

Notice of 2019 Annual and Special Meeting of Shareholders and Management Proxy Circular



 **AIR CANADA**

A STAR ALLIANCE MEMBER 



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LETTER FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 1, 2019

Dear Shareholder:

You are cordially invited to attend our annual and special meeting of shareholders of Air Canada. It will be held on Monday, May 6, 2019 at 10:30 a.m. (Eastern time), at the Metro Toronto Convention Centre, South Building, 222 Bremner Boulevard, Toronto, Ontario.

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

During the meeting, we will present management's report for 2018 and discuss our corporate priorities for 2019. Once again in 2018, we reported strong financial results, with records in a number of areas, including revenue, liquidity and passengers carried. These achievements reflect the effectiveness of our strategic plan and our success in building a sustainable, profitable business for the long term. Passenger revenue grew in excess of \$18 billion, with increases reflected in each major market where we operate. We also achieved a strong cost performance in 2018 and made significant progress in our Cost Transformation Program. Furthermore, Air Canada's overall risk profile has been significantly reduced, including through the diversification of the network, a lower financial leverage and a strong pension plan surplus. During 2018, we successfully undertook two major transformation initiatives, both of which were completed in early 2019. The first was Air Canada's purchase of Aimia Canada and its Aeroplan program, one of Canada's most popular loyalty programs. The second was the conclusion of an amended and extended capacity purchase agreement with Jazz, which provides us with significant operating and network benefits.



Another key area of progress is our ongoing evolution in both customer service and corporate culture which has been recognized by a number of industry awards in 2018. This included being named Best Airline in North America by Skytrax and Best Long-Haul Airline in the Americas by AirlineRatings.com, which also gave Air Canada its top Seven-Star rating for both safety and product. We remain the only Four-Star international network carrier in North America as rated by Skytrax. These and other honours, such as Mediacorp Canada's Top 100 Employers (for the sixth consecutive year) and One of Canada's Best Diversity Employers (for the fourth consecutive year), as well as One of the 50 Most Engaged Workplaces in North America by Achievers, are the result of our focus on employee engagement, improving the customer experience and fostering a positive corporate culture. We were also recognized for our sustainability initiatives and were named the 2018 Eco-Airline of the year by Air Transport World.

We look forward to seeing you at our annual and special 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,

Vagn Sørensen
Chairman

Calin Rovinescu
President and Chief Executive Officer



NOTICE OF 2019 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE OF MEETING

WHEN

Monday, May 6, 2019,
10:30 a.m. (Eastern time)

WHERE

Metro Toronto Convention
Centre
South Building
222 Bremner Boulevard
Toronto, Ontario

WEBCAST

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

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

		For more details, please see
1	Placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2018, including the auditors' report thereon;	page 11 of the circular and our 2018 annual report
2	Election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;	pages 11 and 12, and pages 21 to 32 of the circular
3	Appointment of auditors;	pages 12 and 13 of the circular
4	Consideration and approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of the accompanying management proxy circular, in respect of Air Canada's approach to executive compensation; and	pages 13 and 14 of the circular
5	Consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.	page 14 of the circular



THE FOLLOWING SPECIAL ITEM IS PLANNED TO BE BROUGHT BEFORE THE MEETING:

	For more details, please see
1 Consideration and approval of a special resolution, a copy of which is reproduced at Schedule "B" of the accompanying management proxy circular, in respect of the plan of arrangement effecting amendments to the restated articles of incorporation of Air Canada to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in subsection 55(1) of the recently amended <i>Canada Transportation Act</i> .	pages 14 to 20 of the circular

You are entitled to receive notice of, and vote at, our annual and special shareholder meeting or any adjournment thereof if you were a shareholder on March 11, 2019.

Your vote is important.

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

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

By Order of the Board of Directors

Carolyn M. Hadrovic
Vice President and Corporate Secretary
Montréal, Québec
March 25, 2019



MANAGEMENT PROXY CIRCULAR

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

This circular is for our annual and special shareholder meeting to be held on May 6, 2019 (the "**meeting**"). As a shareholder of Air Canada, you have the right to vote your shares on the election of the directors, the appointment of the auditors, the non-binding advisory resolution on the Corporation's executive compensation practices, the special resolution on the proposed plan of arrangement effecting amendments to the Corporation's articles of incorporation and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the director nominees, the proposed auditors, our corporate governance practices, the compensation of directors and certain executives, the non-binding advisory resolution on the Corporation's executive compensation practices, the proposed plan of arrangement effecting amendments to our articles of incorporation and other matters. The information in this document is current as at March 25, 2019, 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, 2018.

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

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

Air Canada has retained Kingsdale Advisors, as its shareholder advisor and proxy solicitation agent, to solicit proxies from shareholders and has agreed to pay a fee of \$52,000 for proxy solicitation services plus additional fees for other services provided. If you have any questions regarding the voting procedures or completing your proxy form or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272, or by email at contactus@kingsdaleadvisors.com.



APPROVAL OF THIS CIRCULAR

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

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

Carolyn M. Hadrovic
Vice President and Corporate Secretary

Montréal, Québec
March 25, 2019



VOTING YOUR SHARES

YOUR VOTE IS IMPORTANT

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

VOTING

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

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

How to vote – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact AST Trust Company (Canada) ("**AST**") at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at 1-866-781-3111 (toll free in Canada and the United States) or 416-368-2502 (other countries), or return it in the business reply envelope we have provided or by delivering it to one of AST's principal offices in Montréal, Toronto, Calgary or Vancouver **for receipt before 4:00 p.m. (Eastern time) on Thursday May 2, 2019**. A list of addresses for the principal offices of AST is set forth on page 99 of this circular.

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

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

In person at the meeting

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

You will receive a shareholder card at the meeting upon registration at the registration desk for admittance to the meeting.



How to vote – non-registered shareholders

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

If you are not sure whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

By proxy

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

On the Internet

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

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

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

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on May 1, 2019.

By mail

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 4:00 p.m. (Eastern time) on May 1, 2019.**

In person at the meeting

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

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

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

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries).

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



By proxy

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

On the Internet

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

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

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

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on May 1, 2019.

By mail

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 4:00 p.m. (Eastern time) on May 1, 2019.**

In person at the meeting

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

COMPLETING THE FORM OF PROXY

You can choose to vote "For" or "Withhold" with respect to the election of the directors and the appointment of the auditors, and "For" or "Against" with respect to the approval of an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation and the approval of a special resolution in respect of the proposed plan of arrangement effecting amendments to Air Canada's articles of incorporation. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares, please follow the instructions provided in the voting instruction form.

When you complete the form of proxy without appointing an alternate proxyholder, you authorize Vagn Sørensen, Calin Rovinescu or Carolyn Hadrovic, who are directors and/or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. **If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the director nominees who are named in this circular, FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation, FOR approving an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation, and FOR approving a special resolution (the "Arrangement Resolution"), a copy of which is reproduced at Schedule "B" of this circular, in respect of a plan of arrangement effecting amendments to the restated articles of incorporation of Air Canada to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in subsection 55(1) of the recently amended *Canada Transportation Act*.**



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

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

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

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

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

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

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

CHANGING YOUR VOTE

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

VOTING REQUIREMENTS

The election of directors, the appointment of auditors and the approval of an advisory non-binding resolution on executive compensation will each be determined by a majority of votes cast at the meeting by proxy or in person. If there is a tie, the chairman of the meeting is not entitled to a second or casting



vote. For details concerning the Corporation's majority voting policy with respect to the election of its directors, please refer to the information under the heading "Election of Directors" at page 11 of this circular.

The approval of the Arrangement Resolution will be determined by at least 66 2/3% of the votes cast at the meeting by proxy or in person by holders of Class A variable voting shares and Class B voting shares, voting together as a single class. See "Restriction on Voting Securities" and "Business of the meeting – Special business item – Approval of the special resolution in respect of the plan of arrangement to amend Air Canada's restated articles of incorporation" for additional details.

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

VOTING SHARES AND QUORUM

As of March 11, 2019, the record date for the meeting, there were 144,949,808 Class B voting shares and 125,017,825 Class A variable voting shares outstanding. Shareholders of record on March 11, 2019 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montréal office of the Corporation's transfer agent, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec and at the meeting.

A quorum is present at the meeting if the holders of not less than 25% of the shares entitled to vote at the meeting are present 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

Foreign ownership limits under Air Canada's existing articles

The *Canada Transportation Act* requires that national holders of domestic, scheduled international and non-scheduled international licences, such as Air Canada, be controlled in fact by "Canadians" and, prior to the adoption of the *Transportation Modernization Act (Canada)*, required that at least 75% of the licensed holder's voting interests (or such lesser percentage as the Governor in Council may have specified by regulation) be owned and controlled by Canadians. The existing articles of the Corporation contain restrictions to ensure that Air Canada remains "Canadian" under the *Canada Transportation Act*.

New foreign ownership limits and proposed amendments to Air Canada's articles

On June 27, 2018, certain provisions of the *Transportation Modernization Act (Canada)* became effective and amended, among other things, the definition of "Canadian" under section 55(1) of the *Canada Transportation Act* to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian



air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian air carrier. More specifically, the definition of "Canadian" under section 55(1) of the *Canada Transportation Act*, as amended by the *Transportation Modernization Act (Canada)*, is as follows:

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

Air Canada's existing articles contemplate an increase in the aggregate 25% limitation on voting power of holders of Class A variable voting shares but only if such increase is approved by the Governor in Council by regulation. However, the relevant amendments implemented by the *Transportation Modernization Act (Canada)* were not approved by regulation of the Governor in Council, but rather by statute, and therefore, the current aggregate 25% voting limitation for non-Canadian holders remains in place under Air Canada's existing articles and is applicable for this meeting.

At the meeting, you will be asked to consider, and if deemed appropriate, approve, with or without variation, the Arrangement Resolution, to effect amendments to Air Canada's restated articles of incorporation to align the new restrictions on the level of non-Canadian ownership and control within the restated articles of incorporation with those prescribed by the definition of "Canadian" in subsection 55(1) of the *Canada Transportation Act*, as amended by provisions of the *Transportation Modernization Act (Canada)* which became effective on June 27, 2018. See "Business of the meeting – Special business item – Approval of the special resolution in respect of the plan of arrangement to amend Air Canada's restated articles of incorporation" for additional details.

Restrictions on Class A variable voting shares

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

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

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



Under Air Canada's existing articles, 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 proposed amendments to the restated articles of incorporation of Air Canada would increase the foreign ownership limit of Air Canada from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in Air Canada. To effect such proposed amendments, at the meeting, you will be asked to consider, and if deemed appropriate, approve, with or without variation, the Arrangement Resolution. See "Business of the meeting – Special business item – Approval of the special resolution in respect of the plan of arrangement to amend Air Canada's restated articles of incorporation" for additional details.

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

Shareholders who 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 form of proxy enclosed with the Notice-and-Access Letter or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares under the Employee Share Ownership Plan or the Employee Recognition Share Award Plan of Air Canada, as well as in the Internet voting instructions.

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

PRINCIPAL SHAREHOLDERS

On May 4, 2012, pursuant to an application by Air Canada, the *Autorité des marchés financiers*, as principal regulator, the Ontario Securities Commission and the securities regulatory authorities in the other provinces of Canada granted exemptive relief (the "**Decision**") from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis, and (ii) applicable early warning reporting requirements, as



contained under Canadian securities laws, such that those requirements would only apply to an acquirer that acquires or holds beneficial ownership of, or control or direction over, 10% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis (or 5% in the case of acquisitions during a take-over bid). The Decision was subject to shareholder approval of related amendments to Air Canada's shareholder rights plan which were approved at Air Canada's annual and special meeting of shareholders held on June 4, 2012. The Corporation's shareholders ratified the renewal of the shareholder rights plan for a period of three years at the annual and special shareholder meeting held on May 15, 2014.

On March 24, 2017, the Board of Directors adopted a new shareholder rights plan (the "**New Rights Plan**") in order to amend and restate the then existing shareholder rights plan which was set to expire the day after the 2017 annual meeting of shareholders which was held May 5, 2017. The New Rights Plan was ratified at the 2017 annual shareholder meeting and is in effect until the close of business on the date on which the annual meeting of shareholders is held in 2020, and can be renewed in accordance with its terms for an additional period of three years (from 2020 to 2023) provided that shareholders ratify such renewal at or prior to the annual shareholder meeting to be held in 2020.

As of March 25, 2019, to the knowledge of the officers or directors of the Corporation, the following entity beneficially owns or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

Name of Shareholder	Number of Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)	% of Outstanding Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)
Letko, Brosseau & Associates Inc.	27,787,401	10.3%



BUSINESS OF THE MEETING

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

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2018, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
3. appointment of auditors;
4. consideration and the approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of this circular, in respect of Air Canada's approach to executive compensation; and
5. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

The following special item is planned to be brought before the meeting:

1. consideration and the approval of a special resolution, a copy of which is reproduced at Schedule "B" of this circular, in respect of the plan of arrangement effecting amendments to the restated articles of incorporation of Air Canada to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in subsection 55(1) of the recently amended *Canada Transportation Act*.

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.

GENERAL BUSINESS ITEMS

1. Placement of Air Canada's financial statements

The consolidated financial statements for the year ended December 31, 2018, 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

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

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation.

The Board has adopted a majority voting policy to the effect that if a director nominee in an uncontested election receives a greater number of votes "withheld" than votes "for", he or she must immediately tender his or her resignation to the Board. The Governance and Nominating Committee will consider the director's offer to resign and make a recommendation to the Board whether to accept it or not. The Board shall accept the resignation unless there are exceptional circumstances, and the resignation will be effective when accepted by the Board. The Board shall make its final determination within 90 days after the date of the shareholder meeting and promptly announce that decision (including, if applicable, the exceptional circumstances for rejecting the resignation) in a news release. A copy of the news release shall



be provided to the TSX in accordance with their majority voting requirements. A director who tenders his or her resignation pursuant to the majority voting policy will not participate in any meeting of the Board or the Governance and Nominating Committee at which the resignation is considered. The majority voting policy does not apply to the election of directors at contested meetings; that is, where the number of directors nominated for election is greater than the number of seats available on the Board.

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

3. Appointment of auditors

The Board of Directors, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990. At the Corporation's annual meeting of shareholders held on April 30, 2018, Air Canada shares representing 93.30% of the votes at such meeting were voted in favour of the appointment of PricewaterhouseCoopers LLP as auditors of the Corporation, and Air Canada shares representing 6.70% of the votes at such meeting were voted to withhold their votes.

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

Fees payable for the years ended December 31, 2018 and December 31, 2017 to PricewaterhouseCoopers LLP and its affiliates are \$3,423,761 and \$3,228,566 respectively, as detailed in the following table:

	Year ended December 31, 2018 (\$)	Year ended December 31, 2017 (\$)
Audit fees	2,110,000	1,950,000
Audit-related fees	699,588	684,171
Tax fees	190,115	346,365
All other fees	424,058	248,030
Total fees	3,423,761	3,228,566

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada. The audit fee increase year-over-year was largely due to work performed for the adoption of the IFRS 16 Lease standard.

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

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



All other fees. Other fees were paid for translation services, advisory services and fees related to the auditors' involvement with offering documents, if any. The other fee increase year-over-year relates to work performed to support internal control assessments over new project implementations and regulatory matters.

More information on Air Canada's Audit, Finance and Risk Committee is contained in the "Audit, Finance and Risk Committee" section of Air Canada's Annual Information Form filed by Air Canada on March 25, 2019 and which is available on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.

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

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

The Board believes that shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions made by the Board. At this year's meeting, the Corporation will present its annual non-binding advisory resolution on executive compensation as part of Air Canada's ongoing process of shareholder engagement. At the 2018 annual shareholder meeting, shareholders expressed a high level of support (86.56%) for Air Canada's approach to executive compensation.

The Corporation is committed to providing shareholders with clear, comprehensive and transparent disclosure relating to executive compensation and to receive feedback from shareholders on this matter. In 2016, the Corporation began inviting major institutional shareholders to meet with the Chairman and other members of the Board on an annual basis. This complements management's investor outreach program and allows directors to directly solicit and receive investors' views. The Human Resources and Compensation Committee reviewed the results of the 2018 say-on-pay vote, evaluated investor feedback and considered other factors used in assessing the Corporation's executive compensation policies and programs. These factors included the alignment of our executive compensation policies and programs with the long-term interests of our shareholders and the relationship between risk-taking and incentive compensation. After considering these factors, the Committee reaffirmed the elements of our executive compensation policies and programs.

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

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

"BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2019 annual and special meeting of shareholders of Air Canada."



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

Shareholders may communicate directly with the Board through the Chairman by writing to: Chairman of the Board, Air Canada, Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

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

5. Consideration of other business

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

SPECIAL BUSINESS ITEM

1. Approval of the special resolution in respect of the plan of arrangement to amend Air Canada's restated articles of incorporation

At this year's meeting, holders ("**Shareholders**") of Class A variable voting shares and Class B voting shares (collectively, the "**Voting Shares**") will be asked to consider and, if deemed appropriate, to pass, with or without variation, the Arrangement Resolution, to approve a plan of arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* (the "**CBCA**") to effect amendments (the "**Amendments**") to Air Canada's restated articles of incorporation (the "**Articles**") to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in subsection 55(1) of the recently amended *Canada Transportation Act* (the "**CTA**").

The full text of the Arrangement Resolution is set out in Schedule "B" to this circular.

Reasons for and background to the Arrangement

Air Canada proposes to make the Amendments to align the restrictions on the level of non-Canadian ownership and control within the Articles with those prescribed by the definition of "Canadian" in subsection 55(1) of the CTA, as amended by provisions of the *Transportation Modernization Act* (Canada) which became effective on June 27, 2018 (the "**CTA Amendments**").

Section 61(1)(a) of the CTA includes a condition that an applicant for a domestic service operating licence be a "Canadian", as defined in the statute. Prior to the CTA Amendments, "Canadian" was defined to include "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 or controlled by Canadians".

The Government of Canada's stated purpose in proposing the CTA Amendments was to attract more foreign investment and encourage growth in the aviation sector by increasing the permitted level of foreign ownership allowed in respect of Canadian air carriers to 49% from 25%. At the same time, the CTA Amendments introduced two new limitations on voting control with respect to single non-Canadian holders and one or more non-Canadian holders authorized to provide an air service, in each case either



individually or in affiliation with any other person. The applicable definition of "Canadian" following the CTA Amendments is now as follows:

"A corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where

- (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and*
- (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person."*

Section 63(1) of the CTA provides that the Canadian Transportation Agency (the "**Agency**") shall suspend or cancel the domestic licence of an air carrier where the Agency determines that, in respect of the service for which the licence is issued, the person ceases to meet any of the requirements in the CTA requiring that the carrier meet the definition of "Canadian".

As described in more detail below under "*The Arrangement and Amendments – Air Canada's current Articles*", the current Articles of Air Canada include provisions which require that only Canadians are to hold, own and control Class B voting shares, and only non-Canadians are to hold, own or control Class A variable voting shares, as well as provisions which cause the automatic conversion of Class B voting shares held, owned or controlled by non-Canadians into Class A variable voting shares (and vice versa). The Articles also include a provision which reduces the voting power of Class A variable voting shares (and therefore the voting power of non-Canadian holders in aggregate) to 25% of the aggregate votes attached to all outstanding Voting Shares, or any higher percentage that the Governor in Council may by regulation specify. Accordingly, even if non-Canadians acquire a number of shares in excess of the statutory threshold, the voting power of all non-Canadians will be limited to 25% or any higher percentage that the Governor in Council may by regulation specify.

Following the implementation of the CTA Amendments, management and the Board of Air Canada considered appropriate measures to ensure that Air Canada realized the benefits of potential increased foreign investor interest arising from the increased limit on voting control by non-Canadians generally, while at the same time ensuring that voting control by single non-Canadian holders and one or more non-Canadian holders authorized to provide an air service, in each case either individually or in affiliation with any other person, does not exceed the applicable 25% thresholds.

Management of Air Canada noted that the existing Articles contemplate an increase in the aggregate 25% limitation on voting power of holders of Class A variable voting shares but only if such increase was approved by the Governor in Council by regulation. However, the relevant CTA Amendments were not approved by regulation of the Governor in Council, but rather by statute, and therefore the current aggregate 25% voting limitation remains in place under Air Canada's existing Articles.

After considering potential alternative approaches and after consulting with legal counsel, management and the Board determined that the most effective approach to addressing the changes to the new limitations on voting control by non-Canadians under the CTA Amendments would be to effect amendments to the Articles to align the voting limitations in the terms of the Class A variable voting shares to the voting limitations in the definition of "Canadian" in the amended subsection 55(1) of the CTA and to effect the Amendments through the Arrangement. The proposed amendments to the Articles are substantially the same as amendments to the articles which are being proposed by other publicly listed Canadian air carriers or their holding companies (collectively, with Air Canada, the "**Air Carriers**") at their respective meetings of shareholders in 2019.



During December 2018 and January 2019, the Air Carriers consulted with the Agency to advise it of the proposed amendments to their respective articles and by-laws, as applicable, and confirm that the Agency did not have any objections to the approach or concerns that such approach would not provide an effective mechanism for restricting non-Canadian ownership and control as contemplated by the amended definition of “Canadian” in the CTA.

At a meeting of the Board on February 14, 2019, the Board unanimously approved the Amendments and the Arrangement (subject to the receipt of necessary Shareholder and Court approvals), determined that the Arrangement is in the best interests of Air Canada and recommended that shareholders vote in favour of the Arrangement Resolution.

The Arrangement and Amendments

Air Canada intends to implement the Amendments by way of a court supervised and shareholder approved Arrangement pursuant to section 192 of the CBCA. The full text of the Arrangement is set forth in Schedule “C” to this circular. If adopted, the Amendments will enable Air Canada to effectively regulate the ownership and voting control of Voting Shares in compliance with the Canadian ownership and control requirements in the CTA.

Air Canada’s current Articles

The Articles currently provide for two classes of voting shares, the Class A variable voting shares and the Class B voting shares.

Prior to the CTA Amendments, the definition of “Canadian” in the CTA prescribed a maximum 25% level of non-Canadian ownership and control. To address this limitation, Air Canada’s Articles currently provide as follows:

- the Class A Variable voting shares may only be held, beneficially owned or controlled, directly or indirectly, by non-Canadians;
- the Class B voting shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians;
- unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, each outstanding Class B voting share automatically converts into a Class A variable voting Share if such Class B voting share becomes held, beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian;
- each outstanding Class A variable voting share automatically converts into a Class B voting share if such Class A variable voting share becomes held, beneficially owned and controlled, directly or indirectly, by a Canadian, or if the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions;
- each Class B voting share always carries one vote per share; and
- each Class A variable voting share carries one vote per share unless either:
 - the number of issued and outstanding Class A variable voting shares exceeds 25% of the total number of all issued and outstanding Voting Shares; or
 - the total number of votes cast by or on behalf of the holders of Class A Variable voting shares at any meeting exceeds 25% of the total number of votes cast at such meeting,

in either of which case, the vote attached to each Class A variable voting share shall decrease automatically and proportionately so that the Class A variable voting shares as a class never carry more than 25% of the aggregate votes attached to all of the issued and outstanding Voting Shares, or of the votes which holders of Voting Shares cast at any meeting of Shareholders.



Proposed Amendments to the Articles

The CTA Amendments increased the overall maximum level of non-Canadian ownership and control of voting interests in an air carrier to 49%, while also introducing and prescribing maximum ownership levels of 25% respectively for:

- any single non-Canadian holder, either individually or in affiliation with any other person; and
- any one or more non-Canadian holders authorized to provide an air service in any jurisdiction (in the aggregate), either individually or in affiliation with any other person.

In response to these new legislative thresholds, the Amendments will:

- increase the current single 25% proportional voting limitation with respect to the Class A Variable Voting Shares as a class to 49%;
- add a 25% voting limitation to any single non-Canadian holder, either individually or in affiliation with any other person; and
- add a 25% aggregate voting limitation to all non-Canadian holders authorized to provide an air service, either individually or in affiliation with any other person.

The Amendments provide for automatic reduction of the voting rights attached to Class A variable voting shares in the event any of the applicable limits are exceeded. In such event, the votes attributable to Class A variable voting shares will be affected as follows:

- *first*, if required, a reduction of the voting rights of any single non-Canadian holder (including a single non-Canadian holder authorized to provide an air service) carrying more than 25% of the votes to ensure that such non-Canadian holder never carries more than 25% of the votes which holders of Voting Shares cast at any meeting of shareholders;
- *second*, if required and after giving effect to the first proration set out above, a further proportional reduction of the voting rights of all non-Canadian holders authorized to provide an air service to ensure that such non-Canadian holders authorized to provide an air service, in the aggregate, never carry more than 25% of the votes which holders of Voting Shares cast at any meeting of shareholders; and
- *third*, if required and after giving effect to the first two prorations set out above, a proportional reduction of the voting rights for all non-Canadian holders as a class to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes which holders of Voting Shares cast at any meeting of shareholders.

