Citizens of the world

Corporate Sustainability Report 2015
Air Canada Sustainability Mission Statement

Connecting people and communities is the essence of our business. We therefore share responsibility for the well-being of all communities and our decision-making is informed by considerations of economic, environmental and social sustainability.
AT A GLANCE

In fulfillment of its commitment to regularly update stakeholders on its corporate sustainability activities, Air Canada presents Citizens of the world 2015, its most recent corporate sustainability report.

The following document has been approved by Air Canada’s Board of Directors and is structured around four broad areas – safety, environment, employees and community – identified as being of primary concern in stakeholder consultations.

It also encompasses the Air Canada Leisure Group, consisting of Air Canada rouge® and Air Canada Vacations®, two wholly owned operating subsidiaries of Air Canada.

The report has been prepared in accordance with the principles developed by the Global Reporting Initiative (GRI), an internationally recognized standard for corporate reporting of economic, environmental and social performance. Development of the report was the responsibility of a 15-member steering committee composed of senior managers representing all major branches of Air Canada and chaired by the Vice President of Corporate Communications. Air Canada declares that its 2015 report has been prepared in accordance with the Core option of the Global Reporting Initiative G4 guidelines.
INTRODUCTORY LETTER FROM CALIN ROVINESCU

Each day we are reminded of the interdependence of all things and how seemingly unrelated, sometimes distant events can affect us directly. In such a world, achieving sustainability requires that we be mindful of these connections and recognize the obligations they impose upon us to act responsibly.

We at Air Canada fully subscribe to this worldview so considerations of sustainability are important factors in all that we do. Whether in the areas of safety, the environment, dealing with our employees or interacting with communities, there is an understanding that the choices we make and the actions we take can have far-reaching and long-lasting repercussions for not only our corporation, but also the world.

Transparency and accountability are essential, as the ability for stakeholders to determine how well we are delivering on our commitments helps drive us to achieve them. For this reason, we are proud to present *Citizens of the world, Air Canada’s 2015 Corporate Sustainability Report*. This is our fifth report, which in itself is evidence that sustainability activities and reporting are now ingrained at our corporation.

*Citizens of the world* provides both a descriptive and quantified review of the past year’s performance— with third-party, limited assurance for key metrics. Among our 2015 accomplishments were the successful completion of our biennial IOSA safety audit, the acquisition of additional higher-efficiency Boeing 787 aircraft, the negotiation of long-term labour contracts with key unions, and a significant expansion of the Air Canada Foundation’s fundraising and community investment program.

But the document is much more than that. It also sets forth measurable goals for the coming year and, in some cases, for years beyond that, so our programs can be evaluated and our progress tracked. As well, the annual exercise of reviewing the past year’s activities through the prism of sustainability is invaluable in reinforcing sustainability as a corporate value. The process of celebrating our achievements, acknowledging our shortcomings and identifying goals for the coming year is highly effective in focusing everyone on our responsibilities.

It is with great pleasure then that I present Air Canada’s fifth sustainability report and commit to report back to you again next year on this edition’s goals and our continued progress. In the interim, I invite you to assist us by providing feedback, either on this report or Air Canada’s sustainability programs more generally, at sustainability.developpement_durable@aircanada.ca.

Sincerely,

[Signature]

May 11, 2016
## SUSTAINABILITY PERFORMANCE HIGHLIGHTS

### KEY ACHIEVEMENTS 2015

#### Safety
- Successful completion of the IATA Operational Safety Audit resulting in zero findings for Air Canada and Air Canada rouge.
- Successful completion of the Transport Canada Program Validation Inspection.
- Enhanced Safety Risk Management associated with new international routes and new initiatives.
- Reduced Lost Time Injuries by six per cent against target of eight per cent for Air Canada mainline.

#### Environment
- Introduced six Boeing 787 aircraft, bringing to 12 the number of these fuel-efficient aircraft acquired under a fleet renewal program.
- Completed the retrofit of winglets on additional Boeing 767 aircraft.
- Launched a new fuel optimization program for the fleet to further advance GHG emission reductions.
- Implemented a redesigned leaveless website to improve stakeholder communications.
- Worked with partners to expand the scope of the Responsible Travel and Tourism Forum’s annual leadership awards to support broader environmental sustainability initiatives.

#### Employees
- Concluded landmark, 10-year agreements with CUPE and the IAMAW workers and a five-year agreement with Unifor.
- Increased front-line training by at least 50 per cent.
- Launched a Leadership Development program called Leading the AC Way.
- Launched the Shine program which empowers employees to recognize their colleagues for “above and beyond” actions.

#### Community
- Increased financial grants to charities by 95 per cent over the previous year, exceeding a target of 25 per cent.
- Achieved a fundraising target of $1 million for the fourth annual edition of the Air Canada Foundation Golf Tournament.
- Donated close to $240,000 to The Breakfast Club of Canada to support existing programs and the launch of five new programs in Aboriginal communities.
- Launched a French language channel for children on the In-Flight Entertainment System.
- Expanded Air Canada’s presence in local communities by increasing management presence at local events and management dialogue with local stakeholders.

### KEY GOALS FOR 2016

#### Safety
- Reduce Lost Time Injuries by three per cent.
- Conduct an employee culture survey to gauge the perception of internal stakeholders.
- Manage safety risk and hazards associated with the introduction of 10 new routes.

#### Environment
- Advance GHG emission reductions through the four pillar approach by:
  - Implementing the Analyzed Contingency Fuel Program onboard and a project to reduce Auxiliary Power Unit (APU) use while on the ground, to reduce GHG emissions.
  - Launching Canada’s Biojet Supply Chain Initiative (CBSCI) with partners, to advance bio jet supply logistics in Canada.
  - Completing analysis on the Air Canada Environmental Management System to align it with the recently updated ISO 14001 standard.

#### Employees
- Conclude agreements with CALDA for flight dispatchers, and Unifor for In-Flight Service and Flight Operations crew schedulers.
- Expand the leadership development programs (including coaching and mentoring) for greater reach and impact by doubling the size for classroom capacity and / or providing greater access to other branches in the organization.
- Continued focus on Customer Service excellence through new programs and development opportunities for front-line employees and management.

#### Community
- Increase fundraising target goal to $1.5 million (net).
- Increase overall donations to Children’s Miracle Network Canadian member pediatric hospitals by 10 per cent.
- Support the opening of three new Aboriginal Breakfast Club of Canada programs.

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1 The Air Canada Foundation is a stand-alone not-for-profit charitable organisation.
FINANCIAL PERFORMANCE

STRATEGY
Air Canada’s principal objective is to be among the best global airlines, to continually improve customer experience and employee engagement, and to create value for its shareholders.

KEY PRIORITIES
Air Canada is pursuing its principal goal of becoming a global champion through its focus on the following four core strategies:

- Revenue enhancement and cost transformation
- International growth
- Customer engagement
- Culture change

FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
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<tr>
<td>Operating revenues</td>
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<tr>
<td>Operating expenses</td>
<td>12,372</td>
<td>12,457</td>
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<tr>
<td>Operating income</td>
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<tr>
<td>Non-operating expense</td>
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<td>Net income</td>
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<td>Unrestricted liquidity at December 31</td>
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<tr>
<td>Diluted earnings per share</td>
<td>$1.03</td>
<td>$0.34</td>
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OPERATING EXPENSE BREAKDOWN

Canadian dollars in millions

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<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Aircraft fuel</td>
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<tr>
<td>Regional airlines expense</td>
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<td>Wages, salaries, and benefits</td>
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<td>Airport and navigation fees</td>
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<td>Aircraft maintenance</td>
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<td>Depreciation, amortization and impairment</td>
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<td>Sales and distribution costs</td>
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<td>Ground package costs</td>
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<tr>
<td>Food, beverages and supplies</td>
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<td>Communications and information technology</td>
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<td>Special items</td>
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<tr>
<td>Other</td>
<td>1,166</td>
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<td>Total</td>
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REVENUE BREAKDOWN

Canadian dollars in millions

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<td>Passenger</td>
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<td>Cargo</td>
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<td>Other</td>
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<td>Total</td>
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OPERATIONAL PERFORMANCE

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<tr>
<th>Description</th>
<th>2015</th>
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<tr>
<td>Revenue passenger miles (RPM) (millions)</td>
<td>67,545</td>
<td>61,616</td>
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<td>Available seat miles (ASM) (millions)</td>
<td>80,871</td>
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<td>Passenger load factor (%)</td>
<td>83.5%</td>
<td>83.4%</td>
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<td>Passenger revenue per RPM (Yield) (cents)</td>
<td>18.0</td>
<td>18.9</td>
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<td>Passenger revenue per ASM (PRASM) (cents)</td>
<td>15.1</td>
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<td>Operating revenue per ASM (cents)</td>
<td>17.1</td>
<td>18.0</td>
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<tr>
<td>Operating expense per ASM (CASM) (cents)</td>
<td>15.3</td>
<td>16.9</td>
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For additional information, including an explanation of certain terms used in these tables, refer to Air Canada’s 2015 Management’s Discussion and Analysis of Results of Operations and Financial Condition dated February 17, 2016 and Air Canada’s consolidated financial statements for the year ended December 31, 2015, both of which are available on Air Canada’s website at aircanada.com and on SEDAR at www.sedar.com

Corporate Sustainability Report 2015
OVERVIEW

Air Canada is Canada’s largest passenger airline. It operates the most scheduled flights in each of the domestic, U.S. and international markets for air travel within, to and from Canada.

In 2015, Air Canada, together with its leisure carrier Air Canada rouge and its Air Canada Express® regional partners, operated, on average, over 1,500 scheduled flights each day. With a fleet of 370 aircraft at yearend, these operators served more than 41 million customers, providing direct passenger service to 193 destinations on five continents. Air Canada is a founding member of the Star Alliance® of carriers, making it part of the world’s most comprehensive air transport network, serving approximately 1,300 destinations in 192 countries worldwide.

Air Canada is among the 20 largest commercial airlines in the world by traffic. In 2015, it recorded operating revenue of $13.9 billion (all figures in Canadian dollars), which places it among the largest 100 corporations in Canada. The corporation’s headquarters are located in Montréal and it employs approximately 29,000 people in Canada and in 28 other countries throughout the world.

Founded in 1937 as Trans-Canada Air Lines, the carrier was initially owned by the Government of Canada, which created it to provide passenger and cargo air services for Canadians. In 1965, the corporation’s name was changed to Air Canada reflecting the linguistic duality of the country. The corporation was fully privatized by 1989 through a public share offering and today Air Canada’s shares (AC) trade on the Toronto Stock Exchange (TSX).

ECONOMIC FOOTPRINT

Given the size of its annual operating expenditures (nearly $12.4 billion in 2015, including annual salaries, wages and benefits exceeding $2.3 billion), Air Canada’s economic footprint is large. Its contribution is estimated at more than 50 per cent of all aviation activity in Canada, including that of foreign airlines operating into the country. One indicator of the significance of its impact is the fact that the four largest airlines in Canada alone have an estimated total economic output of approximately $35 billion, including multiplier effects, and they sustain at least 268,000 jobs.

1 Includes employees at Air Canada, Air Canada rouge and Air Canada Vacations
2 Star Alliance is a trademark of Air Canada in Canada
3 Source: National Airlines Council of Canada
FINANCIAL SUSTAINABILITY

The global airline industry has long been characterized by single-digit margins, intense competition and sensitivity to economic fluctuations and geopolitical events. Business risk is always present and must be managed. Historically, this has been especially true for traditional network or legacy carriers such as Air Canada. After a difficult period that affected the entire industry in the first decade of the 21st century, Air Canada entered a period of growth and is pursuing a strategy to secure sustainable profitability over the long term.

In 2015, Air Canada generated adjusted net income of $1.2 billion ($4.18 per diluted share), exceeding the previous year’s record of $531 million ($1.81 per diluted share) or by 130 per cent. On a GAAP basis, annual net income was $308 million ($1.03 per diluted share), up from $105 million ($0.34 per diluted share) in the prior period. EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) was $2.5 billion, an improvement of 52 per cent over 2014.

These financial results are indicative of the progress Air Canada is making through a corporate strategy that is based on four key priorities. They are identifying and implementing cost reduction and revenue-generating initiatives, pursuing profitable international growth opportunities, promoting customer engagement and effecting culture change among employees. In 2015, the corporation achieved notable success in each of these areas.

The corporation ended the year with almost $3.0 billion in liquidity. Adjusted net debt grew by $1.2 billion to $6.3 billion mainly due to the impact of a weaker Canadian dollar on Air Canada’s foreign currency denominated debt (mainly $U.S.) and to the financing of new aircraft purchases. Nonetheless, Air Canada’s adjusted net debt to trailing 12 month EBITDAR ratio at the end of 2015 was 2.5 times versus 3.1 times at the end of 2014.

For several years, Air Canada, like many corporations with defined benefit employee pension plans, had been dealing with a significant pension solvency deficit. At the start of 2012, Air Canada’s pension solvency deficit exceeded $4 billion due in large part to low interest rates, which are used to calculate pension obligations. However, at the beginning of 2014, the Canadian plans moved into a surplus position and the trend continued so that its Canadian registered pension plans started 2016 with a $1.3 billion solvency surplus, improving the corporation’s financial flexibility and overall risk profile.

1 GRI information can be found on aircanada.com> About Air Canada> Corporate Sustainability Reports> 2015 Corporate Sustainability Report> 2015 GRI and for a discussion of risk factors in Management’s Discussion and Analysis of Results of Operations and Financial Condition, February 11, 2016, page 66
2 For a discussion on strategy, see Management’s Discussion and Analysis of Results of Operations and Financial Condition, page 10
3 Ibid., page 5
GOVERNANCE

In 2015, Air Canada was governed by an 11 member Board of Directors committed to meeting high standards of corporate governance in all aspects of the Corporation’s affairs. The Board and management believe that a strong, effective, independent Board plays a crucial role in protecting the interests of stakeholders, maximizing shareholder value and ensuring ethical business practices. This is of major importance to the Corporation and its stakeholders, who both rate ethical business practices and policies highly in the materiality matrix of sustainability issues affecting Air Canada, upon which this report is based.

In 2015, the Board extensively reviewed the Corporation’s governance practices and concluded that they comply with or exceed the requirements of National Instrument 58-101, Disclosure of Corporate Governance Practices. Air Canada regularly reviews its governance practices as developments warrant and continues to monitor changes closely and implements changes to its governance practices as the need arises.

Based on the 2015 management proxy circular and other public filings, Institutional Shareholder Services, Inc. (ISS) ranked Air Canada in the first decile in respect of corporate governance, for the third consecutive year, which is the highest ranking given to 10 per cent of the approximately 250 companies in the S&P/TSX Composite Index and represents the lowest governance risk.

