NOTICE OF

2009 ANNUAL

MEETING OF SHAREHOLDERS

AND MANAGEMENT PROXY CIRCULAR
Letter from the Chairman and the President and Chief Executive Officer

Dear Shareholders:

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Friday, May 8, 2009 at 11:00 a.m. (Montreal time), at the International Civil Aviation Organization (ICAO) Conference Centre, 999 University Street, Montreal, Québec.

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

During the meeting, we will also present management’s report for 2008 and discuss our business objectives for 2009 as we manage through the economic downturn and position the airline to take advantage of an economic recovery.

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

Sincerely,

David I. Richardson
Chairman

Calin Rovinescu
President and Chief Executive Officer
NOTICE OF 2009 ANNUAL SHAREHOLDER MEETING

When
May 8, 2009 at 11:00 a.m. (Montreal time)

Where
International Civil Aviation Organization (ICAO)
Conference Centre
999 University Street
Montreal, Québec

Webcast
A webcast replay of management's presentation at the meeting will be made available at a later date on our website at www.aircanada.com.

Business of the 2009 Annual Shareholder Meeting
Four items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2008, including the auditors' report thereon;

2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;

3. appointment of auditors; and

4. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on March 26, 2009.

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

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

By Order of the Board of Directors,

Carolyn M. Halvorsen
Corporate Secretary
Montreal, Québec
April 4, 2009
In this management proxy circular ("circular"), you and your refer to the shareholder. We, us, our, Air Canada and the Corporation refer to Air Canada. Unless otherwise stated, all dollar amounts contained in this circular are expressed in Canadian dollars.

This circular is for our annual shareholder meeting to be held on May 8, 2009 ("meeting"). As a shareholder of Air Canada, you have the right to vote your shares on the election of the directors, the appointment of the auditors, and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the director nominees, the proposed auditors, our corporate governance practices, the compensation of directors and certain officers and other matters. The information in this document is current as at April 4, 2009 unless otherwise indicated. Financial information on Air Canada and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2008.

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

If you have any questions about any of the information in this circular, please call Shareholder Relations at (514) 422-6644 for service in English or in French.

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

Corporate Secretary
Carolyn M. Huber
Montreal, Québec
April 4, 2009
Your vote is important

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

Voting

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

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

How to vote – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact CIBC Mellon Trust Company (“CIBC Mellon”) at 1-800-387-0825.

By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at (416) 368-2502 or return it in the envelope we have provided or by delivering it to one of CIBC Mellon’s principal Corporate Trust Offices in Halifax, Montreal, Toronto, Calgary or Vancouver for receipt before 4:00 p.m. (Montreal time) on May 6, 2009 or with the Secretary of the meeting prior to commencement of the meeting on the day of the meeting or on the day of any adjournment thereof. A list of addresses for the principal Corporate Trust Offices of CIBC Mellon is set forth on pages 41 and 42 of this circular.

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

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

In person at the meeting

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

You will receive an admission ticket at the meeting upon registration at the registration desk.

How to vote – non-registered shareholders

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

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

By proxy

Your nominee is required to ask for your voting instructions before the meeting. Please contact your nominee if you did not receive a request for voting instructions in this package.

On the Internet

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

You will need the 12 digit Control Number found on your voting instruction form.
If you return your voting instruction form via the Internet, you can appoint a person other than the directors or officers named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the voting instruction form. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

**The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on May 5, 2009.**

**By facsimile or by mail**

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it by facsimile at (905) 507-7793 or (514) 281-8911 or in the business reply envelope provided for receipt before 4:00 p.m. (Montreal time) on May 5, 2009.

**In person at the meeting**

You can vote your shares in person at the meeting if you have instructed your nominee to appoint you as proxyholder.

To do this, write your name in the space provided on the voting instruction form and follow the instructions of your nominee.

**How to vote – employees holding shares under the Employee Share Ownership Plan of Air Canada**

Shares purchased by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan of Air Canada (“Employee Shares”) are registered in the name of Computershare Trust Company of Canada (“Computershare”), as trustee in accordance with the provisions of such plan unless the employees have withdrawn their shares from the plan.

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

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

**By proxy**

A voting instruction form is enclosed with this circular which allows you to provide your voting instructions on the Internet or by mail.

**On the Internet**

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

You will need the Control Number, Holder Account Number and Access Number found on your voting instruction form.

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

**The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on May 5, 2009.**

**By mail**

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided for receipt before 4:00 p.m. (Montreal time) on May 5, 2009.

**In person at the meeting**

You can vote your shares in person at the meeting if you have instructed Computershare to appoint you as proxyholder.

To do this, write your name in the space provided on the voting instruction form and follow the instructions provided in the voting instruction form.

**Completing the form of proxy**

You can choose to vote "For" or "Withhold" with respect to the election of the directors and the appointment of the auditors. If you are a non-
registered shareholder voting your shares, or an employee voting your Employee Shares held pursuant to the Employee Share Ownership Plan of Air Canada, please follow the instructions provided in the voting instruction form.

When you sign the form of proxy without appointing an alternate proxyholder, you authorize David I. Richardson, Calin Rovinescu or Carolyn M. Hadrovic, who are directors or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the director nominees who are named in this circular and FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation.

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

You have the right to appoint someone other than the management proxy nominees to be your proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy.

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

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

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

You must also complete the Declaration of Canadian Status contained in the form of proxy, voting instruction form or in the Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable Air Canada to comply with the restrictions imposed by its articles and the Canada Transportation Act on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting.

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

Changing your vote

In addition to revocation in any other manner permitted by law, a shareholder giving a proxy and submitting it by mail may revoke it by an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing and deposited either at the Montreal office of Air Canada's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Québec, or at Air Canada's registered office, 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting, or any adjournment thereof. If the voting instructions were conveyed over the Internet, conveying new voting instructions by Internet or by mail within the applicable cut-off times will revoke the prior instructions.

Voting requirements

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

For details concerning the Corporation's "Majority Voting Policy" with respect to the election of its directors, please refer to the information under the heading "Election of Directors" at page 10 of this circular.
Voting shares and quorum

As of April 4, 2009, there were 85,673,801 Class B voting shares and 14,326,199 Class A variable voting shares outstanding. Shareholders of record on March 26, 2009 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montreal office of the Corporation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Québec and at the meeting.

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

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

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

Restrictions on voting securities

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

(a) Canadian citizen or a permanent resident within the meaning of the Immigration and Refugee Protection Act (Canada);
(b) government in Canada or an agent of such a government; or
(c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

Air Canada has two classes of shares: (i) Class B voting shares and (ii) Class A variable voting shares.

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

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

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

The Government of Canada’s Bill C-10, the Budget Implementation Act 2009, contains provisions whereby the restrictions relating to voting securities in the Air Canada Public Participation Act would be repealed and the Canada Transportation Act would be amended to provide the Governor in Council with flexibility to increase the foreign voting interests ownership limit from the existing 25% level to a maximum of 49%. These provisions will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Finance in the case of the Air Canada Public Participation Act, and on the recommendation of the Minister of Transport in the case of the Canada Transportation Act.

In the event that the Canada Transportation Act is so amended prior to the meeting, each Class A variable voting share would then confer the right to one vote unless: (i) the number of Class A variable voting shares outstanding, as a percentage of the total number of voting shares outstanding of Air Canada exceeds the revised foreign voting interests ownership limit (the "Revised % Limit") then imposed by the Canada Transportation Act (or by the regulations thereunder), or (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting exceeds the Revised % Limit of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that: (i) the Class A variable voting shares as a class do not carry more than the Revised % Limit of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed the Revised % Limit of the votes that may be cast at such meeting.

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

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable Air Canada to comply with the restrictions imposed by its articles and the Canada Transportation Act on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares under the Employee Share Ownership Plan of Air Canada and in the Internet voting instructions.

The Corporation has adopted various procedures and processes to ensure that the non-Canadian ownership restriction of voting shares is respected.
Principal shareholders

As of April 4, 2009, to the knowledge of the officers or directors of the Corporation, each of the following entities beneficially owned or exercised control or direction over, directly or indirectly, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number and Type of Shares</th>
<th>% of Outstanding Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE Aviation Holdings Inc.</td>
<td>75,000,000 Class B voting shares</td>
<td>87.54% of all outstanding Class B voting shares</td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co.</td>
<td>3,000,000 Class A variable voting shares</td>
<td>20.94% of all outstanding Class A variable voting shares</td>
</tr>
<tr>
<td>Incorporated(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sola Ltd.(2)</td>
<td>2,750,000 Class A variable voting shares</td>
<td>19.20% of all outstanding Class A variable voting shares</td>
</tr>
</tbody>
</table>

(1) Based on publicly available early warning reports.
(2) Based on publicly available early warning reports, Solus Alternative Asset Management LP, as the investment manager of Sola Ltd., has voting control and investment discretion over the securities held by Sola Ltd.
BUSINESS OF THE MEETING

Four items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2008, including the auditors’ report thereon;

2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;

3. appointment of auditors; and

4. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

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

1. Placement of Air Canada’s financial statements

The consolidated financial statements for the year ended December 31, 2008, including the auditors’ report thereon, are available on SEDAR at www.sedar.com or on the Corporation’s website at www.aircanada.com. Copies of such statements will also be available at the meeting.

2. Election of directors

Nine (9) directors are to be elected to the Board. Please see "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed.

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation, except for Michael M. Green who was appointed to the Board on March 30, 2009, Calin Rovinescu who was appointed to the Board on April 1, 2009, and Jean Marc Huot who is a new nominee for election to the Board.

