongoing wide-body aircraft fleet modernization, expansion of existing services and the launch of new routes. We are also building on our existing programs to attract, engage and retain the right talent. Recognizing that an engaged workforce is essential to the sustainability of any company where high standards of customer service are a priority, we are increasing our investments in training programs which are contributing to higher employee engagement and improved customer service satisfaction levels. Moreover, we have achieved added stability and flexibility to support profitable growth with the conclusion of long-term labour agreements with our employee groups. The culture change underway at Air Canada was recognized by many awards and accolades throughout the year, including being named as one of Canada's Top 100 Employers. Ultimately, our strategies are designed to provide increased benefits and value for all our stakeholders.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Richardson', with a long horizontal flourish extending to the right.

David I. Richardson
Chairman

A handwritten signature in black ink, appearing to read 'Calin Rovinescu', with a horizontal line at the end.

Calin Rovinescu
President and Chief Executive Officer

NOTICE OF 2016 ANNUAL SHAREHOLDER MEETING

WHEN

May 10, 2016 at 10:30 a.m. (Atlantic time)

WHERE

Canadian Museum of Immigration at Pier 21
1055 Marginal Road
Halifax, Nova Scotia

WEBCAST

A live webcast of the meeting will be available on our website at www.aircanada.com.

BUSINESS OF THE 2016 ANNUAL SHAREHOLDER MEETING

Four items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2015, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
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 the accompanying management proxy 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.

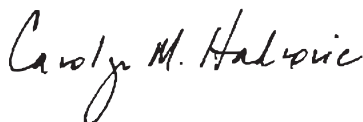
You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on March 14, 2016.

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 in person 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.

By Order of the Board of Directors,



Carolyn M. Hadrovic
Corporate Secretary

Montréal, Québec
March 24, 2016

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 May 10, 2016 (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 vote on the Corporation's executive compensation practices and other matters. The information in this document is current as at March 24, 2016 unless otherwise indicated. Financial information on Air Canada and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015.

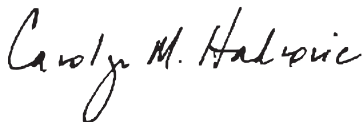
Your proxy is solicited by or on behalf of the management of Air Canada for use at the meeting. In addition to solicitation by mail, our employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation may also reimburse brokers 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 circular and related proxy materials are being sent to both registered and non-registered shareholders. The Corporation does not send proxy-related materials directly to non-registered shareholders and is not relying on the notice-and-access provisions of securities laws for delivery to either registered or non-registered shareholders. The Corporation will deliver proxy-related materials to nominees, custodians and fiduciaries and they will be asked to promptly forward them to non-registered shareholders. If you are a non-registered shareholder your nominee should send you a voting instruction form along with this circular. Please refer to the section entitled "Voting Your Shares" to find out if you are a non-registered holder.

Air Canada has retained Kingsdale Shareholder Services to solicit proxies from shareholders and has agreed to pay a fee of \$40,000 for proxy solicitation services plus additional fees for other services provided. If you have any questions with regard to the procedures for voting or completing your proxy form or voting instruction form, please contact Kingsdale Shareholder Services, 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@kingsdaleshareholder.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 sent 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.



Carolyn M. Hadrovic
Corporate Secretary

Montréal, Québec
March 24, 2016

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 in person at the meeting.

VOTING

You can attend the 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. If you appoint someone else, he or she must attend the meeting to vote your shares.

How to vote – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact CST Trust Company ("**CST**") at 1-800-387-0825.

By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at 416-368-2502 or return it in the business reply envelope we have provided or by delivering it to one of CST's principal offices in, Montréal, Toronto, Calgary or Vancouver for receipt before 4:00 p.m. (Eastern time) on May 6, 2016. A list of addresses for the principal offices of CST is set forth on page 80 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 meeting.

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

In person at the meeting

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

You will receive a shareholder card at the meeting upon registration at the registration desk for admittance 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 not sure whether you are a non-registered shareholder, please contact CST at 1-800-387-0825.

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 in this package.

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 meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on May 5, 2016.

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 May 5, 2016.**

In person at the meeting

You can vote your shares in person 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.

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 trustee in accordance with the provisions of such plans unless the employees have withdrawn their shares from the plan.

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766.

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 this circular 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 meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on May 5, 2016.

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 May 5, 2016.**

In person at the meeting

You can vote your shares in person 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.

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. 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 David I. Richardson, Calin Rovinescu or Carolyn M. Hadrovic, who are directors 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 enclosed form of proxy 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.

A proxyholder has the same rights as the shareholder by whom it was appointed to speak at the meeting in respect of any matter, to vote by way of ballot at the meeting and, except where the proxyholder has conflicting instructions from more than one shareholder, to vote at the meeting in respect of any matter by way of any show of hands.

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 Canadian or not in order to enable Air Canada to comply with the requirements of the *Canada Transportation Act* that Air Canada be controlled in fact by Canadians and that at least 75% of its voting interests (or such lesser percentage as the Governor in Council may by regulation specify) be owned and controlled by Canadians. 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 for purposes of voting at the meeting.

If you need assistance completing your form of proxy or voting instruction form, please contact Shareholder Relations at 514-422-6644 for service in English or in French.

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, CST, 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, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof. 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.

VOTING REQUIREMENTS

The election of directors and the appointment of auditors will each be determined by a majority of votes cast at the meeting by proxy or in person. If there is a tie, the chairman of the meeting is not entitled to a second or casting vote. The Corporation's transfer agent, CST, counts and tabulates the votes.

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 8 of this circular.

VOTING SHARES AND QUORUM

As of March 14, 2016, there were 181,566,696 Class B voting shares and 98,477,431 Class A variable voting shares outstanding. Shareholders of record on March 14, 2016 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montréal office of the Corporation's transfer agent, CST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec and at the meeting.

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

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

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

RESTRICTIONS ON VOTING SECURITIES

Currently, the *Air Canada Public Participation Act* requires the articles of the Corporation to contain provisions limiting ownership of the Corporation's voting interests by non-residents of Canada to a maximum of 25% or any higher percentage that the Governor in Council may by regulation specify. Also, the applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licences be Canadian. In the case of each licence holder, this requires that it be controlled in fact by Canadians and that at least 75% of its voting interests (or such lesser percentage as the Governor in Council may by regulation specify) be owned and controlled by Canadians. The articles of the Corporation contain restrictions to ensure that Air Canada remains Canadian under the *Canada Transportation Act*. The definition of the term "Canadian" under section 55(1) of the *Canada Transportation Act* may, currently, be summarized as follows:

- (a) a Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);
- (b) a government in Canada or an agent of such a government; or
- (c) a corporation or other 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 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

Air Canada has two classes of shares: (i) Class B voting shares and (ii) Class A variable voting shares. Effective November 3, 2014, the Class B voting shares and the Class A variable voting shares started trading on the Toronto Stock Exchange ("TSX") under the single ticker "AC". Prior to that date, the Class B voting shares and Class A variable voting shares traded on the TSX under their respective symbols AC.B and AC.A. This change was limited solely to the administration of the trading of the Class B voting shares and Class A variable voting shares on the TSX and no amendments were required to Air Canada's articles which continue to apply.

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 outstanding, as a percentage of the total number of voting shares outstanding of Air Canada exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify), or (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that: (i) the Class A variable voting shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

The *Budget Implementation Act, 2009* contains provisions whereby the restrictions relating to voting securities in the *Air Canada Public Participation Act* would be repealed and the *Canada Transportation Act* would be amended to

provide the Governor in Council with flexibility to increase the foreign voting interests ownership limit from the existing 25% level to a maximum of 49%. These provisions will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Finance in the case of the *Air Canada Public Participation Act*, and on the recommendation of the Minister of Transport in the case of the *Canada Transportation Act*. Air Canada cannot predict if or when new provisions relating to foreign ownership will come into force. However, it is not expected that these provisions will come into effect prior to the meeting.

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

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the 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 for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy 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 restriction of voting shares is 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 ("**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 Rights Plan for a period of three years at the annual and special shareholder meeting held on May 15, 2014.

As of March 24, 2016, to the knowledge of the officers or directors of the Corporation, the following 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.

Name of Shareholder	Number of Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)	% of Outstanding Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)
Letko, Brosseau & Associates Inc. ⁽¹⁾	43,304,202 shares	15.6%

(1) Based on its alternative monthly report filed on September 8, 2015, as amended on March 22, 2016.

BUSINESS OF THE MEETING

Four items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2015, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
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, 2015, including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com. Copies of such statements will also be available at the meeting.

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 or until their successors are elected or appointed.

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation, except for Kathleen P. Taylor who is a new nominee.

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 Corporate Matters 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 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 Corporate Matters 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 May 12, 2015, 90.45% of Air Canada's shareholders voted in favour of the appointment of PricewaterhouseCoopers LLP as auditors of the Corporation, and 9.55% of shareholders 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, 2015 and December 31, 2014 to PricewaterhouseCoopers LLP and its affiliates are \$3,083,169 and \$2,816,023 respectively, as detailed in the following table:

	Year ended December 31, 2015 (\$)	Year ended December 31, 2014 (\$)
Audit fees	1,820,983	1,803,467
Audit-related fees	701,677	636,906
Tax fees	186,361	117,280
All other fees	374,148	258,370
Total fees	3,083,169	2,816,023

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 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 auditor's involvement with offering documents, if any.

More information on Air Canada's Audit, Finance and Risk Committee is contained in Air Canada's Annual Information Form filed by Air Canada on March 24, 2016 and which is available on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.

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

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

The Board believes that shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions made by the Board. At this year's meeting, the Corporation will



present a non-binding advisory resolution on executive compensation as part of Air Canada's ongoing process of shareholder engagement. The previous say-on-pay advisory vote held in 2014 was supported with the approval of 89.78% of those shareholders present at our 2014 annual and special meeting, voting in person or by proxy. In 2012, the Board adopted a policy to hold a bi-annual say-on-pay advisory vote. In 2015, the Board resolved to hold an annual say-on-pay advisory vote. The Corporation is committed to providing shareholders with clear, comprehensive and transparent disclosure relating to executive compensation and to receive feedback from shareholders on this matter.

The Corporation's executive compensation philosophy, policies and programs are intended to align the interests of our executive team with those of our shareholders. This compensation approach allows us to attract, motivate and retain executives who will be strongly incented to continue with the transformation of the Corporation to create value for our shareholders, in the future, on a sustainable basis. For further information concerning Air Canada's approach to executive compensation, please refer to the sections under the headings "Statement of Governance Practices – Compensation" and "Air Canada's Executive Compensation Program".

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 delivered in advance of the 2016 annual meeting of shareholders."

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. The tables below set 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, attendance record, total compensation received in their capacity as a director of Air Canada, independence, their areas of expertise and their voting results at the 2015 annual meeting of shareholders held on May 12, 2015. Also indicated is the number of securities beneficially owned, or over which control was exercised, directly or indirectly, as of March 24, 2016, the total market value of such securities and whether each director meets the Corporation's minimum share ownership requirements.


	CHRISTIE J.B. CLARK Toronto, Ontario, Canada Age: 62 Director since June 27, 2013	<p>Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited, Hydro One Inc. and Hydro One Limited, and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was the Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2005.</p> <p>Mr. Clark is also Chair of the Finance Committee of Alpine Canada and a member of the Advisory Council of the Smith School of Business at Queen's University. Mr. Clark has served as a director of Brookfield Office Properties Inc. and IGM Financial Inc.</p> <p>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 Professional Accountant.</p>				
	Independent					
	Areas of Expertise: Business Management Finance Accounting Strategy Governance IT					
	2015 Voting Results: For: 92.74% Withheld: 7.26%					
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Audit, Finance and Risk Committee (Chair) Governance and Corporate Matters Committee Nominating Committee		9 of 9 5 of 5 4 of 4 5 of 5	23 of 23	100%	Loblaw Companies Limited Choice Properties Real Estate Investment Trust Hydro One Limited	October 2011 June 2013 August 2013
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements	
March 24, 2016	70,310 Class B voting shares ⁽¹⁾ 2,060.30 deferred share units	\$618,042 ⁽²⁾	\$666,871 ⁽³⁾	\$525,000	Yes	
March 30, 2015	61,910 Class B voting shares ⁽¹⁾	\$781,923 ⁽⁴⁾	\$781,923 ⁽⁵⁾	\$450,000	Yes	
Value of Total Compensation Received						
Year	\$					
2015	198,750 ⁽⁶⁾					
2014	178,118					


(1) Mr. Clark holds his equity interest in the Corporation indirectly through his spouse as permitted under the Corporation's share ownership requirements.

(2) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share


- (1) Mr. Clark holds his equity interest in the Corporation indirectly through his spouse as permitted under the Corporation's share ownership requirements.
- (2) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).
- (3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.
- (4) Class B voting shares are calculated at a market value of \$12.63 per share (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).
- (5) This amount represents the greater of: (i) the market value of the shares as at March 30, 2015 (described above), and (ii) the purchase price of the shares.
- (6) For further details on director remuneration, see "Remuneration of Directors".


	<p>MICHAEL M. GREEN Radnor, Pennsylvania, USA Age: 57 Director since March 30, 2009</p> <p>Independent</p> <p>Areas of Expertise: Finance Investments Management Engineering Transportation Strategy</p> <p>2015 Voting Results: For: 89.90% Withheld: 10.10%</p>	<p>Michael M. Green is the 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 the 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 the 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.</p> <p>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.</p>			
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:
Member of the Board Pension Committee (Chair) Human Resources and Compensation Committee		9 of 9 5 of 5 6 of 6	20 of 20	100%	None
Securities Held or Controlled:					
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 24, 2016	108,214 Class B voting shares 12,855.50 deferred share units	\$1,033,932 ⁽¹⁾	\$1,057,473 ⁽²⁾	\$525,000	Yes
March 30, 2015	108,214 Class B voting shares 5,814.86 deferred share units	\$1,440,182 ⁽³⁾	\$1,440,182 ⁽⁴⁾	\$450,000	Yes
Value of Total Compensation Received		<p>(1) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(3) Class B voting shares and deferred share units are calculated at a market value of \$12.63 per share and unit (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(4) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2015 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(5) For further details on director remuneration, see "Remuneration of Directors".</p>			
Year	\$				
2015	193,750 ⁽⁵⁾				
2014	175,000				

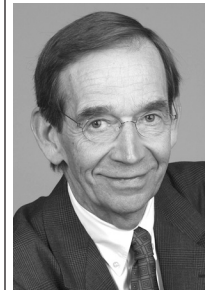
	<p>JEAN MARC HUOT Montréal, Québec, Canada Age: 54 Director since May 8, 2009</p> <p>Independent</p> <p>Areas of Expertise: Legal Governance Mergers and Acquisitions Corporate Finance Strategy</p> <p>2015 Voting Results For: 95.39% Withheld: 4.61%</p>	<p>Jean Marc Huot is a partner with the Canadian 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 <i>Autorité des marchés financiers</i> and, from 1998 to 2014, co-chair of Stikeman Elliott LLP's national Securities Law Group.</p> <p>Mr. Huot holds a Bachelor of Arts degree and a Bachelor of Law degree from Laval University.</p>			
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:
Member of the Board Pension Committee		9 of 9 5 of 5	14 of 14	100%	None
Securities Held or Controlled:					
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 24, 2016	31,098 Class B voting shares 196,983.82 deferred share units	\$1,947,816 ⁽¹⁾	\$1,973,518 ⁽²⁾	\$525,000	Yes
March 30, 2015	31,098 Class B voting shares 190,471.24 deferred share units	\$2,798,415 ⁽³⁾	\$2,798,415 ⁽⁴⁾	\$450,000	Yes
Value of Total Compensation Received					
Year	\$				
2015	178,750 ⁽⁵⁾				
2014	160,000				

(1) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).

(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.

	<p>JOSEPH B. LEONARD Minneapolis, Minnesota, USA Age: 72</p> <p>Director since May 21, 2008</p> <p>Independent</p> <p>Areas of Expertise: Executive Leadership Business Management Aerospace / Airline Industry Mergers and Acquisitions Human Resources Governance Government and Regulatory Affairs Strategy Corporate Finance</p> <p>2015 Voting Results: For: 90.37% Withheld: 9.63%</p>	<p>Joseph B. Leonard is a corporate director. Mr. Leonard is a director of Mueller Water Products, Inc. Mr. Leonard served as the interim Chief Executive Officer of Walter Energy, Inc. from 2010 to 2011 and the Chairman of AirTran Holdings, Inc. from 1999 to 2008 and Chief Executive Officer from 1999 to 2007. Mr. Leonard was also the President and Chief Executive Officer of AlliedSignal's Aerospace marketing, sales and service organization and previously held various senior management positions with Northwest Airlines, Eastern Airlines and American Airlines.</p> <p>Mr. Leonard holds a Bachelor of Science degree in Aerospace Engineering from Auburn University.</p>				
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:⁽¹⁾	
Member of the Board Pension Committee Nominating Committee		9 of 9 5 of 5 4 of 5	18 of 19	95%	Mueller Water Products, Inc.	April 2006
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements	
March 24, 2016	108,214 Class A variable voting shares 16,350.20 deferred share units	\$1,063,776 ⁽²⁾	\$1,086,833 ⁽³⁾	\$525,000	Yes	
March 30, 2015	108,214 Class A variable voting shares 9,619.69 deferred share units	\$1,488,237 ⁽⁴⁾	\$1,488,237 ⁽⁵⁾	\$450,000	Yes	
Value of Total Compensation Received		<p>(1) Mr. Leonard served on the Board of Directors of Walter Energy, Inc. until April 1, 2016.</p> <p>(2) Class A variable voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(4) Class A variable voting shares and deferred share units are calculated at a market value of \$12.63 per share and unit (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2015 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(6) For further details on director remuneration, see "Remuneration of Directors".</p>				
Year	\$					
2015	186,250 ⁽⁶⁾					
2014	170,000					

	MADELEINE PAQUIN Montréal, Québec, Canada Age: 53 Director since May 12, 2015		<p>Madeleine Paquin is the 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 holds directorships in various companies and organizations, including the Chamber of Marine Commerce, the Maritime Employers Association and Signal Mutual Indemnity Association Ltd. Ms. Paquin is a member of the Marine Industry Forum and the Marine Transportation Advisory Council. Ms. Paquin is also a director and Vice President of CargoM, the Logistics and Transportation Metropolitan Cluster of Montreal, and is Co-Chair of its Working Group I – L&T Development Opportunities.</p> <p>Ms. Paquin has served as a director of Canadian Pacific Railway Limited, Sun Life Financial Inc., Aéroports de Montréal and the Board of Trade of Metropolitan Montreal.</p> <p>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.</p>			
	Independent					
	Areas of Expertise: Business Management Entrepreneurship Transportation Governance Public Policy					
	2015 Voting Results: For: 94.37% Withheld: 5.63%					
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Governance and Corporate Matters Committee Human Resources and Compensation Committee Nominating Committee		6 of 6 2 of 2 4 of 4 1 of 1	13 of 13	100%	Logistec Corporation	May 1987
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements⁽¹⁾	
March 24, 2016	10,897.39 deferred share units	\$93,064 ⁽²⁾	\$124,998 ⁽³⁾	\$525,000	N/A	
March 30, 2015	–	Nil	Nil	\$450,000	N/A	
Value of Total Compensation Received		<p>(1) Ms. Paquin has until May 12, 2020 to meet Air Canada’s share ownership requirements. (2) Deferred share units are calculated at a market value of \$8.54 per unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares). (3) This amount represents the greater of: (i) the market value of the deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the deferred share units. (4) For further details on director remuneration, see “Remuneration of Directors”</p>				
Year	\$					
2015	119,164 ⁽⁴⁾					
2014	N/A					