A copy of the Articles, as amended by the Amendments, marked to show the changes to the current Articles, is attached as Schedule "D" to this circular.

Implementation of the Amendments by way of the Arrangement

The Amendments will be implemented by way of the Arrangement. Air Canada determined that the use of a plan of arrangement under Section 192 of the CBCA is the most effective way to achieve Parliament's objectives for the CTA Amendments to increase foreign ownership in Canadian air carriers while simultaneously maintaining Canadian control of such carriers.

No dissent rights will be provided to holders of Class A Variable voting shares and Class B voting shares in connection with the Arrangement given that the proposed Amendments are required to address a legislative change and do not affect the economic interest of any holders of Class A variable voting shares and Class B voting shares.

In accordance with the Interim Order (as defined and discussed further below), holders of Class A variable voting shares and Class B voting shares will vote together as a single class in respect of the Arrangement Resolution.



In addition, the fact that the Arrangement must be approved by the Superior Court of Québec (the “**Court**”), at both the interim and final stages (see “*Description of the Arrangement – Court approval*” below) will allow the Court to ensure that an appropriate balancing of rights of all Shareholders, in view of the CTA Amendments, has been achieved.

The Board has unanimously concluded that the Arrangement is in the best interest of Air Canada and is fair to all Shareholders and unanimously recommends that all Shareholders vote in favour of the Arrangement Resolution and thereby approve the implementation of the Arrangement.

Board approval and recommendation

On February 14, 2019, the Board unanimously approved the Arrangement subject to the receipt of necessary Shareholder and Court approvals, and authorized submission of the Arrangement to the Shareholders for consideration and, following approval by the Shareholders, to the Court for consideration and approval.

The decision to approve the Arrangement was reached by the Board after consideration of many factors, including the following:

- The Amendments contemplated by the Arrangement will provide the most effective means to address the stated purpose of the CTA Amendments in increasing foreign investment in the Canadian air industry while maintaining Canadian control of Canadian air carriers.
- The Amendments contemplated by the Arrangement will provide Air Canada with a necessary and effective mechanism for restricting non-Canadian ownership and control as contemplated by the definition of “Canadian” in the recently amended CTA.
- The approach taken in respect of the Amendments to the Articles is substantially the same as that being taken by other publicly listed Air Carriers, or their respective holding companies, in Canada.
- Management and the Board considered other potential alternatives to address the foreign ownership restrictions in the CTA and determined that the Amendments contemplated by the Arrangement represent the most effective approach.
- Completion of the Arrangement is subject to approval by 66 2/3% of the votes cast by Shareholders.
- Completion of the Arrangement is subject to approval by the Court, which will consider, among other things, the fairness of the Arrangement to all Shareholders.

Air Canada has been advised that the directors and officers of Air Canada intend to vote all Voting Shares held by them in favour of the Arrangement Resolution.

Description of the Arrangement

If the Arrangement Resolution is passed and the Arrangement is approved by the Court, the effective date of the Arrangement is expected to be May 8, 2019, but may be such other date as may be determined by Air Canada. The Arrangement may, at any time before or after the holding of the Meeting and prior to filing the Articles of Arrangement under the CBCA to give effect to the Arrangement, be terminated by the Board without further notice to or action on the part of the Shareholders. Upon such termination, the Arrangement will not proceed.

Conditions to the Arrangement becoming effective

In order for the Arrangement to become effective, the following must occur:

- the required approval of the Shareholders shall have been obtained; and
- the final order of the Court (the “**Final Order**”) shall have been obtained in form and substance satisfactory to Air Canada acting reasonably.



Regulatory matters

Approval of the Arrangement by the Agency is not required; however, Air Canada, along with the other Air Carriers, have each provided drafts of the documents relating to the Amendments and have engaged in discussions with the Agency. Following discussions with the Agency, on February 4, 2019, staff of the Agency confirmed that it had completed its review of the Amendments and were of the opinion that the Amendments would not affect the Canadian status of Air Canada should the Amendments be adopted by Air Canada.

Any amendment to the articles of a listed issuer must be pre-cleared with the TSX, and, accordingly, Air Canada along with the other Air Carriers, have each provided notice to the TSX regarding the Amendments. On January 31, 2019, the TSX accepted notice of the Amendments, subject to the satisfaction of customary conditions, including its review of the final form of the Amendments and approval of the Amendments by Shareholders.

Required shareholder approval

The interim order of the Court dated February 15, 2019 (the “**Interim Order**”) provides that for the Arrangement to be implemented, the Arrangement Resolution must be passed, with or without variation, by at least 66 2/3% of the votes cast by the holders of Class A Variable Voting Shares and Class B Voting Shares, voting together as a single class, present in person or represented by proxy in respect of the Arrangement Resolution at the Meeting.

Unless contrary instructions are indicated on the instrument of proxy or the voting instruction form, the persons designated in the accompanying instrument of proxy or voting instruction form intend to vote FOR the Arrangement Resolution.

Court approval

Interim order

On February 15, 2019, the Court granted the Interim Order facilitating the calling and holding of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Schedule “E” to this circular.

Final order

The CBCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, Air Canada will apply to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for May 8, 2019 at 12:00 p.m. (Montreal time), or as soon thereafter as counsel may be heard, at the Superior Court of Québec in Montreal, 1, rue Notre-Dame Est, Montreal, Québec Canada, H2Y 1B6. At the hearing, any Shareholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Air Canada on or before 4:30 p.m. (Montreal time) on May 6, 2019, a Notice of Appearance setting out their address for service and indicating whether such Shareholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such Shareholder or other interested party intends to advocate before the Court and any evidence or materials which such party intends to present to the Court. Service of such notice shall be effected by service upon the solicitors of Air Canada: 1155 René-Lévesque Boul. West, Suite 4100, Montreal, Québec Canada, H3B 3V2, Attention: Me Stéphanie Lapierre. See the Notice of Application in respect of the Final Order attached as Schedule “F” to this circular.

Air Canada has been advised by its counsel that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court, in hearing the application for the Final Order, will consider, among other things, the fairness and reasonableness of the Arrangement to the Shareholders and any other interested party as the Court determines appropriate, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Air Canada may determine not to proceed with the Arrangement.



THE NOMINATED DIRECTORS

Air Canada's articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board has resolved to have 11 directors effective upon the election of the directors at the meeting. Directors are elected each year at the annual meeting of shareholders, except that the Board can appoint directors in certain circumstances between annual meetings. Directors elected at the meeting will hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder.

This section sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors, their principal occupation, other principal directorships, committee memberships, 2018 attendance record, independence, their areas of expertise and voting results at the 2018 annual meeting of shareholders held on April 30, 2018. The information on each director nominee is current as of March 25, 2019.

This section also includes each nominee's equity ownership in the Corporation as of March 25, 2019 and March 19, 2018, consisting of shares and deferred share units ("**DSUs**"). The value of shares and DSUs was calculated using the closing price of Air Canada Class A variable voting shares and Class B voting shares on the TSX on March 25, 2019, which was \$30.96 per share, and on March 19, 2018, which was \$27.79 per share.



Christie J.B. Clark



Toronto, Ontario, Canada
Age: 65
Director since June 27, 2013

Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited, and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2005.

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

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

Independent

Areas of Expertise:

Accounting
Finance
Risk Management
Human Resources

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

	2018 Attendance
Board of Directors	13 of 13
Audit, Finance and Risk Committee (Chair)	5 of 5
Governance and Nominating Committee	4 of 4

2018 Annual Meeting:

Voting Results in
Favour: 92.35%

Public Board Memberships (past five years):

Loblaw Companies Limited	2011 – present
Choice Properties Real Estate Investment Trust	2013 – present
Hydro One Limited	2015 – 2018
Brookfield Office Properties Inc.	2012 – 2014
IGM Financial Inc.	2012 – 2014

Securities Held or Controlled:

As at	Class B Voting Shares ⁽¹⁾	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽²⁾
March 25, 2019	74,010	18,318.57	\$2,858,493	\$585,000
March 19, 2018	70,310	13,999.95	\$2,342,974	\$525,000

(1) Mr. Clark holds 70,310 Class B voting shares indirectly through his spouse as permitted under Air Canada's share ownership requirements.

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



Gary A. Doer, O.M.



Winnipeg, Manitoba, Canada
Age: 70
Director since April 30, 2018

Independent

Gary A. Doer is a corporate director. Mr. Doer is a director of IGM Financial Inc., Great-West Lifeco Inc., Power Corporation of Canada and Power Financial Corporation. He is also Senior Business Advisor to the law firm Dentons Canada LLP. Previously, Mr. Doer served as the Canadian Ambassador to the United States from 2009 to 2016 and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement. Mr. Doer also served as the 20th Premier of Manitoba from 1999 to 2009. He was elected a member of the Legislative Assembly of Manitoba in 1986 and during his tenure, he served as Minister of Urban Affairs and Minister of Crown Investments. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees' Association.

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

Areas of Expertise:

Global Business
Risk Management
Labour
Government Affairs &
Public Policy

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

	2018 Attendance
Board of Directors	9 of 9
Audit, Finance and Risk Committee	3 of 3
Human Resources and Compensation Committee	3 of 3

2018 Annual Meeting:

Voting Results in
Favour: 97.17%

Public Board Memberships (past five years):

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

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	Nil	4,494.94	\$ 139,163	\$585,000
March 19, 2018	N/A	N/A	N/A	N/A

(1) Mr. Doer joined the Board on April 30, 2018 and has until April 30, 2023 to meet Air Canada's share ownership requirements.



Rob Fyfe



Auckland, New Zealand
 Age: 57
 Director since
 September 30, 2017

Independent

Rob Fyfe is a corporate director. Mr. Fyfe is a director of Michael Hill International Limited. He is also a Special Advisor to the New Zealand Government on Re-entry into the Pike River Coal Mine and an Honorary Advisor to the Asia New Zealand Foundation. Mr. Fyfe is the former Chief Executive Officer of Air New Zealand where he was credited with driving an historic turnaround in the airline's strategy and culture and maintaining profitability during economic downturns. During his tenure from 2005 to 2012, the airline was named Airline of the Year by Air Transport World, as well as New Zealand's most attractive employer and most reputable company.

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

Mr. Fyfe holds a Bachelor of Engineering (Mechanical) Honours degree and an Honorary Doctorate of Commerce degree from Canterbury University in Christchurch, New Zealand. He is a Distinguished Fellow of Engineering New Zealand.

Areas of Expertise:

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

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

	2018 Attendance
Board of Directors	13 of 13
Human Resources and Compensation Committee	5 of 5
Safety, Health, Environment and Security Committee	2 of 2

2018 Annual Meeting:

Voting Results in
 Favour: 93.94%

Public Board Memberships (past five years):

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

As at	Class A Variable Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	Nil	8,106.88	\$250,989	\$585,000
March 19, 2018	Nil	1,858.21	\$51,640	\$525,000

(1) Mr. Fyfe joined the Board on September 30, 2017 and has until September 30, 2022 to meet Air Canada's share ownership requirements.



Michael M. Green



New York, New York, USA
Age: 60
Director since March 30, 2009

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

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

Independent

Areas of Expertise:

Global Business
Operational Experience
Finance
Risk Management
Transportation

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

	2018 Attendance
Board of Directors	13 of 13
Safety, Health, Environment and Security Committee (Chair)	2 of 2
Human Resources and Compensation Committee	5 of 5

2018 Annual Meeting:

Voting Results in
Favour: 94.89%

Public Board Memberships (past five years):

None

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	101,964	28,924.79	\$4,052,317	\$585,000
March 19, 2018	105,714	24,683.52	\$3,623,747	\$525,000

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



Jean Marc Huot



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

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

Montréal, Québec, Canada

Age: 57

Director since

May 8, 2009

Independent

Areas of Expertise:

Finance
Risk Management
Legal & Regulatory
Government Affairs &
Public Policy

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

	2018 Attendance
Board of Directors	13 of 13
Human Resources and Compensation Committee	3 of 3
Safety, Health, Environment and Security Committee	2 of 2

2018 Annual Meeting:

Voting Results in
Favour: 95.20%

Public Board Memberships (past five years):

None

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	31,098	211,954.29	\$7,524,899	\$585,000
March 19, 2018	31,098	207,924.75	\$6,642,442	\$525,000

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



Madeleine Paquin, C.M.



Montréal, Québec, Canada
Age: 56
Director since
May 12, 2015

Independent

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

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

Ms. Paquin graduated from the Richard Ivey School of Business at the University of Western Ontario with an Honors in Business Administration and from the École des Hautes Études Commerciales, Université de Montréal, with a Graduate Diploma in Administrative Sciences.

Areas of Expertise:

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

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

	2018 Attendance
Board of Directors	13 of 13
Governance and Nominating Committee	4 of 4
Safety, Health, Environment and Security Committee	2 of 2

2018 Annual Meeting:

Voting Results in
Favour: 93.16%

Public Board Memberships (past five years):

Logistec Corporation	1987 – present
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Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	6,500	36,931.20	\$1,344,630	\$585,000
March 19, 2018	6,500	31,621.11	\$1,059,386	\$525,000

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



Calin Rovinescu, C.M.



Montréal, Québec, Canada
Age: 63
Director since April 1, 2009

Not Independent

Calin Rovinescu has served as President and Chief Executive Officer of Air Canada since April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada from 2000 to 2004, and also held the position of Chief Restructuring Officer during the airline's 2003-2004 restructuring. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, an independent investment bank. Prior to 2000, he was the Managing Partner of the law firm Stikeman Elliott in Montréal, where he practiced corporate law for over 20 years and was a member of the firm's Partnership Board and Executive Committee.

Mr. Rovinescu was Chair of the Star Alliance Chief Executive Board from 2012 to 2016 and Chair of the International Air Transport Association in 2014-2015 and he continues to serve on its Board of Governors. He is also a member of the Board of Directors of BCE Inc. and of the Business Council of Canada.

Mr. Rovinescu holds Bachelor of law degrees from the Université de Montréal and the University of Ottawa, and has been awarded six Honorary Doctorates from universities in Canada, Europe and the United States. Mr. Rovinescu was named the 14th Chancellor of the University of Ottawa in 2015. In 2016, Mr. Rovinescu was recognized as Canada's Outstanding CEO of the Year, and he was appointed a Member of the Order of Canada in 2018.

Areas of Expertise:

Global Business
Finance
Risk Management
Legal & Regulatory
Airline Industry

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

	2018 Attendance
Board of Directors	13 of 13

2018 Annual Meeting:

Voting Results in
Favour: 95.23%

Public Board Memberships (past five years):

BCE Inc.	2016 – present
Acasta Enterprises Inc.	2015 – 2016

Securities Held or Controlled:

As at	Class B Voting Shares ⁽¹⁾	Deferred Share Units ⁽²⁾ and Restricted Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽³⁾
March 25, 2019	402,944	103,534 DSUs 120,243 RSUs	\$19,403,282	5 times base salary (\$7,000,000)
March 19, 2018	401,543	52,934 DSUs 246,266 RSUs	\$19,473,648	5 times base salary (\$7,000,000)

(1) 376,532 Class B voting shares are held by a family holding company controlled by Mr. Rovinescu.

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

(3) Mr. Rovinescu meets Air Canada's share ownership requirements.



Vagn Sørensen



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

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

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

London, United Kingdom
Age: 59
Director since November 15, 2006 and Chairman since May 5, 2017

Independent

Areas of Expertise:

Global Business
Finance
Digital Transformation
Airline Industry
Transportation

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

	2018 Attendance
Board of Directors (Chairman)	13 of 13
Audit, Finance and Risk Committee	5 of 5
Governance and Nominating Committee	4 of 4

2018 Annual Meeting:

Voting Results in Favour: 88.66%

Public Board Memberships (past five years):

FLSmidth & Co. A/S	2009 – present
Royal Caribbean Cruises Ltd.	2011 – present
SSP Group plc	2014 – present
DFDS A/S	2006 – 2016
Scandic Hotels Group AB	2015 – 2018
TDC A/S	2006 – 2017

Securities Held or Controlled:

As at	Class A Variable Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	19,300	138,275.95	\$4,878,551	\$975,000
March 19, 2018	19,300	129,520.55	\$4,135,723	\$875,000

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



Kathleen Taylor, C.M.



Toronto, Ontario, Canada
Age: 61
Director since May 10, 2016

Independent

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

Ms. Taylor is also a member of the C.D. Howe Institute's National Council and serves on the Dean's Advisory Council of the Schulich School of Business and on the Principal's International Advisory Board of McGill University. Ms. Taylor is a Member of the Order of Canada and has received Honorary Doctorates of Laws from McGill University, York University and Trent University, and an Honorary Doctorate of Humane Letters from Mount Saint Vincent University.

Ms. Taylor holds a Masters of Business Administration from the Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) from the University of Toronto.

Areas of Expertise:

Global Business
Operational Experience
Finance
Human Resources &
Compensation
Hotel Industry

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

	2018 Attendance
Board of Directors	13 of 13
Audit, Finance and Risk Committee	5 of 5
Governance and Nominating Committee	4 of 4
Human Resources and Compensation Committee	5 of 5

2018 Annual Meeting:

Voting Results in
Favour: 93.93%

Public Board Memberships (past five years):

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

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	10,000	26,904.92	\$1,142,576	\$585,000
March 19, 2018	10,000	20,177.58	\$838,635	\$525,000

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



Annette Verschuren, O.C.



Toronto, Ontario, Canada
Age: 62
Director since
November 12, 2012

Independent

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

Ms. Verschuren is a director of Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc., and Chair of MaRS Discovery District. She serves as Chancellor of Cape Breton University and is a board member of numerous non-profit organizations including the CAMH Foundation. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility. At the request of the Federal Government, Ms. Verschuren sits on the NAFTA Advisory Council and the Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders.

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

Areas of Expertise:

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

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

	2018 Attendance
Board of Directors	13 of 13
Governance and Nominating Committee (Chair)	4 of 4
Audit, Finance and Risk Committee	5 of 5

2018 Annual Meeting:

Voting Results in
Favour: 91.44%

Public Board Memberships (past five years):

Saputo Inc.	2013 – present
Canadian Natural Resources Limited	2014 – present
The North West Company Inc.	2011 – 2014

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	61,168	46,347.99	\$3,328,695	\$585,000
March 19, 2018	63,093	42,029.37	\$2,921,350	\$525,000

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



Michael M. Wilson



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

Mr. Wilson is Chair of Suncor Energy Inc. and a director of Celestica Inc.

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

Bragg Creek, Alberta, Canada

Age: 67

Director from May 2008 to May 2009, and since October 1, 2014

Independent

Areas of Expertise:

Global Business
Operational Experience
Risk Management
Human Resources &
Compensation

Board/Current Committee Memberships Attendance (96% overall):

	2018 Attendance
Board of Directors	12 of 13
Human Resources and Compensation Committee (Chair)	5 of 5
Audit, Finance and Risk Committee	5 of 5
Safety, Health, Environment and Security Committee	2 of 2

2018 Annual Meeting:

Voting Results in
Favour: 93.90%

Public Board Memberships (past five years):

Celestica Inc.	2011 – present
Suncor Energy Inc.	2014 – present
Agrium Inc.	2003 – 2014
Finning International Inc.	2013 – 2017

Securities Held or Controlled:

As at	Class B Voting Shares	Deferred Share Units	Total Market Value of Securities	Minimum Shareholding Requirements ⁽¹⁾
March 25, 2019	57,468	63,353.42	\$3,740,631	\$585,000
March 19, 2018	57,468	53,979.15	\$3,097,116	\$525,000

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



TRUST ARRANGEMENT IN CONNECTION WITH PENSION MOU

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

CERTAIN PROCEEDINGS

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

REMUNERATION OF DIRECTORS

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

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



Effective July 1, 2018, non-executive directors were compensated as follows:

Annual Retainers⁽¹⁾	(\$)
Board	195,000
Chairman (additional retainer)	220,000
Audit, Finance and Risk Committee Chair	25,000
Other Committees – Chair	20,000
Audit, Finance and Risk Committee Member	15,000
Other Committees – Member	10,000

(1) Prior to July 1, 2018, non-executive directors received an annual Board retainer of \$175,000 and the Chairman of the Board received an additional retainer of \$220,000 for the year. The Chairs of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee respectively, received an additional retainer of \$20,000, \$20,000, \$10,000 and \$10,000 for the year. The members of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee respectively, received an additional retainer of \$10,000, \$10,000, \$5,000 and \$5,000 for the year.

The annual fees are payable in cash, DSUs under the Deferred Share Unit Plan for Non-Employee Directors or shares (acquired on the open market), or a combination thereof. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. Effective July 1, 2018, non-executive directors of Air Canada must receive a minimum of 50% of their annual Board retainer fee and Committee fees in DSUs or in shares of the Corporation. Previously, a minimum of 40% of their annual Board retainer fee and Committee fees were received in DSUs or shares.

**DSUs MUST BE HELD UNTIL DIRECTORS LEAVE THE BOARD –
DIRECTORS ARE REQUIRED TO BE PAID A MINIMUM OF 50%
OF THEIR COMPENSATION IN THE FORM OF DSUs
AND/OR SHARES DURING THEIR TENURE**

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries (see the “Executive Compensation” section starting on page 55 of this circular for additional details on the remuneration of the President and Chief Executive Officer). All of the current directors of the Corporation’s subsidiaries are also executive officers or members of senior management of Air Canada and receive no compensation as directors of any such subsidiary.



The following table shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2018 in respect of memberships on the Board and its committees:

Name	Fees Earned			All other Compensation (\$) ⁽⁴⁾	Total (\$)	Allocation of Total Fees		
	Board retainer (\$)	Board Chair & Committee Chair retainer (\$)	Committee member retainer (\$)			In cash (\$)	In DSUs (\$)	In shares (\$)
Christie J.B. Clark	185,000	22,500	7,500	Nil	215,000	117,500	97,500	Nil
Gary A. Doer ⁽¹⁾	127,311	Nil	15,056	Nil	142,367	64,065	78,302	Nil
Rob Fyfe	185,000	Nil	15,000	Nil	200,000	65,250	134,750	Nil
Michael M. Green	185,000	20,000	7,500	Nil	212,500	116,250	96,250	Nil
Jean Marc Huot	185,000	Nil	15,000	Nil	200,000	109,250	90,750	Nil
Madeleine Paquin	185,000	Nil	15,000	Nil	200,000	66,124	133,876	Nil
Roy J. Romanow ⁽²⁾	58,188	Nil	3,325	Nil	61,513	36,908	24,605	Nil
Calin Rovinescu ⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	185,000	220,000	20,000	Nil	425,000	212,500	212,500	Nil
Kathleen Taylor	185,000	Nil	27,500	Nil	212,500	53,126	159,374	Nil
Annette Verschuren	185,000	15,000	15,000	Nil	215,000	117,500	97,500	Nil
Michael M. Wilson	185,000	15,000	22,500	Nil	222,500	Nil	222,500	Nil

(1) Mr. Doer was elected to the Board on April 30, 2018.

(2) Mr. Romanow retired from the Board on April 30, 2018.

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

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

SHARE OWNERSHIP REQUIREMENTS FOR DIRECTORS

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

The President and Chief Executive Officer is required to own a minimum of securities of the Corporation representing an amount equivalent in value to five times the annual base salary of the President and Chief Executive Officer, through shares, vested DSUs and/or restricted share units (options and performance share units are not included in the calculation of the President and Chief Executive Officer's share ownership requirements). The value of the securities is based on the sum of the market value of the shares underlying the vested DSUs or restricted share units and the market value of the shares. Such ownership must be achieved by February 17, 2022.



Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Market Value of Shares, DSUs and RSUs for Purposes of Guidelines ⁽¹⁾	Value of Shares, DSUs and RSUs Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Value Held as Multiple of Annual Retainer or Base Salary
Christie J.B. Clark	74,010 ⁽²⁾	18,318.57 DSUs	\$2,858,493	\$585,000	June 27, 2018	14.7 times
Gary A. Doer	Nil	4,494.94 DSUs	\$139,163	\$585,000	April 30, 2023	0.7 times
Rob Fyfe	Nil	8,106.88 DSUs	\$250,989	\$585,000	September 30, 2022	1.3 times
Michael M. Green	101,964	28,924.79 DSUs	\$4,052,317	\$585,000	August 6, 2016	20.8 times
Jean Marc Huot	31,098	211,954.29 DSUs	\$7,524,899	\$585,000	August 6, 2016	38.6 times
Madeleine Paquin	6,500	36,931.20 DSUs	\$1,344,630	\$585,000	May 12, 2020	6.9 times
Calin Rovinescu	402,944 ⁽³⁾	103,534 DSUs 120,243 RSUs	\$19,403,282 ⁽⁴⁾	\$7,000,000	February 17, 2022	13.9 times
Vagn Sørensen	19,300	138,275.95 DSUs	\$4,878,551	\$975,000 ⁽⁵⁾	May 5, 2022	25.0 times
Kathleen Taylor	10,000	26,904.92 DSUs	\$1,142,576	\$585,000	May 10, 2021	5.9 times
Annette Verschuren	61,168	46,347.99 DSUs	\$3,328,695	\$585,000	November 12, 2017	17.1 times
Michael M. Wilson	57,468	63,353.42 DSUs	\$3,740,631	\$585,000	October 1, 2019	19.2 times

(1) The amounts reported in this column, except as described below, represent the market value of the shares, including the shares underlying DSUs, based on the March 25, 2019 Toronto Stock Exchange closing price of Air Canada shares (\$30.96).

(2) Mr. Clark holds 70,310 Class B voting shares indirectly through his spouse as permitted under the Corporation's share ownership guidelines.

(3) 376,532 Class B voting shares are held by a family holding company controlled by Mr. Rovinescu.

(4) This amount represents the sum of the market value of the shares underlying vested DSUs or restricted share units and the market value of the shares as at March 25, 2019.

(5) Mr. Sørensen, who assumed the chairmanship of the Board on May 5, 2017, is subject to the share ownership requirement of five times the annual Board retainer fee, which he already meets based on the value of the Air Canada shares and DSUs he owned as of March 25, 2019.



STATEMENT OF GOVERNANCE PRACTICES

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

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

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

BOARD OF DIRECTORS

Director Independence

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

Ten of the 11 director nominees standing for election to the Board, namely, Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Michael M. Green, Jean Marc Huot, Madeleine Paquin, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are "independent" in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Calin Rovinescu is not independent because of his position held as an officer of Air Canada.

Directorships of Other Reporting Issuers

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

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



Competency Requirements and Other Information

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

Name	GENDER		AGE			TENURE AT AC				REGION										TOP FIVE COMPETENCIES									
	Female	Male	<60	60 - 70	0 - 3 years	4 - 7 years	8 - 12 years	East/Central	West	U.S.	International	Global Business	Operational Experience	Finance & Accounting	Risk Management	Legal & Regulatory	HR/Compensation & Labour	Safety, Health & Environment	Government Affairs & Public Policy	Digital Transformation	Airline Industry Experience	Related Industries Experience ⁽¹⁾							
C.J.B. Clark	•		•		•		•					✓	✓	✓		✓					✓								
G.A. Doer		•	•		•			•				✓			✓	✓	✓	✓											
R. Fyfe	•		•		•					•		✓	✓			✓	✓				✓								
M.M. Green	•		•			•			•			✓	✓	✓	✓							✓							
J.M. Huot		•	•			•	•						✓	✓	✓	✓		✓											
M. Paquin	•		•		•		•					✓				✓	✓	✓				✓							
C. Rovinescu		•	•		•		•					✓	✓	✓	✓						✓								
V. Sørensen		•	•			•				•		✓	✓	✓						✓	✓								
K. Taylor	•		•		•		•					✓	✓	✓		✓						✓							
A. Verschuren	•		•		•		•					✓	✓	✓				✓	✓										
M.M. Wilson		•	•		•			•				✓	✓	✓		✓	✓												

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

Chairman of the Board

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

Board Size

Air Canada's articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board will be comprised of 11 directors in the event all of the director nominees are elected. Please refer to the section under the heading "The Nominated Directors" in this circular for further details. The Board is of the view that this size and its composition are adequate and allow for the efficient functioning of the Board as a decision-making body.

Board Mandate

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

Independent Directors' Meetings

At every meeting, the independent directors of the Board meet without the presence of management and under the chairmanship of the Chairman of the Board. During the year ended December 31, 2018,



in-camera sessions were held at each of the 13 Board meetings, and the sole non-independent director, Calin Rovinescu and management were not in attendance.

Board and Committee Meeting Attendance

The table below shows the record of attendance by directors at meetings of the Board and its committees during the 12-month period ended December 31, 2018.

Name	Board	Audit, Finance and Risk Committee	Pension Committee ⁽¹⁾	Governance and Nominating Committee	Human Resources and Compensation Committee	Safety, Health, Environment and Security Committee ⁽²⁾	Overall Attendance ⁽³⁾
Christie J.B. Clark	13/13 (100%)	5/5 (Chair)	–	4/4	–	–	22/22 (100%)
Gary A. Doer ⁽⁴⁾	9/9 (100%)	3/3	–	–	3/3	–	15/15 (100%)
Rob Fyfe	13/13 (100%)	–	–	2/2	5/5	2/2	22/22 (100%)
Michael M. Green	13/13 (100%)	–	2/2 (Chair)	–	5/5	2/2 (Chair)	22/22 (100%)
Jean Marc Huot	13/13 (100%)	–	2/2	–	3/3	2/2	20/20 (100%)
Madeleine Paquin	13/13 (100%)	–	–	4/4	2/2	2/2	21/21 (100%)
Calin Rovinescu	13/13 (100%)	–	–	–	–	–	13/13 (100%)
Vagn Sørensen	13/13 (100%)	5/5	–	4/4	–	–	22/22 (100%)
Kathleen Taylor	13/13 (100%)	5/5	–	4/4	5/5	–	27/27 (100%)
Annette Verschuren	13/13 (100%)	5/5	–	4/4 (Chair)	2/2	–	24/24 (100%)
Michael M. Wilson	12/13 (92%)	5/5	2/2	–	5/5 (Chair)	2/2	26/27 (96%)

(1) The responsibilities of the Pension Committee were transferred to the Human Resources and Compensation Committee effective April 29, 2018.

(2) The Safety, Health, Environment and Security Committee was created on April 29, 2018.

(3) Roy J. Romanow, who retired on April 30, 2018, attended 5 out of 6 (83%) Board and committee meetings in 2018.

(4) Mr. Doer was elected to the Board on April 30, 2018. He was appointed to the Audit, Finance and Risk Committee and the Human Resources and Compensation Committee on April 30, 2018.

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 has full responsibility for the day-to-day operations of the Corporation’s business in accordance with its strategic plan and operating and capital budgets as approved by the Board. The CEO is accountable to shareholders, through the Board,



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

Chairman of the Board

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

Chair of Each Standing Committee

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

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

ORIENTATION AND CONTINUING EDUCATION

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of the Corporation's business. Each new director is also asked to review the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he or she is expected



to play as a director and a committee member. Extensive documentation on the Corporation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.

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

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

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



The following table provides details on certain director training initiatives undertaken in 2018.

Director Continuing Education 2018		
Topic	Presentation By	Directors Attending
New IFRS 16 leases accounting standard	Chris Isford, Vice President and Controller	Audit, Finance and Risk Committee, Rob Fyfe, Jean Marc Huot, Madeleine Paquin, Calin Rovinescu
Recent trends in executive compensation	Independent Consultant	Human Resources and Compensation Committee, Calin Rovinescu
The future of work including the impact of artificial intelligence and robotics	Independent Consultant	All directors
Safety management system Occupational health and safety	Sam Elfassy, Vice President, Safety Richard Steer, Senior Vice President, Operations Murray Strom, Vice President, Flight Operations	All directors
Airline security management	Sam Elfassy, Vice President, Safety	All directors
Environmental management system and strategic environmental issues	Teresa Ehman, Director, Environmental Affairs	All directors
Fuel hedging practices and strategy	Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer	All directors
Revenue management operations tour	Lucie Guillemette, Executive Vice President and Chief Commercial Officer Craig Landry, Executive Vice President, Operations	All directors
Airline distribution channels and strategy	Lucie Guillemette, Executive Vice President and Chief Commercial Officer	All directors
Airline loyalty programs and digital channels	Mark Nasr, Vice President, Loyalty and eCommerce	All directors



AIR CANADA CODE OF CONDUCT

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the “Code”) which was last amended by the Board in February 2019. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com and on the Corporation’s website at www.aircanada.com. The Code addresses, among other things, conflicts of interest, use of company assets, confidential information, fair dealing with other people and organizations, compliance with laws, rules and regulations, employment policies, computer, e-mail and internet policies, and reporting suspected non-compliance.

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

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

NOMINATION OF DIRECTORS

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

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



Competencies and Skills

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

The Governance and Nominating Committee also reviews the qualifications, skill-set and experience of the candidate nominated by the trustee appointed under the Pension MOUs reached between Air Canada and its Canadian-based unions, the whole as was further detailed at page 33 of this circular under the heading “Trust Arrangement in connection with Pension MOU”.

Other Considerations

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

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

Diversity Policy

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

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

In August 2014, the Board established as its target that women represent at least 25% of the directors of Air Canada by 2017 and this target was achieved in 2016 following the election of directors at the annual



meeting of shareholders held on May 10, 2016. In October 2017, the Board established as its new target that women represent at least 30% of the directors by 2020. Furthermore, as part of its continuing commitment to diversity, Air Canada is a member of the 30% Club and a signatory to the Catalyst Accord 2022, whose objective is to increase the average percentage of women on boards and in executive positions in corporate Canada to 30% or greater by 2022. Currently, three out of the 11 directors (28%) are women, and the director nominees for the meeting include three women, representing 30% of non-executive director nominees and 28% of all director nominees.

The Governance and Nominating Committee will conduct periodic assessments to consider the level of women representation on the Board, and the Board members will also evaluate the effectiveness of the director selection and nomination process, including compliance with the diversity policy, through the Board's annual evaluation process.

Executive and Senior Management: The Corporation pursues a comprehensive diversity management strategy with the goal of ensuring an inclusive and diverse workplace based on respect where all employees can utilize their talents. This strategy includes a cross-functional employee task force with responsibility to champion diversity objectives throughout the Corporation, increased awareness on the importance of a diverse workforce in management training programs, and imbedded diversity considerations in the hiring process, promotions and employee development.

Air Canada has established as its target that women represent more than 30% of senior management by 2020. We have exceeded this target with 82 out of 245 senior management positions (33%) being held by women. Also, five out of 24 executive officers (21%) are women, as well as 44% of the direct reports to the CEO.

The talent and engagement team pays focused attention to diversity make-up in senior manager and emerging leader programs. This critical layer of management is developed and vetted at various levels and an equal representation of women and men participate in all emerging leader programs. In addition, when recruiting externally, both the internal talent acquisition team and external search consultants are instructed to present a diverse mix of candidates to ensure the talent pipeline continues to be reinforced with appropriate representation.

Moreover, to greater promote gender diversity, the Corporation is committed to provide mentoring, resource groups and development opportunities for women, to partner with organizations to attract women into male-dominated positions, to establish ambassadors for diversity, and to further propel its "Women in Aviation" conference series by introducing female managers to successful women in leadership positions at Air Canada and in the aviation industry.

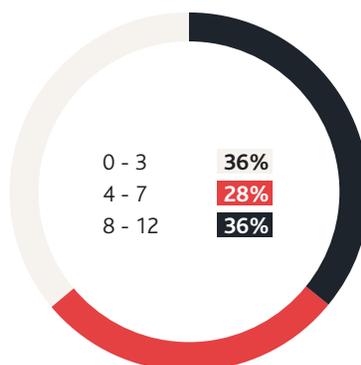


MECHANISMS OF BOARD RENEWAL

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

Over the past five years, five new directors have joined the Board and three directors have retired. The average tenure of the director nominees standing for election to the Board is 6.12 years. The following chart shows the number of completed years of Board service of the director nominees:

Completed Years of Board Service



Director Term Limits

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

Retirement Policy

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

TERM LIMITS AND MANDATORY RETIREMENT

Assessment of Directors

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

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



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

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

ANNUAL BOARD AND DIRECTOR EVALUATION INCLUDING PEER REVIEWS

COMPENSATION

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

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

In 2018, Willis Towers Watson was engaged by the Human Resources and Compensation Committee to review executive compensation practices relative to its advisory shareholder assessments. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to the Corporation. The executive compensation consulting services provided by Willis Towers Watson include:

- A review of Air Canada's executive compensation practices and program design;
- Updates on ongoing and emerging trends in executive compensation and governance best practices;
- Perspective on appropriate total compensation mix and levels, based on competitive practice and Air Canada's performance; and
- Review of materials in advance of committee meetings; identification of discussion points and issues for the committee's consideration when evaluating compensation design proposals.

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



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

Type of Fee	Billed in 2018	Percentage of Total Fees Billed in 2018	Billed in 2017	Percentage of Total Fees Billed in 2017
Executive-Compensation-Related Fees	\$93,251	100%	\$80,311	100%
All Other Fees	Nil	0%	Nil	0%
Total Annual Fees	\$93,251	100%	\$80,311	100%

EXECUTIVE SUCCESSION PLANNING

The Board formally reviews and discusses executive succession planning with the President and Chief Executive Officer. More particularly, the Board reviews the succession plan status for all executive officers and assesses whether there is a readiness to fill potential vacancies, identifies the qualified individuals to fill such vacancies on both an immediate and longer-term basis and determines whether there are any gaps in readiness, as well as how the executive succession planning process can be improved. The Board also focuses specifically on the succession of the Chief Executive Officer as well as development considerations for each potential successor candidate and the performance of individual executives in their current roles.

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



COMMITTEES

The Board has four standing committees:

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

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

AUDIT, FINANCE AND RISK COMMITTEE

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

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

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

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



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

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

The Audit, Finance and Risk Committee met five times during the period from January 1, 2018 to December 31, 2018.

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

Members: Christie J.B. Clark (Chair)
Gary A. Doer
Vagn Sørensen
Kathleen Taylor
Annette Verschuren
Michael M. Wilson



GOVERNANCE AND NOMINATING COMMITTEE

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

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

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

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

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

The Governance and Nominating Committee met four times during the period from January 1, 2018 to December 31, 2018.



The Governance and Nominating Committee is currently composed of:

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

HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

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

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

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

- Develop compensation philosophy and guiding principles.
- Review the compensation policies and major compensation programs of the Corporation and its subsidiaries against business objectives, operations and the risks to which the Corporation and such subsidiaries are exposed.
- Review the major compensation programs of the Corporation and its subsidiaries to ensure program design and payout align with sound risk management principles and practices.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, taking into account market practices and comparator group benchmarks. The Chairman of the Board and the Chair of the Committee shall evaluate the CEO's performance in light of those goals, objectives and business performance measures, and based on this evaluation, the Committee shall make recommendations to the Board with respect to the CEO's compensation.
- Review the performance of other executive officers, as summarized by the CEO and recommend to the Board the compensation of the executive officers.
- Review and make recommendations to the Board with respect to the design, payout and funding of the incentive compensation plan, equity-based plans and other major compensation plans, and any amendments thereto.
- Review executive compensation disclosure before public dissemination, including the review of the annual report on executive management compensation for inclusion in the circular, in accordance with applicable rules and regulations.



- Regularly review succession and contingency plans for executive management and key senior leadership roles.
- Review the talent management practices for critical skills required to execute the Corporation's strategic goals.
- Review the key measurable objectives of the Corporation's diversity action plan and monitor progress on the achievement of such objects.
- Unless otherwise referred to the Board by the Committee, approve all decisions to initiate, merge, split, terminate and/or otherwise fundamentally restructure any of the Corporation's retirement plans where the expected impact of such decisions on the Corporation is material, as defined in a policy on materiality of benefits changes approved by the Board.
- Approve, in concept, changes to plan provisions that affect the cost of retirement benefits in a material way.
- Review and recommend to the Board a governance structure for the retirement plans.
- Review the process, upon recommendation from the Chief Financial Officer, for appointing or hiring the President of Air Canada Pension Investments.
- Approve the appointment of the actuary for the pension plans.
- Approve the major actuarial assumptions for the valuation of the liabilities of the defined benefit pension plans.
- Approve on an annual basis the manner of funding of consent benefits, as provided under certain plan provisions, and determine on at least a quarterly basis to grant or deny consent benefits to members.
- Approve the contributions to the pension funds of the defined benefit pension plans, subject to actuarial valuation reports.
- Establish a statement of investment principles and beliefs with respect to managing the investments for defined benefit and capital accumulation plans.
- Approve the long-term asset mix policy for the defined benefit pension plans.
- Approve the broad nature of the investment program for the capital accumulation plans.
- Recommend a funding policy which sets out guidelines with respect to the valuation and funding of the liabilities of any supplemental executive retirement plan.
- Approve any contributions to a supplemental executive retirement plan within the guidelines of the funding policy, subject to review by the Board.

The Human Resources and Compensation Committee met five times during the period from January 1, 2018 to December 31, 2018.

The Human Resources and Compensation Committee is currently composed of:

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



SAFETY, HEALTH, ENVIRONMENT AND SECURITY COMMITTEE

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

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

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

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

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

The Safety, Health, Environment and Security Committee met two times during the period from July 26, 2018 to December 31, 2018.

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

Members: Michael M. Green (Chair)
Rob Fyfe
Jean Marc Huot
Madeleine Paquin
Michael M. Wilson



EXECUTIVE COMPENSATION

INTRODUCTION

A key focus of the Board's approach to Air Canada's executive compensation program is to provide clear disclosure. In this report, you will find the:

- **Report of the Human Resources and Compensation Committee** on pages 56 to 59 discussing the Committee's composition, responsibilities, 2018 activities, risk oversight and our 2018 corporate performance and the Board's decisions about executive compensation.

More specifics on the Corporation's executive compensation program are provided in:

Compensation discussion and analysis

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Executive compensation details

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REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

COMPOSITION AND RESPONSIBILITIES

A key role of the Human Resources and Compensation Committee (“HRCC”) is to assist the Board in fulfilling its oversight responsibilities in human resources, pension plan matters and compensation, including compensation of executives, compensation philosophy and succession planning. In keeping with best practices, the HRCC is composed entirely of independent directors who are knowledgeable about human resources, pension and compensation issues, associated incentives and risk management. Through their experience, including as directors of other publicly traded companies, the members of the HRCC acquired direct knowledge related to the management of executive compensation, making day-to-day decisions, and/or providing advice, concerning executive pay and the design of short and long-term incentive plans with objectives tied to sustained shareholder value creation. To assist in executing its responsibilities, an independent compensation advisor is hired by the HRCC from time-to-time (as further described on page 48 of this circular).

The table below sets out the members of the HRCC in 2018 and the basis of their experience. Prior to July 2018, the HRCC members were Michael M. Wilson, Rob Fyfe, Michael M. Green, Madeleine Paquin, Kathleen Taylor and Annette Verschuren.

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



2018 COMMITTEE ACTIVITIES

Each year, the HRCC reviews and evaluates the Corporation's overall executive compensation philosophy, programs and arrangements, the comparator group used to benchmark executive compensation and executive compensation trends and issues. Activities of the HRCC over the course of 2018 included the following:

- Reviewed the President and Chief Executive Officer's performance, the recommendations for his performance related compensation, his objectives for the upcoming year and the terms of his overall compensation relative to mid to long-term market practices;
- Reviewed performance-linked compensation for each other named executive officer, including base salary increases, short-term incentive awards and long-term incentive grants;
- Reviewed with the President and Chief Executive Officer updated succession plans for the President and Chief Executive Officer position, the other named executive officer positions and all other executive positions, including addressing potential successors, development plans and integration into the Corporation's management talent processes;
- Reviewed with the President and Chief Executive Officer proposed key changes in organization and personnel, including corresponding compensation arrangements for each executive promotion and new hire;
- Reviewed Change of Control agreements for the President and Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer, the Executive Vice President and Chief Commercial Officer and the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer; and
- Reviewed market driven adjustments to the short-term incentive plan and market driven adjustments to long-term incentive plan target grant levels.

RISK OVERSIGHT

So as to continue to support the long-term viability of the Corporation, the HRCC ensures appropriate mitigation of compensation risk. The HRCC undertakes this responsibility by reviewing and approving the Corporation's compensation policies and practices, including applicable risk management policies and the design and oversight of our executive compensation programs.

The application of risk oversight presents itself in the following practices of the HRCC:

- Consideration of numerous factors when assessing executive pay, including: Air Canada's strategy and priorities; Air Canada's compensation philosophy and objectives; the competitive market; achievement of the Corporation's financial and operational objectives; shareholder value creation; individual performance; advice from the independent advisor to the HRCC and sound risk management practices;
- Using quantitative analysis and best practices in analyzing executive pay together with discretion, judgment and the prior compensation experience of the Committee members;
- Following a rigorous process when establishing and setting objectives for different pay-at-risk programs. For example, to receive an incentive at target, executives must meet objectives that are considered stretched and there is no payment allowed for participants before the end of the performance period;
- Reviewing annual operational and strategic business plans to set objectives for executives and establish pay-at-risk programs. Compensation policies and practices are designed to promote financial performance year-over-year and a stable growth in shareholder return by mitigating the potential for inappropriate behaviours and excessive risk-taking only aimed at a short-term increase of the share price. As such, payouts under both the short and long-term incentive plans are based on participants achieving objectives that are considered stretched, and the Board of Directors retains discretion in its award of amounts to be paid out under such plans;



- Executive compensation clawback policy, further described under the heading “Our compensation programs - Executive Compensation Clawback”. The executive compensation clawback policy addresses situations in which business activities are undertaken by executives that engaged in gross negligence, intentional misconduct or fraud that require the restatement of all or a portion of Air Canada’s financial statements; and
- Policy and Guidelines on Business Conduct which prohibits directors and executives of Air Canada from purchasing financial instruments (including, without limitation, options, puts, calls, forward contracts, futures, swaps, collars or units of exchange traded funds) that are designed to hedge or offset a decrease in the market value of securities of Air Canada, that are beneficially owned, directly or indirectly, by such directors and executives, or in the value of any Air Canada equity-based compensation award (including, without limitation, stock options, restricted share units and performance share units, all as described under the heading “Our compensation programs”).

The HRCC has not identified any risks arising from the Corporation’s compensation policies and practices that are reasonably likely to have a material adverse impact on the Corporation.

COMPENSATION LINKED TO 2018 CORPORATE PERFORMANCE

In 2018, the Corporation continued to exceed its financial targets. As detailed in the table below, actual Adjusted Pre-tax Income, for purposes of the AIP (as defined below), was surpassed by more than \$98 million, translating into a payout of 171% in respect of the financial component of the AIP. The Board of Directors approved, in accordance with the terms of the AIP, awards to approximately 3,700 participants under the AIP based on achievement of corporate, department and individual objectives. See “Short-term Incentives – Air Canada Annual Incentive” on pages 66 and 67 of this circular for additional details on the Annual Incentive Plan. In addition, the Board of Directors approved a profit sharing payout to all eligible employees of the Corporation. Senior management, managing directors and executives are not eligible employees under the profit sharing plan.

The Corporation exceeded both its 4-year average annual operating margin and its 3-year cumulative annual EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent), resulting in performance-based stock options granted in 2015 and performance share units granted in 2016 vesting pursuant to the LTIP provisions as described on pages 67 to 70 of this circular.

2018 Corporate Performance linked to AIP and LTIP	2018 Target	2018 Actuals	Impact on AIP / LTIP
Adjusted Pre-tax Income for purposes of the AIP (i.e. before deducting AIP and LTIP accruals)	\$929.1 million	\$1,027.9 million	Achieved 110.6% of target translating into 171% in respect of the financial component of the AIP
4-Year Average Annual Operating Margin	7.6%	9.2%	Exceeded target resulting in vesting of 2015 performance-based stock options
3-Year Cumulative Annual EBITDAR	\$8,589 million	\$8,944 million	Exceeded target resulting in vesting of 2016 performance share units



In addition to the above, the Corporation achieved the following:

Financial Metrics	2017 Actuals	2018 Actuals
Operating Revenue	\$16.3 billion	\$18.1 billion
EBITDAR (excluding special items)	\$2,928 million	\$2,851 million
Free Cash Flow	\$1,056 million	\$791 million
CASM (cents)	14.4	15.2
RASM (cents)	15.7	16.3
Liquidity	\$4.18 billion	\$5.73 billion

In addition to the airline's financial success, in 2018, the Corporation served over 50 million passengers, a record and an increase of 5.8% from 2017 and expanded its global footprint with the launch of 29 new routes. At the same time, the Corporation continued to win numerous awards including being named Best Airline in North America while maintaining its Four-Star airline ranking by Skytrax, being recognized amongst Canada's Top 100 Employers, as one of Canada's Best Diversity Employers and 50 Most Engaged Workplaces in North America and as one of Canada's most valuable brands.