The Board has adopted a "Majority Voting Policy" to the effect that a nominee for election as a director of Air Canada who receives a greater number of votes "withheld" than votes "for", with respect to the election of directors by shareholders, will be expected to offer to tender his or her resignation to the Chairman promptly following the meeting of shareholders at which the director was elected. The Governance and Corporate Matters Committee will consider such offer and make a recommendation to the Board whether to accept it or not. The Board will make its decision and announce it in a press release within ninety (90) days following the meeting of shareholders. The director who offered to tender his or her resignation should not be part of any committee or Board deliberations pertaining to the resignation offer. This policy only applies in circumstances involving an uncontested election of directors. An "uncontested election of directors" means the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy materials are circulated in support of one or more nominees who are not part of the candidates supported by the Board.

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

3. Appointment of auditors

The Board, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990.

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

Fees payable for the years ended December 31, 2008 and December 31, 2007 to PricewaterhouseCoopers LLP and its affiliates are $3,011,035 and $2,354,582 respectively, as detailed below:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2008</th>
<th>Year ended December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>$2,382,442</td>
<td>$2,039,178</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>$326,342</td>
<td>$297,404</td>
</tr>
<tr>
<td>Tax fees</td>
<td>$57,761</td>
<td>$18,000</td>
</tr>
</tbody>
</table>
The nature of each category of fees is described below.

**Audit fees.** Audit fees were paid for professional services rendered for the audit of Air Canada’s annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements.

**Audit-related fees.** Audit-related fees were paid for professional services related to pension plan audits, specified procedures reports and other items related to the audit.

**Tax fees.** Tax fees were paid for professional services rendered with respect to income taxes.

**Other fees.** Other fees were paid for translation and advisory services. Translation services were previously provided by another entity.

More information on Air Canada’s Audit, Finance and Risk Committee is contained in Air Canada’s Annual Information Form filed by Air Canada on March 30, 2009 and which is available on SEDAR at www.sedar.com or on the Corporation’s website at www.aircanada.com.

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

4. **Consideration of other business**

We will also:

- report on other items that are significant to our business; and
- invite questions and comments from shareholders.
THE NOMINATED DIRECTORS

Nine (9) directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders or until their successors are elected or appointed.

All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder. The table below sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors (if applicable), their principal occupation and other principal directorships and committee memberships. Also indicated is the number of securities beneficially owned, or over which control was exercised, directly or indirectly, as of April 4, 2009 (including securities of ACE Aviation Holdings Inc. ("ACE Aviation").

BERNARD ATTALI
Paris, France

Bernard Attali is the Honorary Chairman of Air France Group and Senior Advisor for TPG Capital, a private investment firm. Mr. Attali is also a director of ACE Aviation and Baccarat SA. He was Vice Chairman of Deutsche Bank Europe Investment Banking from 1999 to 2000. Mr. Attali has served as Chairman and Chief Executive Officer of Air France as well as Chairman of the International Air Transport Association, Excom and the Association of European Airlines. Mr. Attali is Commandeur de la Légion d'Honneur and Titulaire de la Médaille de l'Aéronautique. Mr. Attali holds diplomas from the Institut d'Études Politiques of Paris and the École Nationale d'Administration.

Member of the Governance and Corporate Matters Committee
Member of the Nominating Committee

5,000 Class A variable voting shares of ACE Aviation
4,829.61 deferred share units of Air Canada

MICHAEL M. GREEN
Radnor, Pennsylvania

Michael M. Green is the General Partner of Tenex Capital Management. Mr. Green is also a director of ACE Aviation. Mr. Green has a multi-industry operations background in aerospace, transportation, telecommunications and software systems. Mr. Green was Managing Director of Cerberus Capital Management, L.P. from 2003 to 2009. Previously, Mr. Green was the Chief Executive Officer of several privately held companies, Trispan Solutions and Naviant Technology. Mr. Green began his career at General Electric Company where he worked in several operating departments and held positions in engineering, manufacturing, sales, marketing and general management. Mr. Green holds a dual B.S. in Electrical Engineering and Physics from State University of New York, Buffalo and an M.S. Electrical Engineering from Villanova University.

Air Canada director since November 15, 2006

Air Canada director since March 30, 2009
JEAN MARC HUOT  
Montreal, Québec

First nomination for election as director of Air Canada

Jean Marc Huot is a partner with the Canadian law firm Stikeman Elliott LLP and co-chair of the firm's national Securities Law Group. His practice is focused primarily in the areas of corporate finance and mergers and acquisitions. Mr. Huot is a member of the Advisory Committee to the Chair of the Autorité des Marchés Financiers. Mr. Huot holds a Bachelor of Arts degree and a Bachelor of Law degree from Laval University.

5,000 Class B voting shares of Air Canada

PIERRE MARC JOHNSON  
Montreal, Québec

Air Canada director since November 15, 2006

Pierre Marc Johnson is Counsel to the offices of the Canadian law firm Heenan Blaikie LLP and advises, mediates and negotiates for or with various governments, United Nations related organizations and other international institutions. Mr. Johnson is also a director of ACE Aviation, Noveko International Inc., Groupe Juste Pour Rire, Muse Entertainment and the Veolia Institute for the Environment (Paris). During his career in public office, Mr. Johnson, a physician and attorney, became Québec's Premier in 1985 and then Leader of the Opposition. Mr. Johnson was previously Minister of Labour and Manpower, Financial Institutions, Social Affairs, Intergovernmental Affairs, Attorney General and Minister of Justice. Mr. Johnson is a Grand Officer of the National Order of Québec.

Member of the Governance and Corporate Matters Committee
Member of the Human Resources and Compensation Committee

5,000 Class B voting shares of ACE Aviation
7,091.51 deferred share units of Air Canada
JOSEPH B. LEONARD  
Minneapolis, United States

Joseph B. Leonard is a corporate director. He serves on the boards of Mueller Water Products, Inc. and Walter Industries, Inc. Mr. Leonard was Chairman of AirTran Airways from 1999 to 2008 and the Chief Executive Officer from 1999 to 2007. Mr. Leonard was also President and Chief Executive Officer of AlliedSignal's Aerospace marketing, sales and service organization and previously held various senior management positions with Northwest Airlines, Eastern Airlines and American Airlines. Mr. Leonard holds a Bachelor of Science degree in Aerospace Engineering from Auburn University Montgomery.

Member of the Governance and Corporate Matters Committee
Member of the Human Resources and Compensation Committee
Member of the Nominating Committee

3,223.44 deferred share units of Air Canada

ARTHUR T. PORTER  
Montreal, Québec

Arthur T. Porter is Director General and Chief Executive Officer of the McGill University Health Centre since 2004. Dr. Porter was previously Chief Executive Officer of the Detroit Medical Center from 1999 to 2003 and has extensive clinical, research and administrative experience in a university teaching hospital environment. Dr. Porter has also acted as consultant for several major companies in the airline and energy sectors with respect to human resources and logistic challenges. Dr. Porter is a director and member of the Audit Committee of the Munder Funds and the Chairman of CancerPartnersUK. Dr. Porter holds a Medical degree from the Cambridge School of Clinical Medicine, a Master of Business Administration from the University of Tennessee and certificates in Medical Management from Harvard University and the University of Toronto. Dr. Porter is a member of the Queen's Privy Council for Canada and a member of Canada's Security and Intelligence Review Committee.

Chair of the Nominating Committee
Member of the Audit, Finance and Risk Committee

2,000 Class B voting shares of Air Canada
7,371.50 deferred share units of Air Canada
DAVID I. RICHARDSON  
Grafton, Ontario

Air Canada director since September 30, 2004 and Chairman since January 1, 2008

David I. Richardson is a corporate director. Mr. Richardson is a director and the Chair of the Audit Committee of ACE Aviation. Mr. Richardson is the former Chairman of Ernst & Young Inc. (Canada) and a former Executive Partner of Ernst & Young LLP. Mr. Richardson joined its predecessor Clarkson, Gordon & Co. in 1963 and was appointed President of The Clarkson Company Limited in 1982. Mr. Richardson was also a member of the Management and Executive Committees of Ernst & Young LLP, national managing partner of the firm’s Corporate Finance practice and the senior partner in the corporate recovery and restructuring practice until his retirement from the partnership in 2002. Mr. Richardson holds a Bachelor of Commerce degree from the University of Toronto and is a member and a Fellow of the Institute of Chartered Accountants of Ontario.

10,000 Class B voting shares of Air Canada  
5,000 Class B voting shares of ACE Aviation

CALIN ROVINESCU  
Montreal, Québec

Air Canada director since April 1, 2009

Calin Rovinescu was appointed President and Chief Executive Officer of Air Canada on April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada from 2000 to 2004, and during the airline’s restructuring, he also held the position of Chief Restructuring Officer. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, one of Canada’s leading independent investment banks, and also served on Genuity’s Partners’ Committee. From 1979 to 2000, Mr. Rovinescu was a lawyer with the Canadian law firm Stikeman Elliott LLP, and was the Managing Partner of its Montreal office from 1996 to 2000. Mr. Rovinescu is currently a director of BELLUS Health Inc. and has served on the boards of several public and private corporations and charitable organizations, including Emergis Inc., Skyservice Business Aviation, Antisoma PLC, McGill University Health Center and the Montreal Chamber Orchestra (chair). Mr. Rovinescu holds a D.E.C. degree from McGill University and Bachelor of Law degrees from the University of Montreal and the University of Ottawa.
Vagn Sørensen is Senior Industrial Advisor with EQT Partners, a private equity fund. Mr. Sørensen is Chairman of KMD A/S, Select Service Partner Plc U.K., BTX Group A/S, Scandic Hotels AB and TDC A/S, and Vice Chairman of DFDS A/S and ST Global. Mr. Sørensen is also a director of Braganza AS, FormueEvolution I+II and the Scandinavian International Management Institute. Mr. Sørensen was previously President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System. Mr. Sørensen has served as Chairman of the Association of European Airlines, member of the Board of Governors of the International Air Transport Association and member of the Board of Vienna Stock Exchange. Mr. Sørensen holds a Master of Economics from Aarhus Business School in Denmark.