	<p>DAVID I. RICHARDSON Grafton, Ontario, Canada Age: 74</p> <p>Director since November 15, 2006⁽¹⁾ and Chairman since January 1, 2008</p> <p>Independent</p> <p>Areas of Expertise:</p> <p>Accounting Mergers and Acquisitions Credit Restructuring Business Management Strategy Finance Banking Investments Governance</p> <p>2015 Voting Results:</p> <p>For: 73.18% Withheld: 26.82%</p>	<p>David I. Richardson is a corporate director. Mr. Richardson is the former Chairman of Ernst & Young Inc. (Canada) and a former Executive Partner of Ernst & Young LLP. Mr. Richardson joined its predecessor, Clarkson, Gordon & Co. in 1963 and was appointed President of The Clarkson Company Limited in 1982. Mr. Richardson was also a member of the Management and Executive Committees of Ernst & Young LLP, national managing partner of the firm's Corporate Finance practice and the senior partner in the Corporate Recovery and Restructuring practice until his retirement from the partnership in 2002.</p> <p>Mr. Richardson is also a Vice Chair of the Board of Governors of Upper Canada College. Mr. Richardson has served as the Chair of the board of directors of Nortel Networks Corporation and Nortel Networks Limited, a director of ACE Aviation Holdings Inc., Husky Injection Molding Systems Ltd. and Jazz Air Holding GP Inc. (Chorus Aviation Inc.), and a trustee of Aeroplan Income Fund (Aimia Inc.).</p> <p>Mr. Richardson holds a Bachelor of Commerce degree from the University of Toronto and is a member and a Fellow of the Institute of Chartered Professional Accountants of Ontario.</p>
---	---	--

Board/Committee Memberships at the Date Hereof:	2015 Attendance	Attendance (Total):		Public Company Directorships:
Chairman of the Board Nominating Committee (Chair) Audit, Finance and Risk Committee Governance and Corporate Matters Committee	8 of 9 5 of 5 5 of 5 4 of 4	22 of 23	96%	None

Securities Held or Controlled:					
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 24, 2016	30,000 Class B voting shares 102,242.04 deferred share units	\$1,129,347 ⁽²⁾	\$1,256,230 ⁽³⁾	\$875,000	Yes
March 30, 2015	30,000 Class B voting shares 95,201.41 deferred share units	\$1,581,294 ⁽⁴⁾	\$1,644,069 ⁽⁵⁾	\$450,000	Yes

Value of Total Compensation Received	
Year	\$
2015	408,750 ⁽⁶⁾
2014	371,236

(1) Prior to completion of the initial public offering of Air Canada on November 17, 2006, Mr. Richardson was reconfirmed as a director of Air Canada on November 15, 2006. He was initially appointed a director of Air Canada on September 30, 2004 and continued to hold such position up to and since the completion of Air Canada's initial public offering.

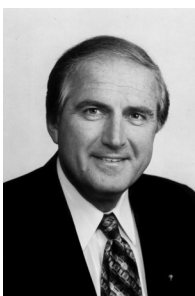
(2) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.

(4) Class B voting shares and deferred share units are calculated at a market value of \$12.63 per share and unit (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).


(5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2015 (described above), and (ii) the purchase price of the shares and deferred share units.


(6) For further details on director remuneration, see "Remuneration of Directors".

	<p>ROY J. ROMANOW, P.C., O.C., S.O.M., Q.C. Saskatoon, Saskatchewan, Canada Age: 76</p> <p>Director since February 9, 2010</p> <p>Independent</p> <p>Areas of Expertise: Legal Public Policy Governance Government and Regulatory Affairs</p> <p>2015 Voting Results: For: 98.65% Withheld: 1.35%</p>	<p>Roy J. Romanow is a Senior Fellow in Public Policy at the University of Saskatchewan. During his career in public office, Mr. Romanow served as Premier of Saskatchewan from 1991 until 2001. Mr. Romanow was previously Deputy Premier, Attorney General and Minister of Intergovernmental Affairs. From 2001 to 2002, Mr. Romanow led the Royal Commission on the Future of Health Care in Canada, and from 2003 to 2008, he served on Canada's Security Intelligence Review Committee. Mr. Romanow is a Member of the Queen's Privy Council for Canada and an Officer of the Order of Canada.</p> <p>Mr. Romanow holds a Bachelor of Arts degree and a Bachelor of Law degree from the University of Saskatchewan. He is also the recipient of several honorary degrees.</p>					
Board/Committee Memberships at the Date Hereof:		2015 Attendance		Attendance (Total):		Public Company Directorships:	
Member of the Board Pension Committee		9 of 9 5 of 5		14 of 14	100%	None	
Securities Held or Controlled:							
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements		
March 24, 2016	13,350 Class B voting shares 104,681.09 deferred share units	\$1,007,989 ⁽¹⁾	\$1,036,294 ⁽²⁾	525,000	Yes		
March 30, 2015	13,350 Class B voting shares 98,010.60 deferred share units	\$1,406,489 ⁽³⁾	\$1,406,489 ⁽⁴⁾	\$450,000	Yes		
Value of Total Compensation Received							
Year	\$						
2015	186,250 ⁽⁵⁾						
2014	170,000						

(1) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).

(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.

	<p>CALIN ROVINESCU Montréal, Québec, Canada Age: 60</p> <p>Director since April 1, 2009</p> <p>Not Independent</p> <p><u>Areas of Expertise:</u></p> <p>Airline Industry Corporate Finance Mergers and Acquisitions Business Management Employment and Labour Legal Banking Governance Strategy</p> <p><u>2015 Voting Results:</u></p> <p>For: 95.06% Withheld: 4.94%</p>	<p>Calin Rovinescu was appointed President and Chief Executive Officer of Air Canada on April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada from 2000 to 2004, and during the airline's restructuring, he also held the position of Chief Restructuring Officer. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, an independent investment bank. From 1979 to 2000, Mr. Rovinescu was a lawyer and then a partner with the Canadian law firm Stikeman Elliott LLP, and was the Managing Partner of its Montréal office from 1996 to 2000.</p> <p>Mr. Rovinescu is the Chairman of the Star Alliance Chief Executive Board as well as a member of the IATA Board of Governors and previously served as its Chairman. Mr. Rovinescu also serves on the Board of Directors of several private and non-profit corporations in addition to the public companies listed below.</p> <p>Mr. Rovinescu holds Bachelor of Law degrees from the University of Montreal and the University of Ottawa. Mr. Rovinescu was named the 14th Chancellor of the University of Ottawa in November 2015.</p>				
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:⁽¹⁾	
Member of the Board		9 of 9	9 of 9	100%	Acasta Enterprises Inc.	July 2015
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements	
March 24, 2016	401,543 Class B voting shares ⁽²⁾ 3,768,962 Options 361,532 Performance share units 838,362 Restricted share units \$200,000 principal amount of 7.625% senior secured first lien notes due 2019 ⁽²⁾	\$33,383,432 ⁽³⁾	\$11,231,034 ⁽⁴⁾	3 times base salary (\$4,200,000)	Yes	
March 30, 2015	356,532 Class B voting shares ⁽²⁾ 3,366,624 Options 862,253 Performance share units 952,605 Restricted share units \$200,000 principal amount of 7.625% senior secured first lien notes due 2019 ⁽²⁾	\$62,415,604 ⁽⁵⁾	\$16,534,400 ⁽⁶⁾	3 times base salary (\$4,200,000)	Yes	
Value of Total Compensation Received as a Director⁽⁷⁾			<p>(1) Also nominated to serve on the Board of Directors of BCE Inc. from the 2016 Annual Shareholder Meeting on April 28, 2016.</p> <p>(2) 376,532 Class B voting shares and 7.625% senior secured first lien notes due 2019 are held by a family holding company controlled by Mr. Rovinescu. 356,532 Class B voting shares were held as at March 30, 2015.</p> <p>(3) Class B voting shares are calculated at a market value of \$8.54 per share (based on the</p>			
Year	\$					
2015	Nil					
2014	Nil					


	<p>VAGN SØRENSEN London, United Kingdom Age: 56 Director since November 15, 2006</p> <p>Independent</p> <p>Areas of Expertise: Airline Industry Strategy International Business Transportation Industry Airport and Airline Food and Beverage Industry Global Senior Executive Management Consulting and Private Equity Compensation</p> <p>2015 Voting Results: For: 89.07% Withheld: 10.93%</p>	<p>Vagn Sørensen is a corporate director. Mr. Sørensen is the Chairman of FLSmidth & Co. A/S, Scandic Hotels Group AB, SSP Group plc, TDC A/S, Automic Software GmbH, Bureau Van Dijk Electronic Publishing BV, TIA Technology A/S and Zebra A/S, and the Vice Chairman of Nordic Aviation Capital A/S. Mr. Sørensen is a director of Braganza AS, JP/Politikens Hus A/S and Royal Caribbean Cruises Ltd. Mr. Sørensen is also a Senior Industrial Advisor with EQT Partners, a private equity fund. Mr. Sørensen was previously the President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions and served as Deputy Chief Executive Officer with SAS Scandinavian Airlines System. Mr. Sørensen is the former Chairman of British Midland Ltd. and a former director of Lufthansa Cargo AG.</p> <p>Mr. Sørensen has served as the Chairman of the Association of European Airlines, member of the IATA Board of Governors and member of the Board of the Vienna Stock Exchange.</p> <p>Mr. Sørensen holds a Master of Science degree in Economics and Business Administration from Aarhus School of Business, University of Aarhus, Denmark.</p>				
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Human Resources and Compensation Committee (Chair) Audit, Finance and Risk Committee Nominating Committee		9 of 9 6 of 6 5 of 5 5 of 5	25 of 25	100%	TDC A/S FLSmidth & Co. A/S Royal Caribbean Cruises Ltd. SSP Group plc Scandic Hotels Group AB ⁽¹⁾	April 2006 April 2009 July 2011 June 2014 December 2015
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements	
March 24, 2016	19,300 Class A variable voting shares 105,683.04 deferred share units	\$1,067,355 ⁽²⁾	\$1,213,024 ⁽³⁾	\$525,000	Yes	
March 30, 2015	19,300 Class A variable voting shares 98,642.40 deferred share units	\$1,489,613 ⁽⁴⁾	\$1,557,127 ⁽⁵⁾	\$450,000	Yes	
Value of Total Compensation Received						
Year	\$					
2015	193,750 ⁽⁶⁾					
2014	175,000					


(1) Mr. Sørensen serves on the Audit Committee of Scandic Hotels Group AB until May 12, 2016.

(2) Class A variable voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and

- (1) Mr. Sørensen serves on the Audit Committee of Scandic Hotels Group AB until May 12, 2016.
- (2) Class A variable voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).
- (3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.
- (4) Class A variable voting shares and deferred share units are calculated at a market value of \$12.63 per share and unit (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).
- (5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2015 (described above), and (ii) the purchase price of the shares and deferred share units.
- (6) For further details on director remuneration, see "Remuneration of Directors".


	<p>KATHLEEN P. TAYLOR Toronto, Ontario, Canada Age: 58</p> <p>First nomination for election as director of Air Canada</p> <p>Independent</p> <p><u>Areas of Expertise:</u></p> <p>Business Management Consumer Finance Human Resources Legal / Regulatory Strategy Governance Hotel Industry International Business</p>	<p>Kathleen P. Taylor is a corporate director. Ms. Taylor is the Chair of the Board of the Royal Bank of Canada and a director of the Canada Pension Plan Investment Board and the Adecco Group. She is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts where she served in a variety of senior leadership roles during her 24-year career. Ms. Taylor is the Chair of the Board of the Hospital for Sick Children Foundation, the Chair of the Principal's International Advisory Board of McGill University and a member of the Dean's Advisory Council of the Schulich School of Business of York University.</p> <p>Ms. Taylor has a Master of Business Administration degree and an Honorary Doctorate of Laws from the Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) degree from the University of Toronto.</p>				
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:	
N/A		N/A	N/A	N/A	Royal Bank of Canada Adecco Group	November 2001 April 2015
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements		Minimum Shareholding Requirements	Meets Requirements⁽¹⁾
March 24, 2016	10,000 Class B voting shares	\$85,400 ⁽²⁾	\$86,400 ⁽³⁾		\$525,000	N/A
Value of Total Compensation Received		<p>(1) Ms. Taylor is a new nominee to the Board and will have until May 10, 2021 to meet Air Canada's share ownership requirements.</p> <p>(2) Class B voting shares are calculated at a market value of \$8.54 per share (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(3) This amount represents the greater of: (i) the market value of the shares as at March 24, 2016 (described above), and (ii) the purchase price of the shares.</p>				
Year	\$					
2015	N/A					
2014	N/A					

	<p>ANNETTE VERSCHUREN, O.C. Toronto, Ontario, Canada Age: 59 Director since November 12, 2012</p> <p>Independent</p> <p>Areas of Expertise: Executive Leadership Risk Management Marketing and Customer Service Governance Policy Advisor to Governments International Business Corporate and Business Development Corporate Social Responsibility</p> <p>2015 Voting Results: For: 89.81% Withheld: 10.19%</p>	<p>Annette Verschuren is the Chair and Chief Executive Officer of NRStor Inc., a new venture focused on commercializing energy storage technologies. From 1996 to 2011, Ms. Verschuren was the 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 the President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was the Vice President, Corporate Development of Imasco Ltd. and the Executive Vice President of Canada Development Investment Corporation.</p> <p>Ms. Verschuren is a director of Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc. She serves as Chancellor of Cape Breton University and is a board member of numerous non-profit organizations including the CAMH Foundation, the Conference Board of Canada and MaRS Discovery District. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility.</p> <p>Ms. Verschuren holds honorary doctorate degrees from Dalhousie University, Mount Saint Vincent University, Carleton University, Ryerson University and St. Francis Xavier University where she also earned a Bachelor of Business Administration degree.</p>
---	--	--

Board/Committee Memberships at the Date Hereof:	2015 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Governance and Corporate Matters Committee (Chair) Audit, Finance and Risk Committee Human Resources and Compensation Committee	8 of 9 1 of 1 5 of 5 6 of 6	20 of 21	95%	Canadian Natural Resources Limited Saputo Inc.	November 2014 August 2013

Securities Held or Controlled:					
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 24, 2016	63,093 Class B voting shares 30,201.34 deferred share units	\$796,731 ⁽¹⁾	\$860,068 ⁽²⁾	\$525,000	Yes
March 30, 2015	53,093 Class B voting shares 23,239.65 deferred share units	\$964,077 ⁽³⁾	\$964,077 ⁽⁴⁾	\$450,000	Yes

Value of Total Compensation Received		<p>(1) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(3) Class B voting shares and deferred share units are calculated at a market value of \$12.63 per share and unit (based on the March 30, 2015 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(4) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2015 (described above), and (ii) the purchase price of the shares and deferred share units.</p> <p>(5) For further details on director remuneration, see "Remuneration of Directors".</p>
Year	\$	
2015	190,000 ⁽⁵⁾	
2014	170,000	

	<p>MICHAEL M. WILSON Bragg Creek, Alberta, Canada Age: 64 Director from May 2008 to May 2009, and since October 1, 2014</p> <p>Independent</p> <p>Areas of Expertise: Marketing International Project Management Risk Management Finance Strategy Governance Compensation</p> <p>2015 Voting Results: For: 92.67% Withheld: 7.33%</p>	<p>Michael M. Wilson is a corporate director. 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.</p> <p>Mr. Wilson is a director of Celestica Inc., Finning International Inc. and Suncor Energy Inc. He is also the Chair of the Calgary Prostate Cancer Centre.</p> <p>Mr. Wilson holds a Bachelor of Science degree in Chemical Engineering from the University of Waterloo.</p>				
Board/Committee Memberships at the Date Hereof:		2015 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Pension Committee Human Resources and Compensation Committee		9 of 9 5 of 5 6 of 6	20 of 20	100%	Celestica Inc. Finning International Inc. Suncor Energy Inc.	November 2011 January 2013 February 2014
Securities Held or Controlled:						
As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements	
March 24, 2016	57,468 Class B voting shares 24,582.75 deferred share units	\$700,713 ⁽¹⁾	\$763,277 ⁽²⁾	\$525,000	Yes	
March 30, 2015	57,468 Class B voting shares 7,861.23 deferred share units	\$825,108 ⁽³⁾	\$825,108 ⁽⁴⁾	\$450,000	Yes	
Value of Total Compensation Received		<p>(1) Class B voting shares and deferred share units are calculated at a market value of \$8.54 per share and unit (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares).</p> <p>(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 24, 2016 (described above), and (ii) the purchase price of the shares and deferred share units.</p>				
Year	\$					
2015	183,750 ⁽⁵⁾					
2014	41,250					

TRUST ARRANGEMENT IN CONNECTION WITH PENSION MOUS

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

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.

As of April 1, 2015, non-executive directors of Air Canada receive an annual Board retainer of \$175,000. The Chairman of the Board receives an additional retainer of \$220,000 for the year and the Chairs of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of \$20,000, \$20,000, \$10,000, \$10,000 and \$10,000 for the year. The members of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of \$10,000, \$10,000, \$5,000, \$5,000 and \$5,000 for the year. Transportation privileges are also provided to directors of Air Canada in line with airline industry practice.

The annual fees are payable in cash, deferred share units ("**DSUs**") or shares (acquired on the open market), or a combination thereof. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. Non-executive directors of Air Canada must receive a minimum of 40% of their annual Board retainer fee and Committee fees in DSUs or in shares of the Corporation.

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries. All of the current directors of the Corporation's subsidiaries are also executive officers or members of senior management of Air Canada and receive no compensation as directors of any such subsidiary.