As a means of living up to applicable corporate governance standards and maintaining best practices, Air Canada adopted and updates, as required, its Corporate Policy and Guidelines on Business Conduct, better known as the Code of Conduct1. Among other things, the Code addresses: compliance with laws (including those related to competition and anti-corruption), privacy, discrimination and harassment, fair dealing with other people and organizations, conflicts of interest and reporting suspected non-compliance.

All employees are required to abide by the Code, and members of the Board and management are required to complete an acknowledgment form on an annual basis confirming their undertaking in this regard. The Board, with the assistance of the Audit, Finance and Risk Committee, has the responsibility for monitoring compliance with the Code.

Air Canada encourages employees to report any concerns or suspected non-compliance with laws and regulations, the Code of Conduct or the Corporation’s policies through specified internal channels, including through an anonymous ethics reporting hotline that is actively promoted throughout Air Canada and administered by a third party. All hotline reports are promptly investigated and followed up to closure. Retaliation in any form against any employee who, in good faith, reports any concern or suspected non-compliance is strictly prohibited.

COMPLIANCE

Consistent with its stated goal of continuously improving its standard operating procedure, ethical standards and policy compliance, Air Canada has a full-time General Compliance Officer (GCO), and a Compliance Review Board as a management committee responsible for oversight of compliance programs and culture. The GCO manages a comprehensive annual Compliance Risk Assessment (CRA) process, methodology and related working tools for evaluating and measuring material legal, compliance, policy and contract risks integrated within Air Canada’s Enterprise Risk Management Program. Such risks are then managed through an annual Compliance Plan responding to the

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1 The 11th member was elected to the Board on May 12, 2015
2 A complete copy of this document can be obtained on SEDAR at www.sedar.com or on the Air Canada website at www.aircanada.com
CRA determinations and priorities, using effective working tools to help the Corporation mitigate such risks, maintain ethically sound business practices and achieve the highest possible level of compliance.

Air Canada’s integrity and compliance standards are further promoted by detailed policies, guidelines and training programs. It also employs a communications strategy to raise awareness of corporate values, principles and internal controls. Branches are provided with information, tools and techniques – including templates, registers and guidance documents – to help them meet program requirements. Continued real progress has been achieved in sustainably imbedding compliance awareness and reflexes into the regular business processes and rhythms of the Corporation.

The independence of the integrity and compliance programs is assured by the GCO’s reporting streams to the Board’s Audit, Finance and Risk Committee.

SUSTAINABILITY

Each year since 2012, the airline has published a comprehensive sustainability report in accordance with the reporting principles of the Global Reporting Initiative.

The corporation’s overall sustainability performance was recognized in 2015 when Air Canada’s stock was added to the Jantzi Social Index (JSI), which has been developed by Sustainalytics, an Amsterdam-based company that rates companies based on ethical behaviour. The JSI is a market capitalization-weighted common stock index consisting of 60 Canadian companies that pass a set of broadly based environmental, social and governance rating criteria. Such an index can be used by institutional investors in benchmarking the performance of socially screened portfolios and by financial institutions in developing responsible investment products. Inclusion in the JSI could make Air Canada more attractive to the growing number of ethical funds and other investors who seek to invest in responsible companies.

In order to reinforce the ongoing commitment to sustainability at Air Canada, the corporation has established a senior management standing committee responsible for overseeing sustainability activities and reporting on the corporation’s progress. Moreover, the corporation relies on a Materiality survey of stakeholders, including customers, suppliers and employees. The results of the 2015 sustainability report are based on how well the corporation addressed material issues identified in the survey.
RESULTS OF STAKEHOLDER ANALYSIS CONDUCTED IN 2014

AIR CANADA’S MATERIALITY MATRIX

- Importance to Air Canada’s business: evaluated through internal interviews and surveys
- Importance to stakeholders: evaluated from surveys of Air Canada customers, employees and suppliers
- Level of disclosure: all Air Canada public disclosures are considered (CS report, Annual report, AIF, website, etc.)
- Topics are ranked by decreasing materiality score
Safety first and last
On average, approximately 60,000 people a day fly on Air Canada, trusting the airline not only with their travel plans, but even more importantly, their personal safety. Recognizing this tremendous responsibility, Air Canada makes safety its top priority. It is an ethical and operational imperative for everyone at the corporation, embedded in everything we do.

Our top priority is also shared by all stakeholders. Safety was the single most important issue identified in the materiality assessment upon which this report is based. This makes it a key sustainability attribute as the success or failure of any airline depends directly upon its reputation for operating safely.

In 2015, Air Canada received two important third-party validations of its safety management. Air Canada and its leisure carrier Air Canada rouge both successfully completed their biennial IATA Operational Safety Audit (IOSA) with results that placed the corporation in the top two per cent in the global industry for safety. Second, Air Canada completed its biennial Transport Canada Safety Management System (SMS) audit.

Despite these extensive efforts, Air Canada experienced a serious safety incident during the year when flight AC624, an Airbus A320 carrying 133 passengers, landed short of a runway in Halifax, Nova Scotia, on March 29, 2015. No critical injuries resulted, however the aircraft sustained extensive damage. Air Canada supported an investigation by the Canadian Transportation Safety Board, whose report on the incident was not complete by yearend.

SAFETY MANAGEMENT

The management of safety is a critical responsibility at Air Canada and one that impacts almost every decision the airline makes. Given its importance, Air Canada has established the appropriate structure, processes and resources to ensure that all aspects of safety and safety stewardship are completed in a proper, efficient and proactive manner. To properly guide its safety work, Air Canada’s SMS serves as a framework within which systematic and comprehensive processes and procedures for managing risk are developed, applied and evaluated. It also creates a
common support structure for all operational groups, with clear elements and concise direction, so that they can perform their safety management functions effectively.

Air Canada's President and Chief Executive Officer is the designated accountable executive for Air Canada's SMS with Air Canada's Managing Director, Corporate Safety, Environment and Quality, responsible for day-to-day administration and corporate oversight of SMS policies and procedures. An integrated safety management process ensures that an appropriate flow of safety information reaches all levels throughout the corporation, whereas the Air Canada Corporate Safety Board, chaired by the chief executive, meets quarterly to oversee and guide the safety program. Achieving safety targets is one criterion in determining annual remuneration for senior executives.

**CORPORATE SAFETY STRUCTURE**

Within the Corporate Safety, Environment, and Quality (CSEQ) branch, three separate groups are jointly responsible for safety and support a broad range of operational requirements. These are:

1 **Safety Services and Initiatives**

   Its purpose is to ensure that employee safety programs are implemented and kept current. Among other things, it monitors compliance with the Canada Labour Code and other applicable regulations, and tracks employee safety-related incidents.

   Safety Services also provides primary and important support for a series of health and safety committees. These joint management/employee groups meet regularly to discuss relevant workplace issues, safety concerns and work practices in an effort to find common understanding and appropriate corrective actions to operational concerns.

   Additionally, the Safety Services group is also responsible for various other safety and training programs. This includes oversight of Air Canada's safety risk management system, managing and facilitating Corporate Safety-related training, and responsibility for Air Canada's continuous improvement program as it relates to corporate safety programs.

   The final component of the Safety Services group is the Emergency Management team. It is responsible for the development, implementation and maintenance of the Air Canada Emergency Response Plan.

2 **Data Management and Research**

   This group, consisting of experts recruited from across all the operational branches, forms the core safety team and serves to collect and manage information related to safety gathered through the use of the Safety Information Management System (SIMS).

   Supported by its Investigation and Flight Data Monitoring experts, this group catalogues trends in incidents, reports on safety of flight, conducts flight analysis and flight recreations, develops comprehensive statistical data for senior management and identifies trends, threats, risks and hazards facing the corporation's operations. The Investigation Staff leads all formal investigations, conducts industry benchmarking activities, participates in international aviation forums and provides detailed quality analysis on the SIMS tool, as well as the safety process itself.

3 **Corporate Quality Services**

   This team provides critical oversight for all operations and, through its work, ensures awareness and effective management of risk across the organization. This is specifically accomplished through detailed monitoring of corporate policies and day-to-day practices and by conducting internal, partner and external audits. Its members serve on international oversight committees and other organizations involved in safety, including IATA, assisting with formal audit assessments for the corporation, as conducted by Transport Canada, foreign regulators and IOSA. It also develops and manages corrective action plans to ensure policy compliance.
Perhaps as important, this group is a key part of the CSEQ structure that cooperatively, routinely and systemically monitors, reviews, challenges and verifies the corporation’s safety policies, processes, procedures and actions in order to deliver a safe and consistent operation across the airline.

During the year, CSEQ also assumed responsibility for Security and Regulatory Compliance to facilitate the tracking and monitoring of trends in the relevant data to ensure that the airline is safe from a security standpoint.

INFORMATION SHARING

Shared understandings through ease of communication are essential to safety. A key means by which information is shared is through the SIMS, a software tool that fully supports the corporation’s centrally managed, non-punitive safety reporting system designed to facilitate timely sharing of information.

In 2015, there were 21,946 reports filed through the SIMS, an increase of 9.8 per cent from the 19,985 reports filed in 2014. Although it may seem counter-intuitive, this increase in the level of reporting is positive because it demonstrates the confidence employees have that they can openly, and without personal risk, report their

EMERGENCY RESPONSE TAKES QUICK ACTION TO ASSIST CUSTOMERS

In the early hours of Sunday, March 29, 2015, Air Canada flight AC624 carrying 133 passengers and five crew from Toronto was involved in a serious incident landing at Halifax Stanfield International Airport. The accident sent 23 passengers and crew to area hospitals with non-critical injuries for observation and treatment, and prompted the airline to activate its emergency response protocol.

The overall response effort was managed from the airline’s Emergency Response Centre at Montreal headquarters, drawing on the experience gained from continuous simulations held over the years. As a result, best practices had been developed and everyone understood their role.

Multiple teams were involved in the response from virtually every branch of the organization. Some of the onsite responders included members of the Field Team, the Special Assistance Team (SAT), Aircraft Recovery, Media Relations, Claims, Legal and Finance. The Field Team was tasked to facilitate the processes associated with the field response, such as liaising with all agencies and authorities on site including the Transportation Safety Board, the Airport Authority and RCMP.

Central to the response was Air Canada’s SAT. The team’s role in emergencies is to assist passengers, families and friends with any immediate needs, including facilitating lodging, health care, meals and transportation. Its members are highly trained employees and retirees who volunteer their services and, as part of their training, SAT members are coached in empathetic and effective handling of passengers, family and friends.

Supporting SAT was the Special Assistance Centre (SAC) in Montreal, where passengers and their families could call for information about AC624. The team was comprised of Halifax-based members, who were the first deployed to assist with the Station Emergency Response, and Toronto-based members who were also deployed to the site to provide further assistance and relief for the station.

Further support was provided by Call Centres, which operate the Telephone Enquiry Centre accessed through a special high-priority toll-free number. Immediately after an incident calls are mostly from concerned family members and friends of those on board, but soon thereafter passengers themselves use the service to ask questions or get assistance.

Once the Transportation Safety Board released the aircraft to Air Canada, maintenance retrieved all passenger baggage. In one instance, when Air Canada employees went to retrieve personal effects and cabin baggage, they located an infant’s stuffed toy. With the toy being a little worse for wear, a local employee took it home, his wife carefully washed it and it was delivered to the infant’s mother. The aircraft recovery process was a team effort, done in consultation with our Fleet Engineering team and representatives from Airbus, the aircraft manufacturer.

Beyond this, many other departments and employees officially and unofficially played key roles in looking after affected customers while other employees ensured that the rest of the airline’s operations continued to run smoothly. Together their combined efforts proved the importance of good planning.
observations or concerns and possible hazards to the corporation. Further, it creates opportunities to improve operational procedures by analyzing the additional information gathered to assist in addressing undesired outcomes.

Finally, it underscores a strong and developing safety reporting culture that is critical to understanding the risks and hazards an organization faces. While safety reports generally address specific issues, this larger body of data allows the corporation an even greater opportunity to data mine for threats, hazards and unseen trends. A key responsibility for CSEQ is to examine the database and identify risks and hazards for the benefit of all employees, and to bring these to the attention of senior executives.

SAFETY RISK PROFILE
A key output to the Corporate Safety Board is the Safety Risk Profile (SRP), which is produced quarterly. This report highlights the top safety risks the corporation faces and provides detailed insight into the specific elements that comprise the overall safety risk. The data are both general in nature to address corporation policies and also detailed enough to allow specific areas of the corporation to focus on challenges within their own operation. The SRP covers an extensive breadth of issues, including cockpit distractions, aircraft maintenance events, aircraft damage, passenger issues and non-compliance with Standard Operating Procedures (SOPs), delays, performance pressures and security events.

As important, the SRP is developed from an assessment of all risks, hazards and occurrence reports, as well as from other safety inputs such as Quality Audits, Investigation reports, Flight Data Analysis, industry and regulatory assessments from bodies such as IATA, and reports from partners.

THIRD PARTY SAFETY AUDITS
During 2015, both Air Canada and Air Canada rouge successfully completed key safety audits conducted by third parties. The biennial IATA Operational Safety Audit, or IOSA, was undertaken in November 2015. The audit looked at over 900 standards and recommended practices to assess the operational management and control of the airline, and for mainline there were “zero findings; four observations” while Air Canada rouge had “zero findings; three observations.”

For the past seven years Air Canada has had results of “zero findings” from IOSA audits, putting the airline in the top two per cent of carriers with respect to safety. This was Air Canada rouge’s second IOSA audit and the second time auditors reported “zero findings” for the leisure carrier. The IOSA program is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IATA members must remain IOSA registered to maintain their membership. Successful completion of this biennial audit is also a requirement for all Star Alliance® members.

Another audit undertaken during the year was Transport Canada’s Program Validation Inspection (PVI). It entails research and on-site review of one
or more components of the airline’s SMS or other regulated areas of the corporation’s operations. Its goal is to monitor compliance with regulatory requirements and to measure the effectiveness of an airline’s SMS. Among other things, it evaluates quality assurance, maintenance control systems, risk management, and hazard identification and reporting. Although Air Canada passed the audit, its results were being finalized at the time this report was written.

Other important third-party validations of the corporation’s health and safety programs came from provincial agencies, such as the Alberta Health and Safety Program audit, where employees achieved a 96 per cent score in the provincial Partnerships in Injury Reduction program (PIR). It is run by Workers’ Compensation Board of Alberta, and is designed to encourage injury prevention and the development of effective workplace health, safety and disability management systems.

The most recent PIR audit took place in the fall of 2015. It reviewed health and safety programs in Calgary and Edmonton, including processes and documentation for their effectiveness, plus interviews with approximately 100 employees to get the pulse of the corporation’s management systems. Three years ago, Air Canada was invited to participate in this voluntary program as a way to review its internal processes and procedures while gaining insight into employees’ safety culture. Since 2012, Air Canada has increased its results to 96 per cent from 87 per cent, reflecting advancements in the area of employee health and safety.