In 2018, the Corporation continued delivering on its four key corporate priorities, namely:

- (i) Identifying and implementing cost reduction and revenue enhancing initiatives;
- (ii) Pursuing profitable international growth opportunities and leveraging competitive attributes to appropriately expand margins, in large part by increasing connecting traffic through its strategic international gateways in Toronto, Vancouver and Montreal, and growing and competing effectively in the leisure market to and from Canada;
- (iii) Engaging customers by continually enhancing their travel experience and providing a consistently high level of customer service; and
- (iv) Fostering positive culture change through employee engagement programs. This includes meaningful investments in training and other tools that support delivering exceptional customer experiences and that also promote improved collaboration and an appreciation of how the airline and its talented employees can better work together in a supportive and enriching environment.

Adjusted Pre-tax Income, EBITDAR, Free Cash Flow, Adjusted CASM and return on invested capital are each non-GAAP financial measures. Such measures are provided here solely for the purpose of reporting on the targets relating to Air Canada's executive compensation program (in the case of Adjusted Pre-tax Income and EBITDAR), comparing Air Canada's performance relative to airline peers and against key corporate financial metrics (in the case of Adjusted CASM and return on invested capital) and as an indicator of the financial strength and performance of Air Canada's business (in the case of Free Cash Flow). Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. For information on Air Canada's Adjusted Pre-tax Income, EBITDAR, Free Cash Flow, Adjusted CASM and return on invested capital, including a reconciliation to GAAP, please refer to the "Management's Discussion and Analysis" section of Air Canada's 2018 Annual Report.



COMPENSATION DISCUSSION AND ANALYSIS

OUR COMPENSATION PRACTICES

Air Canada's principal objective is to become one of the world's best global airlines. To do so, and to successfully overcome the economic, competitive and other challenges it faces, 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 achieve Air Canada's goals and enhance shareholder value.

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

- Competitive base salaries in markets in which Air Canada competes for talent and skills;
- Incentive programs linked to Air Canada's annual and long-term financial performance to align executive and shareholders' interests;
- Starting in 2018, the HRCC and the Board of Directors resolved to reward each of the President and Chief Executive Officer and the Deputy Chief Executive Officer and Chief Financial Officer with total compensation at or near the 75th percentile of Air Canada's comparator group based on their respective experience and outstanding performance that has significantly outperformed competitor airlines and the broader stock market indexes; and
- For other executives, their compensation is benchmarked to reward between market median (50th percentile) of Air Canada's comparator group for positions with similar responsibilities and scope and the 75th percentile, depending on each executive's profile, experience and performance in his or her role.

THE COMPARATOR GROUP (BENCHMARK COMPANIES)

Compensation and performance under Air Canada's executive compensation program are benchmarked against a comparator group of companies. An annual comparator analysis of compensation practices is conducted by an independent third-party consulting firm and this analysis, for the current period, consisted of a comparator group of 25 companies comprised of:

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

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



The table below describes the companies which have been identified in accordance with the above criteria and included in Air Canada's comparator group, as well as each organization's level of alignment to Air Canada's peer profile requirements in the list below for 2018. The comparator group for the President and Chief Executive Officer excludes the four financial institutions named below and indicated by an *.

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



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

PERFORMANCE RELATIVE TO AIRLINE PEERS

For 2018, Air Canada's relative performance was assessed against six other large North American airline companies (the "**Performance Peer Group**") in order to provide additional context in determining the compensation of the CEO.

The table below shows how Air Canada ranks relative to the peer airline companies of the Performance Peer Group on key size and performance metrics.

Metric 2018	Air Canada	Air Canada Rank out of 7	Performance Peer Group Median (excluding Air Canada) ⁽¹⁾
One-Year Total Shareholder Return ⁽²⁾	0.31%	2	-28.16%
Cash and Short-Term Investments as a percentage of last 12 Months Revenue ⁽³⁾	26.06%	2	11.15%
Year-over-Year Passenger Revenue Variance ⁽³⁾	11.17%	1	6.68%
Year-over-Year Adjusted CASM Variance ⁽⁴⁾	0.30%	2	0.95%

(1) Performance Peer Group consists of: WestJet Airlines Ltd., Delta Air Lines Inc., United Continental Holdings, Inc., American Airlines Group Inc., Southwest Airlines Co. and JetBlue Airways Corporation.

(2) One-year total shareholder return is as at December 31, 2018 and is based on local currencies (data obtained from Bloomberg).

(3) For fiscal year 2018, based on information in public filings. Year-over-year variances are for fiscal year 2018 compared to fiscal year 2017.

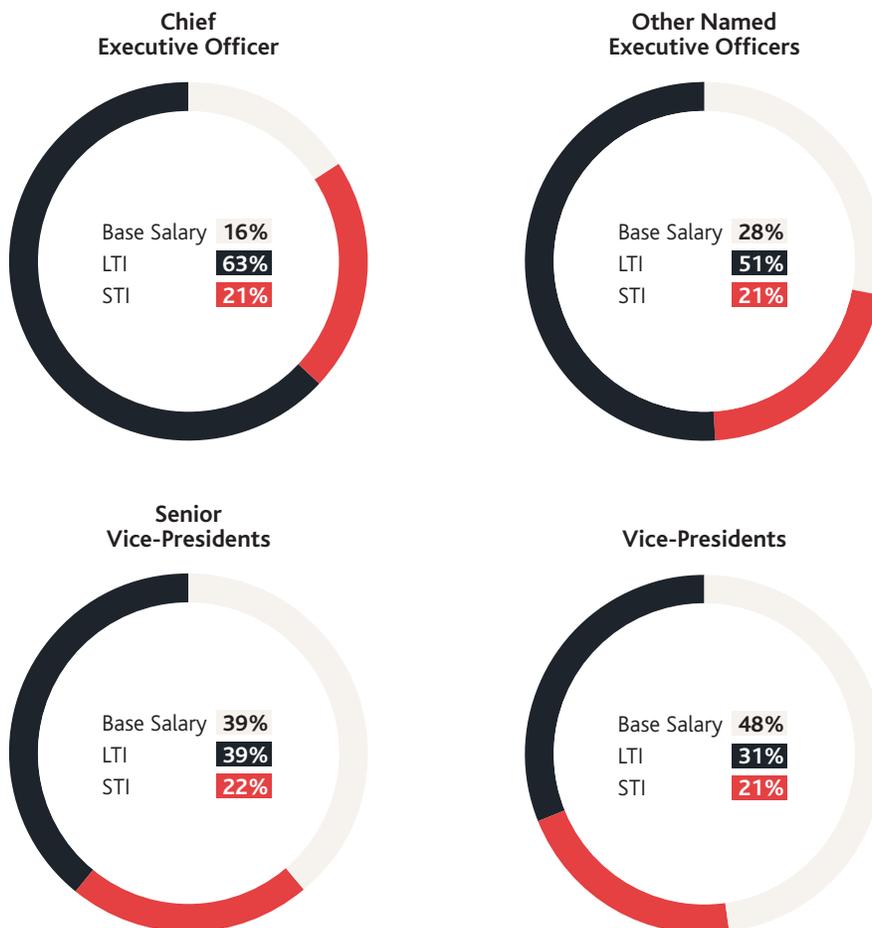
(4) Excludes aircraft fuel expense, ground package costs at Air Canada Vacations and special items. WestJet Airlines Ltd.'s Adjusted CASM includes profit share expenses for comparability purposes.



OUR COMPENSATION PROGRAMS

Components of executive compensation

The following charts set forth the relative weight of current compensation attributable to base salary, short-term incentive targets and long-term incentive targets for Air Canada's President and Chief Executive Officer, (4) Other Named Executive Officers (which consists of Air Canada's Deputy Chief Executive Officer and Chief Financial Officer, its Executive Vice President and Chief Commercial Officer, its Executive Vice President, Operations and its Senior Vice President, International and Regulatory Affairs and Chief Legal Officer); (5) Senior Vice Presidents and (14) Vice Presidents.



■ base salary ■ long-term incentive (LTI) ■ short-term incentive (STI)



The principal roles and inter-play of the components of Air Canada’s executive compensation program are presented in the table below. The form of compensation provided, employees eligible for each element of compensation and the relevant performance period for each form of compensation is also set out.

Current Compensation	Form	Eligibility	Performance Period
<p>Base Salary</p> <ul style="list-style-type: none"> • Reflects skills, competencies and experience • Influences short-term incentive, long-term incentive, pension and benefits • Established by Air Canada’s Board based on the executive’s skills, competencies and experience 	Cash	All salaried employees	Annual
<p>Short-term Incentive – Annual Incentive Plan</p> <ul style="list-style-type: none"> • Rewards executives based on corporate, department and individual performance • Reflects annual achievement of Air Canada’s financial performance against pre-established targets <p>See “Short-term Incentives – Air Canada Annual Incentive” on pages 66 and 67 of this circular for additional details on the Annual Incentive Plan.</p>	Cash	Eligible management and administrative and technical support (non-unionized) employees (approximately 3,700 individuals)	1 year
<p>Long-term Incentive – Stock Options and Share Units</p> <ul style="list-style-type: none"> • Links interests of executives with interests of shareholders • The Long-Term Incentive Plan (“LTIP”) allows for an annual target grant of stock options and share units in the amounts described in the table under the heading “Long-Term Incentives – Stock Options and Share Units” • The stock options to purchase Air Canada shares granted under the Long-Term Incentive Plan have an option price based on the market price of Air Canada’s shares at the time of the option grant • The Corporation issues share units under the Long-Term Incentive Plan which may be either performance-based (referred to as either a “performance share unit” or a “PSU”) or time-based (referred to as either a “restricted share unit” or a “RSU”). Two-thirds of share units granted under the Corporation’s Long-Term Incentive Plan are PSUs and may vest after a three-year period, subject to the Corporation’s achievement of its cumulative annual EBITDAR target over such three-year period. The remaining one-third of the share units granted under the Corporation’s Long-Term Incentive Plan are RSUs which vest after three years from the date of their grant, based on the passage of time only • Participants receive on the redemption date in respect of all vested share units, a value equal to the market price of the Air Canada shares on such date, with payment being made with Air Canada shares or cash, at the discretion of the Corporation <p>See “Long-term Incentives – Stock Options and Share Units” on pages 67 to 70 of this circular for additional details on the Long-Term Incentive Plan.</p>	Stock Options, and Share Units (comprised of Performance Share Units and Restricted Share Units)	All senior management, managing directors and executives of Air Canada are eligible to the LTIP, with varying degrees of eligibility based on management level (approximately 241 individuals)	4-year vesting, 10-year option term 3-year vesting term for share units



Current Compensation	Form	Eligibility	Performance Period
<p>DSU Plan</p> <ul style="list-style-type: none"> The DSU Plan allows eligible participants to voluntarily receive all or a part of their Annual Incentive Plan award or annual PSU and/or RSU grant in DSUs DSUs granted in lieu of any annual share unit grant vest in the identical manner as PSUs/RSUs DSUs are redeemed in cash following termination of employment and for the eligible period prescribed under the Income Tax Act <p>See "Management Deferred Share Unit Plan" on page 71 of this circular for additional details on the DSU Plan.</p>	Deferred Share Units	All senior management, managing directors and executives of Air Canada (approximately 241 individuals)	3-year vesting term if granted in lieu of share units, or no vesting condition if granted in lieu of the Annual Incentive Plan award
Pension	Form	Eligibility	Measurement Period
<p>Defined Benefit Pension Plan and Supplementary Retirement Plan</p> <ul style="list-style-type: none"> Provides for replacement income upon retirement, based on years of service with the Corporation Benefits are calculated multiplying (i) 2% of the final average salary during the executive's highest paid 36 successive months of company service, less 0.25% of the Canada/Québec pension plan's average annual maximum pensionable earnings during that period, by (ii) the executive's years of service (maximum 35 years) Effective January 1, 2014, executives are generally eligible to retire with an unreduced pension at the earliest of (i) when their age plus years of service equals the sum of 80, their age is at least 55, and they obtain the consent from the Corporation as administrator of the pension plan, or (ii) at age 65 	Cash	All executives of Air Canada hired prior to December 31, 2011 (12 individuals)	Pensionable service period to a maximum of 35 years
<p>Defined Contribution Pension Plan and Supplementary Retirement Plan</p> <ul style="list-style-type: none"> Provides for income upon retirement Benefits are provided by contributions made by the Corporation to individual defined contribution accounts equal to a percentage of the individual's salary, subject to the outcome of any investments on contributions 	Cash	All executives of Air Canada hired after October 1, 2012 (12 individuals)	N/A
Other Benefits	Form	Eligibility	Applicable Period
<p>Group Benefits</p> <ul style="list-style-type: none"> Provides protection in case of sickness, disability or death 	Cash, Insurance and Other Benefits	All employees	N/A
<p>Employee Share Ownership Plan</p> <ul style="list-style-type: none"> Encourages employee investment in Air Canada shares <p>See "Employee Share Ownership Plan" on page 74 of this circular for additional details on the employee share ownership plan.</p>	Cash	All employees in North America	Annual
<p>Perquisites</p> <ul style="list-style-type: none"> Provides tools to support the conduct of the business Perquisites include leased automobiles, a medical top-up plan, health counseling and a flexible perquisite spending account 	Cash and Other Benefits	All executives of Air Canada (24 individuals)	N/A



SHORT-TERM INCENTIVES – AIR CANADA ANNUAL INCENTIVE

Annual Incentive Plan

Air Canada's Annual Incentive Plan ("Annual Incentive Plan" or "AIP") 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 its annual financial results as measured by Adjusted Pre-tax Income, which is calculated as the consolidated income (or loss, if applicable) of Air Canada before income taxes and adjusted to remove the effects of foreign exchange gains or losses, net financing income or expenses relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets, and special items, while reflecting the Board of Directors' authority to recognize and adjust actual Adjusted Pre-tax Income results for variances when warranted. See page 80 of the MD&A (as defined below) of Air Canada for the year ended December 31, 2018 for additional details.

With the intention of encouraging the development of a corporate culture focused on Air Canada's key priorities, Air Canada's Annual Incentive Plan grants an award based on the achievement of a number of corporate objectives, of which:

- (i) 50% relates to the Corporation's annual financial results as measured by Adjusted Pre-tax Income; and
- (ii) 50% relates to (A) department-specific objectives and performance, and (B) individual objectives and performance (other than in respect of the President and Chief Executive Officer and the other Named Executive Officers where the breakdown is below).

For the President and Chief Executive Officer, the breakdown of the AIP objectives was as follows for 2018:

Objective	Weighting
Financial Component: Adjusted Pre-tax Income, Net Debt/EBITDAR Ratio, Adjusted CASM	60%
Non-financial Components	40%

For the Other Named Executive Officers (other than the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer), the breakdown of the AIP objectives was as follows for 2018:

Objective	Weighting
Financial Component: Adjusted Pre-tax Income, Net Debt/EBITDAR Ratio, Adjusted CASM	60%
Department Specific Objectives	20%
Individual Objectives	20%

For all the other executives, the breakdown of the AIP objectives was as follows for 2018:

Objective	Weighting
Financial Component: Adjusted Pre-tax Income	50%
Department Specific Objectives	25%
Individual Objectives	25%



For 2018, target AIP bonuses for executives were as follows:

Executive Level	Target AIP Bonus (as a % of base salary)
President and Chief Executive Officer	135%
Other Named Executive Officers	55%-100%
Senior Vice President	55%
Vice President	45%

For 2018, the trigger to grant the financial component of the AIP was based on Air Canada's Adjusted Pre-tax Income, determined as follows:

Adjusted Pre-tax Income	Percentage of the Target Bonus Payable (Financial Component of the Annual Incentive Plan)
More than 15% below target Adjusted Pre-tax Income	0%
No more than 7.5% below target Adjusted Pre-tax Income	50%
Target Adjusted Pre-tax Income	100%
At least 7.5% above target Adjusted Pre-tax Income	150%
At least 15% above target Adjusted Pre-tax Income	200%

The target bonus payable for the financial component under the Annual Incentive Plan is determined on a straight-line basis between the reference points above.

The Annual Incentive Plan provides full discretion to the Board of Directors to grant different awards including for special or extenuating circumstances.

LONG-TERM INCENTIVES – STOCK OPTIONS AND SHARE UNITS

Air Canada's Long-Term Incentive Plan is intended to attract, retain and motivate management in key positions at Air Canada and its subsidiaries and to align their interests with those of Air Canada's shareholders. The HRCC determines which employees are eligible to receive stock options or share units and the size of the awards of stock options or share units, with consideration given to:

- (i) the value of each eligible employee's present and potential future contribution to the Corporation's success, and
- (ii) any past grants to the employee in question.

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



Air Canada's formula respecting target grants of stock options and share units provides for: (i) a mix between stock option and share unit grants; and (ii) discretion to award high performing individuals at a target level which is market competitive. The plan provides minimum target grants as follows:

Executive Level	Compensation Target Value of Long-term Incentive Plan (Stock Option, Performance Share Unit, Restricted Share Unit Grant) (% of base salary)⁽¹⁾
President and Chief Executive Officer	500%
Other Named Executive Officers	100%-280%
Senior Vice President	100%
Vice President	65%

(1) Governed by Air Canada's Long-Term Incentive Plan (LTIP), an LTIP grant is expected to produce compensation value, as a percentage of basic annual salary as per the table above, over the life of a grant. One half of the value is expected to be generated through stock options (valued using Black Scholes), of which one-half is time based and the other half performance based, and the remaining half generated through share units, of which two-thirds is performance based (PSUs) and one-third time based (RSUs).

AIR CANADA STOCK OPTIONS

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

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan must have an exercise price based on the market price of Air Canada's shares at the time of the option grant. For these purposes, the market price of Air Canada's shares at the time of the option grant (the "**Market Price**"), except in certain exceptional circumstances, equals the "volume-weighted average trading price" of the shares on the TSX for the 5 trading days immediately preceding the grant date (calculated by dividing the total value by the total volume of shares traded during such period).

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

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



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

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

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

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

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

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

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



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

AIR CANADA SHARE UNITS

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

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

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

Beginning in 2019, EBITDA will replace EBITDAR as the performance vesting measure.

At the end of the three-year term, all vested share units are, at the discretion of the Corporation, redeemed for Air Canada shares (either issued from treasury or purchased on the secondary market at the discretion of the Corporation) or for their cash equivalent based on the Market Price (as such term is defined at page 68 of this circular) of Air Canada shares on the redemption date.

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

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

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



MANAGEMENT DEFERRED SHARE UNIT PLAN

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

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



EMPLOYMENT CONDITIONS

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

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Share Units and Payment Limitations
Retirement	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Resignation	No further options vest. All vested options must be exercised within 30 days from the date of the resignation	Forfeiture of unvested share units
Termination without cause	No further options vest. All vested options must be exercised within 30 days from the termination notice date for reasons other than cause	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Termination for cause	Forfeiture of all unexercised options	Forfeiture of all unvested share units
Death	No further options vest. All vested options at the time of death must be exercised by his/her heirs by the earlier of: (i) one year of his/her death and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Injury or disability	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) three years after the cessation of employment and (ii) the scheduled expiry date of the options	Prorated number of share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Voluntary leave of absence	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) one year after the commencement of the leave of absence and (ii) the scheduled expiry date of the options	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term



SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

Plan category	Number of securities to be issued upon the exercise of outstanding options and redemption of share units ⁽¹⁾⁽³⁾	Weighted-average exercise price of outstanding options ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plan approved by security-holders ^{(1) (2)}	6,014,464	\$11.40	9,046,974

(1) As at December 31, 2018.

(2) The key features of the Air Canada Long-Term Incentive Plan (which provides for stock options and share units) are set out above under “Our compensation programs – Long-Term Incentives – Stock Options and Share Units”.

(3) Does not include shares underlying an aggregate of 2,192,514 share units granted over various dates between 2016 and 2018 as these share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

The following table sets out the number of Air Canada shares issued and issuable under Air Canada’s Long-Term Incentive Plan and the number of Air Canada shares underlying outstanding options and share units and the percentage represented by each calculated over the number of Air Canada shares outstanding as at December 31, 2018. Options and share units granted under Air Canada’s Long-Term Incentive Plan are exercisable or redeemable, as applicable, for Class A variable voting shares or Class B voting shares depending if the holder thereof is a non-Canadian or Canadian. With respect to the stock options, 19,381,792 Air Canada shares (which represented approximately 7.16% of the issued and outstanding shares of Air Canada on December 31, 2018) were authorized for issuance under the Long-Term Incentive Plan. As of December 31, 2018, 15,061,438 Air Canada shares (which represented approximately 5.56% of the issued and outstanding shares of Air Canada on December 31, 2018) remained available for issuance under the Long-Term Incentive Plan for outstanding stock options as of such date and for future issuance of equity awards. Share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash.

Shares issuable		Shares issued to date		Shares underlying outstanding options		Shares underlying outstanding share units		Shares underlying options granted in 2018		Shares underlying share units granted in 2018	
Number ⁽¹⁾	Dilution rate ⁽²⁾	Number ⁽³⁾	Dilution rate ⁽²⁾	Number	Dilution rate ⁽²⁾	Number	Dilution rate ⁽⁵⁾	Number	Dilution rate ⁽²⁾⁽⁶⁾	Number	Dilution rate ⁽⁵⁾
9,046,974	3.3%	4,320,354	1.6%	6,014,464	2.2%	2,192,514 ⁽⁴⁾	nil	1,293,091	0.48%	772,536	nil

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

(2) As of December 31, 2018, a total of 270,729,911 Air Canada shares were issued and outstanding.

(3) Represents the number of Air Canada shares issued to date under the Long-Term Incentive Plan in connection with the exercise of options. Air Canada shares delivered in connection with the redemption of share units are not issued from treasury.

(4) Represents the number of share units outstanding under the Long-Term Incentive Plan. The 2,192,514 share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash.

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

(6) Dilution of options granted during the 2018 year compared to the total number of outstanding Air Canada shares on December 31, 2018.



The table below summarizes the dilution, overhang and burn rates in connection with Air Canada's Long-Term Incentive Plan as of December 31 for each of the last three years. Outstanding share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash, at the discretion of the Corporation. As a result, the dilution, overhang and burn rate for outstanding share units was nil for each of the last three years indicated in the table below.

	2018	2017	2016
Dilution ⁽¹⁾	2.2%	2.2%	3.3%
Overhang ⁽²⁾	5.5%	5.8%	6.1%
Burn Rate ⁽³⁾	0.47%	0.45%	0.57%

(1) Dilution represents: (total options outstanding) ÷ (total Air Canada shares outstanding).

(2) Overhang represents: (total Air Canada shares available for issue + options outstanding) ÷ (total Air Canada shares outstanding).

(3) Burn rate represents: (total options granted during the year) ÷ (average of total Air Canada shares outstanding).

EXECUTIVE COMPENSATION CLAWBACK

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

- the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of Air Canada's financial statements;
- the executive or former executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive or former executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

EMPLOYEE SHARE OWNERSHIP PLAN

An ongoing share purchase plan (the "**Employee Share Ownership Plan**") permits eligible employees of Air Canada to invest up to 10% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.33% for the investment made by each employee, subject to an annual maximum contribution by Air Canada of \$10,000. The funds contributed by participants and Air Canada are used to purchase Air Canada shares on the secondary market on behalf of such participants.

2018 COMPENSATION OF THE NAMED EXECUTIVE OFFICERS



Calin Rovinescu, C.M., has served as President and Chief Executive Officer of Air Canada since April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development & Strategy of Air Canada from 2000 to 2004, and also held the position of Chief Restructuring Officer during the airline's 2003-2004 restructuring. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, an independent investment bank. Prior to 2000, he was the Managing Partner of the law firm Stikeman Elliott in Montréal, where he practiced corporate law for over 20 years and was a member of the firm's Partnership Board and Executive Committee. Mr. Rovinescu was named the 14th Chancellor of the University of Ottawa in November 2015. In 2016, he was recognized as Canada's Outstanding CEO of the Year and in 2018, he was appointed a Member of the Order of Canada.



Compensation of the President and Chief Executive Officer

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

Mr. Rovinescu's compensation arrangements pursuant to his 2009 employment agreement (the "**Employment Agreement**") were structured so as to induce him to forego his then existing employment, as well as his interest in the investment bank of which he was a co-founder and other business interests and opportunities, and to incentivize him to remain with the Corporation over a minimum period of time. In completing the Employment Agreement, the Board of Directors at that time was advised by an independent third-party consulting firm as to the terms of his compensation and how these arrangements compared to other CEO compensation arrangements.

Mr. Rovinescu's base salary for the year ended December 31, 2018 remained unchanged from the prior year.