The following table shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2015 in respect of memberships on the Board of the Corporation and its committees:

Name	Fees Earned			Share and option based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)	Allocation of total fees		
	Board retainer (\$)	Board Chair & Committee Chair retainer (\$)	Committee member retainer (\$)						In cash (\$)	In DSUs (\$)	In shares (\$)
Christie J.B. Clark	168,750	20,000	10,000	Nil	Nil	Nil	Nil	198,750	198,750	Nil	Nil
Michael M. Green	168,750	20,000	5,000	Nil	Nil	Nil	Nil	193,750	124,375	69,375	Nil
Jean Marc Huot	168,750	Nil	10,000	Nil	Nil	Nil	Nil	178,750	104,500	74,250	Nil
Joseph B. Leonard	168,750	Nil	17,500	Nil	Nil	Nil	Nil	186,250	118,438	67,812	Nil
Madeleine Paquin ⁽¹⁾	111,540	Nil	7,624	Nil	Nil	Nil	Nil	119,164	29,791	89,373	Nil
David I. Richardson ⁽²⁾	168,750	225,000	15,000	Nil	Nil	Nil	Nil	408,750	339,375	69,375	Nil
Roy J. Romanow	168,750	7,500	10,000	Nil	Nil	Nil	Nil	186,250	105,000	81,250	Nil
Calin Rovinescu ⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	168,750	10,000	15,000	Nil	Nil	Nil	Nil	193,750	122,813	70,937	Nil
Annette Verschuren	168,750	2,500	18,750	Nil	Nil	Nil	Nil	190,000	112,250	77,750	Nil
Michael M. Wilson	168,750	Nil	15,000	Nil	Nil	Nil	Nil	183,750	Nil	183,750	Nil

(1) Ms. Paquin was elected to the Board on May 12, 2015.

(2) Chairman of the Board and Chair of the Nominating Committee.

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

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 greater of the market value of the shares and/or DSUs and the purchase price of the securities. Such ownership must be achieved by August 6, 2016 or within five years of the date of the director's appointment, whichever occurs later.

The President and Chief Executive Officer is required to own a minimum of securities of the Corporation representing an amount equivalent in value to three times the annual base salary of the President and Chief Executive Officer through shares 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: (a) the greater of: (i) the market value of the shares underlying the restricted share units; and (ii) the price of the shares underlying the restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares and (ii) the purchase price of the shares. Such ownership must be achieved by August 6, 2016.

Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Value of Shares, DSUs and RSUs for purposes of guidelines ⁽¹⁾	Value of Shares, DSUs and RSUs Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Value Held as Multiple of Annual Retainer or Base Salary
Christie J.B. Clark	70,310 ⁽²⁾	2,060.30 DSUs	\$666,871	\$525,000	June 27, 2018	3.81 times
Michael M. Green	108,214	12,855.50 DSUs	\$1,057,473	\$525,000	August 6, 2016	6.04 times
Jean Marc Huot	31,098	196,983.82 DSUs	\$1,973,518	\$525,000	August 6, 2016	11.28 times
Joseph B. Leonard	108,214	16,350.20 DSUs	\$1,086,833	\$525,000	August 6, 2016	6.21 times
Madeleine Paquin	Nil	10,897.39 DSUs	\$124,998	\$525,000	May 12, 2020	0.71 times
David I. Richardson	30,000	102,242.04 DSUs	\$1,256,230	\$875,000	August 6, 2016	7.18 times
Roy J. Romanow	13,350	104,681.09 DSUs	\$1,036,294	\$525,000	August 6, 2016	5.92 times
Calin Rovinescu	401,543 ⁽³⁾	838,362 RSUs	\$11,231,034 ⁽⁴⁾	\$4,200,000	August 6, 2016	8.02 times
Vagn Sørensen	19,300	105,683.04 DSUs	\$1,213,024	\$525,000	August 6, 2016	6.93 times
Annette Verschuren	63,093	30,210.34 DSUs	\$860,068	\$525,000	November 12, 2017	4.91 times
Michael M. Wilson	57,468	24,582.75 DSUs	\$763,277	\$525,000	October 1, 2019	4.36 times

- (1) The amounts reported in this column, except as described below, represent the greater of: (i) the market value of the shares and/or DSUs (based on the March 24, 2016 Toronto Stock Exchange closing price of Air Canada shares (\$8.54) and (ii) the purchase price of the securities.
- (2) Mr. Clark holds his equity interest in the Corporation indirectly through his spouse as permitted under the Corporation's share ownership guidelines.
- (3) 376,532 Class B voting shares are held by a family holding company controlled by Mr. Rovinescu.
- (4) This amount represents the sum of (a) the greater of: (i) the market value of the shares underlying the restricted share units as at March 24, 2016 and (ii) the price of the shares underlying the restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares as at March 24, 2016 described above, and (ii) the purchase price of the shares.

CERTAIN PROCEEDINGS

To the knowledge of Air Canada, none of the proposed nominees for election as directors of Air Canada: (a) are, as at the date hereof, or have 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) are, as at the date of this circular, or have 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) have, 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, except that:

- (i) From March 27, 2009 to August 9, 2012, David I. Richardson served as a director and Chair of the board of directors of Nortel Networks Corporation and Nortel Networks Limited (following their filing for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) and Chapter 11 of the *U.S. Bankruptcy Code*, respectively), which have been operating under creditor protection proceedings in Canada since January 14, 2009; and
- (ii) From June 23, 2005 to April 25, 2007 and again from February 1, 2009 to April 1, 2016, Joseph B. Leonard served as a director of Walter Energy, Inc., which filed for relief under Chapter 11 of the *U.S. Bankruptcy Code* on July 15, 2015.

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, Calin Rovinescu, are independent.

Eleven of 12 director nominees are independent.

Eleven of the 12 director nominees standing for election to the Board, namely, Christie J.B. Clark, Michael M. Green, Jean Marc Huot, Joseph B. Leonard, Madeleine Paquin, David I. Richardson, Roy J. Romanow, Vagn Sørensen, Kathleen P. 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 Calin Rovinescu is not independent because of his position held as an officer of Air Canada.

Skills of Director Nominees

The following skills matrix sets forth the skills most commonly possessed by the director nominees relevant to their capacity as members of the Board of Air Canada:

	Business Management	Finance	Accounting	Legal	Strategy	Human Resources / Compensation	Governance	Public Policy	Airline Industry Experience	Related ⁽¹⁾ Industries Experience	IT
Christie J.B. Clark	✓	✓	✓		✓		✓				✓
Michael M. Green	✓	✓			✓	✓				✓	
Jean Marc Huot		✓		✓	✓		✓				
Joseph B. Leonard	✓	✓			✓	✓	✓		✓		
Madeleine Paquin	✓				✓	✓	✓	✓		✓	
David I. Richardson	✓	✓	✓		✓		✓				
Roy J. Romanow				✓			✓	✓			
Calin Rovinescu	✓	✓		✓	✓		✓		✓		
Vagn Sørensen	✓				✓	✓			✓		✓
Kathleen P. Taylor	✓	✓		✓	✓	✓	✓			✓	
Annette Verschuren	✓				✓	✓	✓	✓			
Michael M. Wilson	✓	✓			✓	✓	✓				

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

Directorships of Other Reporting Issuers

Director nominees Christie J.B. Clark, Joseph B. Leonard, Madeleine Paquin, Calin Rovinescu, Vagn Sørensen, Kathleen P. 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, Hydro One Limited and Hydro One Inc., and a trustee of Choice Properties Real Estate Investment Trust. Joseph B. Leonard is a director of Mueller Water Products, Inc. Madeleine Paquin is a director of Logistec Corporation. Calin Rovinescu is the Chairman of Acasta Enterprises Inc. Vagn Sørensen is the Chairman of FLSmidth & Co. A/S, Scandic Hotels Group AB, SSP Group plc and TDC A/S, and a director of Royal Caribbean Cruises Ltd. Kathleen P. Taylor is the Chair of the Royal Bank of Canada and a director of the Adecco Group. Annette Verschuren is a director of Canadian Natural Resources Limited and Saputo Inc. Michael M. Wilson is a director of Celestica Inc., Finning International 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.

Chairman of the Board

The Chairman of the Board is appointed by resolution of the Board among the Board members. The Chairman of the Board is David I. Richardson 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”.

Independent Directors’ Meetings

At every regularly scheduled meeting, the independent directors of the Board meet without the presence of management (except the Corporate Secretary) and under the chairmanship of the Chairman of the Board. At all other meetings, the Board decides whether an *in camera* session is necessary. During the year ended December 31, 2015, *in camera* sessions were held during seven of the nine Board meetings and the sole non-independent director, Calin Rovinescu and management (except the Corporate Secretary) were not in attendance.

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, 2015.

Name	Number and % of Meetings Attended							
	Board	Audit, Finance and Risk Committee	Governance and Corporate Matters Committee	Pension Committee	Human Resources and Compensation Committee	Nominating Committee	Committees (Total)	Overall Attendance
Christie J.B. Clark	9/9 (100%)	5/5 (Chair)	4/4	–	–	5/5	14/14 (100%)	23/23 (100%)
Michael M. Green	9/9 (100%)	–	–	5/5 (Chair)	6/6	–	11/11 (100%)	20/20 (100%)
Jean Marc Huot	9/9 (100%)	–	–	5/5	–	–	5/5 (100%)	14/14 (100%)
Joseph B. Leonard	9/9 (100%)	–	–	5/5	2/2	4/5	11/12 (92%)	20/21 (95%)
Madeleine Paquin ⁽¹⁾	6/6 (100%)	–	2/2	–	4/4	1/1	7/7 (100%)	13/13 (100%)
David I. Richardson	8/9 (89%)	5/5	4/4	–	–	5/5 (Chair)	14/14 (100%)	22/23 (96%)
Roy J. Romanow	9/9 (100%)	–	3/3 (Chair)	5/5	–	–	8/8 (100%)	17/17 (100%)
Calin Rovinescu	9/9 (100%)	–	–	–	–	–	–	9/9 (100%)
Vagn Sørensen	9/9 (100%)	5/5	–	–	6/6 (Chair)	5/5	16/16 (100%)	25/25 (100%)
Annette Verschuren ⁽²⁾	8/9 (89%)	5/5	1/1 (Chair)	–	6/6	4/4	16/16 (100%)	24/25 (96%)
Michael M. Wilson	9/9 (100%)	–	–	5/5	6/6	–	11/11 (100%)	20/20 (100%)

(1) Ms. Paquin was elected to the Board on May 12, 2015. She was appointed to the Governance and Corporate Matters Committee and the Human Resources and Compensation Committee on May 12, 2015, and the Nominating Committee on August 11, 2015.

(2) Ms. Verschuren was appointed the Chair of the Governance and Corporate Matters Committee on August 11, 2015.

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.

POSITION DESCRIPTIONS

President and Chief Executive Officer

The Board has adopted a position description for Calin Rovinescu, the President and Chief Executive Officer. As President and Chief Executive Officer ("CEO"), the CEO shall have full responsibility for the day-to-day operations of the Corporation's business in accordance with its strategic plan and operating and capital budgets as approved by the Board. The CEO is accountable to shareholders, through the Board, for the overall management of the

Corporation, and for conformity with policies agreed upon by the Board. The approval of the Board (or appropriate committee) shall be 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 position.

Chairman of the Board

The Board has adopted a position description for David I. Richardson, the Chairman of the Board. The Chairman 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 Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee are respectively, Christie J.B. Clark, Michael M. Green, Annette Verschuren, Vagn Sørensen and David I. Richardson.

Position descriptions have been adopted by the Board for the Chair of each of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating 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.

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 the Corporation'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 on the Corporation 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 Corporate Matters 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 development and corporate operations. The Board of Directors also participated in strategy sessions, receiving presentations from external consultants and management. Each session includes an element of general education as context for the discussions (e.g., the industry, competitors, trends and risks/opportunities). Directors also have complete access to management to understand and keep up-to-date with Air Canada's business and for any other purposes that may help them fulfill their responsibilities.

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

The Corporation encourages the attendance by directors of conferences, seminars or courses relevant to their directorship at Air Canada. The Corporation reimburses directors for expenses incurred by attending such events.

The following table provides details on certain director training initiatives undertaken in 2015.

Director Continuing Education 2015		
Topic	Presentation By	Directors Attending
Global economic and financial outlook	Deputy Chief Economist, Canadian bank	All directors
Global economic and investment outlook	President and Chief Executive Officer, Canadian pension fund	All directors
Recent trends in corporate governance	Davies Ward Phillips & Vineberg LLP	All directors
Competition law developments	Davies Ward Phillips & Vineberg LLP	All directors
Managing cybersecurity risks	Davies Ward Phillips & Vineberg LLP	All directors
Cyber threats and information security	Lise Fournel, Senior Vice President and Chief Information Officer	All directors
Global airline alliances and joint ventures	Yves Dufresne, Vice President, Alliances and Regulatory Affairs	All directors
Recent trends in executive compensation	Independent Consultant	Human Resources and Compensation Committee, David I. Richardson, Calin Rovinescu

AIR CANADA CODE OF CONDUCT

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "**Code**") which was most recently amended by the Board on August 11, 2015. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com. The Code addresses, among other things, conflicts of interest, use of company assets, confidential information, fair dealing with other people and organizations, compliance with laws, rules and regulations, employment policies, computer, e-mail and internet policies, and reporting suspected non-compliance.

The Board, with the assistance of the Audit, Finance and Risk Committee, has the responsibility for monitoring compliance with the Code. The Code has been communicated or brought to the attention of all employees of Air Canada and its wholly-owned subsidiaries that have not adopted their own policies and guidelines. All new employees are required to complete an acknowledgment form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. In addition, all directors of Air Canada and members of management are required to complete the acknowledgment form on an annual basis. The Code also includes a “whistle-blower policy” whereby employees can report violations of the Code. The Board has concluded that such measures are appropriate and sufficient. Since the adoption of the Code, Air Canada has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

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

NOMINATION OF DIRECTORS

The Nominating Committee, composed entirely of independent directors, recommends to the Board criteria for 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 where necessary, seeks advice from independent search consultants. The Chair of the Nominating Committee leads the process and the CEO is included with a number of the directors in the interview process. The Corporation maintains an evergreen list of potential director candidates. The Nominating Committee regularly considers potential candidates even when the Board does not have an immediate vacancy.

Upon the recommendation of the Nominating Committee, the Board annually recommends the director nominees to shareholders, who may vote on each new director nominee at the annual shareholder meeting. The nominees identified in “The Nominated Directors” section of this circular were recommended to the Board by the Nominating Committee.

Competencies and Skills

The 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 Nominating Committee also considers potential conflicts of interest and interlocking directorships of potential candidates. Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which the Corporation operates and the ability to satisfactorily represent the Corporation domestically and internationally. For more information concerning the skills possessed by the director nominees, please refer to the skills matrix contained under the heading “Board of Directors – Skills of Director Nominees”.

The 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 23 of this circular under the heading “Trust Arrangement in connection with Pension MOUs”.

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.

Diversity Policy

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

The diversity policy states that candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board including gender. Accordingly, consideration of the number of women on the Board, along with consideration of whether other diverse attributes are sufficiently represented, is an important component in the search for and selection of candidates. When identifying potential candidates, the Nominating Committee will, in addition to its own search, strive to use resources of organizations advancing diversity in Canada or abroad, and where necessary, seek advice from independent search consultants.

In August 2014, the Board established as its target that women represent at least 25% of the directors of Air Canada by 2017. Currently, two out of 11 directors (18%) are women, and following the shareholder meeting and assuming all director nominees are elected, three out of 12 directors (25%) will be women. The Nominating Committee will conduct periodic assessments to consider the level of women representation on the Board, and the Board members will also evaluate the effectiveness of the director selection and nomination process, including compliance with the diversity policy, through the Board's annual evaluation process.

Executive and Senior Management: The Corporation has implemented a comprehensive three-year equity and diversity management action plan for the years 2015 - 2017 with the goal of fostering a sustainable culture of inclusiveness in a diverse workplace based on respect where all employees feel valued and have opportunities to utilize their talents. To greater promote gender diversity, the Corporation is committed to provide mentoring, resource groups and development opportunities for women, to partner with organizations to attract women into male-dominated positions, to establish ambassadors for diversity, and to further expand its "Women in Aviation" conference series by introducing female managers to successful women in leadership positions at Air Canada and in the aviation industry.

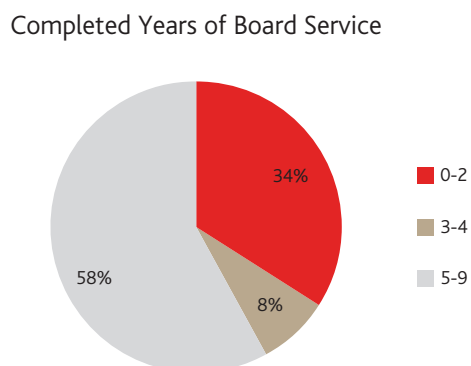
With respect to executive officer positions, seven out of 23 (30%) are women, with the same level of representation on the senior management team (60 out of 203 (30%)). At the present time, Air Canada has not

adopted a specific target for the number of women in these leadership positions. Representation of women on Air Canada's executive and senior management team currently exceeds that of the Canadian market (27%) as sourced by Statistics Canada. The Corporation believes the diversity action plan will be effective and provides adequate training and learning; moreover, its global nature and its strong brand reputation have allowed it to attract, retain and develop a diverse workforce without reliance on specific targets.

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 two primary mechanisms of Board renewal, namely, a retirement policy and an annual evaluation process, each of which are described below. The Board has not adopted term limits for directors, as the Board believes the retirement policy and the annual evaluation process are effective in achieving the appropriate level of renewal of the Board's membership.

Since 2013, three new directors have joined the Board and three directors have retired. The average tenure of the director nominees standing for election to the Board is 5.1 years. The following chart shows the number of completed years of Board service of the director nominees:



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 exceeds 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. The Board has determined that it is in the interest of the Corporation to extend Mr. Roy J. Romanow's term for an additional year.

Assessment of Directors

It is the role of the Chair of the Governance and Corporate Matters 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 Corporate Matters Committee oversees the evaluation process described below.

Each year directors are asked to complete a detailed evaluation survey on the effectiveness of the Board and its committees, as well as the effectiveness of the Chairman of the Board and each Committee Chair. The survey provides for quantitative ratings in key areas and seeks subjective comment in each of those areas. The survey is administered by the Corporate Secretary and responses are reviewed by the Corporate Secretary and the Chair of the Governance and Corporate Matters Committee. 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 Chairman meets with each Committee Chair to discuss the results of the survey on his or her effectiveness, while the Chair of the Governance and Corporate Matters Committee and the President and Chief Executive Officer provide feedback to the Chairman.

Individual interviews with directors are also conducted by the Chairman to discuss the contribution of members of the Board.

COMPENSATION

The Human Resources and Compensation Committee is composed entirely of independent directors. Please see the section titled "Air Canada's Executive Compensation Program – Compensation Discussion and Analysis" for the process and criteria used to determine the compensation of the officers of Air Canada.

The Human Resources and Compensation Committee has the authority to retain and does retain, from time to time, the services of executive compensation consultants to provide advice on executive compensation matters. The Human Resources and Compensation Committee also has the authority to determine and pay the fees of its consultants.

In 2015, Willis Towers Watson was engaged by the Human Resources and Compensation Committee to review executive compensation practices relative to its advisory shareholder assessments. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to the Corporation. 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; and
- Review of materials in advance of committee meetings; identification of discussion points and issues for the committee's consideration when evaluating compensation design proposals.

The Human Resources and Compensation Committee's decisions with regard to compensation or the compensation programs for the President and Chief Executive Officer and other executive officers of the Corporation are its sole responsibility and may reflect factors and information other than information and recommendations provided by Hugesen Consulting and Willis Towers Watson. Hugesen Consulting and Willis Towers Watson were first engaged by Air Canada in 2009 and 1980, respectively.