Similarly, Air Canada also passed an audit by the Workplace Health, Safety & Compensation Commission of Newfoundland and Labrador (WHSCC). It entailed a review of the fundamentals of health and safety, policies and programs, including the corporation’s Return to Work Program. Passing the audit means Air Canada is eligible for the WHSCC’s PRIME program, which gives the corporation the opportunity to utilize the services of the WHSCC for campaigns, support and other benefits.

SAFETY EVENT NOTIFICATION

In early 2015, Corporate Safety together with the operational branches, officially rolled out a new safety notification process that expanded the reporting of safety-related incidents to include both flight and ground events, as well as implemented an easy-to-understand colour-coded severity system for these events.

The program is used by all operational branches and has resulted in more than 1,500 reports for the year. The data generated, and the ability to access it through multiple sources, has provided the organization with the opportunity to track damage costs, effectively mitigate injury concerns and provide emotional support to family and friends from a corporate level should a significant event occur. Due to the immediate reporting the program allows, Air Canada has the opportunity to respond quickly and appropriately to the incident.
With the quicker notification, the airline is also now able to track and identify any trends for all damage events on a cost basis. As soon as a damage event is reported, the maintenance team assigned to undertake repairs will track their hours of labour and the costs of all parts. Additionally, associated costs such as those related to customer inconvenience, ferry flight costs, extra navigation fees and fuel expenses are also calculated. This gives a more precise picture than before of the costs and enhances the airline’s ability to manage them.

SAFETY TRAINING

Safety training programs serve a dual purpose in that they provide employees with the skills and knowledge to perform their work safely and also reinforce the safety culture at Air Canada. For this reason, there is recurrent safety training in all areas of the corporation and, in 2015, existing programs were strengthened to offer additional capabilities.

During the year, Human Resources (HR) and Corporate Safety jointly introduced the new Workplace Violence and Harassment Prevention Policy for employees. Air Canada recognizes every employee’s right to work in an environment that is free of all types of violence and harassment and it has committed to maintain a violence and harassment-free workplace. To reinforce the new policy, HR and the corporate safety branches developed a training program that consists of an online module that provides employees and management with guidance and tools. A supplemental in-person session is planned for 2016.

Another initiative was a slide safety program, which was developed in response to an increase in accidental deployments of aircraft evacuation slides. To ensure the proper handling of “armed” aircraft doors, an easy-to-remember acronym was developed and reinforced through various communications to ensure safe slide operations. Finally, the Corporate Safety branch also developed a Lead Safety Program designed for airport leads that provides them knowledge of the operation and highlights the importance of their role in ensuring safe operations.

The emphasis on safety also makes Air Canada a safe place to work. For example, at Air Canada mainline in 2015, Total Injuries (of 4808) were up four per cent from a year ago, but this was attributed to more focused efforts on reporting and greater awareness of the corporation’s desire to cultivate a reporting culture. Lost Time Injuries declined 6.15 per cent (911 to 855) from the previous year, the sixth straight year of decline. While we did not meet our Lost Time Injury goal (of 838), the corporation did attain its target of decreasing lost time injuries by eight per cent measured on the basis of injuries per 10,000 flights, which is a rate generally used in the aviation industry.
“I WORK SAFELY FOR...”

At Air Canada, safety is emphasized from the highest levels of the corporation. But for a workplace to be truly safe, it is vital that everyone throughout the organization has safety top of mind.

To encourage people to think about safety, Air Canada introduced a program in 2015 called “I Work Safely For...” that asked employees to complete the sentence. The aim was to personalize the safety message and heighten awareness among employees that their safety was important not only to themselves but to those closest and dearest to them. Nearly 900 employees submitted responses and Air Canada intends to expand the program next year. Here is a sampling of some answers:

• I was 12 years old when my father was killed at work. Every day since I have missed him. Ultimately that line between life and death is permanent, final and non-negotiable. He taught me how valuable life is, how delicate it is, and how quickly everything can change in a mere second. Be safe, plan ahead but stay in the moment, be informed, don’t wait until tomorrow, leave others better, not worse.
  — Erica Schmid, Service Director

• I work safely for myself because I want to enjoy my gift of life to the fullest. I work safely for my colleagues, in order to ensure an environment in which we can all continue to live with health and happiness, which in turn affects those we love.
  — Krista Rahn, Flight Attendant

• I work safely for anyone around me. I would not want my actions to be the reason a co-worker, or a passenger became injured or worse. Nobody wants that dreaded phone call from a family member’s work to say there has been an injury or fatality.
  — Sally Crowther, Lead Station Attendant

• When I get home I take a look at my kids and my family playing, happy, smiling, enjoying life and then I can say to myself: “That’s Why I Work Safe”
  — Sandra Nicholson, Lead Designer- CSSA Training

• I work safely so I can spend the holidays with my family, have fun with my friends and so that I know I will be home every night to feed the cat. An injury at work could affect my physical and mental health, paralyzing my ability to enjoy my life and support the people in it who are important to me. I would never want to be an unnecessary burden to the people I care about or miss out on a long healthy happy life because I was careless about my own safety and put myself at risk.
  — Elyse Carro, Non Revenue Flight Operations Manager

• I work safely for myself because I want to enjoy my gift of life to the fullest. I work safely for my colleagues, in order to ensure an environment in which we can all continue to live with health and happiness, which in turn affects those we love.
  — Krista Rahn, Flight Attendant

WORKPLACE MEASURES

A significant new measure instituted in 2015 came in response to an incident involving Germanwings in March of that year. Air Canada now requires two crew members in the flight deck at all times. This policy change, adopted voluntarily before new Canadian government regulations to this effect were introduced, is designed to ensure there is always a second crew member present to help maintain the integrity of flight operations.

An important initiative from prior years that was continued in 2015 was the installation of Automated External Defibrillators (AEDs). This is now a relatively mature program at Air Canada, having run for more than four years, and in 2015 six new AED stations were commissioned. There are 77 AEDs installed throughout Air Canada facilities, reflecting Air Canada’s commitment to safety across its workplaces, from the local office to its newest aircraft. Aside from AEDs, Air Canada is also examining additional employee safety initiatives to improve the quality of the workplace.

Air Canada’s commitment to healthy workplaces was also reflected in the design of a new call centre opened in Tampa, incorporating ergonomic features. Prior to opening the centre, the corporation benchmarked against other companies, including Disney®, to arrive at a design that is comfortable and appropriate for employees. Among its features are large windows with breathtaking views of the Tampa airport runway, and a relaxation area.

During the year, Air Canada experimented with new technology to help lift bags at its Halifax station. Vaculex is a lifting system that uses

1 Disney® is a registered trademark of Disney Enterprises, Inc.
vacuum suction to lift heavier objects. One of the key benefits of this system is that it places less strain on the body, which in turn reduces injuries. Air Canada purchased Vaculex through Nova Scotia’s Workers’ Compensation Board Surcharge Program which encourages employers to create safer workplaces, in this case by reimbursing the system purchase and installation cost. Already, there has been a significant reduction in injuries and employees are so pleased with the device, they took it upon themselves to produce a demonstration video that they posted to YouTube.

There were other technology-related safety programs implemented during the year. One was a trial using headsets for crews to communicate while they are pushing back aircraft. The wireless headsets will also be tested with De-Icing, Training and Maintenance as a way to advance safety through new communication tools. As well, the corporation continues to test electronic wheelchairs, a technology that was first used in Halifax and has since been introduced in Vancouver, Toronto and Calgary. The corporation now has 25 electronic wheelchairs in operation as a way to make it safer and easier for employees to handle customers in wheelchairs. Reflecting the belief that simply talking about safety is one of the most effective safety precautions, the corporation made extensive efforts to communicate its safety goals and raise awareness during the year. For example, the corporate safety representatives continued to build relationships with the corporation’s unions by attending a joint management-union conference hosted by the International Association of Machinists and Aerospace Workers at the union’s U.S. headquarters. The meeting was viewed as a way to benchmark with counterparts from the U.S. and to build connections and generate ideas that can be implemented in the future.

Also in 2015, the corporation ran a popular contest called "I Work Safely For..." where employees were given the opportunity to reflect deeply on not just why they work safely, but the people in their lives they work safely for. Nearly 900 employees took part, submitting touching and personal responses. Based on this success, the program will be expanded in 2016 through an interactive social media campaign to encourage employees at stations throughout the Air Canada network to highlight for each other safe work practices.

In order to further drive awareness and make the safety system accessible, Air Canada also maintains a CSEQ web page, available through the employee intranet site, that is continually updated. The page offers information to all employees concerning Air Canada’s safety and reporting policies, explains how the safety system works, and discusses the protections offered to employees who submit safety reports. There is information about safety occurrences, trends and hazards, corporate safety priorities, industry information, as well as guidance on how to use the SIMS, including how to find feedback on safety reports.

NATIONAL AWARENESS CAMPAIGNS
As part of its efforts to reinforce safety, Air Canada encourages its employees to take part in national awareness campaigns. For this reason, it actively participates in the Day of Mourning, a national event in April to commemorate workers killed on the job, and the North American Occupational Safety and Health (NAOSH) week each May. NAOSH aims to focus employers, employees, the
general public and the airline’s partners on preventing injury and illness, whether in the workplace, at home or in the community.

Air Canada also supported the launch of Transport Canada’s national campaign on laser safety, helping Canadians better understand the dangers lasers pose to aircraft. An Air Canada pilot, who was himself injured by a laser, attended the launch event with federal government representatives to highlight the importance of the issue and risks associated with incidents involving ground-based lasers being projected on aircraft. Air Canada continues to support the government’s campaign through the National Airlines Council of Canada.

Finally, Air Canada along with Canadian airport authorities have teamed up for awareness campaigns during Canadian Airports Safety Week. It promotes safety at work as a shared vision and common goal for all and seeks to ensure that everyone is able to go home safely to their families at the end of the working day. Each day was focused on a particular aspect of safety, including hazard reporting, security and airside vehicle operations.

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**PROGRESS ON 2015 GOALS**

- Successful completion of the Transport Canada Program Validation Inspection (PVI) **Achieved**
- Implement new safety strategies that address hazards and system deficiencies to reduce incidents and injuries **Achieved**
- Enhance safety risk management associated with new international routes, and new initiatives **Achieved**
- Reduce Lost Time Injuries by eight per cent **Not Achieved**

**GOALS FOR 2016**

- Reduce Lost Time Injuries by three per cent
- Conduct an employee culture survey to gauge the perception of internal stakeholders
- Manage safety risk and hazards associated with the introduction of 10 new routes
Environment

Working towards reducing our footprint
Successful companies strive for sustainability in all aspects of their business. However, it is most often a company’s environmental performance that receives the greatest attention. In the case of Air Canada, stakeholders rank the environmental issues of energy consumption, greenhouse gas emissions, waste management, sustainable procurement and noise as concerns in the materiality assessment that is the basis of this report. Consequently, the airline devotes significant resources to environmental management and Air Canada’s Environmental Policy states “Air Canada aspires to be an environmental leader within the global airline industry.” This applies particularly to the issue of greenhouse gases (GHGs) that contribute to climate change. But where for many industries meeting environmental targets can be operationally and financially onerous, for airlines there is a strong positive correlation between reducing fuel burn, emissions and operating costs. Fuel is the single largest expense for an airline such as Air Canada and the corporation spent approximately $2.5 billion on fuel in 2015.

As a result, any savings on fuel burn (and its associated emissions) strengthens the corporation’s economic performance, and spending on new equipment and technology to achieve these ends is generally regarded as a sound investment. Even small changes can have a significant benefit, as removing only one kilogram of weight fleet-wide translates into a savings of 16,180 litres of fuel, US$10,200 in lower fuel costs, and 41 fewer tonnes of GHG emissions released over the course of a year.

Air Canada therefore has multiple incentives to continually improve its environmental performance. It is the right thing to do for the good of the planet. The corporation’s stakeholders have expectations that it will behave responsibly in this regard. Moreover, it is good for business and the long-term sustainability of the corporation.

ENVIRONMENTAL MANAGEMENT

Air Canada is determined to mitigate its environmental impact and established an Environmental Management System (EMS) based on ISO 14001 – one of the first airlines in North
America to do so – to prescribe a systematic approach for monitoring, planning, implementing and continually improving its environmental performance. Following publication in September 2015 of an updated ISO 14001 standard, Air Canada commenced a review of its current EMS in 2015 and will continue working in 2016 to bring its EMS into alignment with this new standard.

Given Air Canada’s strategy of growing internationally and adding new foreign destinations to its global network, a function that will take on increasing importance for its EMS is analyzing environmental regulations of foreign jurisdictions. This will help ensure that Air Canada remains compliant with the laws and regulations in each jurisdiction where it flies, including prior to the launch of new routes.

When it comes to implementing environmental management practices, all employees play a role. The Environmental Affairs department provides quarterly reports to the Audit Committee of the Board of Directors and to the Corporate Environment Board, comprising senior levels of management. Furthermore, a cross-functional Fuel, Energy and Emissions Reduction Program, mandated to reduce the airline’s “gate-to-gate” fuel and energy consumption and emissions, reports to the Executive Vice President and Chief Operating Officer. This helps ensure that environmental considerations are factored into decision-making.

Removing only one kilogram of weight fleet-wide translates into a savings of 16,180 litres of fuel and 41 fewer tonnes of GHG emissions released over the course of a year.

Finally, the corporation’s Code of Conduct1, which managers are required to review and acknowledge each year, contains a specific provision outlining the corporation’s commitment to comply with all applicable environmental laws. All employees are asked to conserve resources and reduce waste and emissions through recycling and energy conservation measures. The Code further states that employees have a responsibility to promptly report any known or suspected violations of environmental laws or any events that may result in a discharge or emission of hazardous materials. The Code also requires that employees remain alert to the storage, disposal and transportation of waste, and handling of toxic materials and emissions into the land, water or air.

**GHG TARGETS**

Air Canada has adopted the ambitious collective International Air Transport Association (IATA) reduction targets for GHGs that include:

- Improving fuel efficiency by an average of 1.5 per cent per year from 2009 to 2020;
- Capping aviation CO₂ emissions from 2020, or carbon-neutral growth and,
- Reducing CO₂ emissions by 50 per cent by 2050 relative to 2005 levels.