Annual incentive awards to the President and Chief Executive Officer pursuant to the Annual Incentive Plan are described at pages 66 and 67 of this circular.

In respect of the 2018 AIP year, the table below shows Mr. Rovinescu's objectives, weighting and final rating for each objective for 2018 as approved by the Board of Directors.

Objective	Weighting	Actual vs Target
Adjusted Pre-tax Income	50%	1.71x
Net Debt/EBITDAR Ratio	5%	2x
Adjusted CASM	5%	1.2x
Special Projects Advancement / Progress	20%	2.5x ⁽¹⁾
Fleet Growth / International Expansion	5%	1.9x
Employee Engagement and Talent	5%	2x
Customer Service and Operational Goals	10%	1.5x
Total Combined Rate	-	1.865x

(1) Board discretion was granted to exceed the 2x payout on Special Projects based on the successful completion of the acquisition of the Aeroplan loyalty business, and the entering into of related commercial agreements with TD, CIBC, VISA and, after year-end, the Amex Bank of Canada.

Mr. Rovinescu's 2018 AIP award was calculated as follows:

Salary	\$1,400,000
Target Percentage AIP	135%
Payout Level (weighting and rating)	1.865x
Total Payout	\$3,524,850



Annual target grants of stock options and share units to the President and Chief Executive Officer pursuant to the Long-Term Incentive Plan are described at pages 67 to 70 of this circular.

Mr. Rovinescu's pension benefits, including his pension entitlements in the event he is terminated, are described at pages 92 to 95 of this circular.

2018 Key Accomplishments

The HRCC evaluated Mr. Rovinescu's performance for 2018 based on the achievement of the evolution and execution of Air Canada's strategy and key priorities and objectives, including the following key corporate financial and non-financial accomplishments for 2018:

- Record operating revenue of \$18,065 million, \$1,813 million or 11% above 2017;
- Carried a record 50.9 million passengers, an increase of 5.8% from 2017;
- An EBITDAR margin of 15.8%, in line with projections;
- An Adjusted CASM increase of 0.3% from 2017, in line with projections and better than North America peers;
- Record unrestricted liquidity of \$5,725 million;
- Return on invested capital of 12.6%, in line with projections;
- Adjusted net debt of \$5,858 million at December 31, 2018, a decrease of \$258 million;
- Realized or identified savings of \$220 million (as at December 31, 2018) under the new Cost Transformation Program intended to secure \$250 million in savings by the end of 2019;
- Finalized, in November 2018, definitive agreements to acquire Aimia Canada and its Aeroplan loyalty business as well as commercial agreements related to and in support of this acquisition with TD, CIBC, VISA and, after year-end, the Amex Bank of Canada. The acquisition exceeded the Board's expectations as to the net present value created by the transaction, the terms of the credit card arrangements and the data assets acquired;
- Concluded an agreement to amend and extend its capacity purchase agreement with Jazz, a wholly-owned subsidiary of Chorus Aviation Inc. The agreement was announced in February 2019;
- Increased sixth freedom traffic (international-to-international, including U.S.) connecting through Air Canada's major Canadian hubs by 15% when compared to 2017;
- Added one Airbus A321, two Airbus A319 and one Boeing 767 aircraft to the Air Canada Rouge fleet and took delivery of five Boeing 787-9 and 16 Boeing 737 MAX 8 aircraft to the mainline fleet;
- Continued to execute on numerous customer service enhancements. The airline was named Best Airline in North America for the seventh time in nine years while maintaining a Four Star ranking by SkyTrax;
- Selected for a sixth consecutive year, and an indicator of continued culture change, as one of Canada's Top 100 Employers, selected as one of Canada's Best Diversity Employers for 2018, reflecting the Corporation's commitment to achieving its diversity targets, and voted one of the 50 most engaged workplaces in North America;
- Air Canada was recognized as *Airline Passenger Experience Association's* (APEX's) 2019 Five Star Official Airline Rating Global Award, the world's highest-rated travel-organizing app, to gather anonymous passenger feedback based on verified travel itineraries;
- Named 2018 Eco-Airline of the Year at Air Transport World's (ATW) 44th Annual Airline Industry Achievement Awards for being the first airline in the world to voluntarily join the World Bank's IMF Carbon Pricing Leadership Coalition;



- Mr. Rovinescu received the APEX CEO Lifetime Achievement Award, the first CEO from the Americas to receive this prestigious award; and
- Mr. Rovinescu was awarded the Executive Leadership Award at the 2018 Airline Strategy Awards in London, England.

Since Mr. Rovinescu's appointment, Air Canada has progressed towards sustained profitability, and continues to achieve record financial results, has an improved cost structure, a strong balance sheet, improved financial leverage and lower risk profile, a diversified network, record liquidity levels, pension plan surplus and stable long-term labour agreements. During his tenure, Air Canada's share price has appreciated by approximately 4,000% and more than \$9 billion of shareholder value has been created. After considering his exceptional personal performance and the strong performance and significant achievements of Air Canada, the Board of Directors resolved to move Mr. Rovinescu's total compensation towards the 75th percentile of Air Canada's comparator group starting in 2018 in order to continue to incentivize and reward Mr. Rovinescu. Mr. Rovinescu's target total direct compensation for 2018 was approved at \$8.9 million, an increase from \$7.4 million in 2017. In addition, as part of the annual review process completed in February 2019 for all executives, the HRCC recommended and the Board of Directors approved an increase to Mr. Rovinescu's total direct compensation target to \$10.4 million for 2019, set at the 72nd percentile of Air Canada's comparator group, considering market compensation levels and the performance of Air Canada under Mr. Rovinescu's leadership.

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

The above payments and conditions are subject to Mr. Rovinescu's compliance with the non-competition provisions of his Employment Agreement which have a duration of 18 months.

The table below shows the estimated amount of cash that would become payable to Mr. Rovinescu and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2018:

CALIN ROVINESCU – IF TERMINATED WITHOUT CAUSE				
Name	Cash Portion⁽¹⁾	Value of Exercisable/Vested Options and Share Units⁽²⁾	Other Benefits⁽³⁾	Total Value
Calin Rovinescu	\$6,580,000	\$22,933,387	\$129,760	\$29,643,147

(1) Based on Mr. Rovinescu's salary for the year ended December 31, 2018.

(2) Based on the December 31, 2018 closing price of Air Canada's shares (\$25.96). Pursuant to a 2014 retention arrangement, if Mr. Rovinescu is terminated without cause or retires after December 31, 2017, the Corporation agreed to underwrite any sale by him of up to one-third of his equity securities at \$9.31 per share. In the event Mr. Rovinescu ceases to be employed as President and Chief Executive Officer of Air Canada as a result of his death or incapacity, or as a result of a termination of his employment other than for cause, the foregoing provisions shall continue to apply to him, his successors or assigns.

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



In the event Mr. Rovinescu is terminated by Air Canada with cause, Mr. Rovinescu will generally be entitled to any salary, expense reimbursement and other benefits that were earned by him prior to the termination date and that remain unpaid as of the termination date. Furthermore, in such a case, all unvested share units granted shall be forfeited and cancelled on Mr. Rovinescu's last day of active employment.

In the event of the termination of Mr. Rovinescu's employment as a result of retirement, death or disability, Mr. Rovinescu or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date.

The following table sets out Mr. Rovinescu's accumulated Air Canada shares and share units and the value of each type of holding as at March 25, 2019 having an aggregate value of \$28,544,470 as of such date.

Type of Security	Number of Securities	Market Value of Securities
Class B voting shares	402,944	\$12,475,146 ⁽¹⁾
Restricted share units ⁽³⁾	120,243	\$3,722,723 ⁽²⁾
Performance share units ⁽⁴⁾	170,844	\$5,289,330 ⁽²⁾
Deferred share units ⁽⁵⁾	227,948	\$7,057,270 ⁽²⁾

(1) Class B voting shares are calculated at a market value of \$30.96 per share (based on the March 25, 2019 Toronto Stock Exchange closing price of the Air Canada shares).

(2) Share units are calculated at a market value of \$30.96 per unit (based on the March 25, 2019 Toronto Stock Exchange closing price of the Air Canada shares).

(3) Vest after three years from the date of their grant, based on the passage of time only (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 70 of this circular for more detail).

(4) May vest after a three-year period, subject to the Corporation's achievement of its cumulative annual EBITDAR target over such three-year period (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 70 of this circular for more detail).

(5) Vest after three years (DSU-R) or may vest after a three-year period (DSU-P), subject to the Corporation's achievement of its cumulative annual EBITDAR target over such three-year period (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 71 of this circular for more detail). 29,720 DSUs are vested.



Michael S. Rousseau was appointed Deputy Chief Executive Officer and Chief Financial Officer in January 2019. As Deputy Chief Executive Officer and Chief Financial Officer, he has oversight for several important corporate initiatives and businesses including Air Canada Rouge, in addition to his responsibilities for the airline's overall financial strategic direction comprising all aspects of financial reporting and planning, investor relations, treasury and controller's operations, taxation, pension investment, internal audit, procurement and corporate real estate. Since 2007, he had been Air Canada's Executive Vice President and Chief Financial Officer and has played a significant and highly strategic role in Air Canada's successful transformation over the past decade. Mr. Rousseau was named Canada's CFO of the Year™ for 2017. Prior to Air Canada, he was President, and before that Executive Vice President and Chief Financial Officer at Canada's largest diversified general merchandise retailer, Hudson's Bay Company (HBC).

Compensation of the Deputy Chief Executive Officer and Chief Financial Officer

As the Executive Vice President and Chief Financial Officer, until December 31, 2018, Mr. Rousseau's base salary for the year ended December 31, 2018 was \$650,000. In 2018, Mr. Rousseau took on more



responsibility after the departure of the Former President, Passenger Airlines. The HRCC and the Board of Directors resolved to move Mr. Rousseau's total compensation towards the 75th percentile of Air Canada's comparator group. Mr. Rousseau played a critical leadership role in finalizing the agreements to acquire Aimia Canada and its Aeroplan loyalty business.

Annual incentive awards to Mr. Rousseau pursuant to the Annual Incentive Plan are described at pages 66 and 67 of this circular.

Annual target grants of stock options and share units to Mr. Rousseau are described at pages 67 to 70 of this circular.

Mr. Rousseau's pension benefits are described at pages 92 to 95 of this circular.

Mr. Rousseau's employment agreement provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan award at two times his target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer.

The above payments and conditions are subject to Mr. Rousseau's compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Rousseau's employment as a result of retirement, death or disability, Mr. Rousseau or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date.

The table below shows the estimated amount of cash that would become payable to Mr. Rousseau and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2018:

MICHAEL ROUSSEAU – IF TERMINATED WITHOUT CAUSE				
Name	Cash Portion⁽¹⁾	Value of Exercisable/ Vested Options and Share Units⁽²⁾	Other Benefits⁽³⁾	Total Value
Michael Rousseau	\$2,600,000	\$6,187,234	\$107,432	\$8,894,666

(1) Based on Mr. Rousseau's salary for the year ended December 31, 2018.

(2) Based on the December 31, 2018 closing price of Air Canada's shares (\$25.96).

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



Lucie Guillemette was appointed Executive Vice President and Chief Commercial Officer in January 2017, with overall responsibility for all of Air Canada’s commercial strategies to support the airline’s business objectives and progress towards sustained profitability. She has oversight for optimizing all commercial activities for the airline and its regional partners including network planning and management, revenue performance, marketing, branding, sales and distribution activities worldwide. Ms. Guillemette has been a member of Air Canada’s executive team since 2008 when she was appointed Vice President, Revenue Management. In May 2015, she became Senior Vice President, Revenue Optimization, with responsibility for yield management, overall pricing strategies and simplification activities, and global sales and distribution activities. In 2018, Ms. Guillemette was named one of Canada’s Most Powerful Women: Top 100 Award in the HSBC Corporate Executives category.

Compensation of the Executive Vice President and Chief Commercial Officer

The base salary of Ms. Lucie Guillemette as Executive Vice President and Chief Commercial Officer, for the year ended December 31, 2018 was \$475,000.

Annual incentive awards to Ms. Guillemette pursuant to the Annual Incentive Plan are described at pages 66 and 67 of this circular.

Annual target grants of stock options and share units to Ms. Guillemette are described at pages 67 to 70 of this circular.

Ms. Guillemette’s pension benefits are described at pages 92 to 95 of this circular.

Ms. Guillemette’s termination agreement provides that, in the event she is terminated without cause, she is entitled to receive a severance payment that is equal to two years of her then current annual base salary and payment of the Annual Incentive Plan award at two times the target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or her re-employment with any other employer.

The above payments and conditions are subject to Ms. Guillemette’s compliance during the severance period with non-competition provisions.

The table below shows the estimated amount of cash that would become payable to Ms. Guillemette and the value of her options and share units that would accelerate as well as other benefits to which she would be entitled in the event of the termination of her employment by Air Canada without cause, as if it had occurred on the last business day of 2018:

LUCIE GUILLEMETTE – IF TERMINATED WITHOUT CAUSE				
Name	Cash Portion ⁽¹⁾	Value of Exercisable/ Vested Options and Share Units ⁽²⁾	Other Benefits ⁽³⁾	Total Value
Lucie Guillemette	\$1,615,000	\$1,914,191	\$91,526	\$3,620,717

(1) Based on Ms. Guillemette salary for the year ended December 31, 2018.

(2) Based on the December 31, 2018 closing price of Air Canada’s shares (\$25.96).

(3) This represents group health, other insurance benefits and perquisites during the severance period, as per Air Canada’s plans.



Craig Landry was appointed Executive Vice President, Operations in January 2019. In this role, Mr. Landry has oversight for all aspects of safe, reliable and efficient operations throughout Air Canada’s worldwide network, with responsibility for Flight Operations, System Operations Control, Maintenance and Engineering, International Operations, In-Flight Service, Crew Planning and Scheduling, Airports, Contact Centres, and Customer Relations. In addition to his operational responsibilities, Mr. Landry is also President of Air Canada Vacations. Mr. Landry was previously Senior Vice President, Revenue Optimization, and has held several executive roles at Air Canada with responsibility for various aspects of the airline’s commercial group, including Air Canada Rouge, Revenue Management, Global Sales and Product Distribution, Marketing, and eCommerce. Mr. Landry previously held executive roles at the loyalty and data analytics company, Aeroplan (Aimia) such as Vice President, Marketing and Rewards, Senior Vice President, Corporate Development and Senior Vice President, Commercial.

Compensation of the Executive Vice President, Operations

As the Senior Vice President, Revenue Optimization, until December 31, 2018, Mr. Landry’s base salary for the year ended December 31, 2018 was \$375,000.

Annual incentive awards to Mr. Landry pursuant to the Annual Incentive Plan are described at pages 66 and 67 of this circular.

Annual target grants of stock options and share units to Mr. Landry are described at pages 67 to 70 of this circular.

Mr. Landry’s pension benefits are described at pages 92 to 95 of this circular.

Mr. Landry’s employment agreement provides that, in the event he is terminated without cause he is entitled to receive a severance payment that is equal to twenty-one months of his then current annual base salary. All vested unexercised stock options must be exercised within the earlier of 30 days following the date of termination or scheduled option expiry. All unvested share units may vest as scheduled on a prorated basis.

The table below shows the estimated amount of cash that would become payable to Mr. Landry and the value of his options and share units as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2018:

Craig Landry – IF TERMINATED WITHOUT CAUSE				
Name	Cash Portion ⁽¹⁾	Value of Exercisable/ Vested Options and Share Units ⁽²⁾	Other Benefits ⁽³⁾	Total Value
Craig Landry	\$656,250	\$1,973,357	nil	\$2,629,607

(1) Based on Mr. Landry’s salary in effect as at December 31, 2018.

(2) Based on the December 31, 2018 closing price of Air Canada’s shares (\$25.96).

(3) This represents group health, other insurance benefits and perquisites during the severance period, as per Air Canada’s plans.



David J. Shapiro is Air Canada's Senior Vice President, International and Regulatory Affairs and Chief Legal Officer. He leads Air Canada's International, Regulatory Affairs and Law Branch, providing oversight for the direction of the Corporation's compliance function and international and regulatory affairs and legal strategies, services and activities worldwide. After practicing at a major Canadian international law firm, advising a variety of institutional and entrepreneurial clients in international trade, finance, corporate, commercial and real estate matters, Mr. Shapiro joined the airline in 1997, responsible for aircraft finance and leasing transactions. In that role, he was involved in restructuring aircraft related debt and lease obligations of Canadian Airlines International and its subsequent corporate reorganization and amalgamation with Air Canada. As Assistant General Counsel, he played an integral role in a variety of aspects of Air Canada's restructuring in 2003-2004. Mr. Shapiro was named to the executive team when he was appointed Vice President and General Counsel in 2004. In 2017, Mr. Shapiro added the International and Regulatory Affairs group to his portfolio of responsibilities. In addition, in May 2017, Mr. Shapiro was recognized with a Lifetime Achievement Award at the annual Global Counsel Awards from Lexology and the International Law Office. In 2018, under Mr. Shapiro's leadership, Air Canada's Legal Department received an Innovatio Award for *Best Canadian Law Department Management*.

Compensation of the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer

The base salary of Mr. David Shapiro, as Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, for the year ended December 31, 2018 was \$455,000.

Annual incentive awards to Mr. Shapiro pursuant to the Annual Incentive Plan are described at pages 66 and 67 of this circular.

Annual target grants of stock options and share units to Mr. Shapiro are described at pages 67 to 70 of this circular.

Mr. Shapiro's pension benefits are described at pages 92 to 95 of this circular.

Mr. Shapiro's termination agreement provides that, in the event he is terminated without cause, he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan award at two times his target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer.

The above payments and conditions are subject to Mr. Shapiro's compliance during the severance period with non-competition provisions.



The table below shows the estimated amount of cash that would become payable to Mr. Shapiro and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2018:

DAVID SHAPIRO – IF TERMINATED WITHOUT CAUSE				
Name	Cash Portion⁽¹⁾	Value of Exercisable/ Vested Options and Share Units⁽²⁾	Other Benefits⁽³⁾	Total Value
David Shapiro	\$1,410,000	\$3,769,106	\$87,210	\$5,266,316

(1) Based on Mr. Shapiro's salary in effect as at December 31, 2018.

(2) Based on the December 31, 2018 closing price of Air Canada's shares (\$25.96).

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

SHARE OWNERSHIP REQUIREMENTS FOR EXECUTIVES

On February 17, 2017, the Board approved amendments to the share ownership guidelines that requires all executives to own a minimum of securities of Air Canada representing an amount equivalent in value to a multiple of his or her annual base salary through shares and/or restricted share units and/or vested deferred share units. Options and performance share units are not included in the calculation of the share ownership requirements applicable to executives. Such ownership must be achieved by February 17, 2022 or within five years of the date of appointment of such executive, whichever occurs later. The table below sets out the newly expanded share ownership guidelines for each executive level:

Executive Level	New Share Ownership Guidelines
President and Chief Executive Officer	5 times annual salary
Other Named Executive Officers ⁽¹⁾	3 times annual salary
Senior Vice Presidents	2 times annual salary
Vice Presidents	1 time annual salary

(1) Except for the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, whose share ownership requirement is 2 times his annual salary.



The table below sets out the application of the new share ownership guidelines on the Named Executive Officers. In February 2019, the Board of Directors approved amendments relating to the manner by which the share ownership is valued for purposes of the guidelines. The value of the securities is based on the sum of the market value of the shares underlying the restricted share units or vested deferred share units and the market value of the shares owned by the Named Executive Officers.

Name	Total Number of Securities Owned	Total Value of Securities for the Purpose of Minimum Share Ownership Requirements ⁽¹⁾	Value of Securities Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Satisfies Ownership Requirements
Calin Rovinescu – President and Chief Executive Officer	402,944 Class B voting shares 120,243 restricted share units 103,534 deferred share units	\$19,403,282	Five times base salary	February 17, 2022	Yes
Michael Rousseau – Deputy Chief Executive Officer and Chief Financial Officer	98,500 Class B voting shares 48,777 restricted share units	\$4,559,696	Three times base salary	February 17, 2022	Yes
Lucie Guillemette – Executive Vice President and Chief Commercial Officer	19,311 Class B voting shares 18,523 restricted share units 8,306 deferred share units	\$1,428,494	Three times base salary	February 17, 2022	Yes
Craig Landry – Executive Vice President, Operations	9,675 Class B voting shares 9,972 restricted share units 14,413 deferred share units	\$1,364,098	Three times base salary	February 17, 2022	Yes
David Shapiro – Senior Vice President, International and Regulatory Affairs and Chief Legal Officer	1,283 Class B voting shares 16,499 restricted share units	\$550,531	Two times base salary	February 17, 2022	No

(1) This amount represents the sum of the market value of the shares (based on the March 25, 2019 Toronto Stock Exchange closing price of the Air Canada shares (\$30.96)) and the market value of the shares underlying the restricted share units as at March 25, 2019 described above. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements. The number of Class B voting shares held under the Employee Share Ownership Plan are as of December 31, 2018.

The amount representing the share ownership for purposes of Air Canada's share ownership guidelines is the sum of the market value of the Air Canada shares and the market value of the Air Canada shares underlying the restricted share units and vested deferred share units owned by the Named Executive Officer.



SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2018, 2017 and 2016 by each of Calin Rovinescu, Air Canada's President and Chief Executive Officer, Michael Rousseau, Air Canada's Deputy Chief Executive Officer and Chief Financial Officer, the three next most highly compensated executives of Air Canada at the end of the 2018 year and the former President, Passenger Airlines (collectively, the "Named Executive Officers").

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation		All other compensation (\$) ⁽³⁾	Total compensation (\$)
					Annual Incentive Plans (\$)	Pension value (\$)		
Calin Rovinescu President and Chief Executive Officer	2018	1,400,000 ⁽⁴⁾	2,800,000	2,800,000	3,524,850	1,027,000	Nil	11,551,850
	2017	1,400,000	1,970,379	1,537,170	3,156,300	942,000	Nil	9,005,849
	2016	1,400,000	1,814,479	1,752,046	3,243,500	789,200	Nil	8,999,225
Michael Rousseau ⁽⁵⁾ Deputy Chief Executive Officer and Chief Financial Officer	2018	650,000	780,000	905,000	1,200,000	602,300	Nil	4,137,300
	2017	580,000	439,541	565,961	990,000	266,900	Nil	2,842,402
	2016	580,000	387,320	589,308	1,051,000	350,600	Nil	2,958,228
Lucie Guillemette Executive Vice President and Chief Commercial Officer	2018	475,000	356,250	356,250	625,000	447,600	Nil	2,260,100
	2017	425,000	257,669	138,744	580,000	706,300	Nil	2,107,713
	2016	345,100	140,275	99,453	350,000	160,000	Nil	1,094,828
Craig Landry ⁽⁶⁾ Executive Vice President, Operations	2018	375,000	487,544	187,500	380,000 ⁽⁷⁾	337,200	Nil	1,767,244
	2017	325,000	136,420	75,318	360,000	175,300	Nil	896,738
	2016	290,000	121,433	57,477	255,000	352,000	Nil	723,910
David Shapiro Senior Vice President, International and Regulatory Affairs and Chief Legal Officer	2018	455,000	227,500	227,500	420,000	254,200	Nil	1,584,200
	2017	425,000	187,347	77,300	420,000	144,200	Nil	1,253,847
	2016	412,000	167,487	87,906	375,000	135,200	Nil	1,177,593
Benjamin Smith ⁽⁸⁾ Former President, Passenger Airlines	2018	462,500	1,099,987	1,586,994	Nil	199,700	250,000 ⁽⁹⁾	3,599,181
	2017	650,000	591,111	1,143,097	1,270,000	85,500	250,000	3,989,708
	2016	650,000	519,225	906,619	1,415,000	259,000	250,000	3,999,844

(1) The grant date fair value of the annual grant of share units awarded in 2018 under the Corporation's Long-Term Incentive Plan (LTIP), as reported in this table, reflects a valuation factor of 55% for the performance share units and 100% for the restricted share units based on time. The payout factor used is consistent with empirical testing of performance plan payouts, including the performance payout factor analysis provided to the Corporation by Willis Towers Watson which was based on the compilation of actual payouts for similar plans in the market. The payout factor was applied to the value of the award which was calculated using a share price of \$26.59 for the April 2, 2018 grants and \$22.53 for the July 27, 2018 grants. The share prices at the time of the grants is equal to the volume weighted average of the trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. These share units have a term of three years and those which are performance based may vest upon the Corporation achieving its cumulative EBITDAR target over such three-year period. See "Air Canada Share Units" on page 70 of this circular for more details.