Chair of the Human Resources and Compensation Committee
Member of the Audit, Finance and Risk Committee
Member of the Governance and Corporate Matters Committee
Member of the Nominating Committee

9,300 Class A variable voting shares of Air Canada
2,400 Class A variable voting shares of ACE Aviation
12,976.76 deferred share units of Air Canada
Remuneration of Directors

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

Currently, the Chairman of Air Canada’s Board receives a retainer of $325,000 per year and non-executive directors of Air Canada receive a retainer of $120,000 per year, except for non-executive directors of Air Canada who are also directors of ACE Aviation who instead receive a retainer of $85,000 per year. The annual retainer fee is payable in cash or in deferred share units ("DSUs") in accordance with the share ownership guidelines, as described below. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries. All of the current directors of Air Canada’s subsidiaries, AC Cargo General Partner Inc., ACGHS General Partner Inc. and Touram General Partner Inc., are also executive officers of Air Canada or its subsidiaries and receive no compensation as directors of any such subsidiaries. Additionally, transportation privileges are granted to directors of Air Canada in line with airline industry practice.

The Chair of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $20,000, $10,000, $10,000 and $10,000 per year. The members of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $10,000, $5,000, $5,000 and $5,000 per year.

The following table shows the amounts earned by individual non-executive directors of Air Canada for the year ended December 31, 2008 in respect of memberships on the Board of the Corporation and its committees:

| Name                  | Board retainer ($) | Committee member retainer ($) | Attendance fees ($) | Share and option based awards ($) | Non-equity incentive plan compensation ($) | Pension value ($) | All other compensation ($) | Total ($) | Allocation of total fees | |
|-----------------------|--------------------|--------------------------------|---------------------|-----------------------------------|----------------------------------------|------------------|-----------------------------|------------|---------------------------||
| Bernstein Attali      | 85,000             | 10,000                         | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | 95,000     | In cash: 59,375 In DSUs: 35,625 ||
| Pat Jacobsen          | 73,516             | 3,995                          | 16,000              | Nil                               | Nil                                    | Nil              | Nil                         | 93,511     | 71,753 21,758                ||
| Pierre Marc Johnson   | 85,000             | 10,000                         | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | 95,000     | 47,500 47,500                ||
| Joseph B. Leonard     | 73,516             | 3,995                          | 16,000              | Nil                               | Nil                                    | Nil              | Nil                         | 93,511     | 71,753 21,758                ||
| Robert G. Long        | 120,000            | 25,000                         | 16,000              | Nil                               | Nil                                    | Nil              | Nil                         | 161,000    | 116,000 45,000               ||
| Arthur T. Porter      | 120,000            | 23,750                         | 24,000              | Nil                               | Nil                                    | Nil              | Nil                         | 167,750    | 113,375 54,375               ||
| David I. Richardson   | 325,000            | Nil                            | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | 325,000    | 325,000 Nil                  ||
| Vagn Sorensen         | 120,000            | 25,000                         | 16,000              | Nil                               | Nil                                    | Nil              | Nil                         | 161,000    | 91,000 70,000                ||
| Michael M. Wilson     | 73,516             | 3,995                          | 16,000              | Nil                               | Nil                                    | Nil              | Nil                         | 93,511     | Nil 93,511                   ||
| Marvin Yontef         | 85,000             | 10,000                         | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | 95,000     | 23,750 71,250                ||
| Montie Brewer         | Nil                | Nil                            | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | Nil        | Nil                        ||
| Brian Dunne           | Nil                | Nil                            | Nil                 | Nil                               | Nil                                    | Nil              | Nil                         | Nil        | Nil                        ||

(1) Also a director of ACE Aviation.
(2) Includes the prorated payment of certain Board and committee member retainer fees (as was elected a director of Air Canada on May 21, 2008).
(3) Chairman of the Board of Air Canada.
(4) Ceased being a director effective April 1, 2009. As Mr. Brewer had been the President and Chief Executive Officer of Air Canada during his tenure as a director of Air Canada, Mr. Brewer received no compensation in his capacity as a director of Air Canada or any of its subsidiaries.
(5) Mr. Dunne was a director of Air Canada until September 22, 2008. As an executive officer of ACE Aviation during his tenure as a director of Air Canada, Mr. Dunne received no compensation in his capacity as a director of Air Canada.
(6) Attendance fees for meetings held by an ad hoc committee of the Board.
Share Ownership Requirement for Directors

The Board has adopted share ownership guidelines according to which non-executive directors are required to own a minimum of securities of Air Canada representing $120,000 or $85,000 in value, as the case may be, through shares and/or DSUs. The value of the securities is based on the greater of the market value of the securities and the aggregate purchase price of the securities. Directors who have not achieved the share ownership guidelines will receive 50% of their annual retainer fee in cash and the remainder in DSUs until the share ownership guidelines have been met. Directors who have achieved the share ownership guidelines may elect to receive their annual retainer fee in cash, DSUs or a combination of cash and DSUs. On August 7, 2008, the Board agreed to suspend the requirement to receive payment in DSUs. For information relating to the number of Air Canada shares and/or DSUs owned by the directors of Air Canada, please refer to their respective biographies beginning at page 12 of this circular.

Certain Proceedings

To the knowledge of Air Canada, none of the proposed nominees for election as directors of Air Canada: (a) are, as at the date hereof, or have been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date of this circular, or have been within 10 years before the date of this circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except that:

(i) Michael M. Green was a director of Anchor Glass Container Corporation when it filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in August 2005;

(ii) Pierre Marc Johnson was a director of Air Canada when it filed for protection under the Companies Creditors Arrangement Act (Canada) ("CCAA") on April 1, 2003; and

(iii) Calin Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada when it filed for protection under the CCAA on April 1, 2003.
STATEMENT OF GOVERNANCE PRACTICES

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

Board of Directors

Director Independence

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

A majority of the directors of the Corporation standing for election to the Board, namely Bernard Attali, Michael M. Green, Pierre Marc Johnson, Joseph B. Leonard, Arthur T. Porter, David I. Richardson and Vagn Sørensen are "independent" directors in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are unrelated and independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Calin Rovinescu is not independent because of his position held as an officer of Air Canada and Jean Marc Huot is not independent because of payments for legal services billed to Air Canada and its affiliates by the law firm of which he is a partner.

Directorships of Other Reporting Issuers

Director nominees' Bernard Attali, Michael M. Green, Pierre Marc Johnson, Joseph B. Leonard, Arthur T. Porter, David I. Richardson, Calin Rovinescu and Vagn Sørensen are presently directors of several public entities. Bernard Attali is currently the Honorary Chairman of Air France Group and a director of ACE Aviation and Baccarat SA. Michael M. Green is currently a director of ACE Aviation. Pierre Marc Johnson is currently a director of ACE Aviation and Noveko International Inc. Joseph B. Leonard is currently a director of Mueller Water Products, Inc. and Walter Industries, Inc. Arthur T. Porter is currently a director of the Munder Funds. David I. Richardson is currently a director of ACE Aviation. Calin Rovinescu is currently a director of BELLUS Health Inc. Vagn Sørensen is currently Chairman of TDC A/S, Vice Chairman of DFDS A/S and a director of FormueEvolution I+II.

Please see "The Nominated Directors" in this circular for additional information relating to each director standing for nomination, including other company boards on which they serve.

Chairman of the Board

The Chairman of the Board is appointed by resolution of the Board among the Board members. The Chairman of the Board is David I. Richardson who is an independent director of Air Canada. The responsibilities of the Chairman of the Board are set out in a position description, which is described below under "Statement of Governance Practices – Position Descriptions – Chairman".

Independent Directors’ Meetings

At each scheduled meeting of the Board, time is specifically reserved for non-executive directors to hold "in camera" sessions, in the absence of non-independent directors. At each such meeting, the directors consider whether an "in camera" meeting would be appropriate in the circumstances. The Chairman of the Board chairs the "in camera" sessions. In 2008, the independent directors of the Board did not consider it necessary to hold, following a scheduled meeting of the Board, any "in camera" sessions at which non-independent directors would not be in attendance.
Attendance Record

See "Schedule A" of this circular for the attendance records of the directors of the Board and the committees of the Corporation.

Board Size

The Board will be comprised of nine (9) directors in the event all of the director nominees are elected. Please refer to "The Nominated Directors" in this circular for further details. The Board is of the view that this size and its composition are adequate and allow for the efficient functioning of the Board as a decision making body.

Board Mandate

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

Position Descriptions

President and Chief Executive Officer

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

Chairman

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

Chair of each Standing Committee

The Chairs of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee are respectively, Robert G. Long, Marvin Yontef, Vagn Sørensen and Arthur T. Porter.

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

**Orientation and Continuing Education**

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of the Corporation’s business. Each new director is also asked to review the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he is expected to play as a director and a committee member. Extensive documentation on the Corporation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.

As part of its mandate, the Governance and Corporate Matters Committee is also responsible for providing a continuous education program for directors of the Board. The Corporation has in place a continuous education program. In this regard, the Corporation provides directors with regular reports on the operations and finances of Air Canada. Management periodically gives directors up-to-date industry studies and benchmarking information. At each regular Board meeting, the directors are provided with updates and short summaries of relevant information. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation’s business remains current. Furthermore, aircraft and facility tours are provided to directors so they can enhance their understanding of the operational aspects of Air Canada’s business. The Corporation encourages continuous education by offering to reimburse the costs and expenses of attending conferences or courses, including director education programs offered by leading institutions of higher education. In addition, in 2009, a guest speaker from private legal practice or a leading institution of higher education will be invited to present to the members of the Board the latest trends and best practices on corporate governance matters and other topics of interest.