Additionally, in 2005, as a then-member of the Air Transport Association of Canada, Air Canada supported the association’s agreement with Transport Canada for the world’s first voluntary agreement to reduce GHG emissions from aviation, a target that was exceeded several years ahead of schedule. Subsequently, Air Canada and the country’s three other largest carriers formed a new industry association, the National Airlines Council of Canada (NACC), which in 2012 signed Canada’s Action Plan to Reduce GHG Emissions from Aviation with the Federal Government and other key aviation stakeholders. This partnership sets an aspirational goal to reduce GHG emissions by improving fuel efficiency by an average rate of two per cent annually until 2020, measured against a 2005 baseline. As such, in the future Canada’s progress will be benchmarked against both the 2 per cent aspirational goal and the 1.5 per cent IATA target.

1 A complete copy of this document can be obtained on SEDAR at www.sedar.com or on the Air Canada website at www.aircanada.com
Air Canada is committed to these goals and has demonstrated continual progress in terms of its environmental performance. Between 1990 and 2015, Air Canada improved fleet fuel efficiency by 38 per cent, and in 2015 alone, its fuel efficiency initiatives are estimated to have saved almost 11,000 tonnes of fuel or approximately 35,000 tonnes of CO₂e (equivalent). The corporation was recognized in 2015 when it was ranked fourth among the top 20 most fuel-efficient carriers on a transatlantic route according to the International Council on Clean Transportation (ICCT).

FOUR PILLARS TO CURB GHG EMISSIONS

To reach emission reduction targets, Air Canada has adopted the aviation industry’s four pillar approach. The strategy entails the use of technology, operations, infrastructure and economic instruments. In 2015, significant progress was made in each of these areas.

PILLAR 1 TECHNOLOGY

The single most important factor in reducing GHG emissions has been the continuous improvement in aircraft and aircraft engine efficiency. According to IATA, since the 1960s fuel efficiency has improved by some 70 per cent per passenger kilometre; today’s aircraft are 75 per cent quieter than those manufactured 50 years ago, levels of carbon monoxide have come down by 50 per cent, and unburned hydrocarbons and smoke by around 90 per cent.

Air Canada has kept pace with these developments with an ongoing fleet renewal program that includes plans to have 37 Boeing 787 Dreamliners in its fleet by 2019. Air Canada had 12 Boeing 787s in its fleet at the end of 2015 and initial results show them to be about 20 per cent more fuel efficient than the Boeing 767-300 aircraft they are replacing. These aircraft represent a significant investment on the part of the corporation. As an indicative measure, the Boeing 787-9 version of this aircraft carries a list price of US$257 million.

Preparations also continue for a new narrow-body aircraft the corporation has ordered. Beginning in 2017, Air Canada will start taking delivery of the Boeing 737 Max, for which it has a firm order of 61 aircraft in a combination of the 737-8 and 737-9 variants. These aircraft will replace Air Canada’s current fleet of Airbus narrow-body aircraft that first entered the fleet in 1990. The 737 Max will feature the latest technology, CFM International LEAP engines and, according to the manufacturer, these aircraft will yield a 14 per cent fuel use improvement over today’s most fuel-efficient, single-aisle aircraft. The Boeing 737-8 has a list

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<th>UNIT</th>
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<th>2012</th>
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<td>Jet fuel consumed¹</td>
<td>3,937,668</td>
<td>3,677,543</td>
<td>3,505,271</td>
<td>3,554,678</td>
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<td>Weight of passengers and cargo by distance transported / 100¹</td>
<td>117,017,152</td>
<td>107,908,854</td>
<td>99,734,853</td>
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<td>Energy intensity ratio²</td>
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<td>34.08</td>
<td>35.15</td>
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<td>36.64</td>
</tr>
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¹ Air Canada and Air Canada rouge  
² The amount of fuel required to move 100 tonnes of people or cargo 1 kilometre  
³ www.iata.org/whatwedo/environment/Pages/index.aspx
price of US$106 million, evidence of a further significant investment in environmentally friendly technology by Air Canada.

Once complete, these new aircraft deliveries are expected to give Air Canada one of the youngest, most fuel-efficient fleets in the world. In the meantime, Air Canada is also acting to improve the efficiency of existing aircraft by equipping its current Boeing 767-300 aircraft flying for Air Canada rouge with blended winglets that reduce drag. This work began in 2013, and in 2015 four 767s were modified, which saved approximately 12,300 tonnes of CO₂e that year.

Sustainable aviation biofuel is a major part of the industry’s plan to achieve its mid- and long-term emission reduction goals and Canada has a significant opportunity to contribute to developing biofuels for the sector. First, it possesses the resources to sustainably produce large quantities of biofuel, whether from agricultural and forest residues, or specially grown oilseed crops, such as canola or camelina. Second, the country has the domestic expertise to refine those materials into a certifiable product.

During the year, Air Canada worked with its partners through the BioFuelNet Aviation Task Force on a number of initiatives. For example, it supported research undertaken by Waterfall Group and Novo Energy, in collaboration with BioFuelNet and SkyNRG, funded under Transport Canada’s Clean Transportation Initiative, to assess the feasibility of developing an aviation biofuel supply chain in Canada. This included an analysis of the associated environmental and sustainability benefits.

Building on the positive findings of this study, Canada’s Biojet Supply Chain Initiative (CBSCI) was established. CBSCI has received a grant from the

**STRAP RECYCLING**

A Strap Recycling Project at Air Canada Cargo in Toronto is diverting waste from landfill, making the workplace safer and saving about $20,000 a month in costs for new straps.

Before the program was introduced, used cargo straps, many of which were still serviceable, were left on ramps, in containers and bag rooms, and even on aircraft, and then often thrown out.

“It was during a conversation about recycling opportunities with John Collins, Toronto-based Station Attendant, that I discovered this opportunity,” says Terry Waithe, Customer Service Manager, at Air Canada Cargo in Toronto.

John had been collecting scattered straps for years to prevent serviceable ones from being thrown out. Presented with this information, Terry and his team used John’s knowledge and introduced a process to retrieve stray cargo straps, sort out the serviceable and unserviceable ones and put the serviceable straps back into circulation. They also presented the program to the Airports branch and the Greater Toronto Airport Authority (GTAA), both of which have supported their efforts to retrieve these as well as other stray cargo straps from companies operating at Pearson International Airport.

Recognizing the cost savings potential, Air Canada Cargo has also extended the program to other bases, with Halifax and London Heathrow sending surplus straps to Toronto where they are checked and verified for reuse or recycling.

As Provisions Coordinator, Hussain Ali explains, “This program has saved Cargo between $18,000 and $20,000 monthly on the purchase of new straps and prevented a significant amount of valuable resources being sent to landfill.”
Green Aviation Research and Development Network (GARDN), a non-profit organization funded by the Business-Led Network of Centres of Excellence of the Government of Canada and the Canadian aerospace industry, to carry out a feedstock to fuel supply chain project. In participating with the CBSCI, Air Canada will introduce 400,000 litres of alternative fuel, produced from a sustainable Canadian feedstock, blended with jet fuel, and integrated into a shared airport fuel system. The purpose of this project for the CBSCI team, which includes experts along the alternative fuel value chain, is to better understand the logistics involved in this process. The project will start from the initial validation that a sustainable feedstock is available, to using current supply chain infrastructure to deliver the blended fuel in an airport fuel system. Additionally, Air Canada is part of a consortium supporting an initiative by the Boeing Company, the University of British Columbia and SkyNRG, on a project to convert forest industry waste into sustainable aviation biofuel using thermochemical processing.

**PILLAR 2 OPERATIONS**

In order to maximize the benefit of modern, fuel-efficient aircraft, it is necessary that they be operated in a manner that optimizes their capabilities. To do this, Air Canada continually refines its procedures, not only in-flight, but also on the ground and in its maintenance activities.

For a number of years, Air Canada has used a variety of approaches to conserve fuel and has been expanding their use. In 2015, for example, it maintained its focus on implementing single engine taxiing more widely across the fleet, saving approximately 2,100 tonnes of CO₂e over and above the gains achieved for this initiative in 2014.

In 2015, Air Canada pilots were provided with paperless aeronautical navigational charts through an iPad app. The app is the final phase in a two-year process to adopt iPads, which enable pilots to keep virtually every resource document they need at their fingertips. This replaces bulky manuals, reducing on-board weight and fuel consumption. As a result of transitioning to this paperless system in 2015, Air Canada saved an additional 1,803 tonnes of CO₂e over and above the savings from last year. Once complete, the project will see a 1.5-pound tablet replace two or more 38-pound flight bags containing paper-based flight manuals. Eliminating this weight across the fleet of more than 200 mainline aircraft will save approximately 3,870 tonnes of CO₂e each year. Various other weight savings initiatives ranged from replacing oxygen bottles with lighter-weight ones and removing unused equipment such as ovens on certain aircraft.

Air Canada, under an agreement with Boeing, has been testing Direct Routes, a program designed to enable pilots to save fuel by selecting the most efficient altitudes and routings. In 2015, this program saved significant amounts of fuel on long-haul flights operated by the carrier and...
yielded meaningful emissions reductions—approximately 730 tonnes CO₂e. *Direct Routes* uses real-time Air Traffic Control information to suggest shortcuts via datalink messages to flights over the continental U.S. As an added bonus, this program can reduce flight times to deliver customers to their destinations more quickly.

**PILLAR 3 INFRASTRUCTURE**

Properly designed aviation infrastructure also contributes significantly to emission reductions. Air Canada has long advocated for improvements in this area and worked with partners, such as air traffic control management system operators, on ongoing initiatives to make the shortest, most direct routes available to aircraft.

In recent years, RNAV-RNP (area navigation-required navigation performance) approaches have been a key focus. In the fall of 2015 Air Canada flew its first RNAV-RNP approach in Canada on a flight from Calgary to Vancouver using an Embraer 190 aircraft. This type of approach allows the aircraft to fly a continuous descending path to a point a few miles from the runway, saving approximately 160 kg of CO₂e per approach for that aircraft type. Working closely with Nav Canada, Canada’s air traffic control service provider, more such approaches are to be introduced across the country. In the future, it is expected that Boeing 777, Boeing 787 and Embraer 190 aircraft and crews will be able to take advantage of these approaches, as will the Boeing 737 MAX when it is introduced. Air Canada will begin tracking emissions savings for this initiative in 2016.

**PEOPLE POWER CHALLENGE**

Toronto’s Lester B. Pearson International Airport is not only Air Canada’s global hub, but for a time in 2015 it was also the hub of our employees’ environmental efforts as two teams took part in the People Power Challenge.

The Challenge is a contest for businesses to get their employees involved in identifying green procurement, green building and transportation opportunities and improvements for their organizations. It is sponsored by Partners in Project Green, which was launched by the Greater Toronto Airports Authority and Toronto and Region Conservation Authority to bring together like-minded businesses for the betterment of both the environment and the local economy.

Its goal is to develop the Pearson Eco-Business Zone as an internationally recognized community known for its competitive, high-performance and eco-friendly business climate.

“Participation in this Challenge is one way we try to engage employees and our community in Air Canada’s sustainability efforts. It helps to showcase the work of our Green Teams at Person, our global hub and to engage more of our employees in our environmental commitments. It also facilitates new partnerships with other organizations,” said Teresa Ehman, Director, Environmental Affairs, at Air Canada.

Two Air Canada Green Teams in Toronto—one from the Airports branch, the other from Air Canada Cargo—joined forces and initiated several new projects as part of the Challenge.

At Air Canada Cargo’s Toronto facility, waste streams were reviewed to maximize recycling opportunities, and one result was that used animal kennels and curtains were donated to the Toronto Wildlife Centre. At Toronto Pearson, a donation drive was organized for the Toronto Wildlife Centre to assist with its treatment of birds affected by an oil spill in nearby Mimico Creek. In both locations, collection centres were set up for used clothing, eyeglasses, batteries and cellphones.

Additionally, a widget was installed on the Air Canada environment website, and employees signed the 2015 Earth Day Flag, which Earth Day Canada created as a symbol of the commitment of people in Canada to address climate change issues and reduce the country’s carbon footprint.
PILLAR 4 MARKET-BASED MEASURES

The final pillar in the industry’s emission reduction strategy is the use of Market-Based Measures (MBMs), which the aviation industry is working on through the International Civil Aviation Organization (ICAO). Air Canada is participating in the development of this measure through national and international industry associations and partnerships. Although aviation was not covered by the COP21 agreement arising from the 2015 U.N. Climate Change Conference in Paris, in 2016 at ICAO’s 39th Assembly, a detailed recommendation will be issued by the organization for a global aviation MBM scheme that will include its main design elements and related implementation mechanisms from 2020.

GROUND OPERATIONS

Although Air Canada’s ground operations make up a small fraction of the corporation’s overall emissions, it is adopting new technologies and innovative practices to reduce greenhouse gas emissions wherever feasible.

Alternative energy is being used on the ground to power airport vehicles such as baggage tractors. Since 2009, 850 or 30 per cent of such vehicles in Air Canada’s ground fleet have been equipped to be powered by alternative means, including electricity or propane, with a 15 per cent reduction in emissions compared to conventional fuel. In 2015, the use of alternative fuels on ground equipment continued with the testing of an electric conversion kit that uses the latest lithium-ion battery technology, and by yearend there were 25 lithium-ion units in the corporation ground fleet. Installing these kits on gas-powered vehicles could reduce emissions by another 20 per cent.

Augmenting these savings has been the adoption of a technology called iRamp, which uses wireless technology to determine if a vehicle has been idling too long and remotely shut it down when safe to do so to save unnecessary fuel burn and emissions. It also significantly reduces the dwell time of cargo delivery vehicles on the ramp and expedites deliveries for customers by making it easier to consolidate pick up and retrieval of shipments from aircraft to cargo facility. The iRamp program was rolled out across 1,250 vehicles at the airline’s four largest airports over the last four years and was completed in 2015.

Air Canada also continually reviews the operations of its extensive real estate holdings, both at airports and other facilities, to ensure that they are operated in an energy efficient manner.
In addition to efforts to mitigate emissions, Air Canada is also active in a number of other areas to reduce its environmental impact, notably with respect to minimizing the creation of waste and improving recycling. In terms of waste minimization, Air Canada has scored notable success, having been the first airline in North America to offer electronic boarding passes in 2007, the use of which has grown exponentially.

More recently, Air Canada Cargo has committed to increase the use of electronic air waybills (e-AWBs) by its customers. As of 2015, Air Canada Cargo customers can use a new e-Booking online tool to book and manage shipments, which allows them to log in, create a booking and obtain an e-AWB in a few steps. Measures such as e-Booking, as well as Cargo Portal Services enhancements, support customers in their adoption of paperless carriage of goods. Domestically, 50 per cent of all shipments tendered to Air Canada are paperless and this rate should grow to near 100 per cent by the end of 2016.

**SUPPLY CHAIN**

Although the first aircraft of Air Canada’s order for 61 Boeing 737 MAX airplanes does not arrive until the end of 2017, the project delivery team was busy throughout 2015 finalizing details of the new aircraft, including seeking to maximize environmental benefits.