The following table details the aggregate fees incurred on behalf of the Human Resources and Compensation Committee in consideration of the services provided by Hugesen Consulting and Willis Towers Watson.

Type of Fee	Billed in 2015	Percentage of Total Fees Billed in 2015	Billed in 2014	Percentage of Total Fees Billed in 2014
Executive-Compensation-Related Fees	\$86,812	100%	\$114,379	100%
All Other Fees	Nil	0%	Nil	0%
Total Annual Fees	\$86,812	100%	\$114,379	100%

EXECUTIVE SUCCESSION PLANNING

The Board formally reviews and discusses executive succession planning with the President and Chief Executive Officer. More particularly, 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 the 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 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.

COMMITTEES

The Board has five standing committees:

- the Audit, Finance and Risk Committee;
- the Pension Committee;
- the Governance and Corporate Matters Committee;
- the Human Resources and Compensation Committee; and
- the Nominating Committee.

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

This section contains information about the members, objectives and responsibilities of each committee.

AUDIT, FINANCE AND RISK COMMITTEE

The Audit, Finance and Risk Committee shall be composed of not less than three directors, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board. The members of the Audit, Finance and Risk Committee shall have no relationships with management, the Corporation and its related entities that in the opinion of the Board may interfere with their independence from management and from the Corporation. In addition, an Audit, Finance and Risk Committee member shall not receive, other than for service on the Board or the Audit, Finance and Risk Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries. The members of the Audit, Finance and Risk Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit, Finance and Risk Committee and in particular each member of the Audit, Finance and Risk Committee shall be “financially literate” and at least one member of the Audit, Finance and Risk Committee shall be a “financial expert” as defined by relevant securities legislation or regulations.

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

- 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 between the Board and the internal auditor 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.
- To assist the Board in the discharge of its oversight responsibility in relation to the Corporation’s enterprise risk management process.

The Audit, Finance and Risk Committee's responsibilities 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 internal auditor.
- Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related Management's Discussion and Analysis, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.
- Review with management, the external auditor and legal counsel, the Corporation's procedures to be satisfied that it complies with applicable laws and regulations.
- Meet with the Corporation's external auditor to review and approve their audit plan.
- Review and approve estimated audit and audit-related fees and expenses.
- Review and approve the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such 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 internal audit department to ensure that it is independent of management and has sufficient resources to carry out its mandate.
- Review significant emerging accounting and reporting issues.
- Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters.
- Review and approve the Corporation's public disclosure policy.
- Review with the internal audit 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.
- 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.
- 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, 2015 to December 31, 2015.

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

Members: Christie J.B. Clark (Chair)
David I. Richardson
Vagn Sørensen
Annette Verschuren

PENSION COMMITTEE

The Pension Committee shall be comprised of three or more directors as determined by the Board. The primary objective of the Pension Committee is to assist the Board in fulfilling its responsibilities for the monitoring and oversight of the Corporation's retirement plans to ensure that pension liabilities are appropriately funded as required, pension assets are prudently invested, the risk is managed at an acceptable level for the stakeholders, and retirement benefits are administered in a proper and effective manner.

The Pension Committee's responsibilities include the following, subject to certain exceptions that apply to retirement plans in the United Kingdom and other foreign countries and the Air Canada *rouge*TM pension plan for flight attendants:

- Recommend to the Board all decisions to initiate, merge, split, terminate, or fundamentally change the nature of any pension plan or supplementary retirement plan.
- Approve amendments to the retirement arrangements that, in the opinion of the Management Pension Committee, affect the cost of retirement benefits in a material way.
- Recommend to the Board a governance structure for the retirement plans.
- Review the process, upon recommendation from senior management, for appointing or hiring the President of Air Canada Pension Investments.
- Approve on an annual basis the manner of funding of consent benefits, as provided under certain plan provisions, and approve on at least a quarterly basis whether funded consent benefits will be granted.
- 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 the contributions to the pension funds of defined benefit pension plans, subject to actuarial valuation reports.
- Establish a statement of investment principles and beliefs with respect to managing the defined benefit investments of the retirement 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 and establish the goals and objectives of such investment program.
- Recommend to the Board a funding policy which sets out guidelines with respect to the valuation and funding of the liabilities of a supplementary retirement plan.
- Approve any contributions to the supplementary retirement plan's trust fund and establish policies with respect to how the contributions to a supplementary retirement plan trust fund should be invested.
- Approve the audited annual financial statements for the retirement plans.

The Pension Committee met five times during the period from January 1, 2015 to December 31, 2015.

The Pension Committee is currently composed of:

Members: Michael M. Green (Chair)
Jean Marc Huot
Joseph B. Leonard
Roy J. Romanow
Michael M. Wilson

GOVERNANCE AND CORPORATE MATTERS COMMITTEE

The Governance and Corporate Matters Committee shall be comprised of three or more directors as determined by the Board, all of whom shall comply with eligibility and qualification standards under applicable legislation in effect from time to time.

The primary objective of the Governance and Corporate Matters Committee is 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:

The Governance and Corporate Matters Committee's responsibilities include the following:

- Review criteria regarding the composition of the Board and committees of the Board.
- Review criteria relating to director tenure.
- Review the adequacy and form of director compensation in the context of the responsibilities and risks involved in being an effective director.
- Review and develop position descriptions for the Chairman, the Chair of each Committee and the President and CEO.
- 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 directors on the Board.
- Satisfy itself of the Corporation's compliance with applicable legislation including directors' and officers' compliance.
- Review proposed amendments to the Corporation's by-laws.
- Periodically review and approve the Corporate Policy and Guidelines on Business Conduct.
- Make recommendations to the Board with respect to the monitoring, adoption and disclosure of corporate governance guidelines.
- Recommend the types, charters and composition of the Board committees.
- Recommend the nominees to the chairmanship of the Board committees.
- Review and recommend to the Board for approval the annual corporate sustainability report and company policy relating to the Corporation's commitment to corporate social responsibility and any amendments thereto.
- Review and approve proposed outside directorships extended to officers of the Corporation.
- Review such other corporate governance functions customarily carried out by such committees as well as such other matters which may be referred to it by the Board from time to time.

The Governance and Corporate Matters Committee met four times during the period from January 1, 2015 to December 31, 2015.

The Governance and Corporate Matters Committee is currently composed of:

Members: Annette Verschuren (Chair)
Christie J.B. Clark
Madeleine Paquin
David I. Richardson

HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

The primary purpose of the committee is to assist the Board in fulfilling its oversight responsibilities in the field of human resources and compensation including compensation of officers and compensation philosophy.

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

- Develop compensation philosophy and guidelines.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO. 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.
- Make recommendations to the Board with respect to other senior officers' (including chief executive officers of subsidiaries) compensation, incentive compensation and equity-based plans.
- Review and make recommendations to the Board with respect to incentive compensation plans and equity-based plans and any amendments thereto.
- Review and approve, on behalf of the Board, salary ranges for all positions including executive management.
- Generally oversee the administration of the long-term incentive plan of the Corporation.
- Review executive compensation disclosure before public dissemination, including the review of the annual report of executive management compensation for inclusion in the Corporation's management proxy circular, in accordance with applicable rules and regulations.

The Human Resources and Compensation Committee met six times during the period from January 1, 2015 to December 31, 2015.

The Human Resources and Compensation Committee is currently composed of:

Members: Vagn Sørensen (Chair)
Michael M. Green
Madeleine Paquin
Annette Verschuren
Michael M. Wilson

NOMINATING COMMITTEE

The Nominating Committee shall be comprised of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The primary objective of the Nominating Committee is to assist the Board in fulfilling its responsibilities by identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for each annual meeting of shareholders.

The responsibilities of the Nominating Committee include the following:

- 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 and diversity of the Board, with a view to facilitating effective decision-making.
- Develop and review criteria regarding personal qualification for Board membership, such as background, experience, technical skill, affiliations and personal characteristics, and develop a process for identifying and recommending candidates.
- Identify individuals qualified to become new Board members and recommend them to the Board.
- Recommend to the Board the slate of nominees for each annual meeting of shareholders.
- Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.
- Review and make recommendations relative to non-management nominees of the Corporation to the boards of subsidiaries of the Corporation or of companies in which the Corporation has an interest.

The Nominating Committee met five times during the period from January 1, 2015 to December 31, 2015.

The Nominating Committee is currently composed of:

Members: David I. Richardson (Chair)
Christie J.B. Clark
Joseph B. Leonard
Madeleine Paquin
Vagn Sørensen

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

INTRODUCTION

The Board believes that one of its core responsibilities is to provide transparent disclosure of all aspects of the Corporation's executive compensation program. This report is intended to provide an overview of how we pay our executives and the important work relative to executive compensation that was completed over the course of fiscal 2015. A more detailed discussion of our executive compensation program is provided in the Compensation Discussion and Analysis that follows this report on page 49.

Air Canada's approach to executive compensation is outlined in the Report of the Human Resources and Compensation Committee and Air Canada's Executive Compensation Program sections contained on pages 43 to 67 of this circular. We encourage you to read the disclosure.

Disclosure is presented in the following sections of the circular:

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE (PAGES 43 TO 48)

This section provides information on the composition and responsibilities of the committee, details on key activities undertaken by the committee in 2015, an overview of the committee's objectives and rationale for the compensation program and a high level summary of 2015 performance and compensation decisions.

AIR CANADA'S EXECUTIVE COMPENSATION PROGRAM – COMPONENTS OF EXECUTIVE COMPENSATION (PAGES 51 TO 60) AND – COMPENSATION OF THE NAMED EXECUTIVE OFFICERS (PAGES 60 TO 67)

This section provides shareholders with information on the principles considered when designing compensation programs and the key design characteristics of Air Canada's Executive Compensation Program and incentive plans.

This section also describes the link between actual pay and performance in 2015 for the named executive officers of Air Canada. Details are provided about the Corporation's performance, the performance of the named executive officers, and the impact of both the Corporation's performance and individual performance on the determination of compensation awards under Air Canada's Executive Compensation Program.

SUMMARY COMPENSATION TABLE (PAGES 68 TO 77)

This section discloses the actual compensation awarded to the named executive officers of the Corporation for the previous three years. Also included in this section are details relating to performance share units, restricted share units (collectively with performance share units, "share units"), stock options, pension plans and termination and change of control benefits.

COMMITTEE COMPOSITION AND RESPONSIBILITIES

The primary purpose of the Human Resources and Compensation Committee is to assist the Board in fulfilling its oversight responsibilities in the field of human resources and compensation, including compensation of executives and compensation philosophy. In keeping with best practices, the committee is composed entirely of independent directors who are knowledgeable about issues related to human resources and compensation, associated incentives and risk management. Through their past experience, the members of the Human Resources and Compensation Committee acquired direct experience related to the management of executive compensation, making day-to-day decisions concerning executive pay and designing short and long-term incentive plans with

objectives tied to sustained shareholder value creation. To assist in executing its responsibilities, the committee from time to time hires an independent compensation advisor who reports solely to the committee and does not provide any services to management.

The table below sets out the members of the Human Resources and Compensation Committee in 2015 and the basis of their experience.

Committee Member	Member Since	Direct Experience	Basis of Experience
Vagn Sørensen (Chair)	December 14, 2006	Yes	Former President and CEO, Austrian Airlines Group; Director, Braganza AS, JP/Politikens Hus A/S and Royal Caribbean Cruises Ltd.; Chairman, SSP Group plc, Scandic Hotels Group AB, FLSmidt & Co. A/S, TDC A/S, Automic Software GmbH, Bureau Van Dijk Electronic Publishing BV, TIA Technology A/S and Zebra A/S; Vice Chairman, Nordic Aviation Capital A/S; Senior Industrial Advisor, EQT Partners; Former Chairman, British Midland Ltd. and former director of Lufthansa Cargo AG
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
Madeleine Paquin	May 12, 2015	Yes	President and CEO and Director, Logistec Corporation; Director, Chamber of Marine Commerce, Maritime Employers Association and Signal Mutual Indemnity Association Ltd.; Member, Marine Industry Forum and Marine Transportation Advisory Council; Director and Vice President, CargoM, Logistics and Transportation Metropolitan Cluster of Montreal and Co-Chair of its Working Group I – L&T Development Opportunities; Former director, Canadian Pacific Railway Limited, Sun Life Financial Inc., Aéroports de Montréal and Board of Trade of Metropolitan Montreal.
Annette Verschuren	November 12, 2012	Yes	Chair and CEO, NRStor Inc.; Former President, The Home Depot Canada; Former President and co-owner, Michaels of Canada; Former Vice President, Corporate Development, Imasco Ltd.; Former Executive Vice President, Canada Development Investment Corporation; Director, Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc.
Michael M. Wilson	October 17, 2014	Yes	Former President and CEO, Agrium Inc.; Former President, Methanex Corporation; Director, Celestica Inc., Finning International Inc. and Suncor Energy Inc.

2015 COMMITTEE ACTIVITIES

Each fiscal year, the Human Resources and Compensation Committee reviews and evaluates the Corporation's overall executive compensation philosophy and programs, the comparator group used to benchmark executive compensation and executive compensation trends and issues. Activities of the Human Resources and Compensation Committee over the course of 2015 included the following:

- Reviewed the President and Chief Executive Officer's performance, the recommendations for his performance related compensation, his objectives for the upcoming year and the terms of his overall compensation relative to market practices;
- Reviewed and approved performance-linked compensation of each executive, including base salary increases, short-term incentive awards and long-term incentive grants;
- Reviewed and approved market-driven changes to short-term and long-term incentive plan targets;
- Reviewed with the President and Chief Executive Officer the Corporation's executive, managing director and senior management resources and succession plans for each executive position;

- Reviewed and approved a retention arrangement for the President, Passenger Airlines;
- Reviewed with the President and Chief Executive Officer proposed changes in management organization and personnel;
- Oversaw the arrangements relating to departing executives and the employment arrangement relating to the hiring of the Vice President, In-Flight Service; and
- Approved new compensation arrangements resulting from the promotion of the President, Air Canada Leisure Group and the Senior Vice President, Financial Planning and Analysis.

RISK OVERSIGHT

The Human Resources and Compensation Committee reviews and approves the Corporation's compensation policies and practices, taking into account any risks associated therewith, to achieve long-term viability of the Corporation. Several factors are considered by the Human Resources and Compensation Committee when analyzing executive pay, including: Air Canada's strategy and priorities; Air Canada's compensation philosophy and objectives; the competitive market; achievement of the Corporation's financial and operational objectives; shareholder value creation; individual performance; advice from the advisor to the Human Resources and Compensation Committee; and sound risk management practices.

As further described in this circular, the components of compensation include base salary, short-term incentives, long-term incentives, retirement benefits and perquisites.

While quantitative analysis and best practices are important factors that the Human Resources and Compensation Committee relies on in analyzing executive pay, discretion, judgment and prior compensation experience are also instrumental in delivering programs that are in the best interest of the Corporations' shareholders.

The Human Resources and Compensation Committee follows a rigorous process when establishing and setting objectives for different pay-at-risk programs. For example, to receive an incentive at target, executives must meet objectives that are considered stretched and there is no payment allowed before the end of the performance period.

The Human Resources and Compensation Committee carefully analyses annual operational and strategic business plans to set objectives for executives and establish pay-at-risk programs. Compensation policies and practices are designed to promote financial performance year-over-year and a stable growth in shareholder return by mitigating inappropriate behaviours and excessive risk-taking only aimed at a short-term increase of the share price. As such, payouts under both the short and long-term incentive plans are based on executives achieving objectives that are considered stretched, and the Board of Directors retains discretion in its award of amounts to be paid thereunder.

Air Canada also has an executive compensation clawback policy, further described under the heading "Air Canada's Executive Compensation Program - Components of Executive Compensation - Executive Compensation Clawback". The executive compensation clawback policy addresses situations in which business activities are undertaken by executives that engaged in gross negligence, intentional misconduct or fraud that require the restatement of all or a portion of Air Canada's financial statements.

The Human Resources and Compensation Committee has not identified any risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. The risks and uncertainties that are likely to have a material adverse effect on the Corporation are disclosed quarterly in the Corporation's Management Discussion and Analysis of results of operations and financial condition. No such risks relate to the Corporation's compensation policies and practices.

Air Canada's Corporate Policy and Guidelines on Business Conduct 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 (including, without limitation, stock options, restricted share units and performance share units).

COMPENSATION OBJECTIVES AND PLAN DESIGN – SUMMARY

The principal components of Air Canada's Executive Compensation Program (including their primary role and how the components are linked together), the form of compensation provided, eligible employees for each element of compensation and the relevant performance period for each element of compensation are presented in the table below. A more detailed explanation of each component is provided in the Compensation Discussion and Analysis which begins on page 49.