**Air Canada Code of Business Conduct**

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "Code") which was most recently amended by the Board on December 10, 2008. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com or on the Corporation’s website at www.aircanada.com. The Code addresses, among other things, the following issues:

(a) conflicts of interest;
(b) use of company assets;
(c) confidential information;
(d) fair dealing with other people and organizations;
(e) compliance with laws, rules and regulations;
(f) employment policies;
(g) computer, e-mail and internet policies; and
(h) reporting suspected non-compliance.
The Board, with the assistance of the Governance and Corporate Matters Committee, has the responsibility for monitoring compliance with and interpreting the Code. The Code has been communicated or brought to the attention of all employees of Air Canada and its wholly-owned subsidiaries that have not adopted their own policies and guidelines. All new members of management are required to complete an acknowledgement form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. In addition, all members of management are required to complete the acknowledgment form on an annual basis. The Code also includes a "whistle-blower policy" whereby employees can report violations of the Code. The Board has concluded that such measures are appropriate and sufficient. Since the adoption of the Code, Air Canada has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

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

Nomination of Directors

The Nominating Committee, composed entirely of independent directors, is responsible for considering and making recommendations on the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. In consultation with the President and CEO and the Chairman, the Nominating Committee determines the expected skill-set of new candidates by taking into account the existing strength of the Board and the needs of the Corporation. The Nominating Committee identifies a list of potential Board candidates and then reviews the competencies and skill-set of each candidate. In addition, the Nominating Committee engages the services of private agencies to conduct broad searches of potential Board candidates. The candidates are then ranked and approached for their interest in serving on the Board. The Nominating Committee then recommends to the Board candidates for nomination as directors and approves the final choice of candidates for nomination and election by the shareholders.

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

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

**Compensation**

The Human Resources and Compensation Committee is composed entirely of independent directors. Please see the section titled "Report on Executive Compensation by the Human Resources and Compensation Committee" for the process and criteria used to determine the compensation of the officers of Air Canada.

Additionally, in 2008, Air Canada retained the services of Towers Perrin to assist with preparing information on executive compensation. Towers Perrin’s scope of services included performing competitive reviews of senior executive compensation levels and providing Air Canada with compensation trend information. In addition to these services, Towers Perrin also provided benefit consulting services to the Corporation.

**Board Committees**

There are four standing committees of the Board: the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee. The roles and responsibilities of each committee are described in the respective committee charters. Please consult the section titled "Committees" of this circular for a description of the responsibilities, powers and operations of such committees.

During 2008, the Board constituted an ad hoc committee consisting of the independent directors of Air Canada who were not also members of the board of directors of ACE Aviation. The mandate of the committee was to consider and, if deemed appropriate, approve, any material commercial transaction involving Air Canada and ACE Aviation or any of its affiliates, and to consider the interest of Air Canada’s minority shareholders in connection with any such transaction. No such transaction is currently being considered by the ad hoc committee.

**Assessments**

It is the role of the Chair of the Governance and Corporate Matters Committee to assess, on an annual basis, the contribution of each individual director, the effectiveness of the Board and the effectiveness of the committees. For this purpose, the Chair of the Governance and Corporate Matters Committee conducts private meetings with each director, and the directors are also asked to complete an evaluation survey on the effectiveness of the Board and of its committees. Thereafter, a report is made to the Board. Also, on a quarterly basis, the Chair of each committee reports to the Board on the activities of the committee. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees.
COMMITTEES

The Board has four standing committees:

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

All committees of the Board are composed of independent directors except for the Governance and Corporate Matters Committee of which Marvin Yontef is the Chairman. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed annually to ensure that they reflect best practices as well as applicable regulatory requirements.

This section includes reports from each committee, which tell you about its members, responsibilities and activities.

Audit, Finance and Risk Committee

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

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

- To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.
- To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.
- To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- To provide independent communication between the Board and the internal auditor and the external auditor.
- To facilitate in-depth and candid discussions between the Audit, Finance and Risk Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

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

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine, based on its review and discussion, whether to recommend the approval by the Board of such financial statements and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.
• Review with management, the external auditor and legal counsel, the Corporation’s procedures to be satisfied that it complies with applicable laws and regulations.

• Meet with the Corporation’s external auditor to review and approve their audit plan.

• Review and approve estimated audit and audit-related fees and expenses.

• Review and approve the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation’s external auditor prior to the commencement of such work.

• Review a report from the external auditor that in the external auditor's professional judgment it is independent of the Corporation.

• Evaluate the performance of the external auditor.

• Review the mandate of and the services provided by the internal audit department.

• Review significant emerging accounting and reporting issues.

• Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters.

• Review with management the Corporation’s computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

• Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.

• Approve the investment structure for the Air Canada pension plans, any applicable Statement of Investment Policies and Objectives, Statement of Investment Principles and Beliefs and other investment policies for the Air Canada pension plans.

• Recommend to the Board for its approval the mission for the pension funds, the funding policy and the level of annual contributions.

• Approve the annual audited financial statements and the pension accounting for the pension plans.

• Review and approve the Corporation’s Public Disclosure Policy.

• Establish processes and procedures to monitor contingent liabilities of the Corporation and its subsidiaries.

• Review the corporate policies, procedures and reports regarding environmental matters.

• Review with management and the Corporation’s environmental officer the results of environment audits and recommendations resulting therefrom.

• Identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board.

• Review and approve policies relating to the financial control, conduct, regulation and administration of subsidiary companies.

• Review, monitor and approve the Corporate Donations Policy.

• Review actual financial performance compared to budget.

The Audit, Finance and Risk Committee met 6 times during the period from January 1, 2008 to December 31, 2008.

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

Members: Robert G. Long (Chair)  
          Arthur T. Porter  
          Vagn Sørensen

**Governance and Corporate Matters Committee**

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

The primary objective of the Governance and Corporate Matters Committee is to assist the Board in
fulfilling its responsibilities by being satisfied that corporate governance guidelines are adopted, disclosed and applied including director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession and annual performance evaluation of the Board:

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

- Review and develop position descriptions for the Board, the Chairman, and the President and CEO.
- Be satisfied that appropriate structures and procedures are in place so that the Board can function independently of management.
- Put in place an orientation and continuing education program for new directors on the Board.
- Satisfy itself of the corporate compliance with applicable legislation including directors' and officers' compliance.
- Review proposed amendments to the Corporation's by-laws.
- Make recommendations to the Board with respect to monitoring, adoption and disclosure of corporate governance guidelines.
- Develop compensation philosophy and guidelines.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, evaluate the CEO's performance in light of those goals, objectives and business performance measures, and make recommendations to the Board with respect to the CEO's compensation level based on this evaluation.
- Make recommendations to the Board with respect to non-CEO officer (including officers of subsidiaries) compensation, incentive compensation and equity-based plans.
- Review and make recommendations to the Board with respect to incentive compensation plans and equity based plans and any amendments thereto.
- Review and approve, on behalf of the Board, salary ranges for all positions including executive management.
• Administer the long-term incentive plan of the Corporation and generally oversee the administration thereof.

• Review executive compensation disclosure before public dissemination, including the review of the annual report of senior management compensation for inclusion in the Corporation's management proxy circular, in accordance with applicable rules and regulations.

• Review on an ongoing basis management's organization plans and essential elements of succession plans for executive management of the Corporation and its non-publicly traded subsidiaries so as to satisfy itself that successors have been identified and that their career development is appropriate in the context of the challenges facing the organization.

• Review and approve the training, monitoring and development of senior officers.

• Review and approve the senior management organizations and reporting structure.

• Review and approve the contingency plans in the event of the disability of key executives.

• Review and develop in conjunction with the Governance and Corporate Matters Committee position descriptions for the Board and for the President and CEO including the definition of the limits to management's responsibilities.

• Approve the design of and amendments to the Air Canada pension plans.

• Approve pension communication strategy, and monitor compliance of communication with strategy and applicable legislation.

• Monitor pension benefits administration.

• Where applicable, appoint members of the pension committees and the trustees of the pension plans.

The Human Resources and Compensation Committee met 6 times during the period from January 1, 2008 to December 31, 2008.

The Human Resources and Compensation Committee is currently composed of:

Members: Vagn Sørensen(Chair)
Pierre Marc Johnson
Pat Jacobsen

Nominating Committee

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

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

The responsibilities of the Nominating Committee include the following:

• Assist the Board in determining what competencies and skills the Board, as a whole, should possess and what competencies and skills each existing director possesses.

• Assist the Board in determining the appropriate size of the Board, with a view to facilitating effective decision-making.

• Develop and review criteria regarding personal qualification for Board membership, such as background, experience, technical skill, affiliations and personal characteristics, and develop a process for identifying and recommending candidates.

• Identify individuals qualified to become new Board members and recommend them to the Board.

• Consider whether or not each new nominee can devote sufficient time and resources to his duties as a Board member.

• Recommend the slate of nominees for each annual meeting of shareholders.

• Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.

• Review and make recommendations relative to non-management nominees of the Corporation to the boards of subsidiaries of the Corporation or of companies in which the Corporation has an interest.
The Nominating Committee met 5 times during the period from January 1, 2008 to December 31, 2008.

The Nominating Committee is currently composed of:

Members: Arthur T. Porter (Chair)
          Bernard Attali
          Joseph B. Leonard
          Vagn Sørensen
The following table provides a summary of the compensation earned for the year ended December 31, 2008 by each of Montie Brewer, Air Canada’s President and Chief Executive Officer prior to April 1, 2009, Michael Rousseau, Air Canada’s Executive Vice President and Chief Financial Officer, and the three next most highly compensated persons currently serving as executive officers of Air Canada (together with the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, the "Named Executive Officers") for services rendered in all capacities to Air Canada.