Even the simple selection of this aircraft model marks an important step forward in environmental efficiency. The 737 MAX, with its new type of engine, offers improved fuel use and is expected to reduce carbon emissions by 14 per cent, while shrinking the operational noise footprint by 40 per cent, compared to the narrow-body aircraft they are replacing.

“The environmental improvements don’t stop with the selection of the aircraft type. Air Canada put a strong emphasis on the weight of equipment when provisioning for the new fleet,” said Luc Piche, Senior Director of Strategic Procurement.

“Air Canada’s emphasis on weight throughout the selection process has sent a strong signal to our supply base that weight—and, by extension, environmental impact—is an essential part of the decision-making process.”

A lot of work must be done in advance to prepare for the assembly of the aircraft and its introduction into Air Canada’s fleet. There are components of the aircraft that need to be selected, such as avionic equipment (the systems that manage the navigation and communication of the aircraft), galleys and galley equipment (the in-flight kitchens with ovens, coffee makers, and trolleys), the full set of business class and economy class seats, and the in-flight entertainment systems.

In 2015, teams of Air Canada employees carried out rigorous and structured procurement processes to select the best equipment so the corporation continues to deliver safe and award-winning service.
Air Canada Cargo is an industry leader in the use of radio-frequency identification (RFID). Working with a partner, Air Canada Cargo launched RFID on live flights between Montreal and Frankfurt. RFID provides hands-free, real-time shipment status updates, which increases operational efficiency, reduces paper use and improves customer service and shipment visibility. Supplementing these efforts has been the introduction of iLynx. In 2015, Air Canada Cargo launched iLynx at its Air Canada Cargo stations in Canada, as well as in Frankfurt and Chicago. This bar code reading technology utilizes iPhones and partners well with the RFID solution being launched around the globe. Air Canada intends to further expand the application by introducing more functionality, making the workplace more efficient and less paper-based.

Recycling remains a primary area of focus, both onboard aircraft and in Air Canada’s offices and facilities. At present, recycling of items such as cans, newspapers, bottles and Tetra Paks® occurs at eight out of nine major Canadian stations that Air Canada mainline serves. The recycling of onboard waste is complicated, however, by regulation which mandates how waste potentially containing food or organic material must be handled to avoid the spread of certain diseases. This can result in complex procedures and in some cases, recycling bans. Air Canada is working with external stakeholders to find a solution at Toronto Pearson, where recycling does not currently occur.

On the ground, groomers collect further materials from aircraft, such as old issues of in-flight magazines and soap containers. Employees in our facilities also sort materials such as paper, cardboard, wood, glass, metal and plastic.

In 2015, Air Canada launched a new battery and cell phone recycling program into the Air Canada operation. Prior to this, Air Canada spent thousands of dollars annually to dispose of spent batteries from assorted handheld devices and tools. The program, Call2Recycle, streamlines the process and keeps better track of corporation efforts to recycle hazardous waste batteries and cell phones. Employees can also dispose of personal cell phones, regardless of size, make,
model or age, as well as spent batteries from their personal equipment. Also new in 2015 was the creation of a collection of bags that incorporates cabin interior material into their design. A Canadian company, Mariclaro, is repurposing old fabric, leather and seat belts to give them another life. Five per cent of the funds generated from this line will make the return flight back into the Air Canada Foundation.

Air Canada is also working at airports to reduce waste and promote recycling of ethylene glycol, used as de-icing fluid. At Montreal airport, all airlines use recycled de-icing fluid; at Halifax airport, Air Canada purchases recycled de-icing fluid; and at Calgary airport plans are in place to offer recycled de-icing fluid to airlines.

To recycle glycol, a third party recovers the glycol from the ground. The glycol is processed through a concentrator to evaporate water, and then through distillation equipment to extract impurities, returning it to pure glycol. Finally, an additive is mixed in, making it useable. This practice is not only good for the environment, but it also saves on glycol and disposal costs.

**SUPPLY CHAIN**

To help it achieve its environmental goals and promote responsible behaviour, Air Canada works with suppliers. Air Canada has more than 5,500 individual suppliers and in 2015 it spent $4.8 billion on products and services from Canadian suppliers alone, excluding fuel and labour, and its total supplier spending was $9.5 billion.

Air Canada has developed a Supplier Code of Conduct (SCC) that, among other requirements, such as respecting human rights and international labour standards, also stipulates that companies have due regard for the environment. This includes requesting that suppliers have an effective environmental management plan in place, that companies work to reduce their footprint and that they demonstrate and promote environmental stewardship. The SCC is now firmly established as a standard for new contracts negotiated by Strategic Procurement.

Despite the size of the supply chain, nearly three-quarters of expenditures go to the top 100 suppliers. Several organizations within Air Canada are charged with managing these relationships but Strategic Procurement, whose purview includes fuel purchases, accounts for the majority of these expenditures. Air Canada endeavours to source locally wherever commercially feasible. A substantial representative sampling of Air Canada’s contracts indicated that more than 80 per cent are with suppliers in the region where the goods or services are delivered.
WORKING WITH OTHERS

Air Canada works with a number of multilateral organizations on climate change and other environment issues. Among the groups Air Canada participates in are the IATA Environment Committee, the NACC environment Sub-Committee, the Airlines for America (A4A) Environment Council, and the Commercial Aviation Alternative Fuels Initiative (CAAFI).

Air Canada also complies with local regulations where it operates that protect endangered wildlife in accordance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In 2015, the airline took an additional step and banned carriage of any shipments of lion, leopard, elephant, rhinoceros and water buffalo trophies worldwide as freight. The move was applauded by the Jane Goodall Institute and the Humane Society International/Canada.

Air Canada has assisted Wildlife Media since 2012 with transportation for the making of a documentary film about the lives and threatened habitats of four of the world’s eight major bear species. Air Canada has also promoted this project work through its in-flight entertainment system and onboard magazine.

As a member of Partners in Project Green—an initiative that helps businesses in the Pearson Eco-Business Zone advance a shared sustainability agenda—Air Canada participates in collective environment-related initiatives in and around its global hub airport. It remains a member of the
Waste Management Committee and for the second year, participated in the People Power Challenge (PPC), a friendly competition among companies and organizations in the Toronto area to showcase environmental efforts. Throughout the six-month challenge, employees were encouraged to share their ideas and help make their workplaces and lifestyle choices more environmentally sustainable.

Air Canada also encourages the travel industry and customers to become involved in environmental initiatives. Air Canada has sponsored the Responsible Travel and Tourism Forum (RTTF) since its inception. The RTTF keeps all sectors of the Canadian travel and tourism industry updated about relevant sustainability issues. In 2015, the airline donated the grand prize to the winner of the Leadership Award, presented to a Canadian travel and tourism organization that has demonstrated commitment to socially, economically, and environmentally responsible practices. In collaboration with RTTF partners, it also helped expand the award categories in 2015.

Employees are also encouraged to participate in environmental events. This includes annual recognition of Earth Hour and Earth Day, with Air Canada again sponsoring the Partners in Project Green (PPG) Tree Planting event in Mississauga, Ontario. Volunteers from the community and companies in the area participated and planted 800 trees along the bank of Mississauga stormwater ponds.

Air Canada partners with Zerofootprint to offer customers an option to offset emissions from their flights by supporting carbon sequestering and reduction projects. In 2015, Air Canada and SkiCan partnered on a contest in which any flyer who purchased offsets through the Air Canada Carbon...
offset portal during the month of October was entered into a draw for a ski vacation. The intent was to educate travelers about carbon offsets as a viable way to reduce the carbon footprint of air travel and SkiCan’s decision to offset its customers’ air travel with Air Canada for the duration of its ski season.

**COMMUNICATION**
For customers seeking information on Air Canada’s environmental programs, the corporation maintains a dedicated environmental page on its website, including an informative section called leaveless. The site, which was updated in 2015, provides travel tips and advice on how customers can make their travels more environmentally friendly.

### PROGRESS ON 2015 GOALS

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<th>Goal</th>
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<tr>
<td>Advance GHG emission reductions including the retrofit of winglets on additional Boeing 767 aircraft and the launch of a new fuel optimization initiative for our fleet</td>
<td>Achieved</td>
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<tr>
<td>Reduce waste generation and increase re-use and recycling with a focus on our Cargo facility at Pearson International Airport through their participation in the People Power Challenge</td>
<td>Achieved</td>
</tr>
<tr>
<td>Improve communications to stakeholders by redesigning the leaveless website</td>
<td>Achieved</td>
</tr>
<tr>
<td>To support broader environmental sustainability initiatives, work with partners to expand the scope of the Responsible Travel and Tourism Forum’s annual leadership awards</td>
<td>Achieved</td>
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### GOALS FOR 2016

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<th>Goal</th>
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<tr>
<td>Implement the Analyzed Contingency Fuel Program onboard and a project to reduce Auxiliary Power Unit (APU) use while on the ground, to reduce GHG emissions</td>
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<tr>
<td>Launch Canada’s Biojet Supply Chain Initiative (CBSCI) with partners, to advance biojet supply logistics in Canada</td>
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<tr>
<td>Complete analysis of the Air Canada Environmental Management System to align it with the recently updated ISO 14001 standard</td>
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<tr>
<td>Expand employee support for tree planting and clean-up efforts at two additional Air Canada bases, in support of community sustainability initiatives</td>
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Our people are our greatest asset
Employee engagement is a central feature of Air Canada’s long-term business strategy. To achieve this goal, it has a range of programs that cover the entire career cycle, beginning with the pre-employment selection and offer period and extending into the post-employment, retirement phase. Air Canada’s progressive approach to Labour Relations and Human Resources incorporates best practices with respect to, among other things, compensation, training, career management and advancement, diversity and inclusion, and employee wellness and recognition.

To a large degree the airline industry is a competitive business whose product is “travel”, so to differentiate itself, an airline must offer other reasons for a customer to choose to fly with it rather than its competitors. This can be such things as onboard amenities or a convenient schedule, but experience shows that a key determinant is the quality of personal interaction between the customer and the airline.

The sustainability of a carrier is therefore directly dependent on how its customers feel they are treated as individuals and, in turn how well the airline engages, trains and motivates its employees. Stakeholders concur, ranking labour relations and employee engagement highly among the issues of greatest importance in the materiality assessment upon which this report is based. Creating and maintaining a positive employee culture with an engaged workforce is therefore crucial to Air Canada’s business strategy. This requires a significant investment of energy and resources on the part of the corporation as its 28,685 employees’ are located throughout Canada and across five continents. Moreover, with their schedules, the nature of their work, and even their cultural backgrounds varying greatly, it is incumbent upon Air Canada that it put effective employee support structures in place. Adding another dimension to the corporation’s employee relationship management is the fact that nearly 90 per cent of employees are unionized.

EMPLOYEE MANAGEMENT

Employee engagement and employee relationships are the responsibility of everyone—but the leadership and guidance comes from the Human Resources (HR) branch, led by the Vice President Human Resources and supported by various divisions including Total Rewards, HR Shared Services/Systems, Pension, Talent, Employee Engagement and Diversity, Recruitment and Training. Relationships with the various unions are managed by the Labour Relations (LR) branch, led by the Managing Director Labour.

1 Includes employees at Air Canada, Air Canada rouge and Air Canada Vacations
Relations. LR is responsible for negotiating, implementing and monitoring collective agreements and for the ongoing management of relations between the corporation and its unionized workforce.

Air Canada has five unions representing its employees in Canada and eight unions representing employees based in stations outside the country. In evaluating its management approach, with a goal of fostering positive relations, Air Canada endeavours to ensure that collective agreements are consistently negotiated in line with corporate priorities. As well, once implemented, any negotiated productivity improvements are measured via operational budget exercises against the initial value attributed to them.

SUCCESSFUL BARGAINING

During 2015, the corporation achieved a number of highly significant agreements with its unions, including landmark long-term agreements with the Air Canada Component of the Canadian Union of Public Employees (CUPE) covering approximately 6,500 cabin crew represented by its Air Canada Component and 700 by its Air Canada rouge Component and with the International Association of Machinists and Aerospace Workers (IAMAW), covering approximately 8,600 technical service, ramp and cargo employees, both of which provide collective agreement terms for ten years, as well as a five-year agreement with Unifor, covering approximately 4,000 customer sales and service agents.

Additionally, the corporation finalized agreements with the International Brotherhood of Teamsters (IBT) covering approximately 610 Air Canada airport, cargo and call centre employees based in the U.S. and with Unite, covering approximately 175 Air Canada concierge service, cargo and clerical staff based in the United Kingdom. The new agreements provide greater stability and long-term cost certainty for Air Canada, creating a foundation for profitable future growth at both the mainline carrier and its leisure airline, Air Canada rouge.

1 Agreement was ratified in January 2016
CROSS-BRANCH COOPERATION

The HR and LR branches partner closely with other branches within the corporation including legal, commercial, corporate safety and environmental quality, employee communications and all the operational branches. This cross-functional approach encourages fair and consistent treatment of all employees and the sharing of best practices among branches in managing employee relations.

Air Canada’s workforce is relatively mature, with an average age of 45 years. It consists of 12,777 female and 15,908 male employees, with almost all classed as permanent, full-time. Most are based in Canada but they are also found in 28 other countries.

WORKING AT AIR CANADA

Air Canada employees are among the best compensated in the Canadian airline industry. All permanent employees are enrolled in a corporate sponsored pension plan, with the majority belonging to defined benefit plans—which is unique in the sector and increasingly rare in Canadian workplaces—and they are also provided with a generous healthcare benefit plan. During 2015, Air Canada contributed $312 million to its corporate sponsored pension plans.

For managers, Air Canada offers an Annual Incentive Program (AIP) which pays out when certain corporate targets are met. Payments are calculated based on a combination of individual, branch and corporation results with the aim of rewarding individual contributions while at the same time encouraging teamwork. There are other financial incentive plans designed to retain and engage employees discussed further below.

Throughout the year, Air Canada received a number of awards related to human resources. This included, for the third year in a row, being the only airline ranked among Canada’s Top 100 Employers for 2016 and, for the second year in a row, being chosen as one of the 30 Top Employers in Montreal. These awards identify employers with exceptional human resources programs and progressive workplace policies.

In addition, Air Canada was ranked seventh out of Canada’s 100 ideal employers by business students and in the top 20 by engineering/IT Students by Universum, a recruitment research company that surveyed 25,000 undergraduate students at 186 Canadian universities and colleges. It also came in eighth among 5,500 Canadians asked by the polling firm Ipsos Reid to rank 180 top name brand companies in terms of desirability of employment.