The accounting fair value of these share units was \$4,963,188 for Mr. Rovinescu, \$1,154,510 for Mr. Rousseau, \$527,307 for Ms. Guillemette, \$710,707 for Mr. Landry, \$336,716 for Mr. Shapiro and \$1,628,150 for Mr. Smith. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$1,374,131 for Mr. Rovinescu, \$374,510 for Mr. Rousseau, \$171,054 for Ms. Guillemette, \$223,163 for Mr. Landry, \$109,228 for Mr. Shapiro and \$528,163 for Mr. Smith. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is due to a forfeiture rate of 95% applied for accounting purposes versus the valuation factor of 55% in the case of the performance share units and 100% in the case of restricted share units applied for purposes of determining the grant date fair value.



- (2) The grant date fair value for options awarded in 2018 by the Corporation as reported in this table was calculated using the Black-Scholes grid, being the model used by the Corporation in the review of its compensation practices with respect to target grants of incentive awards under the Long-Term Incentive Plan (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 67 of this circular for more details).

The grant date fair value for the options granted on April 2, 2018, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions:

- i. Black-Scholes factor: 31.1210%
- ii. Volatility: 38.1816%
- iii. Dividend yield: 0%
- iv. Expected life: 6.25 years (rated vesting); 7.0 years (cliff vesting)
- v. Term: 10 years
- vi. Vesting: 50% time based; 50% performance-based

The grant date fair value for the options granted on July 27, 2018, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions, for Mr. Rousseau:

- i. Black-Scholes factor: 32.0134%
- ii. Volatility: 38.1816%
- iii. Dividend yield: 0%
- iv. Expected life: 7.0 years (cliff vesting)
- v. Term: 10 years
- vi. Vesting: 50% time based; 50% performance based

The grant date fair value for the options granted on July 27, 2018, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions, for Mr. Smith:

- i. Black-Scholes factor: 30.8159%
- ii. Volatility: 38.1816%
- iii. Dividend yield: 0%
- iv. Expected life: 6.5 years (cliff vesting)
- v. Term: 10 years
- vi. Vesting: 50% time based and 50% performance based (3 years vesting)

The accounting fair value of these options was: \$3,337,980 for Mr. Rovinescu, \$1,022,361 for Mr. Rousseau, \$424,698 for Ms. Guillemette, \$212,334 for Mr. Landry, \$271,209 for Mr. Shapiro and \$1,808,353 for Mr. Smith. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$537,980 for Mr. Rovinescu, \$117,361 for Mr. Rousseau, \$68,448 for Ms. Guillemette, \$24,838 for Mr. Landry, \$43,711 for Mr. Shapiro and \$221,359 for Mr. Smith. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the use of different factors and assumptions.

- (3) In 2018, perquisites and other personal benefits did not equal \$50,000 or more and did not equal 10% or more of the amount of total salary for any of the Named Executive Officers.

Calin Rovinescu

- (4) Mr. Rovinescu's base salary for 2018 remains unchanged since 2010. As described under the heading "Remuneration of Directors" at page 33 of this circular, Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada or any of its subsidiaries.

Michael Rousseau

- (5) On January 1, 2019, Mr. Michael Rousseau, formerly the Executive Vice President and Chief Financial Officer, was appointed Deputy Chief Executive Officer and Chief Financial Officer.

Craig Landry

- (6) On February 10, 2017, Mr. Craig Landry, formerly the President, Air Canada Leisure Group, was appointed to Senior Vice President, Revenue Optimization and on January 1, 2019 was appointed to Executive Vice President, Operations.

- (7) Amounts earned pursuant to the terms of the Annual Incentive Plan. Of such amount, \$95,000 was allocated into DSUs.

Benjamin Smith

- (8) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018. In connection with his resignation, no separation payments or other severance amounts were paid by the Corporation to Mr. Smith, and all of his share-based and option-based awards granted in 2018, as reported in this Summary Compensation Table above, were cancelled and forfeited for no value effective immediately upon his resignation on August 31, 2018.

- (9) Following his appointment as President, Passenger Airlines, on September 1, 2014 as part of his retention arrangements, Mr. Smith was provided with a supplementary contribution of \$250,000 payable annually between March 31, 2015 and March 31, 2019, provided the Corporation achieves its operating income plan for the applicable year. This amount represents his March 2018 payment. No payment will be made in respect of March 2019.



LONG-TERM INCENTIVE PLAN AWARDS

The following table details all unexercised options held by the Named Executive Officers as at December 31, 2018. 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 Air Canada shares.

AIR CANADA STOCK OPTIONS

Name	Option-based awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Calin Rovinescu	819,149	3.04	April 1, 2020	18,774,895
	450,000	2.49	June 27, 2020	10,561,500
	252,294	5.39	April 1, 2021	5,189,688
	158,436	12.64	April 1, 2022	2,110,368
	443,902	9.23	January 13, 2023	7,426,480
	68,498	9.41	June 22, 2026	1,133,642
	325,000	13.69	April 3, 2027	3,987,750
	49,098	17.69	June 1, 2027	406,040
	338,366	26.59	April 2, 2028	Nil
Michael Rousseau	90,302	5.39	April 1, 2021	1,857,512
	55,000	12.64	April 1, 2022	732,600
	100,000	9.23	January 13, 2023	1,673,000
	68,498	9.41	June 22, 2026	1,133,642
	80,000	13.69	April 3, 2027	981,600
	49,098	17.69	June 1, 2027	406,040
	94,259	26.59	April 2, 2028	Nil
	17,331	22.53	July 27, 2028	59,445
Lucie Guillemette	10,000	2.49	June 27, 2020	234,700
	18,234	5.35	April 1, 2021	375,803
	17,000	12.64	April 1, 2022	226,440
	29,415	9.23	January 13, 2023	492,113
	35,000	13.69	April 3, 2027	429,450
	43,051	26.59	April 2, 2028	Nil
Craig Landry	25,978	3.04	April 1, 2020	595,416
	18,463	5.39	April 1, 2021	379,784
	12,500	12.64	April 1, 2022	166,500
	17,000	9.23	January 13, 2023	284,410
	19,000	13.69	April 3, 2027	233,130
	22,658	26.59	April 2, 2028	Nil



Name	Option-based awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
David Shapiro	45,447	3.04	April 1, 2020	1,041,645
	25,000	2.49	June 27, 2020	586,750
	33,946	5.39	April 1, 2021	698,269
	21,500	12.64	April 1, 2022	286,380
	26,000	9.23	January 13, 2023	434,980
	19,500	13.69	April 3, 2027	239,265
	27,492	26.59	April 2, 2028	Nil
Benjamin Smith ⁽²⁾	Nil	Nil	Not applicable	Nil

(1) Based on the closing price of the Air Canada shares (\$25.96) on December 31, 2018.

(2) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.

AIR CANADA SHARE UNITS

The tables below detail the number and market value of unvested performance share units and unvested restricted share units held by the Named Executive Officers as at December 31, 2018.

Performance Share Units (PSUs):

Name	Share-based awards			
	Number of PSUs that have not vested (#)	Performance Cycle	Market or payout value of PSUs that have not vested (\$) ⁽¹⁾	Market or payout value of vested PSUs not paid out or distributed (\$)
Calin Rovinescu	92,857 ⁽²⁾	Jan 1, 2017 to Dec 31, 2019	2,410,568	Nil
	100,288 ⁽²⁾	Jan 1, 2018 to Dec 31, 2020	2,603,476	
Michael Rousseau	20,714	Jan 1, 2017 to Dec 31, 2019	537,735	Nil
	27,937	Jan 1, 2018 to Dec 31, 2020	725,245	
Lucie Guillemette	12,143	Jan 1, 2017 to Dec 31, 2019	315,232	Nil
	12,760	Jan 1, 2018 to Dec 31, 2020	331,250	
Craig Landry	6,429 ⁽³⁾	Jan 1, 2017 to Dec 31, 2019	166,897	Nil
	6,716 ⁽³⁾	Jan 1, 2018 to Dec 31, 2020	174,347	
David Shapiro	8,829	Jan 1, 2017 to Dec 31, 2019	229,201	Nil
	8,148	Jan 1, 2018 to Dec 31, 2020	211,522	
Benjamin Smith ⁽⁴⁾	Nil	Not applicable	Nil	Nil

(1) Based on the closing price of the Air Canada shares (\$25.96), on December 31, 2018.

(2) 23,214 of 92,857 PSUs were allocated into DSUs; 50,144 of 100,288 PSUs were allocated into DSUs

(3) 1,608 of 6,429 PSUs were allocated into DSUs; 1,679 of 6,716 PSUs were allocated into DSUs

(4) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.



Restricted Share Units (RSUs):

Name	Share-based awards			
	Number of RSUs that have not vested (#)	Performance Cycle	Market or payout value of RSUs that have not vested (\$) ⁽¹⁾	Market or payout value of vested RSUs not paid out or distributed (\$)
Calin Rovinescu	126,829 92,857 ⁽²⁾ 50,144 ⁽²⁾	Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021	3,292,481 2,410,568 1,301,738	Nil
Michael Rousseau	27,073 20,714 13,969	Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021	702,815 537,735 362,635	Nil
Lucie Guillemette	9,805 12,143 6,380	Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021	254,538 315,232 165,625	Nil
Craig Landry	8,488 6,429 ⁽³⁾ 3,359 ⁽³⁾ 12,632	Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021 Oct 30, 2018 to Oct 30, 2021	220,348 166,897 87,200 327,927	Nil
David Shapiro	11,707 8,829 4,074	Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021	303,914 229,201 105,761	Nil
Benjamin Smith ⁽⁴⁾	Nil	Not applicable	Nil	Nil

(1) Based on the closing price of the Air Canada shares (\$25.96), on December 31, 2018.

(2) 23,214 of 92,857 RSUs were allocated into DSUs; 25,072 of 50,144 RSUs were allocated into DSUs.

(3) 1,608 of 6,429 RSUs were allocated into DSUs; 840 of 3,359 RSUs were allocated into DSUs.

(4) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.



INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

As concerns option-based awards, the table below provides information on the value that would have been realized if the Named Executive Officer exercised the awards that vested during the year ended December 31, 2018 on the vesting date of such awards. As concerns non-equity plan compensation, the table below summarizes the aggregate amount of such compensation received by each Named Executive Officer during the year ended December 31, 2018. For details with respect to the amounts set out in the “Non-equity incentive plan compensation” column below, please refer to the corresponding column of the “Summary Compensation Table” at page 85 of this circular.

Name	Option-based awards					Non-equity incentive plan compensation
	Options Vested	Exercise Price (\$)	Vesting Date	Market (closing) Price of Shares on the Date of Vesting (\$)	Value Vested during the Year ⁽¹⁾ (\$)	Value Earned during the Year ⁽²⁾ (\$)
Calin Rovinescu	31,536	5.39	April 1, 2018	26.31	659,733	3,524,850
	79,218	12.64	Dec 31, 2018	25.96	1,055,184	
	19,805	12.64	April 1, 2018	26.31	270,734	
	55,488	9.23	Jan 13, 2018	23.91	814,564	
	8,562	9.41	June 22, 2018	23.30	118,926	
	40,625	13.69	April 3, 2018	26.28	511,469	
	6,138	17.69	June 1, 2018	22.88	31,856	
Michael Rousseau	11,287	5.39	April 1, 2018	26.31	236,124	1,200,000
	27,500	12.64	Dec 31, 2018	25.96	366,600	
	6,875	12.64	April 1, 2018	26.31	93,981	
	12,500	9.23	Jan 13, 2018	23.91	183,500	
	8,562	9.41	June 22, 2018	23.30	118,926	
	10,000	13.69	April 3, 2018	26.28	125,900	
	6,138	17.69	June 1, 2018	22.88	31,856	
Lucie Guillemette	3,039	5.39	April 1, 2018	26.31	63,576	625,000
	8,500	12.64	Dec 31, 2018	25.96	113,220	
	2,125	12.64	April 1, 2018	26.31	29,049	
	3,677	9.23	Jan 13, 2018	23.91	53,978	
	4,375	13.69	April 3, 2018	26.28	55,081	
Craig Landry	2,637	5.39	April 1, 2018	26.31	55,166	380,000 ⁽³⁾
	6,250	12.64	Dec 31, 2018	25.96	83,250	
	1,563	12.64	April 1, 2018	26.31	21,366	
	2,125	9.23	Jan 13, 2018	23.91	31,195	
	2,375	13.69	April 3, 2018	26.28	29,901	
David Shapiro	4,243	5.39	April 1, 2018	26.31	88,764	420,000
	10,750	12.64	Dec 31, 2018	25.96	143,190	
	2,688	12.64	April 1, 2018	26.31	36,745	
	3,250	9.23	Jan 13, 2018	23.91	47,710	
	2,438	13.69	April 3, 2018	26.28	30,694	
Benjamin Smith ⁽⁴⁾	180,000	12.27	August 15, 2018	23.40	2,003,400	Nil
	10,222	5.39	April 1, 2018	26.31	213,844	
	7,625	12.64	April 1, 2018	26.31	104,234	
	15,122	9.23	Jan 13, 2018	23.91	221,991	
	11,608	13.69	April 3, 2018	26.28	146,145	



- (1) Calculated as the difference between the market (closing) price of the shares on the date of vesting and the exercise price payable in order to exercise the options.
- (2) Represents amounts paid pursuant to the Annual Incentive Plan in 2018 and corresponds to the amounts disclosed in the Summary Compensation Table on page 85 of this circular under the heading "Non-equity incentive plan compensation Annual incentive plans".
- (3) Of such amount, \$95,000 was allocated into DSUs.
- (4) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.

The performance share units of the Named Executive Officers that vested in 2018, based on the achievement of the Corporation's three-year annual EBITDAR target, are disclosed in the table below.

Name	Share-based awards			
	Performance Share Units Vested ⁽¹⁾	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year ⁽¹⁾ (\$)
Calin Rovinescu	126,829	December 31, 2018	31.62	4,010,333
Michael Rousseau	27,073	December 31, 2018	31.62	856,048
Lucie Guillemette	9,805	December 31, 2018	31.62	310,034
Craig Landry	8,488	December 31, 2018	31.62	268,391
David Shapiro	11,707	December 31, 2018	31.62	370,175
Benjamin Smith ⁽²⁾	Nil	Not applicable	Nil	Nil

- (1) The vesting of the performance share units was in the form of cash for all NEOs.
- (2) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.

The restricted share units of the Named Executive Officers that vested in 2018 are disclosed in the table below.

Name	Share-based awards			
	Restricted Share Units Vested	Vesting Date	Fair Market Value of Shares on the Date of Vesting (\$)	Value vested during the Year ⁽¹⁾ (\$)
Calin Rovinescu	25,000	January 23, 2018	23.12	578,000
	49,794	April 1, 2018	26.59	1,324,022
Michael Rousseau	16,500	April 1, 2018	26.59	438,735
Lucie Guillemette	4,938	April 1, 2018	26.59	131,301
Craig Landry	3,975	April 1, 2018	26.59	105,695
David Shapiro	7,000	April 1, 2018	26.59	186,130
Benjamin Smith ⁽²⁾	19,000	April 1, 2018	26.59	505,210

- (1) The vesting of the restricted share units was in the form of cash for all NEOs.
- (2) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.



RETIREMENT PLAN BENEFITS

Air Canada provides any Named Executive Officers hired prior to October 1, 2012 with a non-contributory, final average earnings defined benefit registered pension plan (the “**Defined Benefit Pension Plan**”). In addition, Air Canada also provides the Named Executive Officers with a SERP integrated with the Canada/ Québec pension plans. The defined benefit SERP is a funded supplemental arrangement that provides retirement income beyond the limitations of the Pension Plan.

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

Effective January 1, 2014, changes were made to the defined benefit pension arrangement mainly with respect to the early retirement conditions. Under the amended provisions, if an executive retires after 2013, he or she will be eligible to retire early (before age 65) with an unreduced pension if the following three conditions are met: (i) the executive is at least 55 years old, (ii) the executive has at least 80 points (combination of age and years of qualifying service) and (iii) the executive has obtained the consent of Air Canada as administrator of the pension plan. However, executives who reached the criteria of age 55 and 80 points by the end of 2013 will remain eligible to an unreduced pension without consent required by Air Canada. Under the terms of federal pension legislation, should any member leave employment at least 10 years prior to the date they become eligible for an unreduced pension without the consent of the administrator, he or she is entitled to elect a lump sum payment from the Defined Benefit Pension Plan in lieu of an immediate or deferred pension. Such eligibility is determined without regard to additional years of pensionable service which are credited in the SERP. In accordance with the terms of the SERP, the payment option that an executive elects in the Pension Plan is also applicable to the SERP.

In 2012, the Corporation established a non-contributory defined contribution pension plan for new executives. Under the plan, the Corporation contributes a percentage of the individual’s salary into a registered defined contribution pension plan up to the maximum permissible under the *Income Tax Act* (Canada). A SERP was established in 2013 for contributions in excess of the maximum permitted by the *Income Tax Act* (Canada).

All Named Executive Officers were hired prior to October 1, 2012 and therefore participate in the Defined Benefit Pension Plan. The following table provides information on the pension benefits of each Named Executive Officer calculated as of December 31, 2018.

Name	Number of years of credited service (#) ⁽¹⁾	Annual benefits payable (\$)		Accrued obligation at start of year (\$) ⁽⁴⁾	Compensatory change (\$) ⁽⁵⁾	Non-compensatory change (\$) ⁽⁶⁾	Accrued obligation at year end (\$) ⁽⁷⁾
		At year end ⁽²⁾	At age 65 ⁽³⁾				
Calin Rovinescu ⁽⁸⁾	26.6400	742,300	791,000	12,394,900	1,027,000	-948,800	12,473,100
Michael Rousseau	21.2500	250,100	299,200	3,603,600	602,300	-364,300	3,841,600
Lucie Guillemette	31.4167	253,300	282,200	4,289,800	447,600	-55,500	4,681,900
Craig Landry	17.5000	112,300	224,500	1,782,600	337,200	22,700	2,142,500
David Shapiro	21.4167	179,500	245,200	2,855,500	254,200	-31,200	3,078,500
Benjamin Smith ⁽⁹⁾	23.7500	307,300	307,300	4,421,300	199,700	-2,001,900	2,619,100

(1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2018, including, as the case may be, any additional pensionable service credited pursuant to the Named Executive Officer’s individual employment agreement. In respect of Mr. Rovinescu, this column includes years of credited pensionable service in respect of his previous period of employment with the Corporation. In respect of his current period of employment, Mr. Rovinescu had 9.75 years of credited pensionable service as of December 31, 2018.



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

- A. Mr. Rousseau has been credited with an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau has also been credited with an additional 5 years of pensionable service in 2018 when he reached age 60. He also became entitled to an unreduced pension (with guaranteed consent) upon attainment of age 60.
 - B. Mr. Smith was credited with an additional 3 years of pensionable service on March 1, 2012 upon his completion of 10 years of continuous service and was credited with an additional 3 years of pensionable service effective January 1, 2014. Mr. Smith terminated his employment with Air Canada on August 31, 2018 and he is entitled to a deferred monthly pension of \$25,611 payable from age 65.
 - C. Mr. Landry will be credited with an additional 3 years of pensionable service on March 1, 2026. For the following four years, he will also be granted with an additional year of service on February 28th of each year, without exceeding 35 years of pensionable service. The pension benefits payable from Air Canada will be offset by a portion of the pension benefits he has earned at Aimia Inc. (for the employer-provided portion only).
- (2) Annual unreduced pension benefits are based on the average annual salary during the Named Executive Officer's highest paid 36 successive months of company service and the credited service as of December 31, 2018. The payment of such unreduced pension benefit cannot commence earlier than the Named Executive Officer's unreduced early retirement date.
 - (3) Projected annual pension benefits that would be payable to the Named Executive Officer as of age 65, based on his or her average annual salary during his or her highest paid 36 successive months of company service as of December 31, 2018 and his or her 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 2017 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum (plus merit scales), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 3.6%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2017 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service under individual employment agreements entered into prior to 2018, is spread equally over the Named Executive Officer's projected career with Air Canada, regardless of when the credited service is granted, except such projected career is limited to 35 years of pensionable service.
 - (5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have retroactive impact. The service cost was calculated using the same assumptions that were used for 2017 year-end financial statement reporting purposes, including a discount rate of 3.7%. The amounts disclosed with respect to changes in salary reflect 2018 year-end assumptions.
 - (6) The non-compensatory change in the accrued obligation for the Corporation's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year.
 - (7) The accrued obligation at the end of the Corporation's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2018 and is based on 2018 year-end assumptions, assuming a going-concern basis. The 2018 assumptions used for determining the accrued obligation are the same as those used for 2018 year-end financial statement reporting purposes. In particular, a discount rate of 3.81% was used, which reflects corporate AA bond yields at the end of the year.
 - (8) Mr. Rovinescu was entitled to an annual benefit payable of \$168,600 in relation to his previous period of employment with the Corporation. Effective November 1, 2009, all pension payments in relation to his previous employment with Air Canada were voluntarily suspended. Benefits related to his previous employment will continue to accrue and will become payable to Mr. Rovinescu upon his departure / retirement from Air Canada, together with the pension that will accrue from his current period of employment. In November 2014, his employment agreement was modified to bring his pension closer to market competitive levels and to serve as a retention incentive. Mr. Rovinescu's two periods of employment were combined and his current salary was used in the calculation of the final average earnings, both being conditional on Mr. Rovinescu continuing to be actively employed by Air Canada as its President and Chief Executive Officer as of December 31, 2017.
 - (9) Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.



TERMINATION AND CHANGE OF CONTROL BENEFITS

The obligations of the Corporation vis-à-vis its Named Executive Officers in the event of termination were described above under the heading “2018 Compensation of the Named Executive Officers” at page 74 and following of this circular.

Air Canada is currently a party to change of control agreements with each of Mr. Rovinescu, Mr. Rousseau, Ms. Guillemette and Mr. Shapiro. Under these agreements, a “Change of Control” is generally defined as follows:

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

Notwithstanding the foregoing, the term “Change of Control” as defined in the agreement expressly excludes:

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

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



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

Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a “Hostile Change of Control”, Mr. Rovinescu has the right at any time within two years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have the same effect as) a termination without cause under the terms of his Employment Agreement (the payments and benefits to which he would then be entitled having been summarized at pages 77 and 78 of this circular). Under this agreement, a “Hostile Change of Control” is defined as follows:

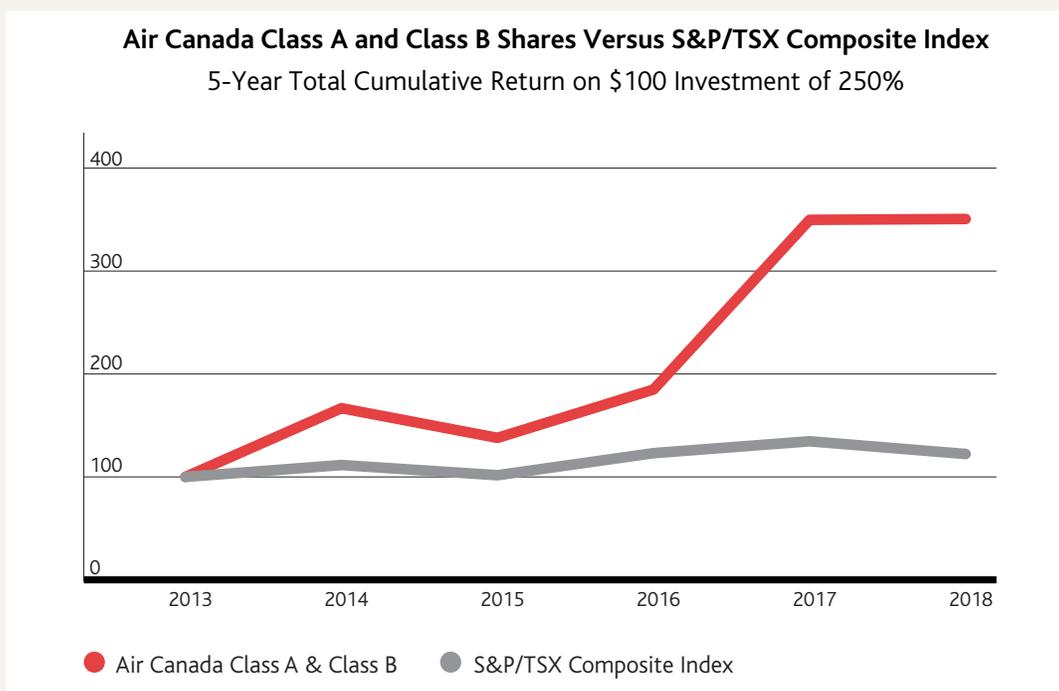
“a “Change of Control” (as was defined above) that results from the take-up of securities under a “take-over bid” (as such term is defined in Québec Regulation 62-104 respecting take-over bids and issuer bids (“**62-104**”)) that is not exempt from the formal bid requirements set out in Part 2 of 62-104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



STOCK PERFORMANCE GRAPHS

FIVE YEAR TOTAL SHAREHOLDER RETURN COMPARISON

The following performance graph compares the total cumulative return of a \$100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2014 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2014 and ended December 31, 2018. Effective November 3, 2014, the Class A variable voting shares and the Class B voting shares started trading on the TSX under the single ticker "AC". Prior to that date, the Class A variable voting shares and Class B voting shares traded on the TSX under their respective symbols AC.A and AC.B.