Current Compensation	Form	Eligibility	Performance Period
Base Salary <ul style="list-style-type: none"> Reflects skills, competencies and experience Influences short-term incentive, long-term incentive, pension and benefits Established by Air Canada's Board based on the executive's skills, competencies and experience Air Canada's policy is to provide base salaries at the market median (50th percentile) of the comparator group, subject to specific circumstances where base salaries may be set below or above this percentile (but no higher than the 75th percentile) depending on each executive's profile, experience and performance in his or her role 	Cash	All salaried employees	Annual
Short-term Incentive – Annual Incentive Plan <ul style="list-style-type: none"> Rewards executives based on corporate, department and individual performance Reflects annual achievement of Air Canada's financial performance against pre-established Adjusted Net Income and EBITDAR targets Air Canada's target bonus is, in the view of the Board, in-line with remuneration practices of the comparator group The Annual Incentive Plan provides for discretion in its administration and in the amount of awards to be paid thereunder 	Cash	Eligible management and administrative and technical support non-unionized employees (approximately 3,100 individuals)	1 year
Long-term Incentive – Stock Options and Share Units <ul style="list-style-type: none"> Links interests of executives with interests of shareholders The Long-Term Incentive Plan provides for an annual target grant of stock options and share units in the amounts described in the table under the heading "Long-Term Incentives – Stock Options and Share Units" 50% of options vest over four years in an equal amount of 12.5% at the anniversary of each grant and the remaining 50% are performance-based, and may vest after four years, based on the Corporation's achievement of its operating margin target for the four-year period The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have an exercise price based on the market price of Air Canada's shares at the time of the option grant The Corporation issues share units under the Long-Term Incentive Plan which may be either performance-based 	Stock Options, Performance Share Units and Restricted Share Units	All senior management, managing directors and executives of Air Canada (approximately 190 individuals)	4 year vesting, 10 year option term 3 year vesting term for share units

Current Compensation	Form	Eligibility	Performance Period
<p>(referred to as either a “performance share unit” or a “PSU”) or time-based (referred to as either a “restricted share unit” or a “RSU”). 50% of share units granted under the Corporation’s Long-Term Incentive Plan are PSUs and may vest after a three year period, subject to the Corporation’s achievement of its cumulative annual EBITDAR target over such three-year period. The remaining 50% of the share units granted under the Corporation’s Long-Term Incentive Plan are RSUs which vest after three years from the date of their grant, based on the passage of time only</p> <ul style="list-style-type: none"> Participants receive on the redemption date in respect of all vested share units, a value equal to the market price of the Air Canada shares on such date, with payment being made with Air Canada shares or cash at the discretion of the Corporation 			
Pension	Form	Eligibility	Measurement Period
<p>Defined Benefit Pension Plan and Supplementary Retirement Plan</p> <ul style="list-style-type: none"> Provides for replacement income upon retirement, based on years of service with the Corporation Aligned with the median of the Corporation’s comparator group Benefits are calculated multiplying (i) 2% of the final average salary during the executive’s highest paid 36 successive months of company service, less 0.25% of the Canada/Québec pension plan’s average annual maximum pensionable earnings during that period, by (ii) the executive’s years of service (maximum 35 years) Effective January 1, 2014, executives are generally eligible to retire with an unreduced pension at the earliest of (i) when their age plus years of service equals the sum of 80, their age is at least 55, and they obtain the consent from the Corporation as administrator of the pension plan or (ii) at age 65 	Cash	All executives of Air Canada hired prior to December 31, 2011 (16 individuals)	Pensionable service period to a maximum of 35 years
<p>Defined Contribution Pension Plan and Supplementary Retirement Plan</p> <ul style="list-style-type: none"> Provides for income upon retirement Aligned with the median of the Corporation’s comparator group Benefits are provided by contributions equal to a percentage of the individual’s salary made by the Corporation to individual defined contribution accounts, subject to the outcome of any investments on contributions 		All executives of Air Canada hired after October 1, 2012 (5 individuals)	N/A
Other Benefits	Form	Eligibility	Applicable Period
<p>Group Benefits</p> <ul style="list-style-type: none"> Provides protection in case of sickness, disability or death 	Cash, Insurance and Other Benefits	All employees	N/A
<p>Employee share ownership plan</p> <ul style="list-style-type: none"> Encourages employees to make investments in Air Canada Permits eligible employees of Air Canada to invest up to 10% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.33% for the first 12 months following the investment made by the employees and 50% thereafter 	Cash	All employees where permitted	Annual
<p>Perquisites</p> <ul style="list-style-type: none"> Provides tools to support the conduct of the business Perquisites include leased automobiles, a medical top-up plan, health counseling and a flexible perquisite spending account 	Cash and Other Benefits	All executives of Air Canada (22 individuals)	N/A

All proposed changes to any compensation component are first reviewed internally with the Chief Executive Officer and the Vice President, Human Resources, followed by a review with the Human Resources and Compensation Committee prior to final submission to the Board of Directors.

COMPENSATION LINKED TO 2015 CORPORATE PERFORMANCE

In 2015, the Corporation achieved record financial performance by reporting (i) record adjusted net income of \$1.22 billion, after deducting accruals for 2015 Annual Incentive Plan ("AIP") payments (or \$1.26 billion before deducting such AIP accruals), a \$691 million improvement over 2014; (ii) record EBITDAR of \$2.534 billion, representing an increase of \$863 million or 51.6% from the Corporation's 2014 EBITDAR of \$1.671 billion; and (iii) record operating income of \$1.496 billion, up \$681 million or 83.6% from 2014.

In addition to the airline's financial successes, in 2015, the Corporation served almost 2.6 million more customers, or a total of approximately 41 million, recorded its highest annual system passenger load factor ever and continued to maintain its Four-Star airline ranking by Skytrax.

In 2015, the Corporation continued delivering on its four key corporate priorities, namely:

- (i) Continually identifying and implementing cost reduction and revenue generating initiatives;
- (ii) Expanding internationally and increasing connecting traffic through international gateways, on a sustainable and profitable basis, and competing effectively in the leisure market to and from Canada;
- (iii) Engaging customers by continually enhancing the travel experience and providing a consistently high level of customer experience, with additional emphasis on premium and business passengers and products; and
- (iv) Fostering positive culture change through employee engagement programs designed to promote an understanding of how the airline and its employees can work together to deliver on the customer promise and investing in the tools and training required to provide a culture of top customer care.

The financial situation of Air Canada's domestic registered pension plans has significantly improved in 2015. Based on the January 1, 2016 actuarial valuation results, the aggregate solvency surplus increased from \$660 million as of January 1, 2015 to \$1.3 billion as of January 1, 2016. Five years ago, a program with the objective of materially de-risking Air Canada's pension plans was implemented, and a new investment strategy to better match plan assets and liabilities was introduced. To mitigate the discount rate risk, at December 31, 2015, Air Canada had matched 75% of its pension liabilities with fixed income products.

AIR CANADA'S EXECUTIVE COMPENSATION PROGRAM

COMPENSATION DISCUSSION AND ANALYSIS

In the face of a very challenging economic and competitive environment within the domestic and international airline industry, Air Canada requires a strong and capable executive team, underscoring the need for an executive compensation program that will attract, retain and motivate the key people necessary to drive the Corporation's profitability with a view to enhancing shareholder value.

The Executive Compensation Program is reviewed annually to align it with the Corporation's business plan. The report below provides an overview of Air Canada's Executive Compensation Program for 2015.

EXECUTIVE COMPENSATION PROGRAM

Air Canada's Executive Compensation Program is designed to provide competitive total executive compensation consistent with market-based compensation practices to recruit and retain top talent. It is also designed to align the Corporation's business strategy, values and management interests with those of its shareholders. To achieve these objectives, the Corporation has established the following guiding principles as the target objectives for its Executive Compensation Program:

- Competitive base salaries in markets in which Air Canada competes for talent and skills;
- Incentive programs linked to Air Canada's annual and long-term financial performance so as to align executive and shareholders' interests; and
- Total compensation benchmarked to reward its Chief Executive Officer and other executives at the market median (50th percentile) of Air Canada's comparator group for positions with similar responsibilities and scope. However, in specific circumstances, total compensation may be set below or above this percentile (but no higher than the 75th percentile) depending on each executive's profile, experience and performance in his or her role.

THE COMPARATOR GROUP (BENCHMARK COMPANIES)

Compensation and performance under Air Canada's Executive Compensation Program are benchmarked against a comparator group of companies. An annual comparative analysis of compensation practices is conducted by an independent third party consulting firm and this analysis, for the current period, consisted of a comparator group of 25 companies comprised of large U.S. and Canadian airlines, Canadian companies in the transportation or aviation related 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.

Using a point factor system, the comparator group, detailed on the following page, was selected, and will be validated annually, by the Board of Directors.

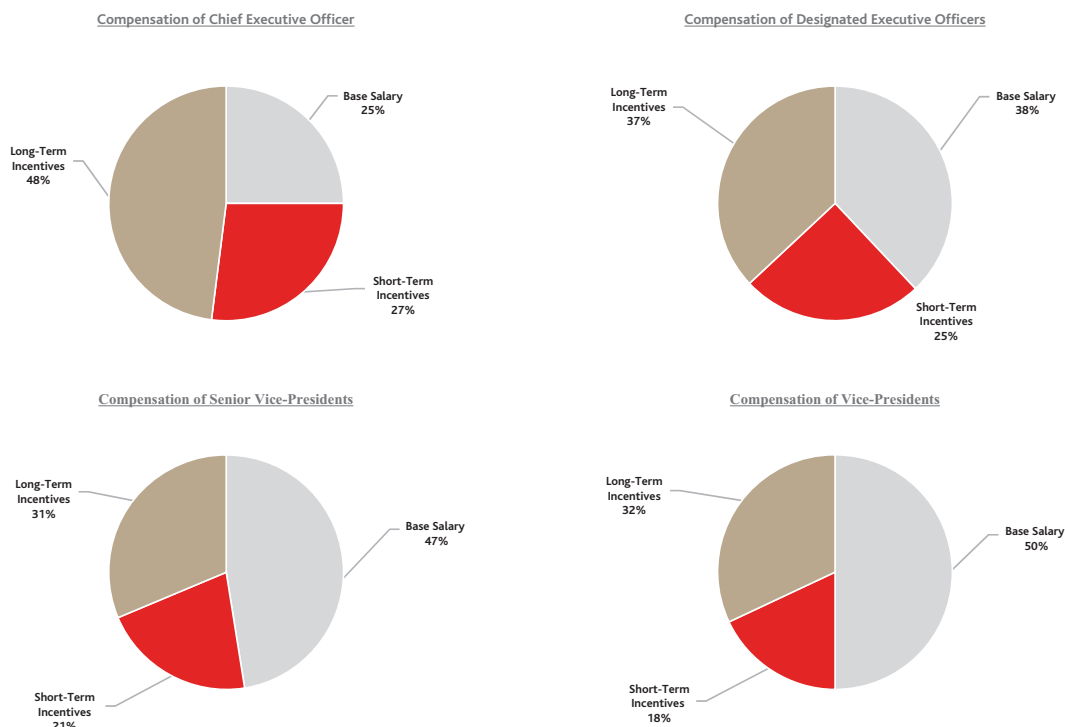
The table below describes the companies which have been identified in accordance with the above criteria and included in Air Canada's comparator group, as well as each organization's level of alignment to Air Canada's peer profile requirements in the list below. The comparator group for the President and Chief Executive Officer excludes the four financial institutions named below.

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

Further to its annual validation, in the view of the Human Resources and Compensation Committee and the Board, Air Canada's base salaries, target bonuses, target grant of stock options and/or share units and group health, other insurance benefits and executive pension plan are each in-line with remuneration practices of the comparator group.

COMPONENTS OF EXECUTIVE COMPENSATION

The following charts set forth the relative weight of current compensation attributable to base salary, short-term incentive targets⁽¹⁾ and long-term incentive targets for Air Canada's (1) Chief Executive Officer, (3) Designated Executive Officers (which consists of Air Canada's President, Passenger Airlines; Chief Financial Officer; and Chief Operating Officer); (6) Senior Vice Presidents and (12) Vice Presidents.



⁽¹⁾ The midpoint for each component of the Annual Incentive Plan having a target bonus range is used for the purposes of the charts.

BASE SALARY

Competitive base salaries are established by Air Canada's Board of Directors based on the executive's skills, competencies and experience. When reviewing base salaries, the Board of Directors also considers the range of salaries of other persons within the executive group, as well as the salaries offered for positions with similar responsibilities and scope in Air Canada's comparator group.

As concerns base salary, Air Canada's policy is to provide compensation at the market median (50th percentile) of the comparator group. However, in specific circumstances, base salaries may be set below or above this percentile (but no higher than the 75th percentile) depending on each executive's profile, experience and performance in his or her role.

SHORT-TERM INCENTIVES – AIR CANADA ANNUAL INCENTIVE

Annual Incentive Plan

Air Canada's Annual Incentive Plan is designed to pay a cash award to eligible management and administrative and technical support non-unionized employees, of which there were 3,100 eligible employees as at year end, based on the Corporation's achievement of its annual financial results as measured by Adjusted Net Income (consolidated net income (or loss, if applicable) of Air Canada attributable to the shareholders of Air Canada as reported under GAAP and, adjusted to remove the effects of (to the extent included in consolidated net income

(or loss, if applicable)) foreign exchange, net financing income (or expense, if applicable) relating to employee benefits, mark-to-market adjustments on derivatives and other financial instruments recorded at fair value and unusual items), and EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence, and aircraft rent) targets, while incorporating the Board of Directors' authority to recognize and adjust actual Adjusted Net Income and EBITDAR results for variances when warranted.

EBITDAR and Adjusted Net Income are each non-GAAP financial measures and, as such, neither has a standardized meaning nor is likely to be comparable with similar measures used by other publicly traded companies. EBITDAR is commonly used in the airline industry to view operating results before aircraft rent and depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

For more details on Air Canada's Adjusted Net Income and EBITDAR, please refer to the "Management's Discussion and Analysis" section of Air Canada's 2015 annual report.

With the intention of encouraging the development of a corporate culture focused more on sustained profitability and growth, Air Canada's Annual Incentive Plan grants an award based on the achievement of a number of corporate objectives, of which 50% relates to the Corporation's annual financial results as measured by Adjusted Net Income, and 50% relates to (i) department-specific objectives, and (ii) a target bonus range (as a percentage of salary) in order to reward individual performance. The trigger for the payment of the portion of an award relating to the financial component of the Annual Incentive Plan is based on Air Canada achieving a minimum Adjusted Net Income (before deducting AIP accruals), while the component of the Annual Incentive Plan that rewards the achievement of department-specific objectives and individual performance is obtained by the achievement by Air Canada of a minimum EBITDAR.

Air Canada's target bonus is, in the view of the Board, in-line with remuneration practices of the comparator group. Yearly target bonuses, which take effect with the 2016 plan year, typically range as follows:

Executive Level	Target Bonus (as a % of base salary)
Chief Executive Officer	100%-135%
Designated Executive Officers	55%-110%
Senior Vice President	35%-65%
Vice President	30%-50%

The trigger to grant the portion of an award based on Air Canada's Adjusted Net Income is determined as follows:

Adjusted Net Income	Percentage of the Target Bonus Payable (Financial Component of the Annual Incentive Plan)
\$100 million below target Adjusted Net Income or less	0%
\$50 million below target Adjusted Net Income	50%
Target Adjusted Net Income	100%
\$50 million above target Adjusted Net Income	150%
\$100 million above target Adjusted Net Income or greater	200%

The percentage of the financial component of the Annual Incentive Plan target bonus payable is prorated on a straight line basis for Adjusted Net Income performance between the reference points above. For example, if the Corporation's Adjusted Net Income is \$25 million below the target Adjusted Net Income, 75% of the financial component of the Annual Incentive Plan target bonus will be payable.

The trigger to grant the portion of an award based on the achievement of department-specific objectives and individual performance is obtained by the achievement by Air Canada of a minimum of 85% of the target EBITDAR.

The Annual Incentive Plan provides discretion to grant different awards based on special or extenuating circumstances.

The Corporation's 2015 Adjusted Net Income, before deducting the AIP accruals, was \$1.26 billion (or \$1.22 billion after deducting the AIP accruals), exceeding the 2015 target for Adjusted Net Income by more than \$685 million. The Corporation's 2015 EBITDAR was \$2.534 billion, compared to a target of \$1.778 billion. In accordance with the Annual Incentive Plan, the Board of Directors approved awards to the 3,100 participants under the plan based on achievement of corporate, department or individual objectives.

LONG-TERM INCENTIVES – STOCK OPTIONS AND SHARE UNITS

Air Canada's Long-Term Incentive Plan is intended to attract, retain and motivate management in key positions at Air Canada and its subsidiaries and to align their interests with those of Air Canada's shareholders. The Human Resources and Compensation Committee 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.

The Long-Term Incentive Plan provides for the grant of options and share units to all senior management and executives of Air Canada. Options and share units held by any person under the Long-Term Incentive Plan, including any insider of the Corporation, may not at any time exceed 5% of the aggregate number of shares of the Corporation outstanding from time to time. Additionally, the aggregate number of shares: (i) issued to insiders of Air Canada under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period, and (ii) issuable to insiders of Air Canada at any time under the Long-Term Incentive Plan or any other share compensation arrangement, shall, in each case, not exceed 10% of the issued and outstanding shares of the Corporation.

Under the Long-Term Incentive Plan, a maximum of 20,011,623 shares (which represent approximately 7% of the issued and outstanding shares of Air Canada on March 24, 2016) have been authorized for issuance following the exercise of stock options and/or the redemption of share units, of which 1,936,360 shares have been issued pursuant to the exercise of options. As of March 24, 2016, there was an aggregate of 9,869,591 options and 5,026,154 share units outstanding under the Long-Term Incentive Plan. All of the share units outstanding under the Long-Term Incentive Plan are not currently redeemable for underlying Air Canada shares issuable from treasury, but rather are redeemable for Air Canada shares purchased on the secondary market or for cash, at the discretion of the Corporation. The outstanding options represent, in the aggregate, approximately 3.5% of the Corporation's issued and outstanding shares as of March 24, 2016.

Air Canada's target grant of stock options and/or share units is in line with remuneration practices of the comparator group. Subject to the limit of the number of shares that remain available under the Long-Term Incentive Plan at the relevant time, the plan provides for an annual target grant of stock options and/or share units to all eligible senior management and executives.

With the intention of promoting the above-described compensation objectives, Air Canada's formula respecting target grants of stock options and share units: (i) provides for a mix between stock option and share unit grants; and (ii) provides discretion to award high performing individuals at a target level which is market competitive. Effective January 1, 2016, the plan provides minimum target grants as follows:

Executive Level	Target Stock Option Grant (% of base salary) ⁽¹⁾	Target Performance Share Unit Grant based on Performance (% of base salary)	Target Restricted Share Unit Grant based on Time (% of base salary)
Chief Executive Officer	250%	100%	100%
Designated Executive Officers	90%-130%	40%-60%	40%-60%
Senior Vice President	60%	30%	30%
Vice President	55%	25%	25%

(1) 50% of options vest over four years in an equal amount of 12.5% at the anniversary of each grant and the remaining 50% are performance-based, and may vest after four years, based on the Corporation's achievement of its annual operating margin target for the four-year period.

AIR CANADA STOCK OPTIONS

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 optionee 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.

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have an exercise price based on the market price of Air Canada's shares at the time of the option grant. For these purposes, the market price of Air Canada's shares at the time of the option grant (the "Market Price"), except in certain exceptional circumstances, equals the "volume-weighted average trading price" of the shares on the 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).

Unless a particular employment agreement otherwise provides, the vesting of options is as follows: (i) 50% of options granted under the Long-Term Incentive Plan vest over four years in an equal amount of 12.5% at the anniversary of each grant, and (ii) the remaining 50% are performance-based, and may vest after four years, as detailed in the table below, based on the Corporation's achievement of its annual operating margin target for the four-year period.

Achievement of Annual Target Operating Margin over the Four- Year Period	Performance-based Stock Options Vested
85%	0%
90%	33%
95%	66%
100%	100%

The performance-based stock options vest on a straight line basis between the reference points above. For example, if the Corporation's operating margin over the four-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 at such time, unless the Board of Directors determines otherwise.

If an optionee's employment is terminated without cause or the optionee resigns, the vested portion of any options will, in general, remain exercisable for 30 days. In the event an optionee is terminated for cause, then the options lapse forthwith. In the event of the death of an optionee, his/her vested options at the time of death must

be exercised by his/her heirs within one year of the optionee's death or prior to the expiration of the original term of such options, whichever occurs earlier. In the event of the injury or disability of an optionee, any options may be exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within three years after the cessation of employment or prior to the expiration of the original term of the option, whichever occurs earlier. In the event of the retirement of an optionee, any options may be exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within three years after the retirement of the optionee or prior to the expiration of the original term of the option, whichever occurs earlier. In the event an optionee takes a voluntary leave of absence, any options may be exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within 1 year after the commencement of such leave of absence or prior to the expiration of the original term of the option, whichever occurs earlier.