**SUMMARY COMPENSATION TABLE**

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Share-based awards ($)(^{(1)})</th>
<th>Option-based awards ($)</th>
<th>Non-equity Incentive plan compensation ($)</th>
<th>Annual incentive plans(^{(2)})</th>
<th>Pension Value ($)</th>
<th>All other compensation ($)(^{(3),(4)})</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer (former) President and Chief Executive Officer</td>
<td>2008</td>
<td>751,500</td>
<td>240,002</td>
<td>Nil</td>
<td>1,200</td>
<td>1,096,000</td>
<td>33,059</td>
<td>2,121,761</td>
<td></td>
</tr>
<tr>
<td>Michael Rousseau Executive Vice-President and Chief Financial Officer</td>
<td>2008</td>
<td>513,500</td>
<td>155,400</td>
<td>Nil</td>
<td>1,200</td>
<td>156,000</td>
<td>Nil</td>
<td>826,100</td>
<td></td>
</tr>
<tr>
<td>Benjamin Smith Executive Vice-President and Chief Commercial Officer</td>
<td>2008</td>
<td>368,750</td>
<td>112,499</td>
<td>Nil</td>
<td>1,200</td>
<td>70,000</td>
<td>Nil</td>
<td>552,449</td>
<td></td>
</tr>
<tr>
<td>Lise Fournel Senior Vice-President and Chief Information Officer</td>
<td>2008</td>
<td>346,959</td>
<td>104,998</td>
<td>Nil</td>
<td>1,200</td>
<td>86,000</td>
<td>Nil</td>
<td>539,157</td>
<td></td>
</tr>
<tr>
<td>Alan Butterfield Vice President Air Canada Maintenance</td>
<td>2008</td>
<td>282,500</td>
<td>85,501</td>
<td>Nil</td>
<td>1,200</td>
<td>91,000</td>
<td>50,000</td>
<td>510,201</td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Dollar amount represents the fair market value of performance share units granted on November 6, 2008. The fair market value, as approved by the Board, corresponds to the average of the five-day market value of Air Canada shares calculated ending on the business day that immediately precedes the date of grant. The vesting of performance share units is detailed under the heading "Air Canada Performance Share Units" at page 37 of this circular.

\(^{(2)}\) The amounts in this column for 2008 reflect payments made to the Named Executive Officers under Air Canada’s Sharing our Success program as described under the heading "Components of Executive Compensation - Short-Term Incentives – Air Canada Annual Incentive and Annual Profit Sharing Plans" at page 35 of this circular. No amounts were paid for 2008 under Air Canada's Annual Incentive Plan.

\(^{(3)}\) Except as described for Mr. Butterfield, perquisites and other personal benefits did not equal $50,000 or more and did not equal 10% or more of the amount of total salary for the Named Executive Officers. However, as set out in the table above Mr. Brewer did receive $33,059 in other annual compensation for 2008 which includes compensation attributable to residence costs.

\(^{(4)}\) The amount in this column for 2008 for Mr. Butterfield reflects a special payment pursuant to his employment contract.

\(^{(5)}\) Mr. Brewer was President and Chief Executive Officer of Air Canada until April 1, 2009. As described under the heading "Remuneration of Directors" at page 17 of this circular, Mr. Brewer did not receive any compensation for serving as a director of Air Canada in 2008. Mr. Rovinescu was appointed President and Chief Executive Officer of Air Canada effective April 1, 2009.
Long-Term Incentive Plan Awards

The table below details all unexercised options held by the Named Executive Officers as at December 31, 2008. By virtue of these options and subject to the applicable vesting restrictions under the Air Canada Long-Term Incentive Plan, the Named Executive Officers have the right to acquire Class B voting shares.

**AIR CANADA STOCK OPTIONS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer</td>
<td>484,800</td>
<td>$21.00</td>
<td>Nov 24, 2013</td>
<td>Nil</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>165,000</td>
<td>$14.90</td>
<td>Oct 10, 2014</td>
<td>Nil</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>34,714</td>
<td>$21.00</td>
<td>Nov 24, 2013</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>110,000</td>
<td>$15.85</td>
<td>May 10, 2014</td>
<td>Nil</td>
</tr>
<tr>
<td>Lise Fournel</td>
<td>43,436</td>
<td>$21.00</td>
<td>Nov 24, 2013</td>
<td>Nil</td>
</tr>
<tr>
<td>Alan Butterfield</td>
<td>35,000</td>
<td>$18.60</td>
<td>Feb 8, 2014</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of Class B voting shares ($1.77) on December 31, 2008.

The table below details the number and market value of unvested performance share units held by the Named Executive Officers as at December 31, 2008.

**AIR CANADA PERFORMANCE SHARE UNITS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares or units of shares that have not vested (#)</th>
<th>Market or payout value of share-based awards that have not vested ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer</td>
<td>74,896</td>
<td>$132,566</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>40,058</td>
<td>$70,903</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>31,617</td>
<td>$55,962</td>
</tr>
<tr>
<td>Lise Fournel</td>
<td>31,357</td>
<td>$55,502</td>
</tr>
<tr>
<td>Alan Butterfield</td>
<td>28,038</td>
<td>$49,627</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of Class B voting shares ($1.77) on December 31, 2008.

Incentive plan awards – value vested or earned during the year

The table below provides information on the value that would have been realized if the Named Executive Officer exercised the awards that vested during the year ended December 31, 2008 on the vesting date of such awards.

**OPTION-BASED AWARDS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Options Vested</th>
<th>Grant Price ($)</th>
<th>Vesting Date</th>
<th>Market Price ($)</th>
<th>Value vested during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer</td>
<td>60,600</td>
<td>$21.00</td>
<td>November 24, 2008</td>
<td>1.74</td>
<td>Nil</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>20,625</td>
<td>$14.90</td>
<td>October 10, 2008</td>
<td>3.95</td>
<td>Nil</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>13,750</td>
<td>$15.85</td>
<td>May 10, 2008</td>
<td>8.35</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>4,340</td>
<td>$21.00</td>
<td>November 24, 2008</td>
<td>1.74</td>
<td>Nil</td>
</tr>
<tr>
<td>Lise Fournel</td>
<td>5,430</td>
<td>$21.00</td>
<td>November 24, 2008</td>
<td>1.74</td>
<td>Nil</td>
</tr>
<tr>
<td>Alan Butterfield</td>
<td>4,375</td>
<td>$18.60</td>
<td>February 8, 2008</td>
<td>10.72</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Share-based Awards

None of the Named Executive Officers’ performance share units vested in 2008.
Retirement Plan Benefits

Air Canada provides its Named Executive Officers with a non-contributory, final average earnings defined benefit registered pension plan (the "Pension Plan") and a SERP integrated with the Canada / Quebec pension plans. The defined benefit SERP is a partially funded supplemental arrangement that provides retirement income beyond the limitations of the Pension Plan.

Benefits under the Pension Plan and SERP are calculated by multiplying 2% per year of service (maximum 35 years) by (i) the final average annual salary (excluding bonuses, honoraria and special allowances) during the executive’s highest paid 36 successive months of company service and subtracting an amount equal to 0.25% times the Canada / Quebec pension plan’s average annual yearly maximum pensionable earnings during the same 36-month period used to determine the executive’s average annual salary and (ii) the executive’s years of service after December 31, 1965.

Unless specified otherwise, Named Executive Officers are eligible to retire at the earliest of: (i) 25 years of service, (ii) when their age plus years of service equals the sum of 80 or (iii) at age 65. If a Named Executive Officer is eligible to retire based on the foregoing criteria, his or her retirement benefits will not be reduced if he or she retires at or after age 55.

The following table provides information on the pension benefits of each Named Executive Officer calculated as of December 31, 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of years of credited service (#)</th>
<th>Annual benefits payable ($)</th>
<th>Accrued obligation at start of year ($)</th>
<th>Compensatory Change ($)</th>
<th>Non-Compensatory Change ($)</th>
<th>Accrued obligation at year end ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer</td>
<td>12.7500</td>
<td>165,100</td>
<td>455,200</td>
<td>1,010,000</td>
<td>1,096,000</td>
<td>-331,000</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>1.2500</td>
<td>12,100</td>
<td>197,100</td>
<td>37,000</td>
<td>156,000</td>
<td>-38,000</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>6.8333</td>
<td>41,100</td>
<td>207,300</td>
<td>2,194,000</td>
<td>86,000</td>
<td>-274,000</td>
</tr>
<tr>
<td>Lise Fournel</td>
<td>29.6667</td>
<td>220,300</td>
<td>259,900</td>
<td>1,010,000</td>
<td>1,096,000</td>
<td>-331,000</td>
</tr>
<tr>
<td>Alan Butterfield</td>
<td>1.9167</td>
<td>10,200</td>
<td>139,500</td>
<td>80,000</td>
<td>91,000</td>
<td>-34,000</td>
</tr>
</tbody>
</table>

(1) If the relevant conditions set out in their respective individual employment agreements are satisfied, four of the above Named Executive Officers will be credited for additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated under the SERP.

Mr. Brewer was credited for an additional 5 years of pensionable service in 2007 upon his completion of 5 years of service with Air Canada. Also, a new employment agreement was signed in 2008 pursuant to which he will be credited for an additional year of pensionable service for each year of his service to Air Canada from 2008 to 2012 inclusively, plus he will be credited for an additional 5 years of pensionable services in 2012, for a total of 15 additional years of pensionable service. As of December 31, 2008, Mr. Brewer had been credited with 6 additional years of pensionable service. As well, he is now eligible to retire at anytime even if the retirement eligibility criteria are not met, but if he retires prior to age 55, his pension will be reduced.

Mr. Rousseau will be credited for an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau’s employment agreement also provides that should he be terminated for reason other than cause or should he terminate his employment for “good reason”, this additional pensionable service will still be credited.

In 2009, Mr. Smith entered into an agreement under which he will be credited for an additional 3 years of pensionable service in 2012 upon his completion of 10 years of service with Air Canada. The table above, which is calculated as of December 31, 2008, does not reflect the additional 3 years of pensionable service.

Mr. Butterfield will be credited for an additional 2 years of pensionable service in 2009 upon his completion of 2 years of service with Air Canada, plus an additional 0.75 year of pensionable service for the next 8 years of service thereafter, for a possible total of an additional 8 years of pensionable service. Mr. Butterfield is eligible to retire at age 56 with an unreduced pension even if the usual early retirement criteria are not met.