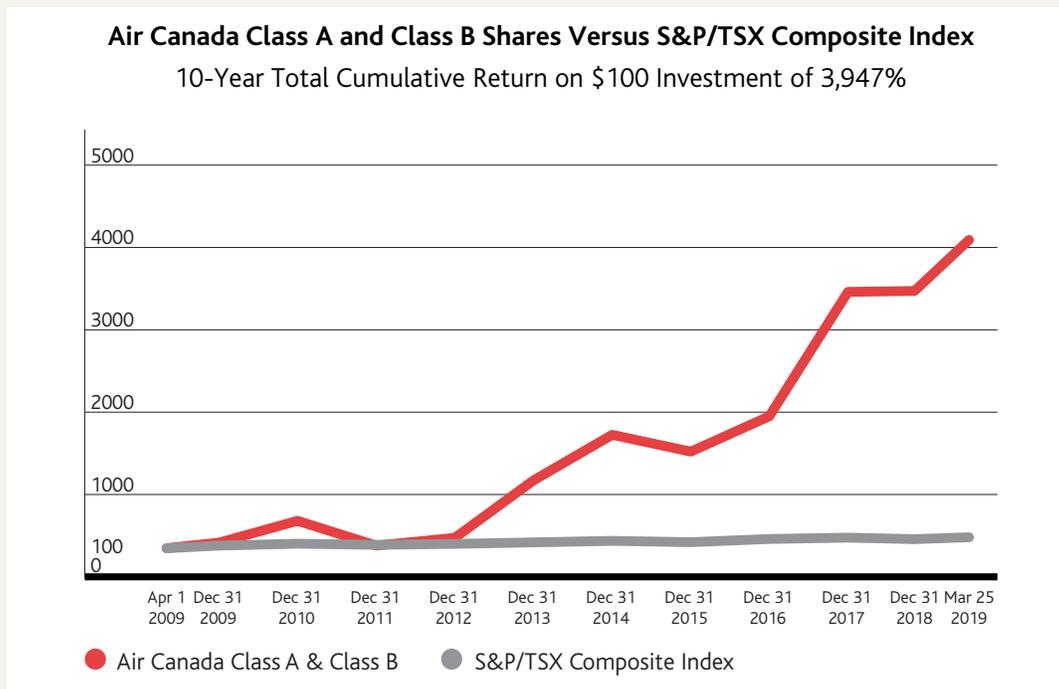


The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 250% from December 31, 2013 to December 31, 2018.



TEN YEAR TOTAL SHAREHOLDER RETURN COMPARISON

The following performance graph compares the total cumulative return of a \$100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on April 1, 2009, the date on which Mr. Rovinescu was appointed as President and Chief Executive Officer of Air Canada, with the cumulative return on the S&P/TSX Composite Index for the period beginning on April 1, 2009 and ended March 25, 2019.



The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 3,947% since Mr. Rovinescu's appointment as President and Chief Executive Officer of Air Canada.



The Corporation's executive compensation program, which includes base salary and short-term and long-term incentive programs, is designed to align Air Canada's financial and market performance with the value its Named Executive Officers receive from these performance-based programs. The cash compensation of Air Canada's Named Executive Officers has remained fairly constant relative to the Corporation's Adjusted Pre-tax Income and EBITDAR. The cash compensation of Air Canada's Named Executive Officers has remained largely unchanged over the past five years, taking into account salary progression resulting from internal promotions from our management team to an NEO position. In addition, a large portion of the Named Executive Officers' compensation is in the form of long-term stock-based incentives subject to performance vesting conditions linked to the performance of Air Canada, as described on page 63 of this circular under the heading "Components of Executive Compensation". Realized payouts related to Long-Term Incentive Plan awards are directly affected by share price, both negatively and positively, evidenced by the forfeiture of performance-based stock options and performance-based share units granted between 2006 and 2008, and conversely, in-the-money options and vesting of stock options and share units granted in and after 2009.

COST OF MANAGEMENT RATIO

The following table shows the total aggregate compensation awarded to the Named Executive Officers for the last three years, expressed as a percentage of Adjusted Pre-tax Income and of EBITDAR. The total aggregate NEO compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2016, 2017 and 2018 years.

	2016 ⁽¹⁾	2017 ⁽²⁾	2018 ⁽³⁾
Total aggregate NEO compensation (\$ millions) ⁽⁴⁾	17.1	17.1	18.6
Adjusted Pre-tax Income (\$ millions) ⁽⁵⁾	1,148	1,165	952
As a percentage of Adjusted Pre-tax Income	1.5%	1.5%	2%
EBITDAR (\$ millions)	2,768	2,928	2,851
As a percentage of EBITDAR	0.62%	0.58%	0.65%

(1) Named Executive Officers for the 2016 year consist of:

Calin Rovinescu, Michael Rousseau, Benjamin Smith, Klaus Goersch and David Shapiro.

(2) Named Executive Officers for the 2017 year consist of:

Calin Rovinescu, Michael Rousseau, Benjamin Smith, Lucie Guillemette and David Shapiro.

(3) Named Executive Officers for the 2018 year consist of:

Calin Rovinescu, Michael Rousseau, Lucie Guillemette, Craig Landry and David Shapiro. Mr. Smith resigned from his employment as President, Passenger Airlines on August 31, 2018.

(4) Total aggregate NEO compensation excludes pension value in respect of the Named Executive Officers

(5) For 2017, a tax expense of \$16 million is excluded from Adjusted Pre-tax Income for purposes of the AIP.



OTHER IMPORTANT INFORMATION

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Air Canada maintains directors' and officers' liability insurance for the benefit of the directors and officers of Air Canada and its subsidiaries. The current policy is effective from October 1, 2018 to October 1, 2019 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As at March 25, 2019, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer are indebted to Air Canada or any of its subsidiaries. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

MAIL SERVICE INTERRUPTION

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

Alberta

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

British Columbia

1066 West Hastings Street
Suite 1600
Vancouver, British Columbia

Ontario

1 Toronto Street
Suite 1200
Toronto, Ontario

Québec

2001 Robert-Bourassa Boulevard
Suite 1600
Montréal, Québec

SHAREHOLDER PROPOSALS FOR OUR 2020 ANNUAL MEETING

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2020 annual shareholder meeting. Please send your proposal to the Vice President and Corporate Secretary of Air Canada at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4 by December 27, 2019.



HOW TO REQUEST MORE INFORMATION

Documents you can request

Financial information with respect to Air Canada is provided in its consolidated financial statements and Management's Discussion and Analysis of Results of Operations and Financial Condition ("**MD&A**") for the year ended December 31, 2018. 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, 2018, which includes our consolidated annual financial statements together with the accompanying auditors' report, and our related MD&A;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2018, and our related MD&A; and
- our Annual Information Form for the year ended December 31, 2018.

Please write to Shareholder Relations at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

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

Receiving information electronically

You can choose to receive electronically our corporate documents, such as this circular and our annual report. You will receive an e-mail notifying you when they are available on our website.

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 AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

To sign up, go to the website ca.astfinancial.com/edelivery and follow the instructions.

How to sign up – non-registered shareholders

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

If you are not sure whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

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

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

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries).

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



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

"BE IT RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2019 annual and special meeting of shareholders of Air Canada."



SCHEDULE "B" ARRANGEMENT RESOLUTION

"BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under the Canada Business Corporations Act (the "**CBCA**") of Air Canada (the "**Corporation**"), as more particularly described and set forth in the management proxy circular (the "**Circular**") dated March 25, 2019 of the Corporation accompanying the notice of this meeting, as the Arrangement may be amended, modified or supplemented, is hereby authorized, approved and adopted.
2. The plan of arrangement of the Corporation (the "**Plan of Arrangement**"), the full text of which is set out in Schedule "C" of the Circular (as it has been or may be amended, modified or supplemented in accordance with its terms), is hereby authorized, approved and adopted.
3. The amendment of the Corporation's restated articles of incorporation (the "**Articles**") by way of the filing of articles of arrangement (the "**Articles of Arrangement**"), the full text of which is set out in Schedule "D" of the Circular (as it has been or may be amended, modified or supplemented in accordance with the Plan of Arrangement and the interim order in relation thereto) (the "**Amendments**"), are hereby ratified and approved.
4. The Corporation is hereby authorized to apply for a final order from the Superior Court of Québec to approve the Arrangement on the terms set forth in the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Circular).
5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Corporation or that the Arrangement has been approved by the Superior Court of Québec, the directors of the Corporation are hereby authorized and empowered to, without notice to or approval of the shareholders of the Corporation, to (i) amend, modify or supplement the Plan of Arrangement or the Articles of Arrangement, and (ii) not to proceed with the Arrangement or the Amendments to the Articles.
6. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver for filing with the Director, appointed under section 260 of the CBCA, Articles of Arrangement and such other documents as are necessary or desirable to give effect to the Arrangement, such determination to be conclusively evidenced by the execution and delivery of such Articles of Arrangement and any such other documents.
7. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing."



SCHEDULE "C"

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1 INTERPRETATION

1.1 Definitions.

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the meanings hereinafter set forth:

- (a) "**affiliation**" shall have the meaning set forth in Subsection 55(2) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;
- (b) "**air service**" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;
- (c) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 192 of the CBCA set forth in this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation, the whole as supplemented, modified or amended;
- (d) "**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Meeting by the Shareholders voting together as a single class;
- (e) "**Articles of Arrangement**" means the articles in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;
- (f) "**Articles**" means the restated articles of incorporation of the Corporation dated February 20, 2017, as amended from time to time;
- (g) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Quebec, for the transaction of banking business;
- (h) "**Canadian**" means:
 - (a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act, S.C. 2001, c.27*,
 - (b) a government in Canada or an agent or mandatary of such a government, or



- (c) a Corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where:
 - (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and
 - (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person;
- (i) "**CBCA**" means the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44;
- (j) "**Certificate**" means the certificate to be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;
- (k) "**Class A Variable Voting Shares**" means the Class A variable voting shares in the share capital of the Corporation ;
- (l) "**Class B Voting Shares**" means the Class B voting shares in the share capital of the Corporation;
- (m) "**Corporation**" means Air Canada, a corporation amalgamated under the laws of Canada;
- (n) "**Court**" means the Superior Court of Quebec;
- (o) "**CTA**" means the *Canada Transportation Act* (S.C. 1996, c. 10);
- (p) "**Director**" means the director appointed under Section 260 of the CBCA;
- (q) "**Effective Date**" means the date the Arrangement is effective under the CBCA, as endorsed by the Certificate;
- (r) "**Effective Time**" means 12:01 a.m. (Montreal time) on the Effective Date as endorsed by the Certificate;
- (s) "**Final Order**" means the final order of the Court approving the Arrangement as such order may be amended or varied by the Court (with the consent of the Corporation) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to the Corporation) on appeal;
- (t) "**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasigovernmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange;
- (u) "**Interim Order**" means the interim order of the Court, in a form acceptable to the Corporation, concerning the Arrangement and providing for, among other things, declarations and directions with respect to the Arrangement and the holding of the



- Meeting, as such order may be amended by the Court with the consent of the Corporation;
- (v) **"Law"** means, with respect to any Person, any and all applicable laws (statutory, civil, common or otherwise), constitutions, treaties, conventions, ordinances, codes, rules, regulations, orders, injunctions, judgments, decrees, rulings or other similar requirements, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise;
 - (w) **"Meeting"** means the annual and special meeting of the Shareholders, including any adjournment or postponement of such annual and special meeting, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;
 - (x) **"Non-Canadian"** means a Person who is not a Canadian;
 - (y) **"Non-Canadian Holder Authorized to Provide Air Service"** means one or more non-Canadian Shareholders authorized to provide an air service in any jurisdiction, either individually or in affiliation with any other person;
 - (z) **"Person"** includes an individual, limited or general partnership, limited liability Corporation, limited liability partnership, trust, joint venture, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;
 - (aa) **"Plan of Arrangement"** means this plan of arrangement under Section 192 of the CBCA, and any amendments or variations made in accordance therewith or made at the direction of the Court in the Final Order with the prior written consent of the Corporation;
 - (bb) **"Shares"** means the Class A Variable Voting Shares and the Class B Voting Shares of the Corporation;
 - (cc) **"Shareholders"** means the holders and the beneficial owners of the Class A Variable Voting Shares and the holders and the beneficial owners of the Class B Voting Shares of the Corporation;
 - (dd) **"Single Non-Canadian Holder"** means any single non-Canadian Shareholder, either individually or in affiliation with any other person; and
 - (ee) **"Transfer Agent"** means AST Trust Company (Canada).
- 1.2 **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 **References.** Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 **Certain Phrases, etc.** Unless the context requires otherwise, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all



genders; and words importing persons shall include individual, limited or general partnership, limited liability Corporation, limited liability partnership, trust, joint venture, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status

- 1.5 **Business Days.** In the event that the date on which any action is required to be taken hereunder is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place, except that the Effective Date can fall on a date that is not a Business Day.
- 1.6 **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.
- 1.7 **Statutes.** References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.
- 1.8 **Governing Law.** This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.
- 1.9 **Time References.** References to time herein are to local time, Montreal, Quebec.

ARTICLE 2 BINDING EFFECT

- 2.1 Upon the filing of the Articles of Arrangement and the issuance of the Certificate, this Plan of Arrangement shall become, at and after the Effective Time, effective and binding on: (i) all the Shareholders, (ii) the Corporation, (iii) the Transfer Agent, and (iv) all other Persons, without any further formality required on the part of any Person, except as expressly provided herein.

ARTICLE 3 THE ARRANGEMENT

- 3.1 At the Effective Time, the following events shall occur and shall be deemed to occur in the following order without any further authorization, act or formality on the part of any Person:
 - (a) Schedule A of the Corporation's Articles shall be amended and replaced, and shall be deemed to be amended and replaced, with the form of Schedule A attached to this Plan of Arrangement as Exhibit I, to, among other things, modify the rights attached to the Shares in order to reflect the definition of "Canadian" in Section 55(1) of the CTA as amended pursuant to *The Transportation Modernization Act* (Bill C-49).
 - (b) the Articles of Arrangement in the form attached as Exhibit I to this Plan of Arrangement shall be adopted and the Corporation's Articles shall be amended accordingly; and



- (c) the Corporation shall be authorized to amend the declaration and any form or other document to be completed from time to time by Shareholders to determine their status as Canadian, non-Canadian, Single Non-Canadian Holder and Non-Canadian Holder Authorized to Provide Air Service and to determine whether the Shareholder holds, is the beneficial owner of or has control over any Shares and whether the Shareholder is in affiliation with any Single Non-Canadian Holder or with any Non-Canadian Holder Authorized to Provide Air Service, and, in any such circumstance, the identity of such affiliated Shareholders, and declaring any further facts that the Corporation considers relevant, such amendments to be made in accordance with the authority granted to the directors in the Corporation's Articles by way of the Articles of Arrangement.
- 3.2 The Arrangement and the amendment of the Articles by way of Articles of Arrangement shall not trigger any right of dissent for the Shareholders, whether under the CBCA or otherwise.
- 3.3 Each Shareholder, with respect to each step set out in Section 3.1 applicable to such holder, shall be deemed, at the time such step occurs, to have executed and delivered all necessary or required consents, releases, assignments, instruments, certificates, powers of attorney and waivers, statutory or otherwise, relating to or in connection with the completion of such step.
- 3.4 The Articles of Arrangement and the Certificate shall be filed and issued, respectively, with regard to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 3.1 has become effective in the sequence and at the times set out therein.
- 3.5 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time.

ARTICLE 4 AMENDMENTS AND WITHDRAWAL

- 4.1 The Corporation may amend this Plan of Arrangement at any time, provided that each such amendment must be set out in writing and filed with the Court.
- 4.2 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time by the Corporation without the approval of the Court or of the Shareholders, provided that it concerns a matter which, in the reasonable opinion of the Corporation, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any holder of Shares.
- 4.3 Subject to Section 4.2, any amendment to this Plan of Arrangement may be proposed by the Corporation at any time prior to or at the Meeting with or without any other prior notice or communication to Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as required by the Interim Order), shall become part of this Plan of Arrangement for all purposes.



- 4.4 Subject to Section 4.2, the Corporation may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to Shareholders.
- 4.5 This Plan of Arrangement may be withdrawn and the Corporation may not proceed with this Plan of Arrangement prior to the Effective Time in accordance with the Arrangement Resolution.

**ARTICLE 5
FURTHER ASSURANCES**

- 5.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in in Section 3.1 and shall become effective without any further act or formality, the Corporation shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

EXHIBIT I

Kindly refer to Schedule "D" to this circular.



SCHEDULE "D"

ARTICLES OF ARRANGEMENT



Innovation, Science and
Economic Development Canada
Corporations Canada

Innovation, Sciences et
Développement économique Canada
Corporations Canada

Canada Business Corporations Act (CBCA) FORM 14.1 ARTICLES OF ARRANGEMENT (Section 192)

1 - Name of the applicant corporation(s) AIR CANADA	Corporation number 439662-6
2 - Name of the corporation(s) the articles of which are amended, if applicable AIR CANADA	Corporation number 439662-6
3 - Name of the corporation(s) created by amalgamation, if applicable	Corporation number
4 - Name of the dissolved corporation(s), if applicable	Corporation number
5 - Name of the other bodies corporate involved, if applicable	Corporation number or jurisdiction
6 - In accordance with the order approving the arrangement, the plan of arrangement attached hereto, involving the above named body(ies) corporate, is hereby effected. In accordance with the plan of arrangement, <input checked="" type="checkbox"/> a. the articles of the corporation(s) indicated in item 2, are amended. If the amendment includes a name change, indicate the change below: <div style="border: 1px solid black; height: 30px; width: 100%;"></div> <input type="checkbox"/> b. the following bodies corporate and/or corporations are amalgamated (for CBCA corporations include the corporation number): <div style="border: 1px solid black; height: 30px; width: 100%;"></div> <input type="checkbox"/> c. the corporation(s) indicated in item 4 is(are) liquidated and dissolved: <div style="border: 1px solid black; height: 30px; width: 100%;"></div>	
7 - I hereby certify that I am a director or an authorized officer of one of the applicant corporations. Signature: _____ Print name: _____	
Note: Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding six months or to both (subsection 250(1) of the CBCA).	



CORPORATIONS CANADA

SCHEDULE A
ARTICLES OF ARRANGEMENT
AIR CANADA
Canada Business Corporations Act

4 - ~~4-~~ **The classes and any maximum number of shares that the corporation is authorized to issue**

Unlimited number of Class A Variable Voting Shares; and
Unlimited number of Class B Voting Shares.

I. The Class A Variable Voting Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(a) **Voting.**

The holders of the Class A Variable Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class ~~are~~ shall be entitled to vote separately as a class as provided in the CBCA.

The holders of Class A Variable Voting Shares ~~are~~ shall be entitled to one vote per Class A Variable Voting Share unless ~~any of the thresholds set forth in Sections I(a)(A), I(a)(B) or I(a)(C), as the case may be, would otherwise be surpassed at any time, in which case the vote attached to a Class A Variable Voting Share will decrease as described in this Section I(a) below.~~

(A) SINGLE NON-CANADIAN HOLDER

If at any time:

(i) a single non-Canadian holder of Class A Variable Voting Shares (a "Single Non-Canadian Holder"), either individually or in affiliation with any other person, holds a number of Class A Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

(ii) the total number of votes that would be cast by or on behalf of a Single Non-Canadian Holder, either individually or in affiliation with any other person, at any meeting would exceed 25% (or any

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different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

then the vote attached to each Class A Variable Voting Share held by such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder, will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Class A Variable Voting Shares held by such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

For greater certainty, a single Non-Canadian Holder Authorized to Provide Air Service (as such term is defined in Section I(a)(B)(i)) shall also constitute a Single Non-Canadian Holder for purposes of Section I(a)(A).

(B) NON-CANADIAN HOLDER AUTHORIZED TO PROVIDE AIR SERVICE

If at any time:

- (i) one or more non-Canadians authorized to provide an air service in any jurisdiction (each, a "Non-Canadian Holder Authorized to Provide Air Service" and collectively, the "Non-Canadian Holders Authorized to Provide Air Service"), collectively hold, either individually or in affiliation with any other person, a number of Class A Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) (if any, as may be required thereunder), exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or



- (ii) the total number of votes that would be cast by or on behalf of Non-Canadian Holders Authorized to Provide Air Service and persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) (if any, as may be required thereunder), exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

then the vote attached to each Class A Variable Voting Share held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Class A Variable Voting Shares held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

(C) GENERAL - ALL HOLDERS OF CLASS A VARIABLE VOTING SHARES

If at any time:

- (i) the number of Class A Variable Voting Shares outstanding, as a percentage of the total number of all voting shares outstanding, exceeds 25 after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) and after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with Section I(a)(B) (in each case, if any, as



may be required under such Sections), exceeds 49% (or any higher/different percentage that the Governor in Council may ~~by~~ may be prescribed by law or regulation ~~specify~~ of Canada and approved or adopted by the directors of the Corporation), or

- (ii) the total number of votes ~~that would be~~ 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~~ would, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) and after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with Section I(a)(B) (in each case, if any, as may be required under such Sections), exceed 49% (or any different percentage that may be prescribed by law or regulation ~~specify~~ of Canada and approved or adopted by the directors of the Corporation) of the total number of votes ~~that may be~~ cast at such meeting~~s~~.

~~———— If either of the above noted thresholds would otherwise be surpassed at any time, then~~ the vote attached to each Class A Variable Voting Share will decrease proportionately and automatically and without further act or formality only to such extent that, as a result (i) the Class A Variable Voting Shares ~~as a class do not carry more than 25~~49% (or any higher/different percentage that the Governor in Council may ~~by~~ may be prescribed by law or regulation ~~specify~~ of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, 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~~49% (or any higher/different percentage that the Governor in Council may ~~by~~ be prescribed by law or regulation ~~specify~~ of Canada and approved or adopted by the directors of the Corporation) of the total number of votes ~~that may be~~ cast at such meeting.

References in Section I(a) to the Class A Variable Voting Shares that a person "holds" or "held" shall refer to and include the Class A Variable Voting Shares held, beneficially owned or controlled, directly or indirectly by such person.

- (b) **Dividends and Distributions.**



Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation of any other class ranking prior to the Class A Variable Voting Shares, the holders of Class A Variable Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of the Corporation properly applicable to the payment of dividends or distributions, any dividends or distributions declared and payable by the Corporation on the Class A Variable Voting Shares. The Class A Variable Voting Shares and the Class B Voting Shares shall rank equally as to dividends and distributions on a share for share basis and all dividends and distributions declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all Class A Variable Voting Shares and Class B Voting Shares at the time outstanding, without preference or distinction.

(c) **Subdivision or Consolidation.**

No subdivision or consolidation of the Class A Variable Voting Shares or the Class B Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

(d) **Liquidation, Dissolution or Winding-up.**

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation ranking prior to the Class A Variable Voting Shares, upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation's assets among its shareholders for the purpose of winding up its affairs, the holders of the Class A Variable Voting Shares and the holders of the Class B Voting Shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

(e) **Conversion.**

(A) ~~Automatic~~AUTOMATIC

Each issued and outstanding Class A Variable Voting Share shall be converted into one Class B Voting Share, automatically and without any further act of the Corporation or of the holder, if (i) 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; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

(B) ~~Upon~~ _____ ~~an~~ _____ ~~Offer~~

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UPON AN OFFER

In the event that an offer is made to purchase Class B Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class B Voting Shares are then listed, to be made to all or substantially all the holders of Class B Voting Shares in a province of Canada to which the requirement applies, each Class A Variable Voting Share shall become convertible at the option of the holder into one (1) Class B Voting Share at any time while the offer is in effect until one (1) day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Class A Variable Voting Shares for the purpose of depositing the resulting Class B Voting Shares in response to the offer and the Transfer Agent shall deposit the resulting Class B Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (1) give written notice to the Transfer Agent of the exercise of such right and of the number of Class A Variable Voting Shares in respect of which the right is being exercised;
- (2) deliver to the Transfer Agent the share certificate or certificates representing the Class A Variable Voting Shares in respect of which the right is being exercised; and
- (3) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Class B Voting Shares resulting from the conversion of the Class A Variable Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If (i) Class B Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Class B Voting Shares being taken up and paid for, the Class B Voting Shares resulting from the conversion will be re-converted into Class A Variable Voting Shares and a share certificate representing the Class A Variable Voting Shares will be sent to the holder by the Transfer Agent. Class B Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be re-converted into Class A Variable Voting Shares at the time the offeror is required under the relevant securities legislation to take up and pay for such shares if the offeror is not a Canadian.