For any organization to be successful it is essential to begin with a solid foundation and, for a corporation like Air Canada, this means it must attract and recruit the most talented people. To some degree, as the above surveys illustrate, Air Canada’s reputation as an attractive place to work makes it a popular destination for jobseekers and it receives 110,000 visits each month to the employment page of its website. There are more than 290 applications for each job filled.

Yet, with high demand for top talent in the workplace generally, Air Canada also recognizes that it must actively recruit in order to remain competitive. Moreover, once qualified candidates are identified and hired, it is necessary to provide them with guidance and equip them with the skills and knowledge they need to succeed.
In 2015, Air Canada expanded its recruitment efforts through greater use of online and video technology in the belief that such media would appeal more to younger jobseekers.

For new and recently hired managers, Air Canada offers a supportive onboarding program. This program is an opportunity to create a sense of belonging and understanding, to network and to assist in the administrative journey when first joining the corporation. It guides new recruits through the first year of their integration and includes executive-hosted orientations, training programs, a buddy system to provide support, and the development and ongoing review of performance management models and targets.

The Onboarding program includes an event called Arrivals Connection. A day-long awareness and networking experience that features presentations by senior executives and branch representatives (including an introduction to Air Canada’s corporate sustainability activities). Two editions of this event were held in 2015 for a total of 390 participants, who reported a 98 per cent satisfaction rate with the presenters. To further support the Air Canada culture, in 2015, the corporation adopted the “Air Canada Employee Value Proposition,” which serves as a declaration of principles and virtues that sets forth the prized values of the corporation, its priorities and aspirational goals. To ensure that Air Canada’s HR practices are effective and relevant, in 2014 and 2015, numerous focus groups were held with employees and managers to gather their feedback and insights. More than 375 people from Halifax, Montreal, Toronto, Calgary and Vancouver took part in the initiative, which drew employees from Management and Senior Management and a cross-section of union groups. A number of employees also responded to the question: “What makes you tick at AC?” in the March Horizons survey. All the data from the Focus Group was compiled and analyzed by a third-party research firm and the findings will be used to guide further employee engagement initiatives.
DIVERSITY

A key consideration at Air Canada is the promotion of gender equality, diversity and inclusiveness. Apart from doing so because it is appropriate in terms of social norms, workplaces that embrace these values are more attractive to prospective and current employees and thereby enriched. The strongest teams are those that are diverse beyond race and gender, whose individual members bring varying perspectives that are drawn from both professional and life experiences. Today, there are an estimated 80 languages spoken by Air Canada employees and 20 per cent of employees belong to visible minorities, up from 14 per cent a decade ago.

More broadly, Air Canada maintains partnerships with other organizations whose mandate is to promote diversity and inclusiveness, such as the

PIT CREW (EXCELLENCE 5.0)

When speed is of the essence, what better place to look than the race car world? That was the thinking behind Air Canada’s innovative program to shorten aircraft turn times by adopting the “pit crew” concept to service its new Boeing 787 aircraft.

In preparation for the busy summer schedule, Air Canada Maintenance (ACM) did a type-trial of a new Boeing 787 maintenance strategy using pit crews. The Boeing 787 flies on average 18.5 hours per day and overnights once every eight days in a main station.

“The pit crew concept focuses on providing our technicians with the tools they need to be strategic and plan for the best course of action when the Boeing 787 is on the ground,” explains Boyd Parsons, General Manager of the Excellence 5.0 customer service initiative.

“The concept has allowed us to maintain the same quality in a quicker turn time of 90 minutes, providing 18.36 hours utilization, resulting in customers having a better and more consistent experience with our product.”

The pit crew has dedicated Licensed Aircraft Technicians assigned to every Boeing 787’s arrival and departure. The team begins by planning for known service requirements and ensuring that the right parts and tools are on hand.

“All the resources that we need are on the van when we are at the aircraft,” says Pierre Plourde, who has more than 20 years’ experience and is a proud member of the Pit Crew in Vancouver.

Along with other tools and supplies, the van has a generator and a compressor, which means all the necessary resources accompany the crew to the aircraft. Even the sheet metal team has the ability to drill on the spot if need be, instead of taking the aircraft to a hangar.

“When the maintenance team came together to discuss opportunities, everyone instantly understood that culture change would drive a better work environment, cost control would help us to remain competitive, and a safe and reliable fleet is our contribution to excellent customer service,” says Richard Steer, Vice President of Line Maintenance.
Canadian Institute of Diversity & Inclusion. It is an organization designed to help employers effectively address issues of diversity, equity and inclusion within the workplace. As well, there are quarterly diversity meetings at major hubs in Toronto, Montreal and Vancouver, where employee representatives meet to discuss issues of diversity, including developing strategies to promote diversity.

To encourage gender balance at all levels of the corporation, Air Canada’s Board of Directors supported the corporation signing the Catalyst Accord, an undertaking sponsored by the internationally recognized group, Catalyst, which is a leading non-profit organization whose mission is to expand opportunities for women in business worldwide. Under the Accord, Air Canada has committed to increase the number of women on its Board to 25 per cent by 2017.1 Already, at Air Canada, approximately 30 per cent of executive management, defined as vice-president level or higher, are women.

Further, Air Canada actively works to recruit women in both traditional and non-traditional roles, for example participating in the Women in Aviation and Start Young networking events. Not only do these increase engagement of women in career development and leadership roles, they also help men (who also attend) appreciate and understand their part in supporting career equity. In 2015, a group of female students aged 10 to 17 was invited to an Air Canada hangar for a day-long introduction to the corporation’s maintenance operation with the aim of exposing them to non-traditional career opportunities.

Air Canada hosted two signature events called Women in Aviation (in Montreal and Toronto) where employees met and heard from a female member of the Board—on topics such as career success, work-life balance and advice on how to realize one’s aspirations. A total of 220 women and men attended and expressed overwhelming satisfaction with the opportunity and accompanying discussion.

The airline is supportive of a number of Aboriginal organizations. This includes the Aboriginal Human Resource Council, the Centre for Aboriginal Human Resource Development Inc. (CAHRD), the Aboriginal job posting website, AMIK, and MAMU, an Aboriginal career event. Moreover, the corporation supports Aboriginal cultural activities detailed in the Community Section of this report.

Air Canada actively works to recruit women in both traditional and non-traditional roles

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1 As of May 2016, 25 per cent of Air Canada’s 12-member Board of Directors are women
Air Canada also employs more than 300 individuals self-identified as disabled. It has partnerships with organizations geared to advancing people with disabilities—such as the Comité d’adaptation de la main-d’œuvre (CAMO), the Canadian Council on Rehabilitation and Work (CCRW), the MAB-Mackay Rehabilitation Centre and the Moelle Épinière et Motricité Québec: (MEMO-Québec). In 2015, after consulting with representatives at CAMO, Air Canada invited 13 job applicants with disabilities to tour the corporation’s new Montreal call centre to help the applicants determine the suitability of the workplace.

Finally, Air Canada provides a positive environment for employees regardless of sexual orientation and is a major sponsor of Pride events nationwide. It has partnered with Pride at Work Canada, which brings together leading Canadian employers aiming to fully actualize inclusive workplaces for their lesbian, gay, bisexual and trans-identified (LGBT) employees. During the year, several networking and social events for LGBT-identified employees and their allies were organized in Halifax, Montreal, Toronto, London, Calgary and Vancouver.

**TRAINING**

While identifying talent and recruiting individuals capable of being top performers is a necessary first step, in order for them to reach their potential and continue as high-level contributors, it is essential to provide initial and recurrent training. This is particularly true in the airline industry, where training is required to reinforce safety and also where new products, technologies, systems, services and principles of excellence in customer service are being continually introduced and refreshed to maintain competitiveness.

**PEER ONGOING SUPPORT**

Delivering excellent customer service requires giving employees training and ongoing support, and some of the best sources of that are employees themselves. This realization led the Toronto Pearson Passenger Service team to launch an initiative that empowered employees, boosted their confidence and created an atmosphere of teamwork. It began with the Continuous Improvement Team conducting focus groups among Customer Service agents, and the results confirmed that on-the-job coaching would enhance formal training.

Under the leadership of Sylvie Rainville, Manager Operations, the Peer Ongoing Support (POS) program was formed. The program enables agents to share their passion and experience with colleagues in one-on-one, personalized coaching sessions. Sessions range from one to four days and take different forms based on the employee’s needs.

“The program is the result of employee collaboration and enthusiasm. We set up a coaching corner in the briefing room that allows agents to sign up for peer coaching, as well as pick up information sheets,” says Sylvie.

There are approximately 28 different Customer Service positions, and the information sheets describe the responsibilities, which vary by different areas of the airport. They also include helpful tips and telephone numbers.

“The employees being coached are already qualified to do the job, so the coach focuses on areas specific to their colleague’s needs, always referring to SOP and best practices,” says Sylvie. “They support their colleague by offering constructive feedback and positive feedback which serves as an opportunity to strengthen both technical and soft skills.”

Both the job aids and coaching sessions have been such a success that more coaches are being trained to meet the high demand.

Says Customer Sales and Service Agent Daniela Curia, “You gave me the Mercedes of coaches. I learned a lot from John and can’t thank you enough for the experience.”

CSSA Michelina Iulianao was thrilled with her newfound confidence at the gates. “I had another good day today learning from an amazing gate coach Anne. I take my job seriously and always want to do my best, so thank you for helping me and boosting my confidence,” she says.
Air Canada regularly promotes its Management Competency Model to support its leadership attributes. It achieves this by standardizing processes impacting employees with respect to recruitment and performance management. It extends from senior leaders through all levels to front-line managers, and links to development and succession planning. To support the Model, there are support systems in place, such as online learning activities, coaching and distinct messaging to reinforce good performance practices. This process aims to establish regular and purposeful exchanges between individual contributors and their direct manager and will help build confidence in attributing performance ratings.

Air Canada maintains a number of programs focused on developing innovation and leadership skills. Programs launched in 2015 called Managing the AC Way and Leading the AC Way are foundational leadership programs. Their goal is to foster leadership skills, improve the customer experience and successfully maintain brand loyalty.

Supplementing these are programs for non-management and front-line employees. After a successful type-trial in 2014, the Ovation Program that provided customer service training for flight attendants was rebranded into what is called Applause – whose tagline is ”creating extraordinary moments every day.” It was extended in 2015 to provide customer service employees with a learning experience that will also allow them to network across customer service branches in In-Flight Service, Airports, Call Centres and Cargo. Along with sharing best practices, it also instills an awareness of the value of teamwork that highlights the importance of human connections, both among employees and with customers.

In a similar spirit, there have also been more ad hoc or targeted programs. Employees at Toronto developed a program during the year called the Peer Ongoing Support or POS program. This program engages agents and enables them to share their experiences in one-on-one, personalized settings and provides a venue for coaching. Reach for the Stars was another initiative launched in 2015 for In-flight and Airport employees to build on the findings of Skytrax’s regular review of its Air Canada rating (as a result of which Air Canada retained its Four Star status in 2015). Extensive training programs through all levels of the organization continue with the ongoing deliveries of Air Canada’s Dreamliners and working committees have also been set up for certain topics such as simulators, seats, in-flight entertainment systems and avionics in anticipation of deliveries of the Boeing 737 MAX due to begin in late 2017.

Beyond this, a number of other development programs, such as language training, continue to be offered by the corporation, and for the first time in 2015, Arabic was added as a course offering with the addition of Dubai to the corporation’s global network.

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<table>
<thead>
<tr>
<th>NUMBER OF EMPLOYEES TRAINED PER YEAR</th>
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<td>NON MANAGEMENT TOTAL</td>
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<td>2012</td>
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<tr>
<th>MANAGEMENT AND ADMINISTRATIVE &amp; TECHNICAL SUPPORT TOTAL</th>
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Awards for those offering exemplary service in French and English. Moreover, the corporation has also established the Airports Linguistics Ambassador Network. It operates at all Canadian mainline stations with a mandate to identify issues and enhance bilingual services, for example by sharing and promoting best practices among stations.

According to a survey of more than 2,600 customers conducted by Ipsos Reid in 2015, there is a high satisfaction level with the airline’s ability to provide service in both official languages. Ninety-one per cent of Air Canada customers said they were satisfied or extremely satisfied in general. In addition, the majority of customers surveyed said they believed Air Canada has improved its bilingual service delivery in the past year. Air Canada is the only Canadian airline subject to the federal Official Languages Act.

DIVERSITY

Air Canada prides itself on being a diverse employer open to all talents. It showed its commitment to this by hiring recruits in 2015 for a new Montreal call centre by appealing to candidates with disabilities.

“Our HR recruitment team has a fair and equitable process to evaluate the skills and qualifications of job applicants. So we asked the question: What about potential candidates who, for reasons that have nothing to do with their qualifications, aren’t able to access or get through our competitive process?” explains Chantal Dugas, General Manager, Linguistic Affairs and Diversity.

The Diversity team met with the Comité d’adaptation de la main d’œuvre—a Quebec organization that supports persons with disabilities. They made recommendations on holding a recruitment event and invited a group of qualified candidates to attend.

“The position of Bilingual Call Centre Agent did not change in terms of qualification requirements, language testing, personality assessment, or even the application process,” says Chantal. “The only difference for this group was that after they were accepted through our screening, we invited them to visit the Call Centre to see the workspace.”

Thirteen candidates participated and the day included a presentation by Julie Laurin, Manager, Call Centres Montreal.

“Our Call Centre in Montreal is brand new, and has features built in that work with the challenges many employees face,” Julie says. “We spent time talking about the facility, work, schedules, and performance expectations because the participants themselves are the best ones to know if they are able to do the work.”

All participants were invited to meet a recruiter and Call Centre manager after the tour.

“Air Canada is very forward-thinking when it comes to diversity and disabilities with our customers as well as our employees. Our HR mandate is all about having the best people on our team, and once we have them it is not difficult to find a way to help them work. The real challenge is in finding those people, especially among groups who might not know that we are here to help,” says Chantal.
development specialists, training managers and human resource advisors with the mindset of fostering a consistent yet individualized approach to leadership and excellence. This aims to ensure that branches can progress, talent is engaged and succession plans are in place.

As the foregoing suggests, many of Air Canada’s training programs are designed to enhance customer service. In 2015, Air Canada instituted both a new Premium Agents and Premium Customer Service Manager Program using specially selected and trained agents to provide an additional level of customer support at its airports. At Air Canada Cargo, a new Customer Experience department was established during the year with dedicated managers and improved customer contact systems to assist customers experiencing delivery disruptions. Initial feedback has been positive.

In developing new initiatives, the corporation often relies on input from its Customer Service Council (CSC). Composed of senior managers from a cross-section of branches throughout the corporation, its mandate is to review existing policies, with input from employee focus groups, to make them more customer-centric and devise new policies, processes and procedures to improve the customer experience. This is important as customer engagement and customer experience are two issues identified as matters of concern to stakeholders in the materiality assessment.