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

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:

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

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

- (i) 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;
- (ii) 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;
- (iii) any amendment that extends the term of options or share units beyond their original expiry;
- (iv) 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;
- (v) 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;
- (vi) 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
- (vii) amendments to the amendment provisions of the Long-Term Incentive Plan.

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

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.

AIR CANADA SHARE UNITS

Share units, comprised of a mix of both performance share units and restricted share units, granted under the Long-Term Incentive Plan are notional share units which are redeemable, on a one-to-one basis, for, as determined by the Board of Directors, Air Canada shares or the cash equivalent. As such, the value of the share units tracks the value of Air Canada shares. Share units have a maximum term of three years. Except as otherwise may be determined by the Board of Directors, the vesting of performance share units is based on the Corporation achieving its cumulative annual EBITDAR target over a three-year period based on the table below, while restricted share units will vest after three years from their date of grant.

Achievement of cumulative annual EBITDAR target over a Three-Year Period	Performance Share Units Vested
85%	0%
90%	33%
95%	66%
100%	100%

The performance share units vest on a straight line basis between the reference points above. For example, if the Corporation's EBITDAR over the three-year period equals 92.5% of the EBITDAR target, 50% of the units will vest and the remainder of the performance share units will lapse and be null at such time, unless the Board of Directors determines otherwise.

At the end of the three-year term, all vested share units are, at the discretion of the Corporation, redeemed for Air Canada shares (either issued from treasury or purchased on the secondary market at the discretion of the Corporation) or for their cash equivalent based on the Market Price (as such term is defined at page 54 of this circular) of Air Canada shares on the redemption date.

Participants receive, therefore, on the redemption date in respect of all vested share units, a value equal to the Market Price of the Air Canada shares on such date, with payment being effected with Air Canada shares or cash at the discretion of the Corporation.

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.

In the event a participant's employment is terminated for cause or the participant resigns from his/her employment, then all share units credited to such participant that have not vested shall be forfeited and cancelled and the participant's rights to shares (or equivalent cash) that relate to such participant's unvested share units shall be forfeited and cancelled.

Except as otherwise may be determined by the Board, upon a participant's employment being terminated for reasons other than for cause, or upon a participant's retirement, voluntary leave of absence or the participant's employment being terminated by reason of injury, disability or death, the participant's participation in the Long-Term Incentive Plan with respect to share units shall be terminated immediately, provided that all unvested share units in the participant's account as of such date that relate to a three-year performance period then in progress shall remain in effect until the end of such three-year performance period. If, at the end of the three-year performance period, the vesting conditions are not met, all unvested share units credited to such participant's account shall be forfeited and cancelled. If, at the end of the three-year performance period the vesting conditions are met, the participant (or his/her heirs, as the case may be) shall be entitled to receive that number of shares (or equivalent cash at the discretion of the Corporation) equal to the number of share units outstanding in the participant's account in respect of such three-year performance period multiplied by a fraction, the numerator of which shall be the number of completed months of service of the participant during the relevant period prior to his/her date of termination, date of leave of absence or retirement and the denominator of which shall be 36 months.

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

EMPLOYMENT CONDITIONS

Unless otherwise provided for in an individual's employment agreement with the Corporation and except as otherwise may be determined by the Board, the following table summarizes the treatment of a participant's stock options and share units upon a participant's retirement, resignation, termination without cause or for cause, death, injury or disability or voluntary leave of absence.

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Share Units and Payment Limitations
Retirement	Rights to vesting continue to accrue. All vested options 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	No further options vest. All vested options must be exercised within 30 days from the date of the resignation	Forfeiture of unvested share units
Termination without cause	No further options vest. All vested options must be exercised within 30 days from the date of the termination 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	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
Injury or disability	Rights to vesting continue to accrue. All vested options 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 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

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Share Units and Payment Limitations
		(ii) the total number of months in the share unit term
Voluntary leave of absence	Rights to vesting continue to accrue. All vested options 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

ANNUAL GRANTS OF OPTIONS AND SHARE UNITS

The following table summarizes the total number of options granted during each of the last five calendar years:

Year	Number of Options Granted	Number of Participants	Dilution Rate ⁽¹⁾
2015	984,878	81	0.35%
2014	1,170,710	74	0.4%
2013	4,052,085	77	1.4%
2012	2,922,043	76	1.1%
2011	3,439,471	71	1.2%

(1) Dilution of options granted during the year compared to the total number of outstanding shares on December 31.

The following table summarizes the total potential dilution (total number of options outstanding as of December 31 divided by the total number of shares outstanding as of December 31) represented by the total number of options outstanding for each of the last five calendar years:

Year	Total Number of Options Outstanding as of December 31	Dilution
2015	8,735,634	3.0%
2014	10,002,975	3.5%
2013	10,079,694	3.5%
2012	8,410,403	3.0%
2011	6,411,206	2.3%

The following table summarizes the total number of share units granted during each of the last five calendar years:

Year	Number of PSUs Granted	Number of Participants	Dilution Rate ⁽¹⁾	Number of RSUs Granted	Number of Participants	Dilution Rate ⁽¹⁾
2015	310,383	24	Nil	467,771	192	Nil
2014	523,864	24	Nil	757,058	178	Nil
2013	1,809,572	23	Nil	2,237,564	157	Nil
2012	1,211,585	23	Nil	1,500,645	143	Nil
2011	1,449,400	21	Nil	1,861,500	124	Nil

(1) The zero dilution percentage is due to the fact that all share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

The following table summarizes the total potential dilution (total number of dilutive performance share units outstanding as of December 31 divided by the total number of shares outstanding as of December 31) represented by the total number of share units outstanding for each of the last five calendar years:

Year	Total Number of PSUs Outstanding as of December 31	Dilution	Total Number of RSUs Outstanding as of December 31	Dilution
2015	797,628	Nil ⁽¹⁾	3,132,423	Nil ⁽¹⁾
2014	3,377,298	Nil ⁽²⁾	4,174,422	Nil ⁽²⁾
2013	2,452,848	Nil ⁽³⁾	5,685,589	Nil ⁽³⁾
2012	4,031,912	Nil ⁽⁴⁾	3,223,799	Nil ⁽⁴⁾
2011	3,679,757	Nil ⁽⁵⁾	2,517,754	Nil ⁽⁵⁾

- (1) The zero dilution percentage is due to the fact that all 3,930,051 share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.
- (2) The zero dilution percentage is due to the fact that all 7,551,720 share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.
- (3) The zero dilution percentage is due to the fact that all 8,138,437 share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.
- (4) The zero dilution percentage is due to the fact that all 7,255,711 share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.
- (5) The dilution percentage does not include shares underlying 6,197,511 share units, as these share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

EQUITY COMPENSATION PLAN INFORMATION

The following table details the number of securities to be issued upon the exercise of options and the redemption of share units outstanding under Air Canada's Long-Term Incentive Plan, as well as the weighted-average exercise price of outstanding options and the number of securities remaining available for future issuance under Air Canada's equity compensation plans.

Plan category	Number of securities to be issued upon the exercise of outstanding options and redemption of share units ⁽¹⁾⁽²⁾	Weighted-average exercise price of outstanding options ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plans approved by security-holders ⁽¹⁾	8,735,634	3.69	11,275,989

- (1) As at December 31, 2015.
- (2) Does not include shares underlying an aggregate of 3,930,051 share units granted on April 1, 2013, June 27, 2013, November 13, 2013, December 13, 2013, January 23, 2014, February 14, 2014, April 1, 2014, July 18, 2014, October 1, 2014 and April 1, 2015 as these share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

EXECUTIVE COMPENSATION CLAWBACK

On March 30, 2011, the Board of Directors adopted an executive clawback compensation policy concerning awards made after December 31, 2010 under Air Canada's annual and long-term incentive plans. Under this policy, which applies to all executives, the Board of Directors may, in its sole discretion, to the full extent permitted by governing 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. The Board of Directors may seek reimbursement of full or partial compensation from an executive or former executive in situations where:

- (a) the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of Air Canada's financial statements;

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

PENSION AND BENEFITS

Air Canada's group health, other insurance benefits and executive pension plan are, in the view of the Human Resources and Compensation Committee, aligned with the median of the Corporation's comparator group.

The Corporation offers retirement benefits to its Named Executive Officers including a Supplementary Retirement Plan (the "**SERP**"). The main provisions of the SERP are described in more detail in the section under the heading "Retirement Plan Benefits". The purpose of the SERP is to:

- complement Air Canada's retirement plan to provide Named Executive Officers with an appropriate replacement income upon retirement; and
- provide benefits over and above those provided by Air Canada's primary registered retirement plan.

EMPLOYEE SHARE OWNERSHIP PLAN

An ongoing share purchase plan was established by Air Canada (the "**Employee Share Ownership Plan**") concurrent with the completion of its November 2006 initial public offering and amended effective with the 2014 calendar year. The Employee Share Ownership Plan permits eligible employees of Air Canada to invest up to 10% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.33% for the first 12 months following the investment made by each employee and 50% thereafter. The funds contributed by participants and Air Canada are used to purchase Air Canada shares on the secondary market on behalf of such participants.

PERQUISITES

Perquisites are, in the view of the Human Resources and Compensation Committee, aligned with the median of Air Canada's comparator group. Perquisites include leased automobiles, a medical top-up plan, health counseling and a flexible perquisite spending account.

COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Compensation of the President and Chief Executive Officer

Mr. Calin Rovinescu was appointed President and Chief Executive Officer on April 1, 2009. Over the 18 months preceding his appointment, Air Canada's operations were impacted by many factors, including an unprecedented spike in the price of fuel, adverse fluctuations in foreign exchange and the onset of a severe global recession. Air Canada, as well as the airline industry as a whole, continued to operate under challenging circumstances. In Air Canada's case, these challenges included limited access to capital, deteriorating liquidity, revenue and yield, a significant pension fund deficit and the expiry of all of its Canadian collective agreements in 2009. In this context, the Board recruited Mr. Rovinescu to rejoin Air Canada as its President and Chief Executive Officer based on his leadership skills and broad experience in corporate strategy, finance and law.

The recruitment of top corporate executives, including the CEO, is very competitive. Mr. Rovinescu's compensation arrangements pursuant to his 2009 employment agreement (the "**Employment Agreement**") were structured so as to induce him to forego his then existing employment, as well as his interest in the investment bank of which he was a co-founder and other business interests and opportunities, and to incentivize him to

remain with the Corporation over a minimum period of time. In completing the Employment Agreement, the Board of Directors at that time was advised by an independent third-party consulting firm as to the terms of his compensation and how these arrangements compared to other CEO compensation arrangements.

Following the initial retention period, in November 2014, the Corporation and Mr. Rovinescu entered into a subsequent retention arrangement to induce him to remain with the Corporation and to bring certain aspects of his compensation programs closer to market competitive levels, as described in this Circular. Air Canada was subject to unique restrictions on executive compensation relating to its pension agreement with the Government of Canada until it was entitled to "opt out" under this agreement last year, which significantly limited the kind of retention tools available to the Corporation. No amendments were made to Mr. Rovinescu's Employment Agreement during the year ended December 31, 2015.

Since Mr. Rovinescu's appointment in 2009, the Corporation's total revenues have increased by more than \$4 billion or 40%, its EBITDAR has increased by more than 250% and its stock price had improved by more than 1,000% (to December 31, 2015).

Mr. Rovinescu's base salary for the year ended December 31, 2015 remained unchanged from the prior year.

Annual incentive awards to the President and Chief Executive Officer pursuant to the Annual Incentive Plan are described at pages 51 to 53 of this circular.

Annual target grants of stock options and share units to the President and Chief Executive Officer pursuant to the Long Term Incentive Plan are described at pages 53 to 57 of this circular.

Mr. Rovinescu's pension benefits, including his pension entitlements in the event he is terminated, are described at pages 73 to 75 of this circular.

2015 Key Accomplishments

The Human Resources and Compensation Committee evaluated Mr. Rovinescu's performance for 2015 based on the achievement of the evolution and execution of Air Canada's strategy and key priorities and objectives, including the following key corporate financial and non-financial accomplishments for 2015:

- Achieved a record Adjusted Net Income of \$1.26 billion before deducting the AIP accruals (or \$1.22 billion after deducting the AIP accruals), exceeding the 2015 target for Adjusted Net Income by more than \$685 million;
- Achieved a record EBITDAR of \$2.534 billion, representing an increase of \$863 million or 51.6% above 2014;
- Reached liquidity levels exceeding \$2.968 billion, exceeding the minimum target level for 2015 of \$2.0 billion;
- Achieved a return on invested capital of 18.3%, exceeding the target of at least 11.6%;
- Achieved 2015 adjusted CASM (cost per available seat mile) of \$0.153 compared to \$0.169 in 2014 and with fleet growth and utilization, rouge expansion and shift in network composition;
- Expanded Air Canada *rouge*TM fleets and destinations;
- Continued to significantly increase sixth freedom traffic (international-to-international including U.S.) connecting at Air Canada's major Canadian hubs;
- Improved financial situation of domestic registered pension plans and achieved aggregate solvency surplus of \$1.3 billion as at January 1, 2016;
- Continued execution of customer service commitment and maintained Four Star status by SkyTrax;

- Selected for a third consecutive year, and an indicator of continued culture change, as one of Canada's Top 100 Employers, and selected as one of Canada's Best Diversity Employers for 2016, reflecting the Corporation's commitment to achieving its diversity targets; and
- Concluded multi-year collective agreements with employees represented by Canadian Union of Public Employees (CUPE) (10 years), employees represented by International Brotherhood of Teamsters (IBT) (7 years) and employees represented by Unifor (5 years) and UNITE (5 years), all tangible indicators of the positive shift in culture change that is taking shape.

Mr. Rovinescu's Employment Agreement, as amended, provides that, in the event he is terminated without cause, he is entitled to receive a lump sum severance payment equal to two times his overall cash compensation (comprised of annual salary and bonus calculated at the midpoint of the target bonus range). In addition, if terminated without cause, Mr. Rovinescu is also entitled to the continuation of certain benefits and perquisites until the earlier of the end of 24 months or his re-employment with any other employer that provides equivalent benefits.

Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis), shall immediately vest upon such termination without cause and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Rovinescu's compliance with the non-competition provisions of his Employment Agreement which have a duration of 18 months.

The table below shows the estimated amount of cash that would become payable to Mr. Rovinescu and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2015:

Name	CALIN ROVINESCU – IF TERMINATED WITHOUT CAUSE			
	Cash Portion	Value of Exercisable/Vested Options and Share Units ⁽¹⁾	Other Benefits ⁽²⁾	Total Value
Calin Rovinescu	\$5,460,000	\$15,490,791	\$1,230,338	\$22,181,129

- (1) Based on the December 31, 2015 closing price of Air Canada's shares (\$10.21). Pursuant to a 2014 retention arrangement, if Mr. Rovinescu is terminated without cause or retires after December 31, 2017, the Corporation agreed to underwrite any sale by him of up to one-third of his equity securities at \$9.31 per share. In the event Mr. Rovinescu ceases to be employed as President and Chief Executive Officer of Air Canada as a result of his death or incapacity, or as a result of a termination of his employment other than for cause, the foregoing provisions shall continue to apply to him, his successors or assigns.
- (2) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the difference between the December 31, 2015 termination value of his pension entitlements and the termination value payable as of December 31, 2017, both taking into account the November 2014 amendments to Mr. Rovinescu's pension arrangements.

In the event Mr. Rovinescu voluntarily terminates his employment with Air Canada or is terminated by Air Canada with cause, Mr. Rovinescu will generally be entitled to any salary, expense reimbursement and other benefits that were earned by him prior to the termination date and that remain unpaid as of the termination date. Additionally, all unvested stock options will expire on his last day of active employment and any remaining vested options will remain exercisable for a period of thirty (30) days from the date of termination. All unvested share units granted shall be forfeited and cancelled on Mr. Rovinescu's last day of active employment.

In the event of the termination of Mr. Rovinescu's employment as a result of retirement, death or disability, Mr. Rovinescu or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or the scheduled option expiry.

The following table sets out Mr. Rovinescu's accumulated Air Canada shares and share units and the value of each type of holding as at March 24, 2016 having an aggregate value of \$13,676,271 as of such date.

Type of Security	Number of Securities	Market Value of Securities
Class B voting shares	401,543	\$3,429,177 ⁽¹⁾
Restricted share units ⁽³⁾	838,362	\$7,159,611 ⁽²⁾
Performance share units ⁽⁴⁾	361,532	\$3,087,483 ⁽²⁾

- (1) Class B voting shares are calculated at a market value of \$8.54 per share (based on the March 24, 2016 Toronto Stock Exchange closing price of the Air Canada shares).
- (2) Share units are calculated at a market value of \$8.54 per unit (based on the March 24, 2016 Toronto Stock Exchange closing price of the Air Canada shares).
- (3) Vest after three years from the date of their grant, based on the passage of time only (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 53 of this circular for more detail).
- (4) May vest after a three year period, subject to the Corporation's achievement of its cumulative annual EBITDAR target over such three-year period (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 53 of this circular for more detail).

Compensation of the Executive Vice President and Chief Financial Officer

As per the terms of his employment agreement, the base salary of Mr. Michael Rousseau, as Executive Vice President and Chief Financial Officer for the year ended December 31, 2015, was \$555,000. Any future salary progression will be based on personal performance in the position.

Annual incentive awards to Mr. Rousseau pursuant to the Annual Incentive Plan are described at pages 51 to 53 of this circular.

Annual target grants of stock options and share units to Mr. Rousseau are described at pages 53 to 57 of this circular.

Mr. Rousseau is one of the key executives who has contributed significantly to the Corporation's significant transformation, including with respect to cost reduction initiatives and CASM improvement, elimination of the pension deficit, return to surplus and reduction of the overall risk profile of its pension fund, improvement of its balance sheet and credit ratings, completion of financing initiatives for its large capital expenditure program, as well as contributing to its record results over the last years. Given that Air Canada was subject to unique restrictions on executive compensation relating to its pension agreement with the Government of Canada until it was entitled to "opt out" under this agreement last year, the main retention tool available to the Corporation related to improved pension arrangements. Mr. Rousseau's pension benefits are described at pages 73 to 75 of this circular.

Mr. Rousseau's employment agreement also provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis) shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Rousseau's compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Rousseau's employment as a result of retirement, death or disability, Mr. Rousseau or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or scheduled option expiry.

The table below shows the estimated amount of cash that would become payable to Mr. Rousseau and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for “good reason”, as if it had occurred on the last business day of 2015:

Name	MICHAEL ROUSSEAU – IF TERMINATED WITHOUT CAUSE			
	Cash Portion ⁽¹⁾	Value of Exercisable/Vested Options and Share Units ⁽²⁾	Other Benefits ⁽³⁾	Total Value
Michael Rousseau	\$1,831,500	\$3,504,844	\$506,735	\$5,843,079

(1) Based on Mr. Rousseau’s salary for the year ended December 31, 2015.

(2) Based on the December 31, 2015 closing price of Air Canada’s shares (\$10.21).

(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the difference between the December 31, 2015 termination value of his pension entitlements and the termination value payable from age 60, both taking into account the additional 5 years of credited service he is entitled to receive on the earlier of age 60, death or involuntary termination for reasons other than cause.