This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2008, including, as the case may be, any additional pensionable service pursuant to the Named Executive Officer's individual employment agreement (for example, as of the year ended December 31, 2008, an additional 6 years of pensionable service had been credited to Mr. Brewer and no additional years of pensionable service had been credited to Mr. Rousseau, Mr. Smith, Ms. Fournel or Mr. Butterfield).

(2) Annual unreduced pension benefits are based on the average annual salary during the executive’s highest paid 36 successive months of company service and the credited service as of December 31, 2008. The payment of such unreduced pension benefit cannot commence earlier than an executive’s unreduced early retirement date. Also, the benefits shown are not yet vested for executives with less than 2 years of service.
(3) Projected annual pension benefits that would be payable to the Named Executive Officer as of age 65, based on his or her average annual salary during his or hers highest paid 36 successive months of company service as of December 31, 2008 and his or hers credited service being projected to age 65 (subject to a maximum of 35 years).

(4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2007 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum until retirement, as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 5.75%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2007 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service promised under individual employment agreements entered into prior to 2008, is spread equally over the Named Executive Officer's projected career with Air Canada, regardless of when the credited service is granted.

(5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have retroactive impact. The amounts disclosed reflect 2007 year-end assumptions and include the increase in the liability due to Mr. Brewer’s 2008 employment agreement.

(6) The non-compensatory change in the accrued obligation for the Corporation’s most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year. These figures are negative as, in 2008, the impact on the obligation of the changes in assumptions resulting from increases in AA corporate bond yields more than offset the interest accruing on the obligation.

(7) The accrued obligation at the end of the Corporation’s most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2008 and is based on 2008 year-end assumptions. The 2008 year-end assumptions are the same as for 2007, except a discount rate of 7.35% was used, which reflects corporate AA bond yields at the end of the year. Future earnings projections are applied to 2008 earnings.

**Termination and Change of Control Benefits, Employment Contracts**

Air Canada has employment agreements with Messrs. Brewer, Rousseau, Smith and Butterfield.

The agreements provide that, in the event they are involuntarily terminated for any reason other than for cause, disability or retirement, or if they terminate their employment for "good reason", they would receive severance payments equalling two years of their then current annual base salary for Messrs. Brewer, Rousseau and Smith, and one and a half years of his annual base salary for Mr. Butterfield. The term "good reason" encompasses circumstances such as a diminution in position, authority or responsibility, failure by the Corporation to comply with provisions of the employment agreement, discriminatory treatment by the Corporation or failure to continue any compensation plan set forth in the agreement.

All commitments regarding pension benefits were described in the preceding section of this circular.

In the case of Mr. Rousseau, the agreement provides that in the event that he is terminated for reason other than for cause, terminates his employment for "good reason", or ceases his employment due to disability or retirement, all of his stock options will immediately vest. The agreement also provides for a payment equal to 25% of Mr. Rousseau’s base salary, payable by April 1, 2009 and April 1, 2010, respectively, conditional upon Mr. Rousseau remaining in the employment of Air Canada on such payment dates. The Corporation has also entered into a retention arrangement with Mr. Rousseau which guarantees him 50% of his base salary conditional upon his remaining in the employment of Air Canada on September 30, 2009.

In the case of Mr. Butterfield, the agreement also provides for three $50,000 payments payable on the first, second and third anniversary of his employment with Air Canada which commenced on February 19, 2007.

The table below shows for each Named Executive Officer, the estimated payments that would become payable in the event of involuntary termination for any reason other than cause, disability or retirement (or termination by the Named Executive Officer for "good reason") as if it had occurred on the last business day of 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Involuntary Termination Without Cause (or for &quot;Good Reason&quot;)</th>
<th>Value of exercisable/Vested LTIP (2)</th>
<th>Other Benefits (3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montie Brewer</td>
<td>$1,600,000</td>
<td>$27,016</td>
<td>$71,578</td>
<td>$1,698,594</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>$1,036,000</td>
<td>$5,900</td>
<td>$256,153</td>
<td>$1,298,053</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>$750,000</td>
<td>$10,450</td>
<td>$49,400</td>
<td>$809,850</td>
</tr>
<tr>
<td>Lise Fournel</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Alan Butterfield</td>
<td>$427,500</td>
<td>$12,440</td>
<td>$29,300</td>
<td>$469,240</td>
</tr>
</tbody>
</table>

(1) Based on the Named Executive Officer's current salary; Mr. Brewer $800,000; Mr. Rousseau $518,000; Mr. Smith $375,000; Mr. Butterfield $285,000.
(2) Based on the closing price of Class B voting shares ($1.77) on December 31, 2008.
(3) Other Benefits includes continuation of group health, other insurance benefits and perquisites during the severance period.
(4) Other benefits shown for Mr. Rousseau also include the December 31, 2008 termination value of the additional 5 years of pensionable service based on 2008 year-end assumptions.
(5) Ms. Fournel is not party to an employment agreement with the Corporation.

Change of Control Agreements

On February 12, 2009, Air Canada entered into change of control agreements with Messrs. Brewer, Rousseau and Smith. Under the terms of the agreements, a "Change of Control" will arise under the following circumstances:

(i) any event or series of related events as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction, directly or indirectly, over thirty-five (35%) percent or more of all issued and outstanding voting securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding; (ii) any event as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction over voting securities carrying twenty-five (25%) percent or more of the votes attached to all voting securities then outstanding followed by a change in the composition of the Board such that, at any time within two years following thereafter, individuals who were members of the Board immediately prior to such event cease to constitute a majority of the Board; (iii) a change in the composition of the Board, which occurs at a single meeting of the shareholders or upon the execution of a shareholders’ resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board without the Board, as constituted immediately prior to such meeting or resolution approving of such change; or (iv) any event or series of related events as a result of or following which the beneficial ownership or control or direction over the assets of Air Canada has decreased by an amount of not less than forty (40%) percent of the assets of Air Canada (on a consolidated basis), as shown on a consolidated balance sheet for Air Canada at the end of the last completed quarter (prior to the event or the first of the series of related events) of the then current financial year or as at the end of the last completed financial year if the event or the first of the series of related events occurs during the first quarter of a financial year.

Notwithstanding the foregoing, the agreements also provide that a "Change of Control" expressly excludes:

(i) any event in which all the holders of the outstanding equity securities and voting securities with identical attributes in the same relative amounts in a company which acquires all of the equity securities and voting securities and the composition of the board of directors of such company is identical to the composition of the board of directors of Air Canada at the time of such event and further provided that the executive holds the same position with the same title and responsibilities at such company; or (ii) any event forming part of the Plan of Arrangement of ACE Aviation Holdings Inc. as described in its press release dated December 10, 2008 and the material change report dated December 19, 2008 (Form 51-102F3) as filed with the Ontario Securities Commission.

In order for the benefits under the change of control agreements to become payable to Messrs. Brewer, Rousseau and Smith, following the occurrence of a Change of Control (as described above), there must, within the subsequent 24 month period, be a subsequent involuntary termination of the respective executive's employment. No other term or condition exists for the benefits under the change of control agreements to become payable to Messrs. Brewer, Rousseau and Smith.

In the case of Messrs. Rousseau and Smith, the agreements provide for two years base salary and two years of their respective average bonus for the last two completed years. In addition to the foregoing payments, the agreements provide for the continuation of insurance benefits, the continuation of pensionable service, the acceleration of established retirement arrangements and the immediate vesting of all stock options and performance share units. Following his departure from Air Canada, Mr. Brewer is no longer entitled to any benefits under his change of control agreement.
To achieve its strategic plans in the face of a challenging economic and competitive environment, Air Canada requires a strong and capable executive team, underscoring the need for an executive compensation program that will attract, retain and motivate the key people necessary to improve the performance of the Corporation and enhance shareholder value.

The Executive Compensation Program is reviewed annually to align it with the Corporation's business plan. The Program's components are also reviewed to ensure their market competitiveness and their link to shareholder value. This report provides an overview of Air Canada's Executive Compensation Program.

Executive Compensation Program

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

- Base salaries competitive in markets in which Air Canada competes for talent and skills;
- Incentive programs linked to Air Canada's annual and long-term financial performance so as to align executive and shareholders' interests; and
- Total compensation benchmarked to reward its Chief Executive Officer and other executives at the median compensation level of executives who have similar roles and responsibilities at comparator companies.

An annual comparative analysis of compensation practices is conducted by an independent third party consulting firm and this analysis consists of a comparator group of 26 independent Canadian companies with at least one billion dollars in group consolidated annual sales. The comparator group, detailed below, is validated from time to time by the Board of Directors, and is made up of a diversified mixture of Canadian transportation, financial institution, manufacturing, energy and communication companies.

The Comparator Group (Benchmark Companies)
- AbitibiBowater Canada Incorporated
- Air Liquide Canada
- Bell Canada Enterprises
- Bombardier Incorporated
- BP Canada Energy Company
- Canadian National Railway Company
- Canadian Pacific Railway Limited
- Canfor Corporation
- Dofasco Incorporated
- Domtar Corporation
- Enbridge Incorporated
- EnCana Corporation
- Finning International Incorporated
- Imperial Oil Limited
- Nortel Networks Corporation
- Petro-Canada
- Pratt & Whitney Canada Incorporated
- Quebecor World Inc.
- Research in Motion Limited
- Rio Tinto Iron and Titanium Inc.
- SNC-Lavalin Group Incorporated
- Sobeys Inc.
- Transat A.T. Incorporated
- TransCanada Corporation
- Vale Inco Limited
- WestJet Airlines Limited

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

The principal components of Air Canada’s Executive Compensation Program, their primary role and how the components are linked together are presented in the table below:

<table>
<thead>
<tr>
<th>Elements</th>
<th>Primary Role</th>
<th>Link to Other Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Reflects skills, competencies and experience</td>
<td>Influences short-term incentive, long-term incentive, pension and benefits</td>
</tr>
<tr>
<td>Short-term Incentive – Annual Incentive Plan</td>
<td>Reflects annual achievement of Air Canada's financial performance against a pre-established EBITDAR target</td>
<td></td>
</tr>
<tr>
<td>Short-term Incentive – Annual Profit Sharing Plan</td>
<td>Links Air Canada’s success with its employees</td>
<td></td>
</tr>
<tr>
<td>Long-term Incentive – Stock Option and Performance Share Units</td>
<td>Links interests of executives with interests of shareholders</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>Provides for replacement income upon retirement, based on years of service with the Corporation</td>
<td></td>
</tr>
<tr>
<td>Group Benefits</td>
<td>Provides protection in case of sickness, disability or death</td>
<td></td>
</tr>
<tr>
<td>Employee share ownership plan</td>
<td>Encourages employees to make investments in Air Canada</td>
<td></td>
</tr>
<tr>
<td>Perquisites</td>
<td>Provides tools to support the conduct of the business</td>
<td></td>
</tr>
</tbody>
</table>

Short-Term Incentives – Air Canada Annual Incentive and Annual Profit Sharing Plans

Air Canada’s Annual Incentive Plan is designed to pay a cash award to eligible management and administrative and technical support non-unionized employees, based on the Corporation’s achievement of EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence, and aircraft rent) against its business plan, while incorporating the Board of Directors’ authority to recognize and adjust actual EBITDAR results for fuel variances when warranted.