As a result of the CSC’s activities, a number of policies have been introduced or amended to better meet customer expectations. This includes 56 initiatives focused on delivering better customer service throughout the organization. These projects began at the employee level and continue to evolve. For example, On Time Performance (OTP) improved by 17 points and it remains a prime performance metric within all branches. Apart from maintaining and improving OTP levels, at the same time the CSC looks for ways to improve customer interaction throughout the customer’s entire journey.

The corporation’s success in this and other areas for building customer loyalty was also highlighted during the year when Air Canada was named the leading airline in customer loyalty in Brand Keys 2015 Customer Loyalty Engagement Index® (CLEI). Brand Keys is an independent marketing research firm based in New York, and for the 2015 index it surveyed more than 36,000 U.S. and Canadian consumers, ages 18 to 65, and examined 540 brands in 64 categories to measure the degrees of loyalty that consumers exhibit toward their favourite brands.

Further reflecting the corporation’s customer satisfaction levels was the 2015 Ipsos Reid Canadian Business Travel Survey that found Air Canada the preferred carrier of 86 per cent of Canadian business travelers. As well, in 2015 the international airline rating firm Skytrax renewed Air Canada’s Four Star rating, meaning the airline remains the only Four Star international carrier in North America.
ENGAGEMENT AND RETENTION

Training programs also serve an important ancillary function in that they are effective tools for engagement. Through training the corporation acknowledges the challenges employees face in their day-to-day work and is seen as trying to address these issues, making employees feel valued. The significance of this cannot be understated as maintaining a workforce once it is assembled and trained is an essential aspect of sustainability.

For this reason, Air Canada places great emphasis on employee retention. Financial compensation is the chief means of achieving this and, as mentioned, Air Canada employees are among the best compensated in the Canadian airline industry. In addition to regular wages, the corporation maintains a profit sharing incentive program. These same employees were also awarded shares in 2011 under an $11 million Employee Recognition Award that granted each employee shares that are now fully vested.

To further promote employee ownership, Air Canada offers an Employee Share Ownership Plan (ESOP). At the end of 2015, there were 4,902 employees enrolled in ESOP, almost 20 per cent of eligible employees, holding 3,336,396 shares in total. Employee share ownership has been growing since 2013, when enhanced features in ESOP were introduced under which Air Canada continued to match 33.33 per cent of an employee's total dollar contribution for their first 12 months of continuous participation, and 50 per cent thereafter.

Moreover, as at December 31, 2015, Air Canada employees and the unions which represent them held in aggregate 23,220,446 shares, or just over eight per cent of total issued and outstanding shares of Air Canada. This includes 17,647,059 shares held under a trust arrangement in connection with pension arrangements concluded in 2009.

Perhaps second only to financial compensation, recognition is another key aspect of employee engagement and retention. In 2015, a new program called Shine was launched, initially for employees in Canada and the U.S. It empowers employees to recognize and reward their
peers and co-workers for “above and beyond” actions at all levels, across all branches. Recognition can take two forms, including social recognition, through which each employee is able to give unlimited social recognition “shout-outs” for the small, but special acts. In the second form of recognition, each employee has an allotment of points that can be awarded for more significant actions. These points can be accumulated and redeemed for meaningful prizes. Since its October 1 implementation, 17,000 or 65 per cent of employees logged into Shine and sent out 27,073 recognitions to fellow employees.

Air Canada’s premier recognition program remains the Excellence Awards, which in 2015 honoured 52 employees at the 27th edition of the program. Recipients are chosen by their peers for demonstrating leadership, showing commitment and promoting the corporation’s values. Those selected are featured internally in Horizons and on the ACaeronet site, and publicly in the Air Canada enRoute magazine. They are also honoured during an event at a Caribbean destination.

Employee accomplishments are marked throughout the year with regular events to celebrate milestone service anniversaries, volunteer projects and awards, and contests won by employee groups. Each month, Air Canada enRoute magazine’s “Behind the Scenes” feature focuses on particular employees and their responsibilities. Employees appreciate seeing their colleagues recognized for their daily contributions and it also heightens awareness among customers about how the airline functions and the efforts of those who work at Air Canada.

Air Canada offers employees other privileges, notably space available or discounted airline tickets for themselves, family and friends. Air Canada’s GoAC program provides employees with more travel options for confirmed seating. Travel privileges are also used to acknowledge exceptional events or circumstances, for example, as a gesture (in keeping with Thanksgiving) all employees and their family members were provided with special travel passes. As well, the corporation regularly offers employees opportunities to purchase discounted travel packages from Air Canada Vacations.

Beyond money, recognition and travel privileges, Air Canada has other programs in place to promote the well-being of employees, especially with respect to their health. The airline offers tools, services and benefits related to health and safety, including a confidential counselling service. It is important for employees to know that their employer has regard for their personal well-being, which also includes privacy, and as a result, the corporation instituted a new Personal Health Information policy to guarantee the confidentiality of health information. In 2015, the corporation also introduced a new policy on workplace violence and harassment and revised its guidelines to ensure compliance.

Healthy employees are also more productive, which contributes to the corporation’s sustainability. Recognizing this, Air Canada actively promotes good health and in 2015 launched a new global wellness challenge, Air Canada Wellness, which encourages small teams of employees to compete for prizes based on making healthy lifestyle choices. The corporation also has various ongoing programs, including health club discounts and Weight Watcher® support groups. There are education campaigns where workplace health and safety are emphasized through flu shot clinics, NAOSH Week and the simple promotion of other healthful measures ranging from eating well to hand-washing.

For those who are injured or need assistance, the corporation has a disability management system. Air Canada monitors the incidence and duration of disability claims (both occupational and non-occupational) to help ensure that the appropriate safety and prevention measures are in place. Air Canada continually refines its health and wellness strategy to employ best practices to promote the early and safe return to work.
## Employee Communications

Another crucial element of engagement is communicating with employees. People expect to be informed about events that affect them. Moreover, they feel valued if they are encouraged to provide input with some assurance that their views will be taken into consideration. For this reason, Air Canada devotes considerable resources to employee communications, which resides within the Corporate Communications branch, and serves the dual role of providing timely and consistent messaging and collecting employee feedback.

The corporation speaks to employees through a number of channels, including an intranet site called the ACaeronet portal, *The Daily* employee bulletin and a monthly magazine called *Horizons*. These are supplemented by messages and letters from the President and Chief Executive Officer, the President, Passenger Airlines, as well as a weekly operational overview sent to all employees from the Chief Operating Officer.

Employees are also encouraged to share best practices with one another through Yammer, an online community. It was originally available to flight attendants but expanded to include all employees. The accessibility to Yammer was increased during the year through the introduction of a mobile Yammer app. Another networking tool available within Air Canada Maintenance is i2i (Ideas to Implement), which solicits ideas from employees to improve maintenance procedures.

Along with these vehicles, there are quarterly management conference calls and meetings with key union officials to discuss financial results. During 2015, a number of formal town hall meetings were convened across the country where senior executives attended to explain strategy and take questions directly from employees. Within each branch, senior managers hold periodic meetings with employees.

One unique example of encouraging employee feedback in 2015 arose from the corporation’s decision to adopt new uniforms. Air Canada has hired Canadian designer Christopher Bates to develop the new look, part of which involves asking a small number of employees to test out various prototypes. The invitation for employees to volunteer resulted in more than 1,600 applications for the 250 uniform testers needed.

## Goals for 2016

Conclude agreements with CALDA for flight dispatchers, and Unifor for In-Flight Service and Flight Operations crew schedulers

Expand the leadership development programs (including coaching and mentoring) for greater reach and impact by doubling the size for classroom capacity and / or providing greater access to other branches in the organization

Continued focus on Customer Service excellence through new programs and development opportunities for front-line employees and management

## Progress on 2015 Goals

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<td>Increase front-line training by at least 50 per cent by expanding it to management and all groups who do not currently receive safety/regulatory training (<em>Applause, Managing the AC Way</em>)</td>
<td>Achieved</td>
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<td>Increase Roadshows to front-line employees to better inform</td>
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<td>Conclude new CUPE and Unifor contracts</td>
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Investing for a healthier community
No company can be sustainable if the communities in which it operates are not healthy. Apart from economic considerations, a successful company needs the communities where its employees, customers and other stakeholders live and work to be healthy and to thrive. This is widely recognized as community involvement and socio-economic impact are among the concerns identified in the materiality assessment that forms the basis of this report.

Air Canada, like any successful company, also wants to be a positive contributor to the community at all levels and to be recognized as such. To achieve this, the airline’s community involvement ranges from programs devoted to basic health and well-being to those intended to support cultural enrichment, including through the arts, entertainment and sports.

There are three main mechanisms by which Air Canada achieves these outcomes: the Air Canada Foundation, corporate community outreach initiatives, and through commercial and other sponsorships.

**AIR CANADA FOUNDATION**

The Foundation is registered in Canada as a not-for-profit entity and provides assistance to Canadian registered charities. Its priorities are the health and well-being of children and youth, connecting sick children to the medical care they need, wish fulfillment, and the alleviation of child poverty. Additionally, it supports other major health-related causes that have a broad impact on the lives of Canadians and, when the necessity arises, in communities throughout the world.

The Foundation is governed by a standalone Board of Directors and an annual report of its activities is submitted to the Air Canada Board of Directors by
the responsible executive, the Chairperson of the Air Canada Foundation and Vice President of Corporate Communications. It fulfils its mandate by providing eligible registered charities with donations of cash, in-kind support (including promotional tickets) and Aeroplan®1 Miles.

Funding for the Foundation comes from various sources and in 2015 it raised $1.6 million, a 10 per cent increase from 2014. The majority of those funds, $1.4 million ($1.1M net), came from its annual golf tournament. These funds were augmented by donations, including a voluntary employee payroll deduction plan as well as through CanadaHelps, a website which enables the Foundation to accept credit card donations on a monthly or one-time basis from the public. There are also miscellaneous fundraising activities throughout the year.

Customers are encouraged to contribute through the Every Bit Counts™ program, which invites them to donate change of any denomination on board aircraft or through branded receptacles in airport Maple Leaf Lounges. They also have the opportunity to donate Aeroplan® Miles, notably through a dedicated Aeroplan® Match Week promotion held each year that in 2015 yielded 1.5 million Aeroplan® Miles.

**Beneficiaries of Air Canada Foundation Support**

The Foundation carries out its charitable activities by providing various types of support, including promotional tickets, financial grants and donations of Aeroplan® Miles. In 2015, the Foundation donated 1,150 promotional tickets to charities, 15.2 million Aeroplan® Miles and more than $1 million in financial grants, a 95 per cent increase over 2014.

Dreams Take Flight (DTF) is an employee-led charity that is the single largest recipient of the Foundation’s support. Each year, Air Canada donates through the Foundation, aircraft for eight Dreams Take Flight trips to Disney® for thousands of children from major cities across Canada. These trips provide children, who would otherwise not have the opportunity, with a fun-filled, all-expense-paid day at Disney® where they receive VIP treatment. To ensure the continued success of DTF’s work, the Air Canada Foundation provided more than 150 airline tickets to bring children from remote locations to a city hosting a flight and assisted Dreams Take Flight Canada’s fundraising with a cash grant of $50,000.

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1 The Aeroplan Program is a coalition loyalty marketing program owned and operated by Aimia Canada Inc.
An important role played by the Foundation is facilitating the transport of young patients for treatment outside their communities. In 2015, 14.2 million Aeroplan® Miles were donated to pediatric hospitals across Canada through the Hospital Transportation Program. A further one million Aeroplan® Miles were given to Hope Air, a registered national charity that provides free flights for both children and adults who cannot afford the cost of air travel to access medical expertise or specialized medical technologies unavailable locally.

The Foundation runs an in-house Volunteer Involvement Program in support of employees who are actively involved in their community. Airline tickets are supplied in support of fundraising activities by charitable organizations in which employees are involved. Over 80 individual employees requested support through the program during the year for a wide range of causes, many of which were featured in employee communications vehicles to raise awareness. This program has the added benefit of promoting employee engagement.

Cash Grants
In 2015, the Air Canada Foundation awarded over $1 million to Canadian registered charities. Major recipients of cash grants included $445,900 to 15 pediatric hospitals across Canada. The Breakfast Club of Canada received $236,965 in support of existing programs as well as for the launch of five new programs in Aboriginal communities, representing an increase of 13 per cent in support of Aboriginal communities by the Air Canada Foundation. Other beneficiaries included Pathways to Education Canada, which received $25,000 to conclude a three-year $75,000 commitment and support to this charity was renewed through 2018.

On occasion, the Foundation also serves as a mechanism for Air Canada to deliver support for exceptional events or causes. In early 2015, the Foundation matched donations by employees that, together with a federal government matching program, raised $80,000 for victims of a severe earthquake in Nepal. Later in the year, $57,000 was raised to assist Syrian refugees through an employee fundraising program matched by the Foundation.

The Foundation once again supported employees participating in the annual Enbridge Ride to Conquer Cancer. In 2015 corporation teams from Air Canada took part in the British Columbia, Ontario and Quebec sections of this event, raising approximately $130,000 towards cancer research.

In 2015, Air Canada Cargo was doubly recognized for its community contributions by the Canadian International Freight Forwarders Association (CIFFA). The group’s Canadian central region gave the cargo division its Humanitarian Excellence...
One in four children in First Nations communities starts their day hungry, which impedes learning and concentration. With funding from the Air Canada Foundation in 2015, Breakfast Clubs of Canada was able to open five new breakfast programs in First Nations communities in British Columbia.

"Improving the lives of children falls squarely within the mandate of the Air Canada Foundation and we are proud to partner with the Breakfast Club of Canada across the country in providing full breakfasts to children who would otherwise go without," says Priscille LeBlanc, Vice President Corporate Communications and Air Canada Foundation Chairperson.

A newly launched video highlights the Foundation's support of the Breakfast Club and follows Trent Leon, a young First Nations boy living in Anahim Lake, as he goes about his daily routine, which begins with a healthy breakfast provided by the Club at his school.

The video features a surprise trip to Montreal for Trent to meet his idol, Montreal Canadiens’ goalie and Breakfast Club Ambassador Carey Price, who also comes from Anahim Lake. Carey and his wife, Angela, recently became Breakfast Club Ambassadors—volunteering their time to promote the work done on behalf of the Club.

In the video, which has been viewed more than 1.5 million times, Trent and his companion get the full celebrity treatment as they board AC150. The video shows them seated in Business Class luxuriating in its lie-flat seats, watching movies and enjoying a meal. The video then picks up the next day with Trent on the ice shooting pucks with Carey at the Centre Sportif Bell—the Canadiens’ official training centre.