In the event that the offeror takes up and pays for the Class B Voting Shares resulting from conversion, the Transfer Agent of the Corporation shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Class A Variable Voting Shares into Class B Voting Shares in the following cases:

- (i) the offer to purchase Class B Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Class B Voting Shares are then listed to be made to all or substantially all of the holders of Class B Voting Shares in a province of Canada to which the requirement applies, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Class A Variable Voting Shares is made concurrently with the offer to purchase Class B Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Class A Variable Voting Shares must be unconditional, subject to the exception that the offer for the Class A Variable Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Class A Variable Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Class B Voting Shares; or
- (iii) holders of Class B Voting Shares representing, in the aggregate, more than sixty-six and two thirds percent ($66 \frac{2}{3}\%$) of the then outstanding Class B Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Class B Voting Shares.



II. The Class B Voting Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(a) Voting.

The holders of Class B Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class ~~are~~shall be entitled to vote separately as a class as provided in the CBCA. Each Class B Voting Share shall confer the right to one (1) vote in person or by proxy at all meetings of shareholders of the Corporation.

(b) Dividends and Distributions.

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation of any other class ranking prior to the Class B Voting Shares, the holders of Class B Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of the Corporation properly applicable to the payment of dividends or distributions, any dividends or distributions declared and payable by the Corporation on the Class B Voting Shares. The Class B Voting Shares and the Class A Variable Voting Shares shall rank equally as to dividends and distributions on a share for share basis and all dividends and distributions declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all Class B Voting Shares and Class A Variable Voting Shares at the time outstanding, without preference or distinction.

(c) Subdivision or Consolidation.

No subdivision or consolidation of the Class B Voting Shares or the Class A Variable Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

(d) Liquidation, Dissolution or Winding-up.

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation ranking prior to the Class B Voting Shares upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation's assets among its shareholders for the purpose of winding up its affairs, the holders of the Class B Voting Shares and the holders of Class A Variable Voting Shares shall be entitled to receive the remaining property of the



Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

(e) **Conversion.**

(A) ~~Automatic~~AUTOMATIC

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, 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 the Corporation 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.

(B) ~~Upon an Offer~~UPON AN OFFER

In the event that an offer is made to purchase Class A Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class A Variable Voting Shares are then listed, to be made to all or substantially all the holders of Class A Variable Voting Shares, each Class B Voting Share shall become convertible at the option of the holder into one (1) Class A Variable Voting Share at any time while the offer is in effect until one (1) day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Class B Voting Shares for the purpose of depositing the resulting Class A Variable Voting Shares in response to the offer and the Transfer Agent shall deposit the resulting Class A Variable Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (1) give written notice to the Transfer Agent of the exercise of such right and of the number of Class B Voting Shares in respect of which the right is being exercised;
- (2) deliver to the Transfer Agent the share certificate or certificates representing the Class B Voting Shares in respect of which the right is being exercised; and
- (3) pay any applicable stamp tax or similar duty on or in respect of such conversion.

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No share certificates representing the Class A Variable Voting Shares resulting from the conversion of the Class B Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If (i) Class A Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Class A Variable Voting Shares being taken up and paid for, the Class A Variable Voting Shares resulting from the conversion will be re-converted into Class B Voting Shares and a share certificate representing the Class B Voting Shares will be sent to the holder by the Transfer Agent. Class A Variable Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be re-converted into Class B Voting Shares at the time the offeror is required under the relevant securities legislation to take up and pay for such shares if the offeror is a Canadian.

In the event that the offeror takes up and pays for the Class A Variable Voting Shares resulting from conversion, the Transfer Agent of the Corporation shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Class B Voting Shares into Class A Variable Voting Shares in the following cases:

- (i) the offer to purchase Class A Variable Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Class A Variable Voting Shares are then listed to be made to all or substantially all of the holders of Class A Variable Voting Shares, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Class B Voting Shares is made concurrently with the offer to purchase Class A Variable Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Class B Voting Shares must be unconditional, subject to the exception that the offer for the Class B Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Class B Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Class A Variable Voting Shares; or

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- (iii) holders of Class A Variable Voting Shares representing, in the aggregate, more than sixty-six and two thirds percent (66 2/3%) of the then outstanding Class A Variable Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Class A Variable Voting Shares.

III. Constraints on Ownership of Shares

(a) Class A Variable Voting Shares.

The Class A Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians.

(b) Class B Voting Shares.

The Class B Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians.

(c) CBCA Constraints.

In the event that any law or regulation of Canada ~~or a province~~ applicable to the Corporation should become prescribed for the purposes of Subsection 46(1) or Subsection 174(1)(c) of the CBCA, these Articles shall be read as if they included constraints in order to assist the Corporation or any of its affiliates or associates (as such terms are defined in the CBCA) to qualify under such prescribed law or regulation to receive licenses, permits, grants, payments or other benefits by reason of attaining or maintaining a specified level of Canadian ownership or control and such specified level of Canadian ownership or control shall be the level of Canadian ownership or control designated by such prescribed law or regulation of Canada ~~or a province~~.

(d) Joint Ownership.

For the purposes of this Schedule "A", where voting shares of the Corporation are held, beneficially owned or controlled by several persons jointly, the number of voting shares held, beneficially owned or controlled by any one such person shall include the number of voting shares held, beneficially owned or controlled jointly with such other persons.

Where one or more of the joint holders, beneficial owners or persons controlling the voting shares is not a Canadian, the voting shares held, beneficially owned or

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controlled jointly are deemed to be held, beneficially owned or controlled, as the case may be, by such person who is not a Canadian.

(e) **Exceptions.**

Nothing in this Section III shall be construed to apply in respect of voting shares of the Corporation that:

- (i) are held by one or more underwriters solely for the purpose of distributing the shares to the public; or
- (ii) are held by any person that is acting in relation to the shares solely in its capacity as an intermediary in the payment of funds or the delivery of securities, or both, in connection with trades in securities and that provides centralized facilities for the clearing of trades in securities.

The constraints imposed pursuant this Section III do not apply to the extent that a person who is not a Canadian holds voting shares by way of security only and such holding by way of security only is evidenced in such form as may be prescribed by the by-laws or resolutions adopted by the shareholders or directors of the Corporation and filed by such holder with the Corporation.

(f) **By-Laws.**

Subject to the CBCA and the CBCA Regulations, the directors of the Corporation may make, amend or repeal any by-laws or other documents required to administer the constrained share provisions set out in these articles including by-laws or other documents:

- (i) to require any person in whose name voting shares of the Corporation are registered to furnish a statutory declaration declaring whether:
 - (A) the shareholder holds, is the beneficial owner of and has control over the voting shares of the Corporation; ~~and~~
 - (B) the shareholder is a Canadian;
 - (C) the shareholder is a Single Non-Canadian Holder;



(D) the shareholder is a Non-Canadian Holder Authorized to Provide Air Service; and

(E) the shareholder is in affiliation with any Single Non-Canadian Holder or with any Non-Canadian Holder Authorized to Provide Air Service, and, in any such circumstance, the identity of all such affiliated shareholders;

and declaring any further facts that the directors consider relevant;

- (ii) to require any person seeking to have a transfer of a voting share registered in his name or to have a voting share issued to him to furnish a declaration similar to the declaration a shareholder may be required to furnish under paragraph (i) above; and
- (iii) to determine the circumstances in which any declarations are required, their form and the times when they are to be furnished.

Where a person is required to furnish a declaration pursuant to a by-law or other document made under this Section III(f) the directors may refuse to register a transfer of a voting share in his name or to issue a voting share to him until that person has furnished the declaration.

(g) **Powers of Directors**

- (i) In the administration of this Section III, the directors of the Corporation shall enjoy, in addition to the powers set forth herein, all of the powers necessary or desirable, in their opinion, to carry out the intent and purpose hereof, including but not limited to all powers contemplated by the provisions relating to constrained share corporations in the CBCA and the CBCA Regulations.
- (ii) In administering the provisions of this Section III the directors of the Corporation may rely on:
 - (A) a statement made in a declaration referred to in Section III(f); and
 - (B) the knowledge of a director, officer, employee or agent of the Corporation.



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- (iii) Where the directors are required to determine the total number of voting shares of the Corporation held by or on behalf of persons who are not Canadians, including by or on behalf of any Single Non-Canadian Holders or Non-Canadian Holders Authorized to Provide Air Service, including any shareholders in affiliation therewith, the directors may rely upon (i) the share register of the Corporation or (ii) any other register held, or any declaration of residence collected by, the transfer agent of the Corporation or any depositary, such as CDS & Co., as of any date, provided that such date is not more than four months before the day on which the determination is made.
- (iv) Wherever in this Section III it is necessary to determine the opinion of the directors of the Corporation, such opinion shall be expressed and conclusively evidenced by a resolution of the directors of the Corporation duly adopted, including a resolution in writing executed pursuant to Section 117 of the CBCA.
- (v) Neither any shareholder of the Corporation nor any other interested person shall have any claim or action against the Corporation or against any director or officer of the Corporation nor shall the Corporation have any claim or action against any director or officer of the Corporation arising out of any act (including any omission to act) performed pursuant to or in intended pursuance of the provisions of this Section III or any breach or alleged breach of such provisions.

(h) **Disclosure Required**

Each of the following documents issued or published by the Corporation shall indicate conspicuously the general nature of the constraints on issue, transfer and ownership of its voting shares contained herein:

- (i) a certificate representing a voting share;
- (ii) a management proxy circular; and
- (iii) a prospectus, statement of material facts, registration statement or similar document.

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IV. DEFINITIONS

For purposes of this Schedule "A", the following terms have the following meanings:

"affiliation" shall, for purposes of Sections I(a)(A), I(a)(B), I(a)(C), III(f)(i)(E) and III(g)(iii) of this Schedule "A", have the meaning set forth in Subsection 55(2) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**Aggregate Votes**" means the aggregate of the votes attached to all voting shares of the Corporation that may ordinarily be cast to elect directors of the Corporation;

"air service" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**Canadian**" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CBCA Regulations**" means the Regulations made under the CBCA;

"**CTA**" means the *Canada Transportation Act*, as amended;

"Non-Canadian Holder(s) Authorized to Provide Air Service" shall have the meaning set forth in Section I(a)(B)(i);

"**person**" includes an individual, corporation, body corporate, partnership, unincorporated organization, government or agency thereof, trustee, executor, administrator and other legal representative, and when used in this Schedule "A", references to "person" in the singular shall be deemed to include the plural and vice versa;

"Single Non-Canadian Holder" shall have the meaning set forth in Section I(a)(A)(i);

"**Transfer Agent**" means the transfer agent in respect of the Class A Variable Voting Shares and the Class B Voting Shares; and



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"**voting share**" means a share carrying voting rights under all circumstances or under some circumstances that have occurred and are continuing and includes a security currently convertible into such a share and currently exercisable options and rights to acquire such a share or such a convertible security.

All terms used in this Schedule "A" that are not defined in these Articles but are defined in the CBCA have the meanings ascribed thereto in the CBCA. Any provision of this Schedule "A" that may be read in a manner that is inconsistent with the CBCA shall be read so as to be consistent therewith.

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SCHEDULE "E"
INTERIM ORDER

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-056036-193

Montreal, February 15, 2019

Present: The Honourable Martin
Castonguay, J.S.C.

IN THE MATTER OF A PROPOSED
ARRANGEMENT CONCERNING:

AIR CANADA

Petitioner

and

THE DIRECTOR APPOINTED PURSUANT
TO THE CBCA

Impleaded Party

INTERIM ORDER¹

GIVEN Air Canada Motion for Interim and Final Order pursuant to the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the "**CBCA**"), the exhibits, and the affidavit of David Perez filed in support thereof (the "**Motion**");

GIVEN that this Court is satisfied that the Director appointed pursuant to the CBCA has been duly served with the Motion and has confirmed in writing that he would not appear or be heard on the Motion;

¹ All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Notice of 2019 Annual and Special Meeting of Shareholders and Management Proxy Circular (the "**Circular**");

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GIVEN the provisions of the *CBCA*;

GIVEN the representations of counsel for the Petitioner Air Canada ("**Air Canada**");

GIVEN that this Court is satisfied, at the present time, that the proposed amendment to Air Canada's Articles of Incorporation is an "arrangement" within the meaning of Section 192(1) of the *CBCA*;

GIVEN that this Court is satisfied, at the present time, that it is not practicable for Air Canada to effect the arrangement proposed under any other provision of the *CBCA*;

GIVEN that this Court is satisfied, at the present time, that Air Canada meets the requirements set out in Subsections 192(2)(a) and (b) of the *CBCA* and that the Air Canada is not insolvent;

GIVEN that this Court is satisfied, at the present time, that the arrangement is put forward in good faith and, in all likelihood, for a valid business purpose;

FOR THESE REASONS, THE COURT:

- [1] **GRANTS** the Interim Order sought in the Motion;
- [2] **DISPENSES** Air Canada of the obligation, if any, to notify any person other than the Director appointed pursuant to the *CBCA* with respect to the Interim Order;
- [3] **ORDERS** that all holders of class A variable voting shares and class B voting shares (collectively the "**Shareholders**") be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order rendered herein;

The Meeting

- [4] **ORDERS** that Air Canada may convene, hold and conduct a meeting on May 6, 2019, commencing at 10:30 am (Montréal time) at the following location, Metro Toronto Convention Center located at South Building, 222 Bremner Boulevard, Toronto, Ontario (the "**Meeting**"), at which time the Shareholders will be asked, among other things, to consider and, if thought appropriate, to pass, with or without variation, the Arrangement

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Resolution substantially in the form set forth in Appendix B of the Arrangement Disclosure (Exhibit P-2) to, among other things, authorize, approve and adopt the Arrangement, and to transact such other business as may properly come before the Meeting, the whole in accordance with the terms, restrictions and conditions of the articles and by-laws of Air Canada, the CBCA, and this Interim Order, provided that to the extent there is any inconsistency between this Interim Order and the terms, restrictions and conditions of the articles and by-laws of Air Canada or the CBCA, this Interim Order shall govern;

- [5] **ORDERS** that in respect of the vote on the Arrangement Resolution or any matter determined by the Chair of the Meeting to be related to the Arrangement, each registered holder of class A variable voting shares (the "**Variable Voting Shares**") and class B voting shares (the "**Voting Shares**" and together with the Variable Voting Shares, collectively the "**Shares**") shall be entitled to cast one vote in respect of each such Share held;

- [6] **ORDERS** that the Shareholders will vote together as a single class. Notwithstanding paragraph 5 of the present Interim Order, each Variable Voting Share will confer the right to one vote per share unless: (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of voting shares outstanding of Air Canada exceeds 25%, or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at the Meeting exceeds 25% of the total number of votes that may be cast at such Meeting. If either of the above noted thresholds is otherwise surpassed at any time, the vote attached to each Variable Voting Share will be decreased proportionately such that: (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding Shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Variable Voting

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Shares at the Meeting does not exceed 25% of the votes that may be cast at the Meeting.

- [7] **ORDERS** that quorum shall be present at the Meeting if the holders have 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;
- [8] **ORDERS** that the only persons entitled to attend, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the registered Shareholders at the close of business on the Record Date (March 11, 2019), their proxy holders, and the directors and advisors of Air Canada, provided however that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;
- [9] **ORDERS** that for the purpose of the vote on the Arrangement Resolution, or any other vote taken by ballot at the Meeting, any spoiled ballots, illegible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and further **ORDER** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution;
- [10] **ORDERS** that Air Canada, if it deems it advisable, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further **ORDER** that notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or by mail, as determined to be the most appropriate

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method of communication by Air Canada; further **ORDER** that any adjournment or postponement of the Meeting will not change the Record Date for Shareholders entitled to notice of, and to vote at, the Meeting and further **ORDER** that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[11] ORDERS that that Air Canada may amend the Arrangement at any time, provided that each such amendment must be set out in writing and filed with the Court. Further, **ORDERS** that:

- (a) Any amendment, modification or supplement to the Plan of Arrangement may be made prior to the Effective Time by Air Canada without the approval of the Court or of the Shareholders, provided that it concerns a matter which, in the reasonable opinion of Air Canada, is of an administrative nature required to better give effect to the implementation of the Arrangement or is not adverse to the financial or economic interests of any Shareholders.
- (b) Subject to paragraph (a) above, any amendment to the Arrangement may be proposed by Air Canada at any time prior to or at the Meeting with or without any other prior notice or communication to Shareholders, and if so proposed and accepted by the persons voting at the Meeting, shall become part of the Arrangement for all purposes.
- (c) Subject to paragraph (a) above, Air Canada may amend, modify and/or supplement the Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to Shareholders.

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(d) This Plan of Arrangement may be withdrawn and Air Canada may not proceed with this Plan of Arrangement prior to the Effective Time in accordance with the Arrangement Resolution.

[12] **ORDERS** that Air Canada is authorized to use proxies at the Meeting; that Air Canada is authorized, at its expense, to solicit proxies on behalf of its management, directly or through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine; and that Air Canada may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

[13] **ORDERS** that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of not less than 66 2/3 at a minimum percent of the total votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting; and further **ORDER** that such vote shall be sufficient to authorize and direct Air Canada to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as this term is defined below);

The Notice Materials

[14] **ORDERS** that Air Canada shall give notice of the Meeting, and that service of the Motion for a Final Order shall be made by delivering or giving access, in the manner hereinafter described and to the persons hereinafter specified, a copy of this Interim Order, together with the following documents, with such non-material amendments thereto as Air Canada may deem to be necessary or desirable, provided that such

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amendments are not inconsistent with the terms of this Interim Order (collectively, the "**Notice Materials**");

- (a) the Notice of Meeting substantially in the same form as contained in Exhibit P-3;
- (b) the Circular, which will include the Arrangement Disclosure substantially in the same form as contained in Exhibit P-2;
- (c) a Form of Proxy;
- (d) a notice substantially in the form of the draft filed as Appedix F to Exhibit P-2 providing, among other things, the date, time and room where the Motion for a Final Order will be heard, and that a copy of the Motion can be found on Air Canada's Web site (the "**Notice of Presentation**");

[15] ORDER that the Notice Materials shall be distributed :

- (a) to the registered Shareholders and to the non-registered Shareholders by mailing (unless the Shareholder has chosen to receive proxy materials electronically) a notice of notice-and-access and the proxy form at least twenty-one (21) days prior to the date of the Meeting;
- (b) to the registered Shareholders and to the non-registered Shareholders by using notice-and-access to deliver the Notice of Meeting and Circular whereby these documents will be posted online for Shareholders to access.
- (c) to Air Canada's directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person, by recognized courier service, by email or by notice-and-access; and

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(d) to the Director appointed pursuant to the CBCA, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person, by recognized courier service or by email;

[16] **ORDERS** that a copy of the Motion be posted on Air Canada's website (www.aircanada.com) at the same time the notice of notice-and-access is mailed;

[17] **ORDERS** that the Record Date for the determination of Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be the close of business (Montréal time) on March 11, 2019;

[18] **ORDERS** that Air Canada may make, in accordance with this Interim Order, such additions, amendments or revision to the Notice Materials as it determines to be appropriate (the "**Additional Materials**"), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to this Interim Order by the method and in the time determined by Air Canada to be most practicable in the circumstances;

[19] **DECLARES** that the mailing, delivery or access of the Notice Materials and any Additional Materials in accordance with this Interim Order as set out above constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Motion need be made, or notice given or other material served in respect of the Meeting to any persons;

[20] **ORDERS** that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

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- (b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and
- (c) in the case of delivery by facsimile transmission, by e-mail or notice-and-access, on the day of transmission;

[21] **DECLARES** that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of Air Canada, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

The Final Order Hearing

[22] **ORDERS** that subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, Air Canada may apply for this Court to sanction the Arrangement by way of a final judgment (the "**Motion for a Final Order**");

[23] **ORDERS** that the Motion for a Final Order be presented on May 8, 2019 Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse, located at 1 Notre-Dame Street East in Montréal, Québec, Room 16.12 (or any other room the Court may designate) at noon or so soon thereafter as counsel may be heard, or at any other date this Court may see fit;

[24] **ORDERS** that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the Motion and good and sufficient notice of presentation of the Motion for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

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[25] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Motion for a Final Order shall be Air Canada and any person that:

- (a) files an appearance with this Court's registry and serve same on Air Canada's counsel, Stikeman Elliott LLP, 1155 René-Lévesque Blvd. West, 41st Floor, Montreal, Quebec, H3B 3V2, fax number (514) 397-3222, email: slapierre@stikeman.com, Attention: Me Stéphanie Lapierre, no later than 4:30 p.m. on May 6, 2019; and
- (b) if such appearance is with a view to contesting the Motion for a Final Order, serves on Air Canada's counsel (at the above address and facsimile number), no later than 4:30 p.m. on May 7, 2019, a written contestation supported as to the facts alleged by affidavit(s), and exhibit(s), if any;

[26] **ALLOWS** Air Canada to file any further evidence it deems appropriate, by way of supplementary affidavits or otherwise, in connection with the Motion for a Final Order;

Miscellaneous

[27] **DECLARES** that Air Canada shall be entitled to seek leave to vary this Interim Order upon such terms and such notice as this Court deems just;

[28] **ORDERS** provisional execution of this Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[29] **THE WHOLE without costs.**

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COPIE CONFORME

JULIO BERRICA

Julio Berrica
GREFFIER ADJOINT C.S.M.


The Honourable Martin Castonguay
J.S.C.

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SCHEDULE "F" NOTICE OF PRESENTATION

NOTICE OF PRESENTATION

(FINAL ORDER)

TAKE NOTICE that the present *Motion for Interim and Final Order* will be presented for adjudication of the Final Order sought therein to the Superior Court of Quebec, sitting in the Commercial Division, in and for the district of Montreal at the Montreal Courthouse located at 1, Notre-Dame Street East, Montreal, Quebec, in **room 16.12** (or in any other room the Court may designate), on **May 8, 2019, at 12:00 p.m.** (Montreal time) or any other date fixed by the Court, as shall be determined by the judge adjudicating the Interim Order.

Pursuant to the Interim Order issued by the Superior Court of Quebec on February 15, 2019, if you wish to make representations before the Court, you are required to file an appearance at the Office of the Clerk of the Superior Court of the District of Montreal, no later than **4:30 p.m. (Montreal time) on May 6, 2019** and to serve Me Stéphanie Lapierre, counsel for the Petitioner, a copy of this form within the same time limit at the following address:

1155 René-Lévesque Blvd. West, 41e Floor
Montreal, Quebec H3B 3V2
Fax: 514.397.3222

If you wish to contest the issuance by the Court of the Final Order, you are required, pursuant to the terms of the Interim Order, to prepare a written contestation containing the reasons why the Court should not issue the Final Order. This written contestation must be supported as to the facts by affidavit(s), and exhibit(s), if any, and must be filed at the Office of the Clerk of the Superior Court of the District of Montreal no later than **4:30 p.m. (Montreal time) on May 7, 2019**, and serve Me Stéphanie Lapierre, counsel for the Petitioner at the above-mentioned address.

TAKE FURTHER NOTICE that, if you do not file a written contestation and/or an appearance form within the above-mentioned time limits, you will not be entitled to contest the Motion for Final Order or make representations before the Court, and the Petitioner may be granted a judgment without further notice or extension.

If you wish to make representations or contest the issuance by the Court of the Final Order, it is important that you take action within the time limits indicated, either by retaining the services of an attorney who will represent you and act in your name, or by doing so yourself.

DO GOVERN YOURSELVES ACCORDINGLY.

Signature block omitted.



SCHEDULE “G”

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

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

II. ROLE

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

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

III. COMPOSITION

Selection

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

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

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



Chairman

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

Independence

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

Criteria for Board Membership

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

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

Board Tenure

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

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

IV. COMPENSATION

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



V. RESPONSIBILITIES

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

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



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

VI. MEETINGS

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

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

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

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL

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

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

- (l) Plan Design

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



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

(II) Governance

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

(III) Valuation and Funding

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

(IV) Supplemental Executive Retirement Plans

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

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

VIII. BOARD COMMITTEES

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

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

IX. COMMUNICATION WITH THE BOARD

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

X. ADVISORS

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



XI. OTHER MATTERS

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

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

Approved by the Board on February 15, 2019



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