EBITDAR is a non-GAAP financial measure commonly used in the airline industry to view operating results before aircraft rent and depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. For more details on Air Canada’s EBITDAR, please refer to the "Management’s Discussion and Analysis" section of Air Canada’s latest annual report.

Yearly target bonuses range as follows:

<table>
<thead>
<tr>
<th>Executive Level</th>
<th>Target Bonus (as a % of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>100%</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>50%</td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>40%</td>
</tr>
<tr>
<td>Vice President</td>
<td>35%</td>
</tr>
</tbody>
</table>

The Annual Incentive Plan rewards participants as follows:

<table>
<thead>
<tr>
<th>Achievement of EBITDAR against target EBITDAR</th>
<th>Percentage of the Annual Incentive Plan Target Bonus Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>90%</td>
</tr>
<tr>
<td>Target Bonus</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum</td>
<td>110%</td>
</tr>
</tbody>
</table>

The Annual Incentive Plan award is calculated on a graduated basis between the reference points above. For example, if 102% of the targeted EBITDAR is achieved, the percentage of the annual incentive plan target bonus payable is 120%.

For the year ended December 31, 2008, the Corporation’s EBITDAR did not exceed 90% of its target EBITDAR and, therefore, no amounts were paid under the Annual Incentive Plan.

Base Salary

Competitive base salaries are established by Air Canada’s Board of Directors based on the executive’s skills, competencies and experience. When reviewing base salaries, the Board of Directors also considers the range of salaries of other persons within the officer group, as well as the salaries offered for similar positions in Air Canada’s comparator group. Air Canada’s policy for base salaries aims at providing the median compensation level offered in Air Canada’s comparator group. However, base salaries may be set below or above the median depending on each executive’s profile.
The Profit Sharing Plan, based on achieving Air Canada's results, is offered to all employees so they can share in Air Canada's success and work together to achieve corporate goals. Under this plan, an annual pool of funds is established based on the previous year's adjusted pretax profits of Air Canada. The pool of funds is then distributed to all employees pro rata based on the employee's base salary compared to the aggregate base salary for all employees.

"Sharing our Success" is an adjunct program designed to advance profit sharing payouts if the Corporation achieves pre-determined monthly customer service goals for "on-time performance" and "customer satisfaction". The program rewards each full-time employee worldwide CAD $75 each month for each of the two goals met (a total monthly award of CAD $150). If the amount of Sharing Our Success payments exceed the amount that would otherwise be distributed pursuant to the Profit Sharing Plan in a given year, no further profit sharing distributions are made for that year.

In 2008, employees were paid $32.9 million under Sharing our Success. As this amount exceeded the amount that otherwise would have been payable for 2008 to employees under the Profit Sharing Plan, no further profit sharing distributions were made.

**Long-Term Incentives – Stock Option and Performance Share Unit Plans**

Air Canada's Long-Term Incentive Plan is intended to attract, retain and motivate employees in key positions at Air Canada and align their interests with those of its shareholders. The Human Resources and Compensation Committee determines which employees are eligible to receive stock options or performance share units, with consideration given to (i) the value of each eligible employee's present and potential future contribution to the Corporation's success and (ii) any past grants to the employee in question. Stock options and performance share units held by any person under the Long-Term Incentive Plan may not at any time exceed 5% of the aggregate number of shares outstanding from time to time. 5,000,000 shares have been authorized for issuance under the Long-Term Incentive Plan in the form of either stock options or performance share units.

Subject to the plan's limitations, as specified in the paragraph above, the plan provides for an annual target grant of stock options and / or performance share units to all eligible senior management and officers of Air Canada as follows:

<table>
<thead>
<tr>
<th>Executive Level</th>
<th>Target Stock Option Grant (% of base salary)</th>
<th>Target Performance Share Unit Grant (% of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>280%</td>
<td>30%</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>145%</td>
<td>30%</td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>90%</td>
<td>30%</td>
</tr>
<tr>
<td>Vice President</td>
<td>90%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Air Canada Stock Options**

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have a maximum term of 10 years and an exercise price based on the fair market value of the shares at the time of the option grant. The vesting of options granted are as follows: (i) 50% of options granted under the Long-Term Incentive Plan vest over four years in an equal 12.5% amount at the anniversary of each grant, and (ii) the remaining 50% are performance-based, and may vest after four years, as detailed in the table below, based on the Corporation's operating margin for the four-year period against its targeted operating margin over such four-year period.

<table>
<thead>
<tr>
<th>Achievement of Operating Margin (%) over the Four-Year Period against Targeted Operating Margin for the same Four-Year Period</th>
<th>Performance-based Stock Options Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>0%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The performance-based stock options vest on a graduated basis between the reference points above. For example, if the Corporation's operating margin over the four-year period equals 92.5% of the targeted operating margin for the same four-year period, 50% of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null at such time, unless the Board of Directors determines otherwise.
Air Canada Performance Share Units

The performance share units granted under the Long-Term Incentive Plan are notional share units which are exchangeable, on a one-to-one basis, for, as determined by the Board of Directors, Air Canada shares or the cash equivalent. As such, the value of the performance share units track the value of Air Canada’s shares. Performance share units have a maximum term of three years. They are performance-based and may vest after the three-year term, as detailed in the table below, based on the Corporation’s earnings per share against its targeted earnings per share over the same three-year period.

<table>
<thead>
<tr>
<th>Achievement of Earnings Per Share (%) over the Three-Year Period</th>
<th>Performance Share Units Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>0%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

At the end of the three-year term, all vested performance share units are, at the discretion of the Corporation, redeemed for Air Canada shares (either issued from treasury or purchased on the secondary market at the discretion of the Corporation) or for their cash equivalent based on the fair market value of Air Canada’s shares on the redemption date.

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

Employment Conditions

Unless otherwise provided for in an individual’s employment agreement with the Corporation, the following table details the treatment of an employee’s stock options and performance share units upon an executive’s retirement, resignation, termination for reasons other than cause or for cause.

<table>
<thead>
<tr>
<th>Event</th>
<th>Vesting of Stock Options and Exercise Limitations</th>
<th>Vesting of Performance Share Unit and Payment Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date of the options</td>
<td>Prorated number of vested PSUs at the end of their term based on: (i) the total number of completed months of active service during PSU term, divided by (ii) the total number of months in PSU term</td>
</tr>
<tr>
<td>Resignation</td>
<td>No further options vest. All vested options must be exercised within 30 days from the date of the resignation</td>
<td>Forfeiture of unvested PSUs</td>
</tr>
<tr>
<td>Termination for reasons other than cause</td>
<td>No further options vest. All vested options must be exercised within 30 days from the date of the termination for reasons other than cause</td>
<td>Prorated number of vested PSUs at the end of their term based on: (i) the total number of completed months of active service during PSU term, divided by (ii) the total number of months in PSU term</td>
</tr>
<tr>
<td>Termination for cause</td>
<td>Forfeiture of all unexercised options</td>
<td>Forfeiture of all unvested PSUs</td>
</tr>
</tbody>
</table>

2008 Annual Grant

Concurrent with the completion of Air Canada’s November 2006 initial public offering, a special initial grant was made to the officers and senior management of the Corporation. Under the special grant, officers and senior directors received an up-front grant of three-years’ worth of stock options (provide grants for plan years 2006, 2007 and 2008). Accordingly, the next scheduled stock option grant may occur, at the earliest, in November 2009. As a result, as detailed in the Summary Compensation Table at page 29 of this circular, no stock options were granted to any officer or member of Air Canada’s senior management in 2008.

Pursuant to the Air Canada Long-Term Incentive Plan, on November 6, 2008, all officers and members of Air Canada’s senior management received a grant of Performance Share Units as detailed with respect to each NEO in the Summary Compensation Table at page 29 of this circular.
Equity Compensation Plan Information

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

<table>
<thead>
<tr>
<th>Plan category</th>
<th>Number of securities to be issued upon the exercise of outstanding options and redemption of PSUs</th>
<th>Weighted-average exercise price of outstanding options</th>
<th>Number of securities remaining available for future issuance under equity compensation plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by security-holders</td>
<td>2,270,423&lt;sup&gt;(2)(3)&lt;/sup&gt;</td>
<td>$19.14</td>
<td>2,729,577</td>
</tr>
</tbody>
</table>

(1) As at December 31, 2008.
(2) Includes 568,976 Air Canada shares that, at the discretion of the Corporation, may be issued from treasury upon the redemption of vested performance share units. 1,111,183 performance share units were granted on November 6, 2008 and are not included in the number of securities to be issued, as, upon vesting, at the discretion of the Corporation, these performance share units may be redeemed for Air Canada shares purchased on the secondary market and/or equivalent cash. See note (3) below.
(3) At the end of the three-year term, all vested performance share units are redeemed for Air Canada shares (issued from treasury or purchased on the secondary market, at the discretion of the Corporation) and/or equivalent cash (at the discretion of the Corporation) based on the fair market value of the Air Canada shares on the redemption date. Participants receive therefore, on the redemption date in respect of all vested performance share units, a value equal to the fair market value of the Air Canada shares on such date, with payment being effected with Air Canada shares and/or cash at the discretion of the Corporation.