In appreciation to Carey and the Breakfast Club, children from Trent’s school wrote thank you cards relating their own poignant stories of how the Breakfast Club had benefitted them.

THE AIR CANADA FOUNDATION WINS BIG TEAMING WITH NHL STAR

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In addition, Air Canada Vacations employees also continued their program to support the Montreal Children’s Hospital, which has now raised nearly $108,000 since 2010 through its participation in the Pedal for Kids fundraiser. Each year, Air Canada Vacations also gives active employees a paid day off to work on volunteer activities.

COMMUNITY PRESENCE

In order to perform outreach and remain responsive to local communities, Air Canada devotes considerable resources to community relations and regional markets. Management of these programs is the responsibility of its Senior Vice President, Regional Markets, with overall
responsibility for strategic direction of Air Canada’s regional operations, including direct involvement in strengthening regional business and community relationships. As part of the outreach function, the airline made public presentations to local stakeholders in 14 local communities throughout Canada and in the United States during 2015.

This management structure speaks to Air Canada’s commitment to work in partnership with local political and business leaders with the objective of profitably meeting local demand and contributing to the development of Air Canada’s global network. While these activities advance the airline’s commercial interests, they nonetheless promote sustainable communities as it is well documented that air linkages stimulate business and economic activity. This is demonstrated by the positive reception Air Canada received during the year from local communities such as Moncton, New Brunswick, and Comox and Nanaimo, B.C., where service was enhanced during 2015.

Even in larger centres, the importance of aviation is not overlooked, for example, Air Canada partnered with the City of Toronto in 2015 to highlight global trade—a signature event for Mayor John Tory—to underscore the value of aviation to the Greater Toronto Area’s economy and beyond. Approximately 500 influential business people attended the event in an Air Canada hangar, where a new Boeing 787-9 Dreamliner was on display.

Air Canada also partnered with the City of Montreal to promote the launch of a new Montreal-Lyon, France service. In December 2015, Air Canada was present in Lyon during Les Entretiens Jacques Cartier and, with the support of the Mayor of Montreal and the Mayor of Lyon, highlighted the importance of the new service, which will further strengthen the relationship between these two sister cities. This new service, which was requested by both Mayors, will help reinforce the unique role of Montreal as a North American hub for francophone markets.

Beyond this, Air Canada also works with various levels of government to support trade missions by business and political leaders to foreign countries. This helps open the door to foreign markets for local manufacturers and can also raise awareness of investment opportunities in Canada from abroad. In 2015, the airline assisted with several trade missions, including: Quebec missions to China, Mexico and Colombia; Alberta missions to Asia, with a focus on China; a Saskatchewan and Alberta trade mission to Germany; a New Brunswick mission to France and Belgium; a federal mission to Korea and Israel; and City of Toronto missions to London, England, and Austin, Texas.
Sometimes, the impact is more direct. For example, the corporation further expanded its call centre in New Brunswick in 2015 creating welcome local jobs and prompting laudatory comments from the provincial premier. With the addition of 80 jobs during the year, plus another 50 in 2014, the centre now employs about 270 people.

Another initiative was partnering with tourism boards in Canada, as Air Canada did with Tourism Toronto through a unique Toronto Stopover program that encouraged customers connecting through the city to stay a few days at no additional ticket costs. Similarly, the airline worked with Tourism Montréal and the City of Montréal to launch the first "Montréal à Paris" mission, a week during which the tourism industry undertook an extensive promotion program in Paris to stimulate the demand and attract leisure and business tourism.

Other measures to support communities are non-commercial, such as Air Canada’s decision to facilitate travel arrangements for police officers travelling to Edmonton for the funeral of a fellow officer killed in the line of duty.

Air Canada’s community involvement extends to education. It operates a number of apprenticeship and work study programs, including ongoing support of the Centre for Labour Management Studies at Ryerson University and, through NACC, it also supports a scholarship program for college and university students in Canada pursuing studies relating to airline operations or management, avionics and aircraft maintenance. The corporation is also a partner with the Canada’s Coolest School Trip Contest, which sends an entire Grade 8 class on a journey to a unique heritage site anywhere in Canada.

There are innumerable renovation shows on television, but for Air Canada one home repair really stood out.

At the request of Service Director Jean-Marc Bisaillon, the Air Canada Foundation and Air Canada Vacations participated in the TV show, "On efface et on recommence" hosted by Chantal Lacroix, to make a very special family happy.

When a group home closed five years ago, Julie-Marie and Yannick welcomed four children with autism into their home. To meet their needs, the young couple transformed their house into a group home. Unfortunately, they were unable to redo everything, and the kitchen still required renovating to make it practical. Then they got a big surprise from Chantal and the volunteers and donors who participated in the project; not only was the kitchen redone, but an upper floor was added.

Last summer, the production company hired Yves Michel Larochelle, President, AAARÉNOV Inc., to manage the project under tight timelines with significant challenges, such as reaching subcontractors during the construction holiday. A lot of hard labour was in store for the volunteers over the nine weeks it took to complete the project.

And the children, attached to their routines, were uprooted from everything familiar to them.

"On a flight last August, I was talking to my colleague about the project and wondering what I could do. The idea of contacting the Air Canada Foundation came to me during this conversation. I hesitated before calling, but the enthusiasm that followed my request for a trip to the Caribbean during their renovations was just the remedy for all this hard work," says Jean-Marc.

"Being able to give a trip to wonderful people is like being able to grant wishes. Watching the show, I was moved to see Micheline Villeneuve, Air Canada Foundation Manager, and Frederick Bélanger, First Officer, present the family with eight packages for a five-star, all-inclusive hotel in the Dominican Republic. The entire family, including the two social workers, could go," he says.

According to specialists who care for the children, Julie-Marie and Yannick are miracle workers because the children have made so much progress since coming into their newly renovated home.
SPONSORSHIPS

A third area of community involvement for Air Canada is its sponsorship programs, nationally and at a regional and local level. These are undertaken not only for commercial reasons but also on the understanding that beyond helping in essential areas such as health care and economic development, Air Canada can also play a vital cultural role in the communities it serves. This includes the arts, entertainment, sports and other areas that enrich life.

Arts groups

Air Canada sponsors a number of orchestras across the country, including for the first time Symphony Nova Scotia and the Calgary Philharmonic Orchestra. Others that benefitted from Air Canada’s sponsorship were the Orchestre Symphonique de Montreal, Toronto Symphony Orchestra, National Arts Centre Orchestra, Winnipeg Symphony Orchestra, Edmonton Symphony Orchestra, Vancouver Symphony Orchestra, and the National Youth Orchestra of Canada.

In terms of the arts, Air Canada is actively committed to Canadian film and television. All mainline aircraft are equipped with digital, seatback in-flight entertainment systems that offer at no charge hundreds of hours of films to millions of customers, effectively turning Air Canada into one of the country’s largest movie exhibitors. The Air Canada enRoute In-Flight Entertainment System (IFE) has a Canadian film channel that gives domestic artists’ productions broad international exposure. In 2015, Air Canada partnered with other major Canadian companies and organizations to promote National Canadian Film Day on April 29, hosting 16 Canadian features, seven short films and three short programs on the Franco and Canadian movie channels on its aircraft.

Complementing this, Air Canada has developed partnerships with important Canadian content creators and distributors to make Canadian television programming available, exposing Canadian content to a worldwide audience. In 2015, for the third year in a row the corporation renewed its association with the television show The Amazing Race Canada, one of the most watched series ever on Canadian television.

Air Canada’s support also extends to Canadian music. In 2015, the carrier partnered with Stingray Music, a digital music provider, for musical content on its in-flight entertainment system. Stingray is a Canadian company with a commitment to promoting new and emerging Canadian musical talent.
To appeal to a broader customer base and meet its obligations as the only Canadian airline governed by the Official Languages Act, Air Canada makes its services, including its entertainment, accessible to both a French and English audience. In 2015, these offerings were broadened by Air Canada launching a French language channel for children on its IFE.

The IFE’s Franco Cinema channel features Canadian programming produced in French in Canada and Air Canada is a sponsor of the Cinéfranco festival, whose goal is to make French cinema accessible to audiences in Toronto. Further, Air Canada sponsors numerous French language cultural events across Canada, including the national Rendez-vous de la francophonie and regional events such as the Festival FrancoOntarien in Ottawa, the Franco-Fête de Toronto, and the Festival du Voyageur in Winnipeg.

Air Canada promotes the development of Canadian talent. It has built upon its position as a major Canadian film exhibitor and through the Air Canada enRoute Film Festival encourages the development of Canadian student and emerging filmmakers. For the ninth edition of the festival in 2015, more than 300 entries were submitted with finalists selected by a prestigious jury drawn from the Canadian film industry. Finalists’ productions were screened at high-profile events in Vancouver, Toronto, Montreal and, for the first time, in Calgary. The finalists’ productions were also made available on the IFE system. One feature is the People’s Choice award that encourages viewers to vote for their favourite film and it serves to generate further interest.

During the year, to celebrate Canadian talent, Air Canada partnered with the Canada Council for the Arts to offer a short film program as part of its in-flight entertainment programming. The program features portraits of the eight Canadian artists awarded the Governor General’s Award in Visual and Media Arts in 2015.

Canadian artists working in other media are also supported by Air Canada, whose in-flight magazine, Air Canada enRoute, features work from Canadian writers, photographers and illustrators. Canadian subjects and destinations account for a large proportion of the magazine’s content with the most popular edition of all being the annual food issue.
The magazine’s list of the ten best new restaurants in Canada is extensively covered by national and local media, giving these establishments welcome publicity. During the year, seeking to provide customers exposure to Canadian-styled cuisine, the airline partnered with celebrity chef David Hawksworth, whose restaurant previously won one of the Air Canada enRoute Canada’s Best New Restaurant awards. The Vancouver-based chef has agreed to develop uniquely Canadian dishes for International Business Class customers and the airline’s Maple Leaf Lounges.

Air Canada enRoute also co-sponsors a literary prize and publishes the work of winners—both established and developing Canadian writers—in three editions each year. Canadian design is also promoted through Air Canada enRoute, which in 2015 held its biennial celebration of the Hotel Design Awards with a Toronto gala where Canada’s best hotel designers were recognized for their work. Further, during the year the airline also selected Canadian designer Christopher Bates to develop new uniforms for its employees with the new designs to be unveiled in 2017.

Celebrating Role Models
Air Canada sponsors other awards too, notably The Indspire Awards to recognize indigenous professionals and youth with outstanding career achievements. Recipients are chosen to serve as role models for all indigenous peoples. Air Canada has been involved in these awards since their inception in 1993, presenting a lifetime...
achievement award. The corporation in 2014 expanded its involvement with native groups through the imagineNATIVE Film + Media Arts Festival, which programs film, video, radio and new media works made by Canadian and international indigenous media artists in key creative roles as producers, directors, and writers. Another new partnership in 2015 was with the Reel Asian International Film Festival, which showcases works from Asia, Canada and around the world.

One award popular among aviation enthusiasts is the Webster Memorial Trophy Competition. It is an event sponsored by the corporation for the top amateur pilot in Canada each year. In 2015, Air Canada also helped support travel for winners of the Elsie MacGill Northern Lights Awards, which each year recognize the contributions of seven women to Canadian Aviation.

Sports
Support for sports is another important expression of Air Canada’s commitment to communities as health and fitness are elements of sustainability. To this end, the corporation is a supporter of both amateur and professional sports.

WORKING WITH HOSPITALS TO HELP THE MOST VULNERABLE
While sending a youngster to Disney® or making one child’s dream come true meeting a hockey hero are tremendously important, the Air Canada Foundation also works to ensure that health care providers have the equipment and infrastructure in place to help many children with more immediate needs. In 2015, the Foundation helped the Children’s Hospital Foundation of Saskatchewan acquire badly needed equipment and their response summarized all that the Foundation aspires to be.

Children’s Hospital Foundation of Saskatchewan Letter:

"Saskatchewan’s tiniest patients will soon have the equipment needed during emergency situations, all thanks to the amazing support of the Air Canada Foundation. By providing funding for two much needed INVOS Oximeter Monitoring Systems for the Neonatal Intensive Care Unit, the Air Canada Foundation ensures that Saskatchewan children are receiving the best healthcare possible.

We truly can’t thank you enough for your amazing donation of $30,000. The current pediatric referral center only has one INVOS Oximeter Monitoring Systems. Before the Air Canada Foundation’s support this piece of equipment had to be shared between wards. This resulted in time being wasted with transporting the machine from ward to ward, or sometimes not having access to this much needed piece of equipment at all. The INVOS Oximeter allows for surgical and intensive care teams to detect and correct problems that can lead to further complications. Our tiniest patients will now be able to receive quicker diagnoses and procedures, to allow them to thrive and grow.

It is because of our partners, like the Air Canada Foundation, that we are able to provide funding for lifesaving medical equipment, research and education today, and in the future when the doors to our specialized facility open in 2019.

We are most grateful for your amazing support throughout 2015, and look forward to all that we can accomplish together in the year ahead. All that we do would not be possible without the support of a caring community. Thank you for being a part of bringing this hospital to the children and families who need it. Thank you"
Air Canada has been a sponsor of Canada’s Olympic Team since 2006 and a sponsor of Canada’s Paralympic Team since 2007. Through these arrangements, it provides special services and transport for training and competitions.

Each year, the airline presents the Air Canada Athlete of the Year Award in partnership with the Canadian Olympic Committee. It recognizes one exceptional Canadian athlete who demonstrates a drive for excellence, leadership and integrity. The award’s appeal is broadened by asking Canadians to vote online for their favourite athlete, further increasing the profile of the candidates and Olympic athletes in general.

The 2015 winner was Canadian Olympic Canoe/Kayak Sprinter Mark de Jonge. Air Canada also maintains commercial sponsorships with six Canadian National Hockey League Teams, while having a contract to transport all seven Canadian NHL teams until 2021.

**ATHLETE OF THE YEAR**

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### PROGRESS ON 2015 GOALS

- Incorporate the Air Canada Foundation in Air Canada’s Brand Marketing Initiatives including video content
  - **Achieved**

- Achieve fundraising target of $1 million for the 4th annual edition of Air Canada Foundation Golf Tournament
  - **Achieved**

- Increase financial grants to charities by 25 per cent over previous year
  - **Achieved**

- Expand our presence in local communities by increasing management presence in local events and management dialogue with local stakeholders
  - **Achieved**

### GOALS FOR 2016

Air Canada will continue to provide the majority of the resources required to carry out the activities of the Air Canada Foundation. These resources will be deployed by the Air Canada Foundation with the following goals:

- Increase fundraising target goal to $1.5 million (net)

- Increase overall donations to Children’s Miracle Network Canadian member pediatric hospitals by 10 per cent

- Support the opening of three new Aboriginal Breakfast Club of Canada programs