Compensation of the President, Passenger Airlines

As per the terms of his employment agreement, the base salary of Mr. Benjamin Smith, as President, Passenger Airlines, for the year ended December 31, 2015, was \$620,000. Any future salary progression will be based on personal performance in the position.

Annual incentive awards to Mr. Smith pursuant to the Annual Incentive Plan are described at pages 51 to 53 of this circular.

Annual target grants of stock options and share units to Mr. Smith are described at pages 53 to 57 of this circular.

Following his appointment as President, Passenger Airlines, the Corporation entered into certain retention arrangements with Mr. Smith as described at pages 69 (notes 12 and 14) and 74 of this circular. Mr. Smith is one of the key executives who has contributed significantly to the Corporation’s significant transformation, including with respect to its return to profitability, international expansion, sales growth, creation of the leisure carrier Air Canada rouge, aircraft reconfiguration design, long term labour agreements and record results over the last years. Given that Air Canada was subject to unique restrictions on executive compensation relating to its pension agreement with the Government of Canada until it was entitled to “opt out” under this agreement last year, the main retention tool available to the Corporation related to improved pension arrangements. Mr. Smith’s pension benefits are described at pages 73 to 75 of this circular.

Mr. Smith’s employment agreement also provides that, in the event he is terminated without cause or if he terminates his employment for “good reason”, he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis), shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Smith’s compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Smith’s employment as a result of retirement, death or disability, Mr. Smith or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or scheduled option expiry.

The table below shows the estimated amount of cash that would become payable to Mr. Smith and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2015:

Name	BENJAMIN SMITH – IF TERMINATED WITHOUT CAUSE			
	Cash Portion ⁽¹⁾	Value of Exercisable/Vested Options and Share Units ⁽²⁾	Other Benefits ⁽³⁾	Total Value
Benjamin Smith	\$2,046,000	\$3,227,072	\$90,117	5,363,189

(1) Based on Mr. Smith's salary in effect as at December 31, 2015.

(2) Based on the December 31, 2015 closing price of Air Canada's shares (\$10.21).

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

Compensation of the Executive Vice President and Chief Operating Officer

As per the terms of his employment agreement, the base salary of Mr. Klaus Goersch, as Executive Vice President and Chief Operating Officer for the year ended December 31, 2015, was \$475,000. Any future salary progression will be based on personal performance in the position.

Annual incentive awards to Mr. Goersch pursuant to the Annual Incentive Plan are described at pages 51 to 53 of this circular.

Annual target grants of stock options and share units to Mr. Goersch are described at pages 53 to 57 of this circular.

Mr. Goersch's pension benefits are described at pages 73 to 75 of this circular.

Mr. Goersch's employment agreement also provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis), shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Goersch's compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Goersch's employment as a result of retirement, death or disability, Mr. Goersch or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or scheduled option expiry.

The table below shows the estimated amount of cash that would become payable to Mr. Goersch and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for “good reason”, as if it had occurred on the last business day of 2015:

Name	KLAUS GOERSCH – IF TERMINATED WITHOUT CAUSE			
	Cash Portion ⁽¹⁾	Value of Exercisable/Vested Options and Share Units ⁽²⁾	Other Benefits ⁽³⁾	Total Value
Klaus Goersch	\$1,567,500	\$2,956,803	\$80,094	\$4,604,397

(1) Based on Mr. Goersch’s salary for the year ended December 31, 2015.

(2) Based on the December 31, 2015 closing price of Air Canada’s shares (\$10.21).

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

Compensation of the Senior Vice President and Chief Legal Officer

The base salary of Mr. David Shapiro, as Senior Vice President and Chief Legal Officer, for the year ended December 31, 2015, was \$400,000. Any future salary progression will be based on personal performance in the position. Mr. Shapiro’s compensation package is based on the Corporation’s compensation policies as they apply at the level of Senior Vice President.

Annual incentive awards to Mr. Shapiro pursuant to the Annual Incentive Plan are described at pages 51 to 53 of this circular.

Annual target grants of stock options and share units to Mr. Shapiro are described at pages 53 to 57 of this circular.

Mr. Shapiro’s pension benefits are described at pages 73 to 75 of this circular.

SHARE OWNERSHIP REQUIREMENTS FOR EXECUTIVE OFFICERS

On August 6, 2013, the Board approved amendments to the share ownership guidelines for the Designated Executive Officers who are each required to own a minimum of securities of Air Canada representing an amount equivalent in value to one times his or her annual base salary through shares and/or restricted share units (options and performance share units are not included in the calculation of the share ownership requirements applicable to Designated Executive Officers). Such ownership must be achieved by August 6, 2016 or within five years of the date of appointment of such Designated Executive Officer, whichever occurs later.

The Board also approved amendments to the share ownership guidelines for the President and Chief Executive Officer who is required to own a minimum of securities of the Corporation representing an amount equivalent in value to three times the annual base salary of the President and Chief Executive Officer through shares 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: (a) the greater of: (i) the market value of the shares underlying the restricted share units; and (ii) the price of the shares underlying the restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares; and (ii) the purchase price of the shares.

Name	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
Calin Rovinescu – President and Chief Executive Officer	401,543 Class B voting shares 838,362 restricted share units	\$11,231,034	Three times base salary	August 6, 2016	Yes
Michael Rousseau – Executive Vice President and Chief Financial Officer	90,000 Class B voting shares 159,486 restricted share units	\$2,239,541	One times base salary	August 6, 2016	Yes
Benjamin Smith – President, Passenger Airlines	74,449 Class B voting shares 163,180 restricted share units	\$2,132,294	One times base salary	August 6, 2016	Yes
Klaus Goersch – Executive Vice President and Chief Operating Officer	50,000 Class B voting shares 126,298 restricted share units	\$1,571,675	One times base salary	October 1, 2017	Yes

- (1) This amount represents the sum of (a) the greater of the market value of the shares and the purchase price of the shares (based on the March 24, 2016 Toronto Stock Exchange closing price of the Air Canada shares (\$8.54)), and (b) the greater of: (i) the market value of the shares underlying the restricted share units as at March 24, 2016 described above, and (ii) the price at the time of grant. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.

SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2015, 2014 and 2013 by each of Calin Rovinescu, Air Canada's President and Chief Executive Officer, Michael Rousseau, Air Canada's Executive Vice President and Chief Financial Officer and the three next most highly compensated executives of Air Canada at the end of the 2015 year (collectively, the "Named Executive Officers").

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation	Pension value (\$)	All other compensation (\$) ⁽³⁾	Total compensation (\$)
					Annual incentive plans (\$)			
Calin Rovinescu President and Chief Executive Officer	2015	1,400,000 ⁽⁴⁾	1,560,045	740,813	2,970,006 ⁽⁵⁾	517,000	Nil	7,187,864
	2014	1,400,000	1,787,520	534,306	2,850,125 ⁽⁶⁾	1,428,000	Nil	7,999,951
	2013	1,400,000	2,623,902	1,241,867	2,260,800 ⁽⁷⁾	290,800	Nil	7,817,369
Michael Rousseau Executive Vice President and Chief Financial Officer	2015	551,250	417,120	257,168	832,500 ⁽⁸⁾	294,200	Nil	2,352,238
	2014	537,501	314,501	191,241	880,000 ⁽⁹⁾	430,000	Nil	2,353,243
	2013	527,000	512,789	275,110	771,150 ⁽¹⁰⁾	247,300	Nil	2,333,349
Benjamin Smith ⁽¹¹⁾ President, Passenger Airlines	2015	615,003	476,528	905,862 ⁽¹²⁾	930,000 ⁽¹³⁾	670,200	250,000 ⁽¹⁴⁾	3,847,593
	2014	528,335	354,299	212,163	990,000 ⁽¹⁵⁾	417,000	Nil	2,501,797
	2013	475,000	455,097	243,383	698,400 ⁽¹⁶⁾	128,400	Nil	2,000,280
Klaus Goersch Executive Vice President and Chief Operating Officer	2015	473,757	285,504	168,328	610,000 ⁽¹⁷⁾	71,100	Nil	1,605,689
	2014	465,003	265,045	161,168	625,000 ⁽¹⁸⁾	71,100	Nil	1,587,316
	2013	447,500	415,500	225,503	654,750 ⁽¹⁹⁾	67,100	Nil	1,810,353
David Shapiro ⁽²⁰⁾ Senior Vice President and Chief Legal Officer	2015	396,258	168,428	100,529	350,000 ⁽²¹⁾	127,400	Nil	1,142,615
	2014	381,258	122,848	71,891	350,000 ⁽²²⁾	120,000	Nil	1,045,997
	2013	366,500	206,066	115,734	370,000 ⁽²³⁾	111,700	Nil	1,170,000

- (1) The grant date fair value of the annual grant of share units awarded in 2015 under the Corporation's Long-Term Incentive Plan (LTIP), as reported in this table, reflects a valuation factor of 55% 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 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 \$12.64 for the April 1, 2015 grants and \$12.27 for Mr. Smith's August 11, 2015 grant. The share prices at the time of the grants is equal to the volume weighted average of the trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. The grant date fair value of the share units was \$1,560,045 for Mr. Rovinescu, \$417,120 for Mr. Rousseau, \$476,528 for Mr. Smith, \$285,504 for Mr. Goersch and \$168,428 for Mr. Shapiro. These share units have a term of three years and those which are performance based may vest upon the Corporation achieving its cumulative EBITDAR target over such three-year period. See "Air Canada Share Units" on page 71 of this circular for more details.

The accounting fair value of these share units was \$1,907,676 for Mr. Rovinescu, \$547,328 for Mr. Rousseau, \$623,837 for Mr. Smith, \$353,115 for Mr. Goersch and \$217,754 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$347,631 for Mr. Rovinescu, \$130,208 for Mr. Rousseau, \$147,309 for Mr. Smith, \$67,611 for Mr. Goersch and \$49,326 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is due to a forfeiture rate of 85.74% applied for accounting purposes versus the valuation factor of 55% 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.

- (2) The grant date fair value for options awarded in 2015 by the Corporation as reported in this table was calculated using the binomial lattice model, being the model used by the Corporation in the review of its compensation practices with respect to target grants of incentive awards under the Long-Term Incentive Plan (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 53 of this circular for more detail).

The grant date fair value for the options granted on April 1, 2015, using the binomial lattice model, was based on the following factors, key assumptions and plan provisions:

- Binomial factor: 36.9920%
- Volatility: 59.76%
- Dividend yield: 0%

- iv. Expected life: 5.125 years
- v. Term: 7 years
- vi. Vesting: 50% time based (25% per year); 50% performance-based (after 4 years)

The grant date fair value for the options granted on August 11, 2015, using the binomial lattice model, was based on the following factors, key assumptions and plan provisions:

- i. Binomial factor: 28.1010%
- ii. Volatility: 61.02%
- iii. Dividend yield: 0%
- iv. Expected life: 5.5 years
- v. Term: 8 years
- vi. Vesting: 100% performance-based (after 3 years)

The accounting fair value of these options was: \$906,848 for Mr. Rovinescu, \$314,807 for Mr. Rousseau, \$1,306,750 for Mr. Smith, \$206,055 for Mr. Goersch and \$123,061 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$166,035 for Mr. Rovinescu, \$57,639 for Mr. Rousseau, \$400,888 for Mr. Smith, \$37,727 for Mr. Goersch and \$22,532 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the choice of models used (Black-Scholes model for accounting purposes versus the binomial lattice model) and the use of different factors and assumptions.

- (3) In 2015, 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 the Named Executive Officers.

Calin Rovinescu

- (4) Mr. Rovinescu's base salary for 2015 is unchanged since 2010. As described under the heading "Remuneration of Directors" at page 23 of this circular, Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada or any of its subsidiaries in 2013, 2014 or 2015.
- (5) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (6) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (7) Amounts earned pursuant to the terms of the Annual Incentive Plan.

Michael Rousseau

- (8) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (9) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (10) Amounts earned pursuant to the terms of the Annual Incentive Plan.

Benjamin Smith

- (11) On September 1, 2014, Mr. Smith, formerly the Executive Vice President and Chief Commercial Officer of the Corporation, was appointed President, Passenger Airlines of the Corporation.
- (12) Consists of (i) options with a fair value of \$285,223 awarded on April 1, 2015 under Air Canada's Long Term Incentive Plan (the vesting conditions of which are described under the heading "Long-Term Incentives – Stock Options and Share Units") and (ii) a special option grant with a fair value of \$620,639 awarded in connection with his retention arrangements following his appointment as President, Passenger Airlines, pursuant to which Mr. Smith was granted 180,000 options that may vest as to 1/3rd each year for three years based on the Corporation's achievement of its annual operating margin target for that year; any such vested options to only become exercisable on August 15, 2018.
- (13) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (14) Following his appointment as President, Passenger Airlines, as part of his retention arrangements, Mr. Smith was provided with a supplementary contribution of \$250,000 payable annually between March 31, 2015 and March 31, 2019, provided the Corporation achieves its operating income plan for the applicable year.
- (15) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (16) Amounts earned pursuant to the terms of the Annual Incentive Plan.

Klaus Goersch

- (17) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (18) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (19) Amounts earned pursuant to the terms of the Annual Incentive Plan.

David Shapiro

- (20) On May 1, 2013, Mr. Shapiro, formerly the Vice President and General Counsel of the Corporation, was appointed Senior Vice President and Chief Legal Officer of the Corporation.
- (21) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (22) Amounts earned pursuant to the terms of the Annual Incentive Plan.
- (23) Amounts earned pursuant to the terms of the Annual Incentive Plan.

LONG-TERM INCENTIVE PLAN AWARDS

The following table details all unexercised options held by the Named Executive Officers as at December 31, 2015. By virtue of these options and subject to the applicable vesting restrictions under the Air Canada Long-Term Incentive Plan, the Named Executive Officers have the right to acquire Class B voting shares.

AIR CANADA STOCK OPTIONS

Name	Option-based awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Calin Rovinescu	719,700	2.34	April 8, 2018	5,664,040
	925,481	0.96	April 2, 2019	8,560,699
	819,149	3.04	April 1, 2020	5,873,299
	450,000	2.49	June 27, 2020	3,474,000
	252,294	5.39	April 1, 2021	1,216,058
	158,436	12.64	April 1, 2022	Nil
Michael Rousseau	149,423	0.96	April 2, 2019	1,382,163
	198,383	3.04	April 1, 2020	1,422,406
	80,000	2.49	June 27, 2020	617,600
	90,302	5.39	April 1, 2021	435,256
	55,000	12.64	April 1, 2022	Nil
Benjamin Smith	162,150	2.34	April 8, 2018	1,276,121
	132,692	0.96	April 2, 2019	1,227,402
	166,170	3.04	April 1, 2020	1,191,438
	70,000	2.49	June 27, 2020	540,400
	81,782	5.39	April 1, 2021	394,190
	12,000	8.27	October 1, 2021	23,280
	61,000	12.64	April 1, 2022	Nil
	180,000	12.27	August 15, 2023	Nil
Klaus Goersch	25,000	1.28	October 1, 2019	223,250
	126,383	3.02	April 1, 2020	908,693
	45,000	2.49	June 27, 2020	347,400
	67,087	5.35	April 1, 2021	326,043
	36,000	12.64	April 1, 2022	Nil
David Shapiro	11,850	2.34	April 8, 2018	93,260
	62,756	0.96	April 2, 2019	580,493
	90,894	3.04	April 1, 2020	651,710
	25,000	2.49	June 27, 2020	193,000
	33,946	5.39	April 1, 2021	163,620
	21,500	12.64	April 1, 2022	Nil

(1) Based on the closing price of the Air Canada shares (\$10.21), on December 31, 2015.

AIR CANADA SHARE UNITS

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, 2015.

Performance Share Units:

Name	Share-based awards			
	Number of shares or units of shares that have not vested (#)	Performance Cycle	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
Calin Rovinescu	144,164 90,535	Jan 1, 2014 to Dec 31, 2016 Jan 1, 2015 to Dec 31, 2017	1,471,955 924,362	Nil
Michael Rousseau	55,571 30,000	Jan 1, 2014 to Dec 31, 2016 Jan 1, 2015 to Dec 31, 2017	567,380 306,300	Nil
Benjamin Smith	50,328 8,000 34,000	Jan 1, 2014 to Dec 31, 2016 Jan 1, 2015 to Dec 31, 2017 Jan 1, 2015 to Dec 31, 2017	513,849 81,680 347,140	Nil
Klaus Goersch	47,182 17,000	Jan 1, 2014 to Dec 31, 2016 Jan 1, 2015 to Dec 31, 2017	481,728 173,570	Nil
David Shapiro	19,398 11,500	Jan 1, 2014 to Dec 31, 2016 Jan 1, 2015 to Dec 31, 2017	198,054 117,415	Nil

(1) Based on the closing price of the Air Canada shares (\$10.21), on December 31, 2015.

Restricted Share Units:

Name	Share-based awards			
	Number of shares or units of shares that have not vested (#)	Performance Cycle	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
Calin Rovinescu	257,447 150,000 25,000 25,000 25,000 25,000 79,292 25,000 25,000 25,000 49,794	April 1, 2013 to April 1, 2016 June 27, 2013 to June 27, 2016 Nov 13, 2013 to Nov 13, 2016 Dec 13, 2013 to Dec 13, 2016 Jan 23, 2014 to Jan 23, 2017 Feb 14, 2014 to Feb 14, 2017 April 1, 2014 to April 1, 2017 July 18, 2014 to July 18, 2017 Dec 8, 2014 to Dec 8, 2017 Jan 23, 2015 to Jan 23, 2018 April 1, 2015 to April 1, 2018	2,628,534 1,531,500 255,250 255,250 255,250 255,250 809,571 255,250 255,250 255,250 508,397	Nil
Michael Rousseau	66,128 22,000 27,785 16,500	April 1, 2013 to April 1, 2016 June 27, 2013 to June 27, 2016 April 1, 2014 to April 1, 2017 April 1, 2015 to April 1, 2018	675,167 224,620 283,685 168,465	Nil
Benjamin Smith	58,723 20,000 25,164 4,000 19,000	April 1, 2013 to April 1, 2016 June 27, 2013 to June 27, 2016 April 1, 2014 to April 1, 2017 Oct 1, 2014 to Oct 1, 2017 April 1, 2015 to April 1, 2018	599,562 204,200 256,924 40,840 193,990	Nil
Klaus Goersch	56,170 15,000 23,591 13,000	April 1, 2013 to April 1, 2016 June 27, 2013 to June 27, 2016 April 1, 2014 to April 1, 2017 April 1, 2015 to April 1, 2018	573,496 153,150 240,864 132,730	Nil
David Shapiro	30,298 7,000 12,123 7,000	April 1, 2013 to April 1, 2016 June 27, 2013 to June 27, 2016 April 1, 2014 to April 1, 2017 April 1, 2015 to April 1, 2018	309,343 71,470 123,776 711,470	Nil

(1) Based on the closing price of the Air Canada shares (\$10.21), on December 31, 2015.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

On December 10, 2015, the Human Resources and Compensation Committee approved the vesting, as at December 31, 2015, of 1,222,323 performance-based stock options and 1,752,454 performance share units previously issued under the Corporation's Long Term Incentive Plan, based on achievement of the three year and four year prescribed performance vesting conditions (as described in more detail on pages 53 to 57 of this circular). The vesting price of the applicable performance share units was based on the 5-day volume weighted average trading price of the Air Canada shares between December 10 and 16, 2015.