Employee Share Ownership Plan

An ongoing share purchase plan was established by Air Canada (the "Employee Share Ownership Plan") concurrent with the completion of its November 2006 initial public offering. The Employee Share Ownership Plan permits eligible employees of Air Canada to invest up to 6% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.3% of the investments made by the employees. The funds contributed by participants and Air Canada are used to purchase Air Canada shares on the secondary market on behalf of such participants.

Pension and Benefits

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

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

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

Termination of Employment, Change in Responsibilities and Executive Employment Contracts

Air Canada has employment agreements with Messrs. Brewer, Rousseau, Smith and Butterfield which details the terms and conditions of their employment. The benefits provided under these agreements are described and quantified under the heading "Termination and Change of Control Benefits, Employment Contracts" at page 32 of this circular.
The following performance graphs compare the total cumulative return of a $100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on November 24, 2006 with the cumulative return on the S&P/TSX Composite Index for the period beginning on November 24, 2006 and ended December 31, 2008. The Class A variable voting shares and the Class B voting shares started trading on the TSX on November 24, 2006.
Directors’ and Officers’ Liability Insurance

Air Canada maintains various directors’ and officers’ liability insurance policies for the benefit of the directors and officers of Air Canada and its subsidiaries. They consist of: (i) policies with a coverage limit of US$220,000,000 per claim and US$220,000,000 in the annual aggregate, the benefit of which policies also covers the directors and officers of ACE Aviation, effective from October 1, 2008 to October 1, 2009, and (ii) an additional policy with a coverage limit of US$40,000,000 per claim and US$40,000,000 in the annual aggregate for the sole benefit of Air Canada’s directors and officers, effective from March 25, 2009 to March 25, 2010. These policies protect the directors and officers from allegations of alleged “wrongful acts” in the conduct of their activities as directors and officers. The aggregate premium for this period of insurance is US$1,964,525.

The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

Indebtedness of directors and officers

As at April 4, 2009, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer is indebted to Air Canada. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

Interest of Informed Persons in Material Transactions

Other than as set out below or described elsewhere in this circular, no director, senior officer or other insider, as applicable, of the Corporation, nor any associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation’s last financial year or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

The Corporation is currently a party to the following agreements with ACE Aviation (which holds a 75% interest in Air Canada as of April 4, 2009) or Aveos Fleet Performance Inc. ("Aveos") (of which ACE Aviation holds a 27.8% interest as of April 4, 2009):

- a registration rights agreement dated November 24, 2006 between Air Canada, ACE Aviation and a wholly-owned subsidiary of ACE Aviation;
- maintenance agreements effective as of October 1, 2006, in respect of aircraft maintenance and related services between Air Canada and Aveos; and
- a general services agreement effective as of June 22, 2006 between Air Canada and Aveos with respect to certain unionized employees employed by Air Canada.

For a description of such and other agreements, please refer to the section "Related Party Transactions" in Air Canada's Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2008 and to the section "Interest of Management and Others in Material Transactions" in Air Canada’s Annual Information Form for the year ended December 31, 2008, which sections are incorporated by reference in this circular and which are available on SEDAR at www.sedar.com or on the Corporation’s website at www.aircanada.com (and which, upon request, the Corporation will provide a copy of such documents free of charge to a shareholder of the Corporation).

Mail service interruption

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

**Alberta**
600 The Dome Tower
6th Floor
333 – 7th Avenue S.W.
Calgary, Alberta

**Ontario**
320 Bay Street
Banking Hall
Toronto, Ontario
Shareholder proposals for our 2010 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year’s management proxy circular for our 2010 annual shareholder meeting. Please send your proposal to us by December 29, 2009.
HOW TO REQUEST MORE INFORMATION

Documents you can request

You can ask us for a copy of the following documents at no charge:

- Air Canada’s annual report for the year ended December 31, 2008, which includes our consolidated financial statements together with the accompanying auditors’ report;
- our management discussion and analysis related to such annual consolidated financial statements;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2008;
- our management discussion and analysis related to such interim financial statements; and
- our Annual Information Form for the year ended December 31, 2008 filed on March 30, 2009.

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

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

Receiving information electronically

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

How to sign up – registered shareholders

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

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

To sign up go to the website www.cibcmellon.com/electronicdelivery and follow the instructions.

How to sign up – non-registered shareholders

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

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

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

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

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

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

RECORD OF ATTENDANCE BY DIRECTORS

Record of Attendance by Director for the period beginning January 1, 2008 and ending December 31, 2008

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of meetings attended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Board</td>
<td>Committees</td>
</tr>
<tr>
<td>Bernard Attali</td>
<td>11 of 16</td>
<td>8 of 10</td>
<td></td>
</tr>
<tr>
<td>Montie Brewer(^{(1)(2)})</td>
<td>16 of 16</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Brian Dunne(^{(3)})</td>
<td>9 of 9</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Pat Jacobsen(^{(4)})</td>
<td>10 of 11</td>
<td>2 of 2</td>
<td></td>
</tr>
<tr>
<td>Pierre Marc Johnson</td>
<td>14 of 16</td>
<td>9 of 11</td>
<td></td>
</tr>
<tr>
<td>Joseph B. Leonard(^{(4)})</td>
<td>10 of 11</td>
<td>3 of 3</td>
<td></td>
</tr>
<tr>
<td>Robert G. Long</td>
<td>13 of 16</td>
<td>11 of 11</td>
<td></td>
</tr>
<tr>
<td>Arthur T. Porter</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td></td>
</tr>
<tr>
<td>David I. Richardson(^{(2)})</td>
<td>16 of 16</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td>15 of 16</td>
<td>17 of 17</td>
<td></td>
</tr>
<tr>
<td>Michael M. Wilson(^{(4)})</td>
<td>10 of 11</td>
<td>2 of 2</td>
<td></td>
</tr>
<tr>
<td>Marvin Yontef</td>
<td>16 of 16</td>
<td>5 of 5</td>
<td></td>
</tr>
</tbody>
</table>

(1) Ceased being a director effective April 1, 2009.
(2) As ex officio members of each of the Board’s committees, the Chairman and the President and Chief Executive Officer also attend committee meetings.
(3) Resigned effective as of September 22, 2008.
(4) Elected on May 21, 2008.

Summary of Board and committee meetings held

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>16</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>6</td>
</tr>
<tr>
<td>Governance and Corporate Matters Committee</td>
<td>5</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>6</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>5</td>
</tr>
</tbody>
</table>
CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

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

II. ROLE

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

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

III. COMPOSITION

Selection

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

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

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

Chairman

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

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

Criteria for Board Membership

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

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

Retirement Age for Directors

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

IV. COMPENSATION

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

V. RESPONSIBILITIES

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

(a) discussing and developing the Corporation's approach to corporate governance, with the involvement of the Governance and Corporate Matters Committee;
(b) reviewing and approving management's strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans’ assumptions, and reaching an independent judgment as to the probability that the plans can be realized;
(c) monitoring corporate performance against the strategic business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;
(d) appointing the Corporation’s Chief Executive Officer, satisfying itself that a succession plan is in place and developing his or her position description with the recommendation of the Governance and Corporate Matters Committee;

(e) reviewing, through the Human Resources and Compensation Committee, the compensation of the Chief Executive Officer;

(f) identifying the principal risks of the Corporation’s businesses and satisfying itself that the appropriate systems are implemented to manage these risks;

(g) satisfying itself that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;

(h) satisfying itself with respect to the proper and efficient functioning of its Committees;

(i) providing a source of advice and counsel to management;

(j) reviewing and approving key policies developed by management;

(k) reviewing, approving and as required, overseeing compliance with the Corporation’s disclosure policy by directors, officers and other management personnel and employees;

(l) overseeing the Corporation’s disclosure controls and procedures;

(m) monitoring, through the Audit, Finance and Risk Committee, the Corporation’s internal controls and information systems;

(n) satisfying itself that members of management possess the ability required for their roles, are adequately trained and monitored and that planning for their succession is ongoing;

(o) satisfying itself that the Chief Executive Officer and the other members of management have the integrity required for their roles and the capability to promote a culture of integrity and accountability within the Corporation;

(p) conducting, through the Governance and Corporate Matters Committee, an annual assessment of the Board and the Committees of the Board and of individual members of the Board;

(q) reviewing, through the Human Resources and Compensation Committee, management’s succession plans;

(r) selecting, upon the recommendation of the Nominating Committee, nominees for election as directors;

(s) selecting a Chairman of the Board;

(t) reviewing with the Governance and Corporate Matters Committee that the Board as a whole, the Committees of the Board and the directors are capable of carrying out and do carry out their roles effectively; and

(u) in respect of the pension plans, overseeing their overall operation, funded status and compliance with fund mission and funding policy.

VI. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board.
Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

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

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL

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

(a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;

(b) strategic plans, business plans and capital expenditure budgets;

(c) raising of debt or equity capital and other major financial activities;

(d) hiring, compensation and succession for the Chief Executive Officer and other senior executives;

(e) major organizational restructurings, including spin-offs;

(f) material acquisitions and divestitures;

(g) major corporate policies; and

(h) in respect of pension plans, the plan reorganization, governance structure, fund mission, funding policy, annual contributions, appointment of the external auditor and the plan custodian of the pension funds.

VIII. BOARD COMMITTEES

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

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

IX. COMMUNICATION WITH THE BOARD

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

X. ADVISORS

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

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

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

March 28, 2008