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, 2015 on the vesting date of such awards. As concerns non-equity plan compensation, the table below summarizes the aggregate amount of such compensation received by each Named Executive Officer during the year ended December 31, 2015. 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" at page 68 of this circular.

Name	Option-based awards					Non-equity incentive plan compensation
	Options Vested	Exercise Price (\$)	Vesting Date	Market (closing) Price of Shares on the Date of Vesting (\$)	Value Vested during the Year ⁽¹⁾ (\$)	Value Earned during the Year ⁽²⁾ (\$)
Calin Rovinescu	359,850	2.34	February 10, 2015	13.25	3,925,964	2,970,006
	89,962	2.34	April 8, 2015	12.38	903,218	
	115,685	0.96	April 2, 2015	12.07	1,285,260	
	462,740	0.96	December 31, 2015	10.21	4,280,345	
	102,394	3.04	April 1, 2015	11.93	910,283	
	56,250	2.49	June 27, 2015	13.46	617,062	
	31,537	5.39	April 1, 2015	11.93	206,252	
Michael Rousseau	18,678	0.96	April 2, 2015	12.07	207,513	832,500
	74,711	0.96	December 31, 2015	10.21	691,077	
	24,798	3.04	April 1, 2015	11.93	220,454	
	10,000	2.49	June 27, 2015	13.46	109,700	
	11,288	5.39	April 1, 2015	11.93	73,824	
Benjamin Smith	108,100	2.34	February 10, 2015	13.25	1,179,371	930,000
	27,025	2.34	April 8, 2015	12.38	271,331	
	16,586	0.96	April 2, 2015	12.07	184,270	
	66,346	0.96	December 31, 2015	10.21	613,701	
	22,021	3.04	April 1, 2015	11.93	195,767	
	8,750	2.49	June 27, 2015	13.46	95,988	
	10,223	5.39	April 1, 2015	11.93	66,858	
	1,500	8.27	October 1, 2015	10.68	3,615	
Klaus Goersch	25,000	1.28	October 1, 2015	10.68	235,000	610,000
	21,064	3.04	April 1, 2015	11.93	187,259	
	7,500	2.49	June 27, 2015	13.46	82,275	
	9,584	5.35	April 1, 2015	11.93	63,063	
David Shapiro	41,850	2.34	February 10, 2015	13.25	456,584	350,000
	7,844	0.96	April 2, 2015	12.07	87,147	
	31,378	0.96	December 31, 2015	10.21	290,247	
	11,362	3.04	April 1, 2015	11.93	101,008	
	3,125	2.49	June 27, 2015	13.46	34,281	
	4,244	5.39	April 1, 2015	11.93	27,756	

(1) 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.

(2) Represents amounts paid pursuant to the Annual Incentive Plan in 2015, and corresponds to the amounts disclosed in the Summary Compensation Table on page 68 of this circular under the heading "Non-equity incentive plan compensation Annual incentive plans".

The performance share units of the Named Executive Officers that vested in 2015, based on the achievement of the Corporation's three-year annual EBITDAR target, are disclosed in the table below.

Name	Share-based awards			
	Performance Share Units Vested ⁽¹⁾	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year ⁽¹⁾ (\$)
Calin Rovinescu	718,085	December 31, 2015	10.55	7,575,796
Michael Rousseau	168,170	December 31, 2015	10.55	1,774,194
Benjamin Smith	148,298	December 31, 2015	10.55	1,564,544
Klaus Goersch	134,894	December 31, 2015	10.55	1,423,132
David Shapiro	60,447	December 31, 2015	10.55	637,716

(1) The vesting of the performance share units was in the form of cash for all NEOs.

The restricted share units of the Named Executive Officers that vested in 2015 are disclosed in the table below.

Name	Share-based awards			
	Restricted Share Units Vested	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year ⁽¹⁾ (\$)
Calin Rovinescu	290,866	April 2, 2015	12.35	3,592,195
Michael Rousseau	49,808	April 2, 2015	12.35	615,129
Benjamin Smith	44,231	April 2, 2015	12.35	546,253
Klaus Goersch	Nil	Nil	Nil	Nil
David Shapiro	22,821	April 2, 2015	12.35	281,839

(1) The vesting of the restricted share units was in the form of cash for all NEOs.

RETIREMENT PLAN BENEFITS

Air Canada provides its Named Executive Officers hired prior to October 1, 2012 with a non-contributory, final average earnings defined benefit registered pension plan (the "**Pension Plan**"). Air Canada also provides its Named Executive Officers 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 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).

Effective January 1, 2014, changes were made to the pension arrangement mainly with respect to the early retirement conditions. Under the amended provisions, if an executive retires after 2013, he or she will be 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. However, executives who reached the criteria of age 55 and 80 points by the end of 2013 will remain eligible to an unreduced pension without consent required by Air Canada. Under the terms of federal pension legislation, should any member leave employment at least 10 years prior to the date they become eligible for an unreduced pension without the consent of the administrator, he or she is entitled to elect a lump sum payment from the Pension Plan in lieu of an immediate or deferred pension. Such eligibility is determined without regard to

additional years of pensionable service which are credited in the SERP. In accordance with the terms of the SERP, the payment option that an executive elects in the Pension Plan is also applicable to the SERP.

In 2012, the Corporation established a non-contributory defined contribution pension plan for new executives. At Air Canada's discretion, executives hired in 2012, but before October 1, 2012, were provided a choice to participate in the defined benefit pension plan or the defined contribution pension plan; executives hired on or after October 1, 2012 automatically participate in the new defined contribution pension plan. Under the plan, the Corporation contributes a percentage of the individual's salary into a registered defined contribution pension plan up to the maximum permissible under the *Income Tax Act* (Canada). A SERP was established in 2013 for contributions in excess of the maximum permitted by the *Income Tax Act* (Canada).

The following tables provide information on the pension benefits of each Named Executive Officer calculated as of December 31, 2015.

DEFINED BENEFIT PLAN

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⁾	At age 65 ⁽³⁾				
Calin Rovinescu ⁽⁸⁾	23.6400	323,000	706,000	7,266,300	517,000	232,500	8,015,800
Michael Rousseau	13.2500	141,000	270,500	2,236,700	294,200	-44,100	2,486,800
Benjamin Smith	21.0833	223,500	371,100	2,634,800	670,200	-109,700	3,195,300
David Shapiro	18.4167	138,000	219,300	1,920,500	127,400	94,800	2,142,700

- (1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2015, including, as the case may be, any additional pensionable service credited pursuant to the Named Executive Officer's individual employment agreement.

- Mr. Rovinescu's years of credited service include two employment periods with the Corporation; 2000-2004 and 2009 to date. No years of additional pensionable service were credited to him in respect of his second period of employment.

In connection with their respective retention arrangements:

- Mr. Rousseau was credited with an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Pursuant to a 2014 retention arrangement, Mr. Rousseau will be credited with an additional 5 years of pensionable service and will be entitled to receive an unreduced pension on the earlier of age 60, death or involuntary termination for reasons other than cause; and
 - Mr. Smith was credited with an additional 3 years of pensionable service on March 1, 2012 upon his completion of 10 years of continuous service, with an additional 3 years of pensionable service as of January 1, 2014, and will be credited with an additional 3.25 years of pensionable service when he will attain age 55.
- (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, 2015. 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 as of age 65, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2015 and his credited service being projected to age 65 (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 2014 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 3% for 2015, and 2.5% per annum thereafter (plus merit scales), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 4.0%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2014 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 2015, 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 is calculated using the same assumptions that were used for 2014 year-end financial statement reporting purposes, including a discount rate of 4.2%. The amounts disclosed with respect to changes in salary reflect 2015 year-end assumptions.
- (6) The non-compensatory change in the accrued obligation for the Corporation's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year.

- (7) The accrued obligation at the end of the Corporation's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2015 and is based on 2015 year-end assumptions, assuming a going-concern basis. The 2015 assumptions used for determining the accrued obligation are the same as those used for 2015 year-end financial statement reporting purposes. In particular, a discount rate of 4.1% was used, which reflects corporate AA bond yields at the end of the year.
- (8) Mr. Rovinescu was entitled to an annual pension payable of \$168,600 in relation to his previous period of employment with the Corporation. Effective November 1, 2009, all pension payments in relation to his previous employment with Air Canada were voluntarily suspended. Benefits related to his previous employment continue to accrue and become payable to Mr. Rovinescu upon his departure / retirement from Air Canada, together with the pension that will accrue from his current period of employment. In November 2014, his employment agreement was modified to bring his pension closer to market competitive levels and to serve as a retention incentive. 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 as of December 31, 2017.

DEFINED CONTRIBUTION PLANS⁽¹⁾

Name	Accumulated value at start of year (\$)	Compensatory Change (\$)	Accumulated value at year end (\$)
Klaus Goersch	129,500	71,100	194,700

- (1) The gross amount of contribution made to the defined contribution plan and SERP for executives is included in the compensatory change, whereas the income tax paid and investment earnings are included in the non-compensatory change.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The obligations of the Corporation vis-à-vis its Named Executive Officers in the event of termination were described above under the heading "Compensation of the Named Executive Officers" at page 60 and following of this circular.

Air Canada is currently a party to change of control agreements with each of Messrs. Rovinescu, Rousseau, Smith and Goersch. 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 two 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:

(i) 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; or (ii) any event forming part of the Plan of Arrangement of ACE Aviation Holdings Inc. as described in its press release dated December 10, 2008 and the material change report dated December 19, 2008 (Form 51-102F3) as filed with the Ontario Securities Commission.

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

Each of Messrs. Rovinescu, Rousseau, Smith and Goersch would become entitled to the payments and benefits to which they are entitled under the terms of their respective employment agreement in the event of a termination without cause. Additionally, Messrs. Rovinescu, Rousseau and Smith, will be entitled to receive an additional two years of pensionable service and Mr. Goersch will be entitled to receive a lump sum payment equal to a two-year contribution to his defined contribution plan.

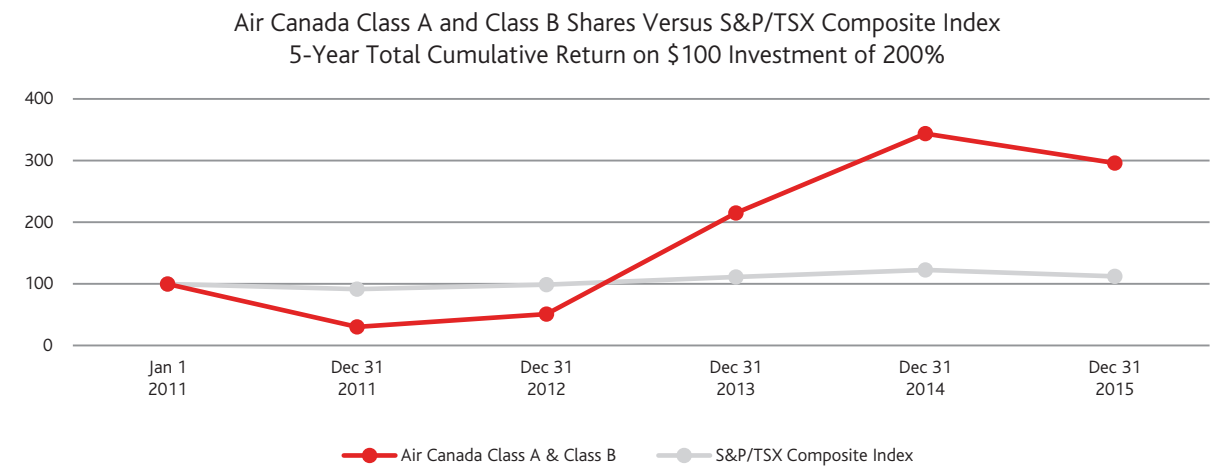
Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a "Hostile Change of Control", Mr. Rovinescu has the right at any time within two years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have the same effect as) a termination without cause under the terms of his Employment Agreement (the payments and benefits to which he would then be entitled having been summarized at page 62 of this circular). Under this agreement, a "Hostile Change of Control" is defined as follows:

a "Change of Control" (as was defined above) that results from the take-up of securities under a "take-over bid" (as such term is defined in Québec Regulation 62-104 respecting take-over bids and issuer bids ("**62-104**")) that is not exempt from the formal bid requirements set out in Part 2 of 62-104 including any acquisition of securities under a statutory right of compulsory acquisition or any second step business combination within the meaning of Québec Regulation 61-101 respecting protection of minority security holders in special transactions, in each case within 120 days following the completion of such take-over bid, and such take-over bid: (i) was not solicited, initiated, approved or recommended by the Board of Directors of Air Canada (a "Hostile Bid"), (ii) was solicited, initiated, approved or recommended by the Board of Directors of Air Canada in response to or as an alternative to a Hostile Bid, or (iii) was initially a Hostile Bid but was ultimately approved or recommended by the Board of Directors of Air Canada based on one or more modifications or variations to the take-over bid whether at the request or suggestion of the Board of Directors of Air Canada or otherwise.

STOCK PERFORMANCE GRAPH

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, 2011 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2011 and ended December 31, 2015. Effective November 3, 2014, the Class A variable voting shares and the Class B voting shares started trading on the TSX under the single ticker "AC". Prior to that date, the Class A variable voting shares and Class B voting shares traded on the TSX under their respective symbols AC.A and AC.B.



The price of Air Canada's Class A variable voting shares and Class B voting shares rose almost 200% from December 31, 2010 to December 31, 2015.

The Corporation's executive compensation program, which includes base salary and short-term and long-term incentive programs, are designed to align Air Canada's financial and market performance with the value its Named Executive Officers receive from these performance-based programs. Cash compensation of Air Canada's Named Executive Officers has remained fairly constant relative to the Corporation's EBITDAR. The cash compensation of Air Canada's Named Executive Officers has remained largely unchanged over the past three years, whereas a large portion of compensation is in the form of long-term stock-based incentives, as described on page 51 of this circular under the heading "Components of Executive Compensation". Realized payouts related to Long Term Incentive Plan awards are directly affected by share price, both negatively and positively, 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.

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 Adjusted Net Income and of EBITDAR. The total aggregate compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2013, 2014 and 2015 years.

	2013	2014	2015
Total aggregate NEO compensation (\$ millions) ⁽¹⁾⁽²⁾	14.71	13.02	16.1
Adjusted Net Income (\$ millions)	340	531	1,222
As a percentage of Adjusted Net Income	4.3%	2.4%	1.3%
EBITDAR (\$ millions)	1,433	1,671	2,534
As a percentage of EBITDAR	1.03%	0.78%	0.64%

(1) Named Executive Officers for each of the 2013, 2014 and 2015 years consist of:
Calin Rovinescu, Michael Rousseau, Benjamin Smith, Klaus Goersch and David Shapiro.

(2) Total amount of compensation excludes pension value paid to the Named Executive Officers.

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, 2015 to October 1, 2016 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The aggregate premium for this period of insurance is US\$1,043,931. 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 March 24, 2016, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer are indebted to Air Canada or any of its subsidiaries. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

MAIL SERVICE INTERRUPTION

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

Alberta

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

British Columbia

1066 West Hastings Street
Suite 1600
Vancouver, British Columbia

Ontario

320 Bay Street
B1 Level
Toronto, Ontario

Québec

2001 Robert-Bourassa Boulevard
Suite 1600
Montréal, Québec

SHAREHOLDER PROPOSALS FOR OUR 2017 ANNUAL MEETING

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2017 annual shareholder meeting. Please send your proposal to the Corporate Secretary of Air Canada at P.O. Box 14,000, Station Airport, Dorval, Québec, H4Y 1H4 by December 23, 2016.

HOW TO REQUEST MORE INFORMATION

Documents you can request

Financial information with respect to Air Canada 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, 2015. You can ask us for a copy of the following documents at no charge:

- Air Canada's annual report for the year ended December 31, 2015, which includes our consolidated annual financial statements together with the accompanying auditors' report, and our related MD&A;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2015, and our related MD&A; and
- our Annual Information Form for the year ended December 31, 2015.

Please write to Shareholder Relations of Air Canada at Air Canada Centre, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

These documents and additional information are available on our website at www.aircanada.com and on SEDAR at www.sedar.com. All of our news releases are also available on our website.

Receiving information electronically

You can choose to receive electronically our corporate documents, such as this circular and our annual report. You will receive an e-mail notifying you when they are available on our website. If you do not sign up for this service, you will continue to receive these documents by mail.

How to sign up – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact CST at 1-800-387-0825.

To sign up, go to the website www.canstockta.com/electronicdelivery 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 not sure whether you are a non-registered shareholder, please contact CST at 1-800-387-0825.

To sign up, go to the website www.investordelivery.com and follow the instructions.

How to sign up – employees holding shares under the Employee Share Ownership Plan or the Employee Recognition Share Award Plan of Air Canada

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766.

To sign up, go to the website www.computershare.com/employee/ca and follow the instructions.

SCHEDULE "A"

NON-BINDING ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

"BE IT RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular delivered in advance of the 2016 annual meeting of shareholders."

SCHEDULE "B"

AIR CANADA

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 Nominating Committee of the Board.

The Nominating Committee of the Board maintains an overview of the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. The 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.

Retirement Age for Directors

The policy of the Board is that no person shall be appointed or elected as a director if the person exceeds 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 Corporate Matters 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 Corporate Matters 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;
- (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 key 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 management's organization plans and reporting structure, succession plans for executive management and contingency plans in the event of disability of key executives;
- (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 Corporate Matters Committee, an annual assessment of the Board and the Committees and of individual members of the Board;
- (r) selecting, upon the recommendation of the Nominating Committee, nominees for election as directors;
- (s) selecting a Chairman of the Board;
- (t) reviewing with the Governance and Corporate Matters 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 consider if an "in-camera" meeting under the chairmanship of the Chairman would be appropriate. 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 all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally change the nature of the pension arrangement for all retirement plans, with the exception of small foreign plans established outside the United States and the United Kingdom where the expected impact of such decisions on the Corporation is not material.

(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 Pension Committee.

(IV) Supplemental Executive Retirement Plans

- (i) *Initiation, Change and Termination* – The Board shall approve all decisions to initiate, terminate, and/or otherwise change the terms of any supplementary retirement plans established for executive management of the Corporation.
- (ii) *Funding and Contributions* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a supplementary 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 Pension Committee.

VIII. BOARD COMMITTEES

There are five Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Nominating Committee, the Human Resources and Compensation Committee, and the Pension Committee. The roles and responsibilities of each Committee are described in the respective Committee charters.

Members of the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, and the Nominating 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 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.

November 4, 2015

AIR CANADA 

A STAR ALLIANCE MEMBER 